

# Tropical Timber Market Report

Volume 18 Number 4, 16th – 28th February 2014



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

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## Top Story

### Labelling system for domestic furniture

The Japan Furniture Industry Development Association has established a new 'labelling' system for domestically made furniture.

The aim is to generate higher sales of locally made furniture.

To meet the criteria for labelling manufacturers must be implementing a raw material chain of custody system such as that of FSC, PEFC and SGEC, or have a supplier's certificate verifying the legality of the wood raw material.

For more see page 16

## Headlines

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## Report from Central/West Africa

### Very active demand in Middle East markets

Log and sawnwood prices remain unchanged after the minor adjustments reported earlier in the month. The good news is that log exports from Cameroon are improving strongly and higher volumes of sawnwood are also beginning to flow onto the market.

Producers report that demand from Middle East buyers is firm and that the trade is very active. West and Central African producers appear confident of maintaining and even increasing their market share in the Middle East markets. Demand in Asian markets is unchanged and very firm at current prices. Here again, West and Central African producers and exporters expect the moderate to good levels of demand to continue.

There have been some media stories raising concern on the sustainability of growth in China but as far as Central and West African exporters are concerned this is not reflected in the level of trade.

In contrast to the lively Asian trade, markets in Europe are steady but unexciting and little changed from the subdued demand pattern seen throughout last year.

### Spring boost to hardwood demand remains elusive

Traditionally demand for tropical timber in the EU has tended to strengthen in the spring and early summer months but there is now such very strong competition from US hardwoods that any market improvement could be modest as far as tropical timber is concerned.

Asian markets for US hardwoods also grew strongly in 2013 and this momentum seems to have been carried into this year.

Stories are circulating that US exporters are now 'allocating' shipments of the most popular red and white oak rather than having to 'market' these timbers.

### ECOWAS/EU partnership deal struck

West African Finance and Trade ministers met this month to consider the report of its negotiating team on the Economic Partnership Agreement (EPA) with the European Union. It has been agreed that the African states will liberalise 75% of trade over 20 years, rather than the 80% over 15 years that the EU originally insisted upon.

The other major issue that has now been resolved related to the funding of the EPA Development Programme (EPADP). West African negotiators had asked for euro 16 billion to address infrastructure requirements but the compromise was euro 6.5 billion Euros over five years.

The agreement paves the way for creation of a free trade area of West Africa and the EU as a successor Agreement to the previous trade regimes which were criticised by the World Trade Organization. For more see: <http://news.ecowas.int/presseshow.php?nb=020&la>

## Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	235	230	150
Belli	230	230	-
Bibolo/Dibétou	150	145	-
Iroko	250	225	210
Okoume (60% CI, 40% CE, 20% CS) (China only)	335	330	250
Moabi	280	270	-
Movingui	215	215	175
Niove	165	165	-
Okan	250	250	-
Padouk	310	280	210
Sapele	280	270	180
Sipo/Utile	310	285	190
Tali	300	300	-

## Sawnwood Export Prices

West African sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	340
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	255
Std/Btr GMS	350
Sipo FAS GMS	550
FAS fixed sizes	-
FAS scantlings	550
Padouk FAS GMS	790
FAS scantlings	790
Strips	400
Sapele FAS Spanish sizes	535
FAS scantlings	555
Iroko FAS GMS	565
Scantlings	590
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	410

## Report from Ghana

### Sawnwood exports drive up earnings

The Timber Inspection Development Division of the Forestry Commission of Ghana has released export data for the period Jan-Nov 2013.

The report shows that between January and November 2013 245,652 cubic metres of solid wood products were exported earning euro 108.3 million. This performance represents an increase of 8% in terms of volume and 21% in terms of value.

The success of 2013 exports up to November is attributed to improved exports of sawnwood (both air and kiln dried) and the 34% jump in exports of sliced veneer.

However, overland export of plywood to neighbouring countries plummeted almost 35% from 81,788 cubic metres in the same period in 2012 to just 52,677 cubic metres in the year to November 2013.

Export earning from this product dropped from euro 25.62 million in 2012 to euros 17.15 million in the year to November 2013.

Ghana's export markets included Germany, Italy, France, UK and Belgium, China, India, Thailand, South Africa, Morocco and Cape Verde.

### Inflation at new high

Ghana's annual consumer price inflation rose to a three-year high of 13.8 percent in January, up from 13.5 percent in December 2013 and was driven mainly by an increase in utilities, housing, fuel and some foods.

### Services to Attract VAT

Banks in Ghana will begin charging value-added tax (VAT) on some services excluding loans by the end of next month, Ghana Association of Bankers Chief Executive Office Daniel Mensah said. He added that the Ministry of Finance, Bank of Ghana (BOG), and the Ghana Revenue Authority are in discussions to identify the services that will attract VAT.

### Government reassures investors

In his State of the Nation Address Ghana's President, HE John Mahama, tried to reassure everyone that despite the continuous fall of the domestic currency, Ghana remains an attractive destination for investment.

Meanwhile, the government endorsed measures adopted by the Central Bank to arrest the falling value of the local currency.

### New minimum wage rates to be announced

The Minister of Employment and Labour Relations, Nii Armah Ashitey, has explained that a new minimum wage will be introduced after the National Tripartite Committee (NTC) recommendations have been fully considered.

The NTC comprises representatives of the government, the Trades Union Congress, and the Ghana Employers Association. Representatives of the Fair Wages and Salaries Commission (FWSC), the National Labour Commission (NLC) and other stakeholders also attended the meeting.

The minister said it was important to let the public know that, even though a final decision on the level of increase in the minimum wage has not been decided, the government was not idle on this matter.

The national daily minimum wage on the basis of twenty-seven working days per month was increased by 17% from cedi 4.48 to 5.24 per day last year.

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	Up to 80cm	80cm+
Wawa	153-160	167-185
Odum Grade A	170-175	138-150
Ceiba	115-133	122-135
Chenchen	105-122	155-180
Khaya/Mahogany (Veneer Qual.)	125-150	161-185
Sapele Grade A	152-157	141-166
Makore (Veneer Qual.) Grade A	116-122	130-135
Ofram	112-118	

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	240
Black Ofram Kiln dry	333
Niangon	492
Niangon Kiln dry	575

### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	855	945
Asanfina	480	560
Ceiba	251	272
Dahoma	292	350
Edinam (mixed redwood)	362	470
Emeri	353	542
African mahogany (Ivorensis)	593	650
Makore	575	650
Niangon	570	625
Odum	540	641
Sapele	567	645
Wawa 1C & Select	275	323

### Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm )	FACE (2mm)
Ceiba	280	330
Chenchen	320	358
Ogea	298	340
Essa	322	330
Ofram	328	365

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.80
Asanfina	1.20	0.47
Avodire	1.12	0.47
Chenchen	0.85	0.53
Mahogany	1.30	0.47
Makore	1.30	0.60
Odum	1.88	1.08

### Export Plywood Prices

Plywood, FOB BB/CC	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	428	600	641
6mm	422	592	622
9mm	360	415	490
12mm	357	435	445
15mm	325	363	380
18mm	305	363	367

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

### Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.70	15.36	18.80
Odum	11.20	11.80	12.40
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.65	18.55

Grade 2 less 5%, Grade 3 less 10%.

## Report from Malaysia

### **Industrialisation key to reduce dependence on foreign workers**

The Malaysian Ministry of Plantation Industries and Commodities (MPIC) has established the Institute of Malaysian Plantation and Commodities (IMPAC) to strengthen, transform and further industrialise the country's plantation and commodity industries.

IMPAC will oversee the human capital development needs of the various industries. The Board of Directors for IMPAC is drawn from palm oil, rubber, timber, cocoa, pepper, kenaf and tobacco industries.

The government has set the institute two main objectives:

- to become an international training centre to meet the needs of skilled manpower in plantations and commodities
- to produce a knowledgeable workforce through academic and skills-based training to meet the needs of the commodities industry

IMPAC will run training courses tailored to the needs of the various commodity sector. It is hoped that all future training under the ministry and its agencies will be rationalised under IMPAC to achieve coordination and expanded coverage of skills.

In 2012, total commodity exports by Malaysia were RM127.5 billion (approximately US\$38.3 billion at current exchange rates) accounting for almost 18% of all Malaysia's exports.

IMPAC was set up in recognition of the importance of commodity exports to the economy and to address the country's over-dependence on foreign workers in the plantations and associated processing plants.

### **Thailand top importer of Sabah sawnwood**

The Department of Statistics in Sabah has released 2013 exports data for the state. The total volume of sawnwood exported in 2013 was 241,889 cu.m valued at RM 359.2 mil. FOB (approx. US\$107.9 mil.).

The single largest export species group was dark and light red meranti and meranti bakau and exports totaled 68,860 cu.m valued at RM112.3 mil. FOB (approx. US\$33.7 mil.).

The second largest species group exported was keruing, ramin, kapur, teak, jelutong, kempas, mengkulang, balau which totaled 67,176 cu.m valued at RM107.0 mil. FOB (approx. US\$32.1 mil.).

Exports of belian were 22,001 cu.m valued at RM33.1 mil. FOB (approx. US\$9.9 mil.). The main market for Sabah sawnwood in 2013 was Thailand at 54,928 cu.m (22.7% of total sawnwood exports) valued at RM69.9 mil. FOB (approx. US\$21.0 mil.).

The second largest importer of sawnwood from the state was China at 39,296 cu.m (16.2%) valued at RM59.1 mil. FOB (approx. US\$17.8 mil.). Then followed Taiwan P.o.C at 31,033 cu.m, (12.8%) Japan, 21,458 cu.m, (8.9%), South Africa, 20,106 cu.m, (8.3%) and Philippines 18,717 cu.m, (7.7%).

### **Japan holds onto top spot for plywood imports from Sabah**

Manufacturers in Sabah also exported 648,857 cu.m of plywood in 2013 valued at RM1,039.6 mil. FOB (approx. US\$312.2 mil.). The main importer was Japan at 128,577 cu.m and the second ranked 'importer' was Peninsular Malaysia at 110,807 cu.m.

Other foreign export markets for Sabah plywood were South Korea, 76,483 cu.m; USA 56,708 cu.m; Egypt 51,533 cu.m and Mexico at 49,227 cu.m.

### **60% of Sarawak's 2013 log exports to India**

The authorities in Sarawak have also provided 2013 export data and this was published by the Sarawak Timber Association.

In 2013, Sarawak exported 2,801,368 cu.m of logs worth RM1,692.4 mil. FOB (approx. US\$508.2 mil.). Exports of meranti logs made up the bulk of exports at 1,296,014 cu.m followed by mixed light hardwood at 440,480 cu.m and then kapur at 222,296 cu.m.

For 2013, India was the main importer of Sarawak logs taking a volume of 1,724,838 cu.m. Taiwan P.o.C was the second largest importer of logs from the state at 363,085 cu.m.

In 2013 Chinese imports of logs from Sarawak amounted to just 267,094 cu.m followed by Vietnam, 177,306 cu.m. Japan was the fifth ranked importer of Sarawak logs at only 142,269 cu.m. Buyers in Indonesia imported 69,821 cu.m of Sarawak logs worth approximately US\$4.1 million.

## Report from Indonesia

### **Partnership for sustainable furniture production**

WWF-Indonesia and ASMINDO (Furniture Industry and Handicraft Association of Indonesia) recently formed a partnership aimed at "sustainable production and consumption as best practice in forest product markets, safeguarding forest value and supporting poverty reduction".

Details of this initiative can be seen at: <http://iffinaindonesia.com/partnership-between-wwf-indonesia-wwf-uk-and-asmindo/>

The objective is to expand capacity building in the small and medium sized wood processing enterprises to enable their ability to conform to Indonesia's timber legality assurance system and, through this, to emphasise the commercial link between sustainable wood product manufacture and market demand.

Through this partnership, says the press release, “stakeholders are expected to increase their technical capacity in respect of legality and strengthen the Timber Legality Verification System (SVLK) implementation in Indonesia”.

#### **Let the shows begin**

It is show time in SE Asia with IFEX from 11 - 14 March, IFFINA from 14 - 17 March (both in Jakarta) and the International Furniture Fair, Singapore, (IFFS) from 13-16 March in Singapore.

Jakarta will play host to a new furniture expo, IFEX, that the organisers say “promises to deliver on Indonesia’s legendary creativity and artistic diversity”. See: [http://www.ifexindonesia.com/Press\\_Release.php](http://www.ifexindonesia.com/Press_Release.php)

The seventh annual IFFINA, has the theme, “Eco Green”. In a press release, Ambar Tjahyono the chairman of ASMINDO, explained that this theme is to introduce the concept of eco-friendly furniture which incorporates environmentally friendly material selection and production processes meeting top environmental standards. See <http://iffinaindonesia.com/eco-green-theme-of-iffina-2014/>

Since its first show in 1981, IFFS has grown to become a major regional and international event for companies aiming to penetrate the global market. The International Furniture Fair Singapore will be held in conjunction with the ASEAN Furniture Show, The Décor Show and The Hospitality 360°. For more see: <http://www.iffs.com.sg/>

#### **Indonesia:US commitment on combating wildlife trafficking**

Minister of Forestry, Zulkifli Hasan, and US Secretary of State, John Kerry, signed a Memorandum of Understanding committing both signatories to conserving wildlife and combating wildlife trafficking.

This MoU comes on the heels of the Indonesia-USA Comprehensive Partnership amongst others. The Indonesia Ministry of Forestry has reaffirmed its commitment to cooperate with international organisations to combat trafficking and trading of regulated flora and fauna.

#### **Consultations continue on SFM and legality issues**

The Ministry of Forestry will hold multi-stakeholder consultations at the regional and national levels to strengthen standards and guidelines for implementing SFM and timber legality verification. This activity is a follow up to the agreement between Indonesia and the EU on the Action Plan for the FLEGT – VPA.

#### **Finding sustainable solutions for the palm oil sector**

An international conference on oil palm and the environment under the theme “Oil palm cultivation: Becoming a model for tomorrow’s sustainable agriculture” was recently concluded.

Participants sought to respond to challenges in minimising deforestation, mitigating greenhouse gas effects and the conservation of biodiversity.

The oil palm industry is seen in a negative light in many quarters however, WWF Indonesia CEO, Efransjah, said improvement of cultivation practices are the key to transforming the negative image of the palm oil industry.

In a press release WWF Indonesia says “the palm oil industry is one of the most lucrative industries in Indonesia where 4.5% of 2012 GDP came from this commodity. But environmental concerns always loom high in the industry as expansion of palm oil plantations become the main driver of deforestation and the loss of biodiversity in Indonesia”.

The urgency to find sustainable practices for this sector encouraged WWF-Indonesia along with CIRAD and PT SMART Tbk to convene the fourth International Conference on Oil Palm and Environment (ICOPE) on 12-14 February 2014.

#### **Indonesian economy already adjusted to negative effects of US monetary ‘tapering’**

Analysts have been quick to point out that the decision of the US Federal reserve to slow its asset accumulation has had a far reaching and negative impact on emerging economies.

While this is largely correct Indonesia has, it seems, adjusted already as investor and consumer confidence has improved in recent weeks. The Indonesian stock market has jumped significantly as foreign investors increase holdings of Indonesian shares.

Because of the inflow of cash the Indonesian rupiah has also strengthened and the upward momentum of the rupiah was boosted by news of the US\$1.5 billion trade surplus for December.

Adding to the good news, the ANZ-Roy Morgan Indonesian Consumer Confidence survey reports an improvement in January consumer sentiment as more Indonesians are confident about the domestic economic outlook.

For more see: <http://www.anz.co.nz/commercial-institutional/economic-markets-research/consumer-confidence/>

#### **Interest rates on hold**

The Bank Indonesia has decided to maintain interest rates at 7.50%, a decision consistent with the tight monetary policy stance currently adopted in order to steer inflation back towards the Bank’s target of 4.5 (plus minus1%) in 2014.

For more see: [http://www.bi.go.id/en/ruang-media/siaran-pers/Pages/SP\\_160814.aspx](http://www.bi.go.id/en/ruang-media/siaran-pers/Pages/SP_160814.aspx)

### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	195-220
Sawlogs (Meranti)	200-220
Falcata logs	170-190
Rubberwood	95-110
Pine	125-140
Mahoni (plantation mahogany)	130-150

### Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	390-410
KD	-
AD 3x20x400cm	565-600
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	345-370
AD 2x20x400cm	455-500
AD 3x30x400cm	390-420

### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	620-650
3mm	650-670
6mm	-

### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	370-390
12mm	345-360
15mm	285-315

### Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 9-18mm	680-720
Domestic 9mm	960-1020
12-15mm	585-610
18mm	400-450
<i>MDF</i>	
Export 12-18mm	720-755
Domestic 12-18mm	325-450

## Report from Myanmar

### Date for final payment for export logs revised

Export shipments from 1 April 2013 to end January 2014 are estimated to have been 397,807 cu.m of teak logs and 1,307,095 cu.m of other hardwood logs.

Total export shipments for the 2012-13 fiscal year were 494,650 cu.m of teak logs and 1,561,540 cu.m of other hardwood logs.

Though shipments this year are likely to exceed those of the previous year, analysts do not expect to see any significant change in export volumes. However, recently shipments from Yangon Port have increased.

It has been reported that the date for final payment for logs that are ready to be exported has been extended to 31 March 2014 rather than the previously announced date of 28 February 2014. However, overseas buyers are advised to ship all logs by midnight 31 March 2014.

Logs that are not shipped before the 1 April deadline will have to be processed in some way in Myanmar.

The date for final payment of these logs has been extended to 30 September 2014 instead of the previously announced 30 June 2014. For further details please contact Myanmar Timber Enterprise.

### Where to now Myanmar timber industry?

For decades Myanmar has been a major exporter of logs but now a ban on log exports will be introduced and at the same time the log harvest volumes will be drastically reduced.

Analysts point out that if raw material availability is reduced too far then neither existing domestic mills nor any new mills established by local or overseas investors will have sufficient logs and ask, will the Myanmar timber industry need to import logs like in India, Thailand, and Vietnam?

Following on from this, what would be the import duty and tax implications for local processors? A clear 'road map' for the future of the timber industry in Myanmar is needed says one analyst.

### Limit on size of private plantations suggested

The MOECAP Deputy Minister Aye Myint Maung, during a visit to Bago Division, said that the establishment of private teak and hardwoods plantations began 2006 and that to date 43,444 ha. of teak and 20,968 ha. of other hardwoods have been established.

On this topic Forest Research and Environment Development and Conservation Association (FREDA) Chairman Ohn, has suggested that private company plantations should be limited in size and that communities should be encouraged to establish plantations.

### Muse (China border) trade figures

The value of trade from 1 April 2013 to end January 2014 through the Muse border crossing with China exceeded US\$3 billion according to the Directorate of Commerce, as reported by the Myanmar press (Daily Eleven Feb 20).

Of this amount the value of commodity exports, including agriculture products is reported at US\$ 1.9 billion, some US\$606 million more than during the same period in the last financial year. The value of seized goods along Muse-Mandalay route is said to have exceeded US\$3.5 million last year.

**Teak and hardwood prices**

The following items were sold by competitive bidding on 21 and 24 February 2014 at the Myanmar Timber Enterprise (MTE) tender hall.

**Teak log sales by open tender 21 February 2014  
Average FOB price**

Grade	H. tons	US\$/h.ton
Sawing Grade-2	13	\$4,422
Sawing Grade-4	186	\$3,438
Sawing Grade-5	62	\$2,477
Sawing Grade-6	112	\$2,132
Sawing Grade-7	134	\$1,610

**Note:** H. ton 50 cubic feet. To be shipped as logs

**Hardwood logs sales by tender 21 February 2014**

Species	Hoppus Tons	Average US\$/ h.ton FOB
Gurjan	71	\$343
Kanyin	223	\$363

**Note:** H. ton 50 cubic feet. To be shipped as logs

**Teak logs sales by Special Open Tender 21 February 2014 Yangon**

Grade	Hoppus Tons	Average. US\$/ h. ton FOB
SG-7	762	\$697
SG-8	121	\$521
SG-9	5	\$410
Posts (logs)	20	\$351

**Note:** H. ton 50 cubic feet. To be shipped as logs

**Teak logs sales by Special Open Tender 21 February 2014 Yangon**

Grade	Hoppus Tons	Average. US\$/ h.ton FOB
SG-7	2061	US\$ 1007

**Note:** H. ton 50 cubic feet. To be shipped as logs

**Sawn Teak by Special Open Tender 7 February 2014**

Product	Grade	Hoppus Tons	Average. US\$/ h.ton FOB
Teak Flitches	Special	9	\$3,158
Teak Flitches	First	15	\$2,698
Teak Scantlings	Third	8	\$411

**Note:** H. ton 50 cubic feet.

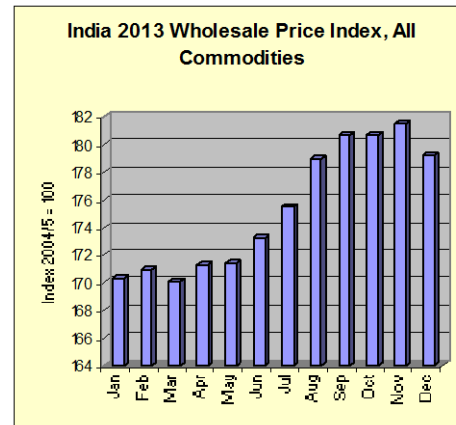
Flitches: width 6-17.5inch x thickness 3-10inch x length 6-15.5ft.

Scantlings: width 1.5-15inch x thickness 0.5-10.5inch x length 1.5-23ft.

**Good news on wholesale prices**

A press release from the Office of the Economic Adviser to the Indian government provides details of the trend in the Wholesale Price Index (WPI).

The official Wholesale Price Index for 'All Commodities' (Base: 2004-05 = 100) for the month of January 2014 declined by 0.2 percent to 178.9 (provisional) from 179.2 (provisional) for the previous month.



Source: Office of Economic Adviser, India

In other encouraging news it has been revealed that the annualised rate of inflation, based on the monthly WPI, stood at 5.05% for January 2014 compared to 6.16% in December 2013 and 7.31% in January 2013.

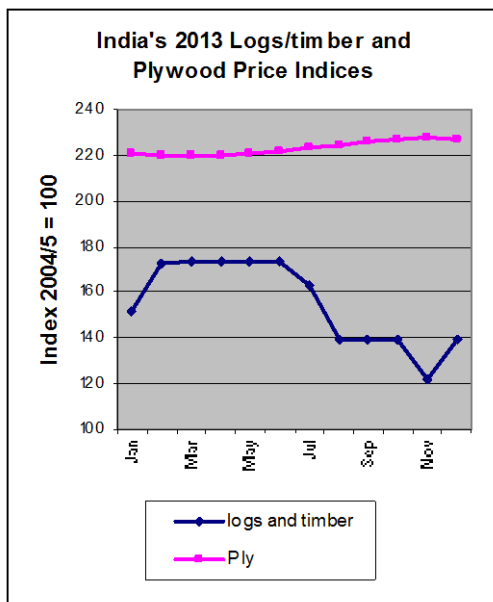
See: <http://www.eaindustry.nic.in/>

However, the Reserve Bank of India has cautioned that core WPI inflation worsened to 3 percent last month, its highest since early 2013.

**Timber and Plywood Wholesale Price Indices**

In addition to data on the Wholesale Price Index for all commodities, the Office of the Economic Adviser to the Indian government also reports data on wholesale price movements for a variety of wood products.

The Wholesale Price Indices for Logs/timber and Plywood are shown below. Despite the depressed housing market plywood prices changed little during 2013 whereas the Logs/timber index has shown considerable volatility.



Source: Office of Economic Adviser, India

### Global real estate consultancy launches India's first real estate sentiment index

Knight Frank India Pvt. Ltd., in association with the Federation of Indian Chambers of Commerce and Industry has released the first of its real estate sentiment index reports on the Indian real estate market conditions from the house builder and sellers point of view.

Knight Frank, with a HQ in London, is a global real estate consultancy with an integrated prime commercial and residential offering, operating in key hubs across the globe. a global real estate consultancy. The latest news released on Indian real estate market sentiment can be found at :

<http://www.knightfrank.co.in/news/knight-frank-india-launches-india%E2%80%99s-first-real-estate-sentiment-index-today-02574.aspx>

Quoting from the news release the latest report says:

- Stakeholders feel the real estate market has deteriorated compared to the last six months
- Current sentiments are pessimistic across all zones
- East and South remain marginally more optimistic compared to the rest of the country
- Credit lending/ funding situation may also remain muted in the near future
- While there remains an evident optimism for the residential sector, the office market on the other hand is expected to be pessimistic in the coming two quarters
- Larger project completions at a time when business growth and employee addition remain weak, will lead to higher vacancy levels in the Indian office market
- Majority of the respondents are positive about the economic scenario and expect an improvement in the next six months

### Auction of Sandalwood (*Santalum album*) in Kerala

On 5 February one of the largest sandalwood auctions was held at Marayoor, Kerala.

Despite rampant poaching of sandalwood in the four southern states of India, the Forest Department of Kerala was able to protect some 8,500 acres of natural forest rich in sandalwood in the Marayoor Kanthalloor forest reserve in Western Ghats.

The sandalwood here is carefully tended and a seed farm has been established as most of the sandalwood trees are over 60 years old.

For the recent auction the Forest Department does not harvest living trees but collects dead and storm blown trees as well as fallen branches. Every year, several tons of sandalwood is collected, stored and then auctioned at the Government Sandalwood Depot.

A large number of buyers from temples, oil factories, traditional medicine manufacturers and handicraft factories bid for this precious fragrant wood.

At the auction last year 40 tons of sandalwood were sold for Rs. 330 million. The average price was around Rs.6000 per kg. This year a total of 38 tons of sandalwood was sold for the following prices:

- Class II Rs.7810 per Kg.
- Class V Rs.7640 per Kg.
- Class VI Rs.6925 per Kg.
- Class VII Rs.6711 per Kg.
- Roots 2nd class Rs.6507 per Kg.

### Maharashtra natural forest loss

A recently released report tracking climate change in India has suggested Maharashtra state lost 2,116 sq.km of natural forest area over the past twenty years.

On the other hand the report notes that the state has also gained 5,030 sq km of forest cover in the period 1987-2011. However, the forest cover gain includes rubber and teak plantations.

The authors of the report say the government needs to rethink its forest compensatory policy to emphasise the need to regenerate natural forests and not merely compensate the loss of natural reserves with plantations.

### Imports of plantation teak

India's total imports of wood and wood products under HS chapter 44 for the month of January 2014 were valued at US\$269.52 million while exports under the same chapter were US\$28.88 million. Wood product imports continue to grow as domestic demand continues to be firm.



Current C & F prices for imported plantation teak, Indian ports per cubic metre are shown below.

	US\$ per cu.m
Tanzania teak, logs	350-885
Côte d'Ivoire logs	280-750
PNG logs	400-575
El-Salvador logs	340-695
Guatemala logs	350-550
Nigeria squares	330-450
Ghana logs	325-650
Guyana logs	300-450
Benin logs	320-650
Benin sawn	435-800
Brazil squares	360-680
Brazil logs	350-750
Cameroon logs	350-510
Togo logs	380-715
Ecuador squares	330-540
Costa Rica logs	355-700
Panama logs	270-550
Sudan logs	460-700
Congo logs	450-550
Kenya logs	390-600
Thailand logs	460-700
Trinidad and Tobago logs	420-680
Uganda logs	440-780
Uganda Teak sawn	680-800
Laos logs	300-605
Malaysian teak logs	325-525
Nicaragua logs	370-535
Liberia logs	350-460
Colombia logs	310-685

Variations are based on quality, lengths of logs and the average girth of the logs.

### Prices for domestically sawn imported logs

Prices for air dry sawnwood per cubic Foot, ex-sawmill are shown below.

Sawnwood,(Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1550-1650
Balau	1550-1750
Kapur	1200-1250
Kempas	1100-1200
Red Meranti	850-950
Radiata Pine (AD)	550-650
Whitewood	600-650

Variations are based on quality, length and average girth of logs

### Myanmar teak processed in India

Export demand continues to be good but domestic demand reportedly sluggish.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-14000
Plantation Teak A grade	5000-5500
Plantation Teak B grade	4000-4250
Plantation Teak FAS grade	3400-3600

Price variations depend mainly on length and cross section

### Imported sawnwood prices

Ex-warehouse prices for imported kiln dry (12% mc.) sawnwood per cu.ft are shown below.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section

### Plywood market gets slight boost

Plywood manufacturers report continuing weak market conditions, the only bright spot being in the industrial sector where some growth in investment is giving a mild boost to demand for plywood. Prices remain unchanged.

### Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.50
6 mm	47.00
9mm	59.5
12 mm	74.00
15 mm	98.00
18 mm	103.00

**Domestic ex-warehouse prices for locally manufactured MR plywood**

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.18.00	Rs.27.50
6mm	Rs.27.50	Rs.34.50
9mm	Rs.34.50	Rs.42.00
12mm	Rs.41.00	Rs.51.00
15mm	Rs.50.40	RS.62.70
19mm	RS.58.00	Rs70.50
5mm Flexible ply	Rs.36.00	

**Report from Brazil**

**Central Bank claims success in fight against inflation**

The Governor of the Brazilian Central Bank has defended the actions of the Bank in addressing inflation. Rather than blaming the winding down of the easy money policy in the US, the Bank chief said this was good news for the global economy as it was a sign that the US economy was strengthening.

Never-the-less, the change in the US is putting pressure on emerging economies such as Brazil's and the Central Bank has responded to the inflationary pressures by increasing interest rates.

The Bank has also utilised foreign exchange reserves to ease the impact on domestic businesses from the sharp fall in the value of the Brazilian currency over the past year.

In other news in support of the success of the Central Bank, the National Consumer Price Index (IPCA) slowed down to 0.55% in January 2014, the lowest rate since 2009. In January 2013, IPCA was 0.86% while in December 2013 inflation was 0.92%.

**New challenge, recession in 2013 to impact 2014 prospects**

Central Bank preliminary data on GDP suggests that, technically, the Brazilian economy dipped into recession in the second half of 2013.

According to the latest releases from the Central Bank, GDP shrank 0.2 per cent in the final quarter of 2013 following on from a similar dip in the third quarter. Final 2013 GDP figures will be available on February 27. For more see <http://www.bcb.gov.br/?red-indicators>

**Arbitrary tax structure weakening forest sector**

Forest sector businesses in the State of Mato Grosso recently met with the Department of Finance for the state (SEFAZ) to discuss the system for collecting price information to define wood prices used by state authorities to determine taxes .

Until now the base price for tax determination was decided unilaterally by SEFAZ but now the system has been

changed and prices are closer to actual trade values however, enterprises in the state want this refined further.

The purpose of the price collection system is to try and discourage mis-reporting by companies and to serve as a reference to determine the ICMS tax (Tax on Circulation of Goods and Services).

According to the Mato Grosso Center for Wood Industries Producers and Exporters (CIPEM), only 30% of the forest sector's potential is being utilised because of a lack of incentives. This says CIPEM is resulting in low productivity, low profitability, poor job creation and low state revenues.

High taxes in the forest sector have been a problem in the State of Mato Grosso for a long time and have resulted in the closure of many businesses says the Industries Federation of Mato Grosso (FIEMT). FIEMT says over the past five years a thousand businesses have closed. Ten years ago there were 393 plywood, veneer and panel manufacturers but today only four industries remain.

Local entrepreneurs say the main problem in the sector is the excessive tax burden which means businesses in the state are unable to compete with timber enterprises in other states where taxes are lower.

**Forest concession plan for 2014**

According to the Brazilian Forest Service (SFB), the 2014 Annual Plan for Forest Concession (PAOF) is the result of consultation between governmental agencies, such as the Chico Mendes Institute for Biodiversity Conservation (ICMBio), the Secretariat of the Union Assets (SPU/MPOG), the National Defense Council (CDN) and the Public Forest Management Committee (CGFLOP). Public hearings are also conducted to secure the option of as many stakeholders as possible.

According to the Brazilian Institute of Geography and Statistics (IBGE), when the 2.8 million ha scheduled for allocation are under effective forest management they have the potential to produce about 1.3 million cubic metres of roundwood per year, approximately 10% of the log production in the Amazon(13.5 million cubic metres in 2012).

Of the total area to be allocated in 2014, 11 concessions will be in National Forests (FLONA) and others will be in the States of Acre, Amazonas, Pará and Rondônia.

Most of national forests in the state of Pará included in the Plan are located in the region along the BR-163 Highway (Cuiabá – Santarém).

**January export review**

In January 2014, the value of wood products exports (except pulp and paper) increased 3.3% compared to January 2013, from US\$168.7 million to US\$ 174.2 million.

The value of pine sawnwood exports increased 35% in January 2014 year on year from US\$10.3 million to US\$13.9 million. In terms of volume, pine sawnwood exports rose 28%, from 47,600 cu.m to 61,000 cu.m over the same period.

In contrast, tropical sawnwood exports fell 8.8% in volume, from 25,000 cu.m in January 2013 to 22,800 cu.m in January 2014 but the decline in the value of exports was not as steep declining by only 4.2%.

Pine plywood exports declined over 12% in value in January 2014 compared to January 2013, from US\$31 million to US\$27.2 million. Export volumes in January 2014 fell 11%, to 74,900 cu.m. from the 84,200 cu.m in January 2013.

There was a startling decline of 59% in the volume of tropical plywood exports in January this year. Exports fell from 5,400 cu.m in January 2013 to just 2,200 cu.m in January this year.

On a brighter note, the value of wooden furniture exports increased from US\$28 million in January 2013 to almost US\$30 million in January 2014 (plus 6.4% year on year).

#### Joint venture investment in sawmilling

A German business group from Darmstadt City and the Envira Municipality State of Amazonas have established a joint venture to invest some R\$300 million in the wood processing sector in the municipality. The first sawmill production line will begin operations in April this year and this will create around 120 new jobs.

The proposal submitted by the German business group was assessed by state environmental technicians who looked at the proposed management and quality performance system to be applied in forest operations, the level of local processing, the use of technological innovations and the impact on the local community.

This investment will represent an important addition to the economy of the municipality and will generate higher tax revenues for Envira.

After recording a 140% growth between 2009 and 2011, the timber industry in the municipality grew only 6% in 2012 but this dropped sharply in 2013 because of reduced logging and consequent rising prices for raw materials.

This new investment aims to reverse the decline in output from the timber sector in the municipality.

#### Wooden door manufacturers' mission to Spain

Representatives of wooden door manufacturers participating in the ABIMCI Sectoral Program of Internal Wood Door Quality programme recently visited the "Fimma Maderalia" Fair, which brought together international suppliers of wood / frame and furniture sector.

Besides visiting the fair, the entrepreneurs participated in meetings with machinery and equipment manufacturers, as well as suppliers of raw materials and accessories and door manufacturers in Spain.

According to ABIMCI, technical cooperation with other countries and exposure to new products and equipment will bring significant benefits to industries participating in the certification programme.

#### Price trends

As is the case with other tropical timber suppliers, Brazilian prices remain unchanged.

#### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	158
Jatoba	105
Guariuba	84
Mescla (white virola)	88

#### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1278
Cambara KD	770
Asian Market (green)	
Guariuba	394
Angelim pedra	920
Mandioqueira	302
Pine (AD)	220

#### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green)	
<i>Northern Mills</i> (ex-mill)	
Ipê	803
Jatoba	568
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	232
Pine (KD) 1st grade	204

#### Export Veneer Prices

	US\$ per m <sup>3</sup>
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	341
Pine Veneer (C/D)	240

#### Domestic Veneer Prices

	US\$ per m <sup>3</sup>	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	247	202

#### Export Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	483
White Virola (Caribbean market)	
4mm BB/CC (MR)	675
12mm BB/CC (MR)	493

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	368
15mm C/CC (WBP)	341
18mm C/CC (WBP)	337

#### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	
White Virola 4mm	776
White Virola 15mm	540

Domestic prices include taxes and may be subject to discounts.

### Prices For Other Panel Products

Belem/Paranagua Ports, FOB Blockboard Pine 18mm 5 ply (B/C)	US\$ per m <sup>3</sup> 422
<i>Domestic Prices, Ex-mill Southern Region</i>	
Blockboard White Virola faced 15mm	506
Particleboard 15mm	331

### Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards	
Cambara	1,045
Ipê	2,570

## Report from Peru

### GDP growth figures looking good

The National Institute for Statistics and Information has released growth figures for late 2013 which show the economy grew 5% in December compared with the same month a year earlier. 2013 GDP is expected to come in at 5.5% and the forecast is for 2014 GDP to expand by over 6%.

During the year construction activity expanded almost 9% which drove demand for sawnwood. In addition growth in the retail sector was almost 6%.

### Business conditions improving

A recent survey by La Cámara de Comercio de Lima (Lima Chamber of Commerce) has concluded that small, medium and large entrepreneurs are optimistic about prospects for 2014 and want to continue investing.

The survey asked about the financial situation of entrepreneurs and two thirds of respondents said they expected business to improve over the next six months with only a small group saying conditions are likely to worsen. In the October 2013 survey less than half thought their businesses improved in the short-term. Companies have also indicated that they expect to increase the work force.

For more see:

<http://www.camaralima.org.pe/principal/noticias/noticia/tranquilidad-para-los-emprendedores/124>

### Bridging financial gap for forestry enterprises

In early March an event will be held bringing together forestry and wood processing industries and financial institutions with the aim of bridging the financing gap between these institutions and forestry sector enterprises in Peru.

The event will bring together small and medium forest and timber enterprises as well as producer organisations to provide one-on-one meetings with financial institutions. The goal of this event is to help producers in Peru obtain adequate finance. This event is an initiative of the Alliance for Sustainable Trade.

### Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD	Mexican market 545-598

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	431-496▲
Grade 2, Mexican market	372-415▲
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	866-939
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	592-611▲
Marupa (simarouba) 1", 6-11 length Asian market	421-482

Peru Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	349-398

### Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	867-911
Virola	142-166
Spanish Cedar	296-355
Marupa (simarouba)	110-121

### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

### Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 15x4x8mm	328-365▲
Virola, 2 faces sanded, B/C, 5.2x4x8mm	466-489
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood	
B/C 15x4x8mm	407-439▲
B/C 9x4x8mm	366-385
B/C 12x4x8mm	350-360
B/C 8x4x15mm	424-446▲
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

### Domestic Plywood Prices

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m <sup>3</sup>
122 x 244 x 4mm	467▲
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

### Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S	Swedish market 897-1025
	Asian market 1255-1345↑
Cumaru decking, AD, S4S E4S, US market	1215-1311↑
Pumaquiro KD # 1, C&B, Mexican market	464-534↑
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
	2x13x75cm, Asian market 732-815

## Report from Guyana

### Mora log prices encouraging

Exports of purpleheart and mora logs continued in the period reviewed but there were no exports of greenheart logs.

Purpleheart log FOB prices saw some changes but the Standard Sawmill quality log top end price of US\$385 per cubic metre remained unchanged.

However, Fair Sawmill quality purpleheart logs attracted a favourable price of US\$300 per cubic metre FOB, while Small Sawmill quality logs were traded at a fair FOB price of US\$150 per cubic metre.

FOB prices for all categories of mora logs improved. Mora Standard Sawmill quality top end prices increased to US\$160 per cubic metre followed by Fair Sawmill quality at US\$140 per cubic metre and finally Small Sawmill quality mora log top end prices were US\$130 per cubic metre. The Asian markets, mainly China and India, were the major buyer of Guyana's logs during the period reviewed.

Sawnwood export markets were diverse and delivered favourable prices for Guyana's sawnwood which resulted in a favourable contribution towards the total export earnings from wood product exports.

Undressed greenheart (Prime quality) recorded an increase in price from US\$955 to US\$1,058 per cubic metre FOB in the Middle East market of Kuwait where the timber is used for both indoor and outdoor structural applications.

Undressed greenheart (Select quality) FOB prices slipped from US\$1,209 to US\$1,060 in the period reviewed. However this category of sawnwood was widely traded in Caribbean, European, Middle Eastern and North American markets.

Additionally, Undressed purpleheart (Select quality) FOB top end prices fell from US\$1,378 to US\$1,000 per cubic metre, while in the Sound quality sawnwood FOB prices were an encouraging US\$1,008 per cubic metre. Buyers in the Caribbean and New Zealand continue request this product.

Prices for Undressed Mora Select quality increased from US\$594 to US\$785 per cubic metre FOB in the North American market.

During this period Dressed sawnwood secured favourable FOB prices with the Caribbean being the primary export market.

Dressed greenheart FOB top end prices rose from US\$1,060 to US\$1,272 per cubic metre FOB while Dressed greenheart of Prime quality FOB prices moved to as high as US\$1,124 per cubic metre. Similarly, Dressed purpleheart prices improved from US\$1,102 to US\$1,160 per cubic metre FOB.

### Opportunities for investors

The Guyana Forestry Commission is promoting the potential of the timber sector as a very profitable option for foreign investors. Whether for constructing a home or producing beautiful value added products Guyana's timbers can be utilised for a wide variety of products.

According to the World Bank survey 'Doing Business 2013', Guyana has improved its ranking through providing foreign investors equal access to opportunities and this has led to a growth in investment.

The Forestry Sector is expected to attract more private investors as the Forest Products Development and Marketing Council (FPDMC) continues to promote the use of lesser known species for high value products.

Because Guyana will conclude a Voluntary Partnership Agreement (VPA), with the European Union wood product exporters will secure good access to European markets.

### Increased loans to forestry sector

According to the latest Bank of Guyana, Statistical Abstract, monthly private commercial bank loans and advances to forestry and wood product manufacturing enterprises between January and September 2013 averaged G\$552 million.

This represents a 3.6% increase when compared to the G\$533 million in the same period in 2012. In January 2013 alone loans valued at G\$630 million were made while in August 2013 loans fell to a modest G\$486.6 million. Analysts point out that the increased level of loans is indicative of the opportunities in the sector.

### Update on Guyana's EU FLEGT VPA Process

The authorities in Guyana are currently focussed on stakeholder engagement activities within the forest sector. These have generated useful inputs for the VPA process, specifically the Legality Definition. An updated version of the document defining legality is expected to be available within a few weeks.

The first draft of the Communication and Consultation Strategy should be complete by the end of February. Work on the Scoping of Impacts Assessment continues.

**Export Log Prices**

Logs, FOB Georgetown	SQ - US \$	Avg unit value per m <sup>3</sup>	Std	Fair	Small
Greenheart*	-	-	-	-	-
Purpleheart	365-385	300			150
Mora	150-160	140			110-130

\*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

**Export Plywood Prices**

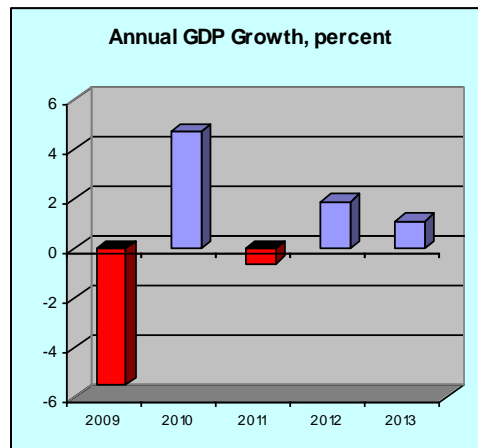
Plywood, FOB Georgetown Port	US\$	Avg unit val. per m <sup>3</sup>
Baromalli BB/CC 5.5mm		450-584
Utility 5.5mm		No export
12mm		No export
12mm		No export

**Export Sawnwood Prices**

Sawnwood, FOB Georgetown	\$	Avg unit val. per m <sup>3</sup>
EU and US markets	-Undressed	Dressed
Greenheart Prime	1,058	1,124
Standard	-	700-1,272
Select	742-1,060	
Sound	-	
Merchantable	-	
Purpleheart Prime	-	-
Standard	-	750-1,160
Select	650-1,000	
Sound	1008	
Merchantable	-	
Mora Prime	-	-
Select	785	
Sound	-	
Merchantable	-	

In the case of no price indication, there is no reported export during the period under review.

While most analysts are not surprised to see a rise in the import bill since the country is importing virtually all of its energy needs at the moment, not all of the increase is due to energy. Figures show that imports of almost all other categories of goods increased and this is put down to early purchases before the consumption tax is increased in April.



Source: Cabinet Office, Japan

The weak economic data has spurred domestic banks to call on the BoJ to continue with its low interest loan programme. This programme began in 2010 has been the pillar supporting domestic loans.

The programme was due to end in March this year but without this support the banking sector fears it will be unable to support the national effort to rid the country of deflation.

A spokesperson for the domestic banks has said the BoJ programme is an essential tool to support economic recovery and called on the central bank to extend the programme beyond March this year.

**The answer to growing trade deficit – restart ‘safe’ nuclear power plants**

Japan’s January trade deficit (over US\$27 billion) has sky rocketed because of the high cost of imports, exacerbated by the weak yen exchange rate.

While export growth is supported by the weak yen (up 9.5% in January), the impact on the deficit of the yen exchange rate is raising concern that the government’s strategy to stimulate economic growth may be undermined.

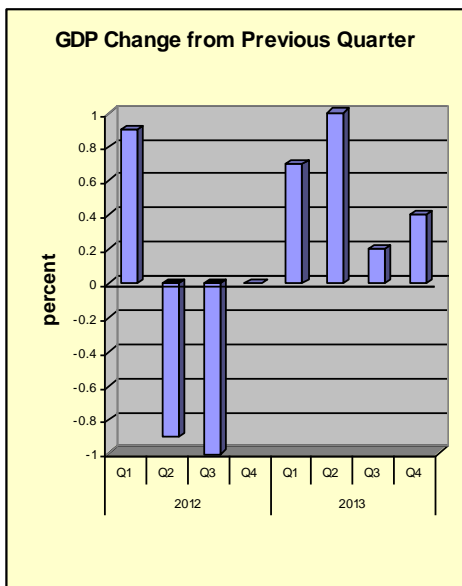
While public opinion is firmly against the restarting of the country’s nuclear power plants it seems that this is the only answer in the short term to reduce the current dependence on imported fuels.

Adding to the concerns of economy watchers was the recent data on manufacturers’ sentiment which slipped in February. This was anticipated since the consumption tax will be raised in April and this is sure to dampen consumer spending for a while.

**Report from Japan**

**Japan’s 2013 GDP disappoints**

Japan’s GDP growth in the final quarter of 2013 was a disappointing 0.3% or an annualised rate of just 1%, far below the expected 1.9%. The main problem has been a slowing of exports and a surge in imports.



Source: Cabinet Office, Japan

### BoJ confident current growth will be maintained

On first sight it may appear that a change of direction in economic management is needed but at the most recent BoJ meeting the Bank dismissed calls for more monetary easing. The Bank's firm and confident stance was reiterated by Yoshihisa Morimoto, who said the economy will continue to grow even after the tax increase.

However, many analysts are not convinced that the BoJ will be able to avoid a further fiscal stimulus package if it is to achieve its two percent inflation target.

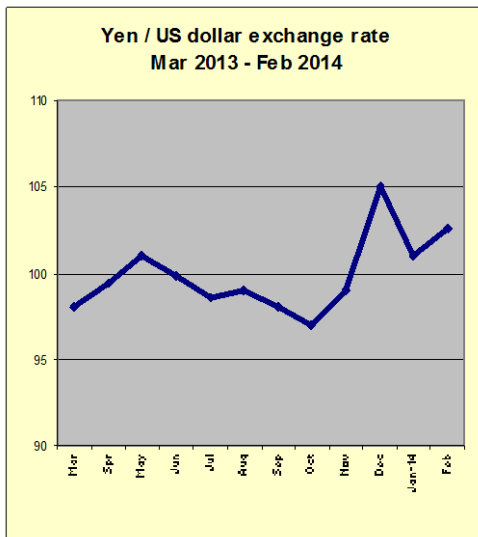
### TPP talks stalled once more

Business leaders in Japan have responded with frustration at the lack of progress in the Trans-Pacific Partnership (TPP) free trade talks. The latest round of negotiations at the end of February ended with no agreement as Japan could not agree on the demands of the US and other partners for free market access for what the Japanese government terms 'sensitive' farm products.

Major business groups, including the Japan Business Federation, have been lobbying strongly for a firm political stance from the ruling LDP to unlock the negotiations saying Japanese companies need to be more competitive in the emerging Asian markets and the free trade pact, which eliminates tariffs, will support this.

### Flow of loans assured as BoJ extends support to commercial banks

The yen fell against the US dollar to its lowest point in almost a month in February after the BoJ announced the continuation of its special lending programme to commercial banks which has provided these banks with resources and confidence to keep business loans flowing.



This facility was due to end in March but in response to united calls from Japanese Banks the BoJ decided to extend the support for another 12 months.

The BoJ also increased the amount available to financial institutions at a fixed rate of 0.1 percent over 4 years instead of the present maximum 3 years.

The US dollar rose against the yen as the new Federal Reserve chief confirmed the Fed will slowly reduce its fiscal stimulus and because the G-20 countries agreed that 'normalization of monetary policy in advanced economies' should proceed taking into account the strains this will put on emerging economies.

### Trade news from the Japan Lumber Reports (JLR)

*The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to extract and reproduce news on the Japanese market.*

*The JLR requires that ITTO reproduces newsworthy text exactly as it appears in their publication.*

For the JLR report please see:

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### Plywood supply in 2013

Total plywood supply in 2013 was 6,462,400 cu.m, 6.5% more than 2012. Both domestic and import supply exceeded previous year's volume. In particular, domestic softwood plywood supply increased by 12.9%, supported by brisk demand for vigorous housing starts.

Domestic plywood production was 2,817,800 cu.m, 10.6% more than 2012 out of which softwood plywood supply was 2,628,100 cu.m. Average monthly production was 219 M cu.m, about 24,500 cu.m more than monthly average in 2012.

The shipment was 2,672,800 cu.m, 15.1% more than 2012. Monthly average was 216,000 cu.m, 29,200 cu.m more than in 2012. Monthly shipment had been more than 200,000 cu.m all through the year by busy demand as a result of rush-in orders before the consumption tax increase.

Both production and shipment of domestic softwood plywood recorded all time high and the supply cannot catch up the demand yet even in February. Meantime, imported plywood volume in 2013 was 3,644,600 cu.m, 3.4% more than 2012. Monthly average was 303,700 cu.m, 9,900 cu.m more than 2012.

Because of log supply shortage in Malaysia since early 2013, plywood export prices soared. At the same time, the yen got weaker, which pushed yen prices up higher and speculative orders increased but actual demand was lower than heavy arrivals in May and June, which softened the market prices in Japan then the importers and wholesalers reduced future purchases so that the second half arrivals dropped.

Malaysian supply was 1,604,400 cu.m, 0.2% more than 2012. Indonesian supply was 1,056,200 cu.m, 4.6% more. Chinese supply was 786,200 cu.m, 4.5% more.

Because of reduced purchase in the second half of 2013, the inventories in Japan dropped, which causes the supply tightness now. December arrivals were 292,100 cu.m, 14% less than December 2012.

**Imported South Sea (tropical) plywood market**

The inventories are declining in Japan. Export prices by the suppliers climbed because of log supply shortage. Future arrivals are expected to decline.

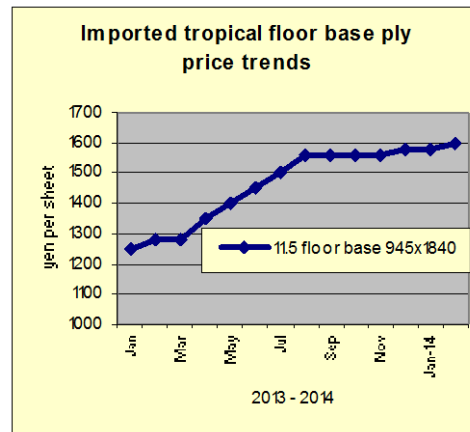
The movement got active in Tokyo regional market since late last year and wholesalers are actively look for available inventory in the market in an anticipation of further increase of export prices.

The market prices continue escalating week after week and the prices exceeded skyrocketed prices after the North East earthquake in 2011 and the market prices caught up future purchase prices.

Supply side continues suffering log shortage so that the shipments are delayed and the suppliers try to curtail accepting volume. February arrivals seem to be down again so that the market is likely to go higher yet.

Concerns are possible increase of supply after log supply recovers when rainy season is over and appreciation of the yen, which makes February landed prices may be lower than January's.

**Price trends for Japanese imports of Indonesian and Malaysian plywood**



**South Sea (tropical) logs**

Rain fall this year is particularly heavy and Sarawak suffered floods for the first time in four years. Therefore, log production dropped since last December then rain fall further increased in January so the log prices started rebounding since late January.

Plywood mills in Malaysia carry very little log inventory like one week to two days. Some major log supplier reports its log production is just about a half of normal year.

Chinese New Years' holiday in late January stopped log harvest. Log suppliers have started asking higher log prices with India restarting log purchase again. Offer prices are US\$285-295 per cu.m FOB on meranti regular, US\$235-245 on small meranti and US\$225-235 on super small meranti. They are all US\$10 up.

In PNG, log prices soared by heavy rain and aggressive purchase by China. With more rain fall, log prices are further up by US\$20-30. There is no buyer to follow such steep climb of prices. Log production stopped by the Chinese New Year and heavy rain

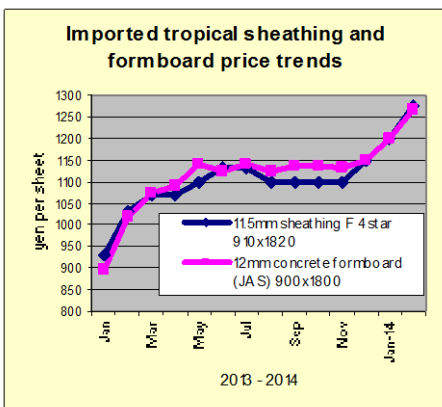
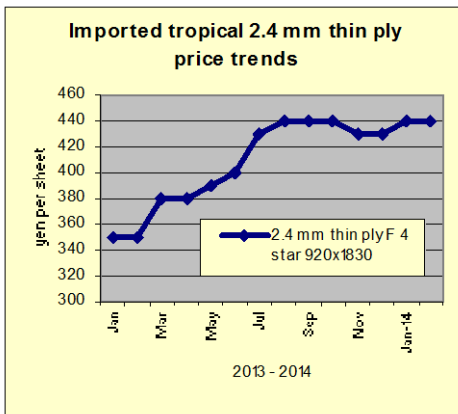
**Labelling system for domestic furniture**

The Japan Furniture Industry Development Association, which consists of furniture manufacturers in Japan, newly sets up authorization labeling system on domestic furniture to activate long slumped furniture sales.

Not only domestic products but also it shows strength, durability, measure for sick house syndrome and use of legally certified wood to appeal buyers that the products are safe and environmentally friendly.

The system shows authorized standard and furniture, which satisfies the standard is allowed to indicate the labeling. Newly established committee in the Association will examine each product to see if it satisfies the standard. The product must be manufactured in Japan.

Definition of domestic product is that imported materials are allowed but it must be assembled in Japan since many parts and materials are imported such as laminated lumber, MDF, cloth, leather, cushion, paint, adhesive and metal fitting.





Manufacturer needs to have COC certificate of forest authorization system such as FSC, PEFC and SGEC or legal wood supplier's certificate and observes the law and industry's guideline. It also must make an effort to protect consumers.

The Association makes performance guideline of furniture, which is based on JIS standard and the product must conform to the guideline. In case wood is used, the wood must be legal or forestry certified or procured from legal wood supplier or COC certified supplier. The authorization is renewed in every three years.

**Report from China**

**2013 statistical overview**

A statistical communiqué on 2013 economic and social development has been issued by the National Bureau of Statistics of China.

See:

[http://www.stats.gov.cn/english/PressRelease/201402/t20140224\\_515103.html](http://www.stats.gov.cn/english/PressRelease/201402/t20140224_515103.html)

**Real estate developments during 2013**

In 2013, investment in real estate development was yuan 8,601.3 billion, up by 19.8% on 2012. Of this total, investment in residential buildings was up 19.4% while investment in office buildings expanded over 38% on 2012.

Investment in other commercial buildings also expanded in 2013 and was up by 28.3% on 2012.

In 2013, construction of affordable housing in urban areas amounted to 6.66 million units. A summary of the changes in real estate growth in 2013 is provided below.

**Real estate growth in 2013**

	% Change on 2013
Value of Investment	19.8
Residential buildings	19.4
90 square meters and below	15.8
Floor space of houses under	16.1
Residential buildings	13.4
Floor space of houses newly started	13.5
Residential buildings	11.6
Floor space of houses completed	2
Residential buildings	-0.4
Sales of commercial buildings	17.3
Residential buildings	17.5
Sources of capital this year	26.5
Domestic loans	33.1
Individual mortgage	33.3

Source: National Bureau of Statistics, China

The real estate market is a cornerstone of the Chinese economy and while 2013 figures are encouraging some media reports are suggesting that while demand remains firm in Beijing and Shanghai, there are signs that demand may be weakening in some other major cities.

The Securities Times newspaper has reported that in Hangzhou some developers have cut sales prices by almost 20% on about 120,000 newly built apartments and that the stock unsold units is more than last year.

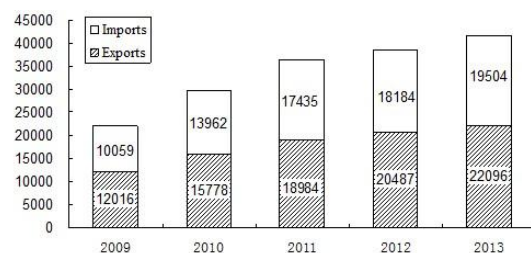
As if to underscore the fragility of the market a recent university study says demand is weak in Harbin, Wenzhou and Sanya. It is reported that new-home prices have fallen every month for the last two years in Wenzhou.

**Imports and exports 2009-2013 (100 mi. US\$)**

Both imports and exports increased in 2013. The total value of international trade in goods during 2013 reached yuan 25,826.7 billion (approx. 4,160.0 billion US dollars) and expanded by 7.6% on 2012 levels.

Of this total, the value of goods exported increased by 7.9% while the value of goods imported was up by 7.3% maintaining a healthy balance.

**Imports and exports 2009-2013 (100 mil. US\$)**



Source: National Bureau of Statistics, China

**Major export items in 2013**

	% Change on 2013
Coal (including lignite)	-33.1
Rolled steel	3.4
Textile yarns and textile articles	11.7
Clothes and clothing accessories	11.3
Footwear	8.4
Furniture	6.2
Automatic data processing machines and components	-1.7
Handheld mobiles and car telephones	17.3
Containers	-6.4
Liquid crystal display panels	-1
Motor vehicles (including a complete set of spare sets)	-5.3

Source: National Bureau of Statistics, China

China's export to ASEAN member countries grew 26% since the free trade agreement was signed. Demand in the US has improved and China's exports to the US grew by 6% last year, on the other hand trade (import and export) with Russia fell 3% to US\$5 billion last year.

Imports fell 7% mainly because of a reduction in timber imports from Russia. In contrast, China's exports to Russia increased 7%. In 2013 China's exports to the EU and Japan were largely unchanged from a year earlier.

In 2013 China's timber imports grew substantially, log imports rose 19% 45.16 million cubic metres while sawnwood imports rose 16% to 24.04 million cubic metres.

**Rural and urban incomes continue to rise**

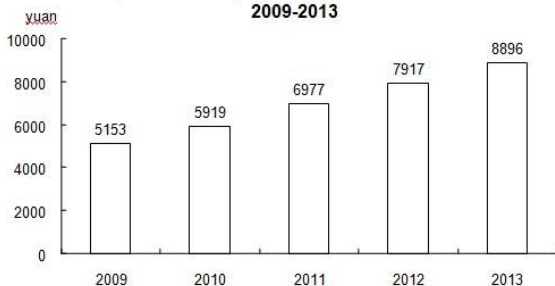
The income of urban and rural residents continued to rise in 2013 such that the annual per capita net income of rural households was yuan 8,896, (up 12.4%) which equates to a real increase of 9.3% year on year.

The annual per capita disposable income of urban households was yuan 26,955 in 2013, up by 9.7%, a real increase of 7.0%. The median per capita disposable income of urban households was yuan 24,200, (up by 10.1%).

According to the results of an integrated survey of rural and urban households conducted in the fourth quarter of 2012, the annual per capita disposable income nationwide was yuan 18,311, up by 10.9 percent, or a real rise of 8.1% year on year.

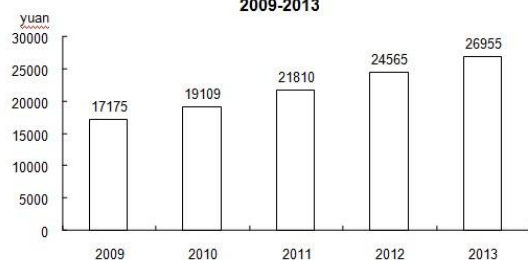
Food expenditure accounted for 37.7% of expenditure in the rural households and 35.0% in the urban households, down by 1.6 and 1.2 percent respectively.

**Figure 15 Per Capita Net Income of Rural Households 2009-2013**



Source: National Bureau of Statistics, China

**Figure 16 Per Capita Disposable Income of Urban Households 2009-2013**



Source: National Bureau of Statistics, China

**Inspection and quarantine fees eliminated**

Recently the Ministry of Finance advised that commodities exported from China, while still being subject to inspection, will be exempted from the inspection and quarantine fee.

The aim of this revision to the fee structure is to reduce the burden on exporters so as to promote a stable growth of exports.

**China's forestry "go global" accelerating**

The pattern of overseas investment and cooperation by Chinese timber enterprises is evolving rapidly.

Chinese forestry enterprises have invested around US\$1.3 billion in some 20 countries mainly for timber harvesting, primary processing as well as a growing interest in wood product manufacturing.

In addition to a diversification of target investment there has been an evolution in the type of enterprises involved which now includes private as well as state enterprises.

In the past most overseas ventures involved direct investment but this is now changing and more deals to purchase or lease woodland are being made and more of these business arrangements involve share acquisitions, joint ventures, capital injections and other forms of strategic alliances.

As Chinese overseas investment expands it must mature and the government has been assisting through providing guidance and in building collaboration between government, banks and the enterprises.

However, the government admits challenges still exist. Firstly, government regulations need to be more focused and timber association support to overseas investors needs to be strengthened.

Secondly, the inexperience of Chinese enterprises to assess and deal with risks in the international market need to be addressed.

To enhance the "Go Global" initiative the government intends to foster greater international competitiveness and strengthen management in Chinese enterprises to encourage the creation of respected multinational companies with an international reputation and influence.

One key area of concern of government is the strengthening of industry self-regulation. In the process of fighting against illegal logging and associated trade, enterprises are key players and the government and industry associations need to strengthen their guidance and emphasise integrity and social responsibility.

It is recognized that there needs to be more effort put into raising an awareness of global issues and a sense of responsibility in enterprises.

**China Forest Certification Scheme endorsed by PEFC**

The latest newsletter from INDUFOR reports the PEFC Council has endorsed China's certification scheme after an evaluation of the scheme development and implementation by INDUFOR.

INDUFOR determined that China's scheme succeeds in setting practical requirement levels that are compatible with PEFC Council requirements for forest management, third-party certification and chain of custody that provides evidence of the origin of the timber and related products.

For more see: <http://www.indufor.fi/en/news/?id=100>

## Price trends across China

### Guangzhou Yuzhu International Timber Market

Logs		Yuan/cu.m
Lauan	Diameter 60 cm <sup>+</sup>	2000-2200
Kapur	Diameter 80 cm <sup>+</sup>	3100-3200
Merbau	Diameter 100 cm <sup>+</sup>	5200-5400
Teak	Diameter 30-60 cm	6500-13000
Wenge		4300-4800
Red Oak (France)	Diameter 30 cm <sup>+</sup>	2500-2600
Purpleheart	Diameter 60 cm <sup>+</sup>	3500-3600
Rosewood		3700-4200
Sawnwood		
Maple	Grade A	7500-9500
Walnut (USA)	FAS 2 inches	14000-16000
Cherry (USA)	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Teak (plantation)	Grade A	9600

### Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
Sawnwood		Yuan/cu.m
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	10000-11500

### Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m 30 cm	3200-4800
Larch	4 m 8 cm 10 cm	1800-2900
Linden	4 m 26 cm	2400-3500
Sawnwood		
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
Plywood		Yuan/sheet
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

### Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m 20-30 (cm)	1300
Chinese fir	4 m 16-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
Plywood		Price yuan/sheet
Red beech	4' x 8' x 3 mm	40-80
Black walnut	4' x 8' x 3 mm	40-85
Teak	4' x 8' x 3 mm	45-110

### Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	1180
	4m	24-28 cm	1300
	4m	30 cm	1450
	6m	18-22 cm	1280
	6m	24-28 cm	1300
	6m	30 cm	1500
White Pine	4m	24-28 cm	1350
	4m	30 cm	1450
	6m	24-28 cm	1350
Korean Pine	6m	30 cm	1500
	4m+		-
Mongolian	6m+		2000
	4m	30 cm	1350
Scots Pine	4m	36 cm	1500
	6m	30 cm	1360
	6m	36 cm	1560

## Report from Europe \*

### Signs of revival in European wooden furniture manufacturing

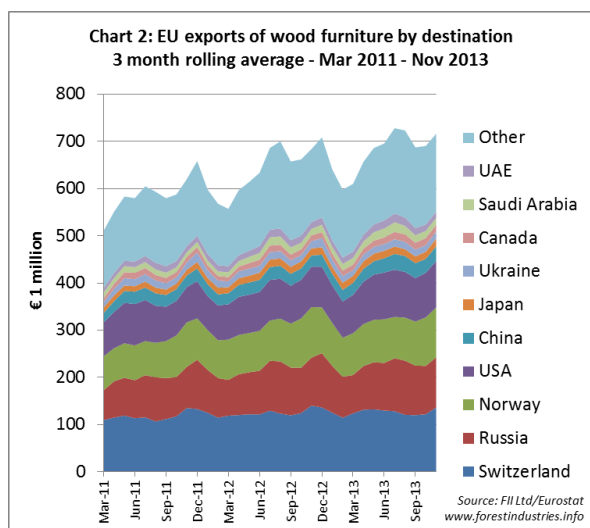
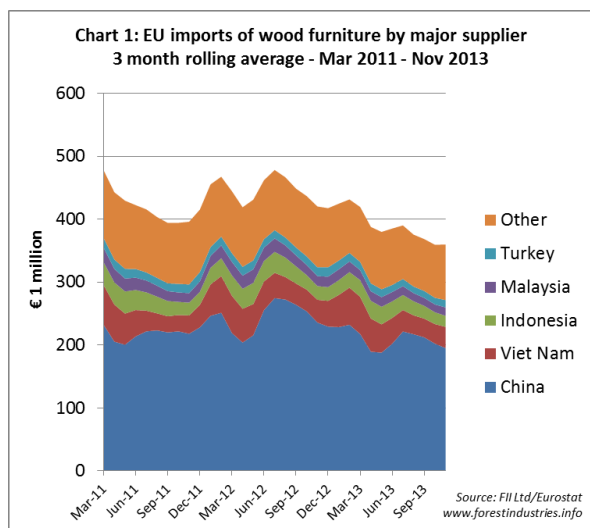
The recession in Europe has created many challenges for the European wood furniture sector. However the sector remains globally significant as a driver of design and production innovation.

There are also signs that the international competitiveness of the European furniture sector is improving.

The charts below suggest a significant change in Europe's position in the global market for wood furniture. Chart 1 shows the 3 month rolling average value of EU imports between the start of 2011 and November 2013.

Chart 2 below shows equivalent data on EU exports during the same period.

The moving average is used to smooth out short-term fluctuations, which are strongly influenced by factors like vacations or shipping delays, so that the longer-term trend becomes clearer.



EU imports of wood furniture have been falling over the last 3 years (Chart 1) while exports have been rising (Chart 2).

At the start of 2011, EU net trade in wood furniture was close to zero, with both imports and exports averaging close to €500 million per month. However, by the end of 2013, the EU had a trade surplus in wood furniture of around €350 million per month.

Average monthly imports of wood furniture into the EU had fallen to €350 million while exports had risen to just over €700 million per month.

These figures should be put into perspective. EU external trade in wood furniture is relatively small compared to total consumption, which is about €50 billion per year (or €4200 million per month). There is much reliance on domestic manufacturers.

Only about one quarter of wood furniture consumed in EU countries ever crosses a national boundary. Total internal trade in wood furniture between EU countries averages around €1200 million per month.

Trade statistics and anecdotal reports suggest that the level of EU consumption and internal trade in wood furniture have been static at a low level since 2009 when there was a steep decline during the financial crises.

While external trade forms only a small part of the EU furniture sector, it is becoming much more relevant to European furniture manufacturers. During the recession, manufacturers have become more focused on improving competitiveness relative to manufacturers in other countries, particularly China.

With consumption static in domestic markets, European furniture companies are seeking to increase sales in other parts of the world.

This more outward looking strategy seems to be working for EU manufacturers. Exports of wood furniture are rising, particularly to Russia, North America, China, and the Middle East.

The rise in exports is being led by manufacturers in Italy, Germany and Poland (see Table 1). Meanwhile EU imports of wood furniture have been falling, a trend which strengthened in 2013 and affected all the main external suppliers including China, Viet Nam, Indonesia, Malaysia and Turkey (see Table 2).

Overall these trends suggest a revival in the relative global competitiveness of European wood furniture manufacturers over the last 3 years.

**Table 1: Value of EU wood furniture imports**

€1 million	Year			Jan-Nov		
	2011	2012	% chng	2012	2013	% chng
<b>Total EU imports</b>	<b>5127</b>	<b>5317</b>	<b>4</b>	<b>4912</b>	<b>4234</b>	<b>-14</b>
<b>By exporter</b>						
China	2682	2903	8	2682	2276	-15
Viet Nam	499	538	8	494	458	-7
Indonesia	338	341	1	320	255	-20
Malaysia	226	231	2	213	158	-26
Turkey	168	164	-2	149	129	-13
Bosnia Herz.	125	129	3	119	124	5
Norway	147	136	-8	125	111	-12
India	120	127	5	117	108	-8
Switzerland	151	128	-15	119	105	-12
Brazil	129	116	-10	107	97	-10
Other	541	502	-7	467	412	-12
<b>By EU importer</b>						
UK	1456	1661	14	1525	1361	-11
Germany	922	959	4	887	783	-12
France	748	827	11	765	589	-23
Netherlands	384	401	5	370	306	-17
Belgium	247	246	0	227	202	-11
Italy	233	184	-21	174	151	-13
Sweden	187	175	-6	163	148	-9
Denmark	197	182	-8	168	146	-13
Spain	201	159	-21	148	117	-21
Other	553	523	-5	483	430	-11

Source FII Ltd analysis of Eurostat

**Table 2: Value of EU wood furniture exports**

€1 million	Year			Jan-Nov		
	2011	2012	% chng	2012	2013	% chng
<b>Total EU exports</b>	<b>6987</b>	<b>7670</b>	<b>10</b>	<b>7027</b>	<b>7528</b>	<b>7</b>
<b>By destination</b>						
Non-EU Europe	2643	2881	9	2670	2717	2
Russia	1005	1154	15	1039	1108	7
USA	935	971	4	893	1027	15
China	293	299	2	275	328	19
Saudi Arabia	134	167	24	152	177	16
Japan	146	175	20	160	169	6
UAE	147	175	19	160	168	5
Canada	135	140	4	128	154	20
Turkey	112	106	-5	96	128	33
Other	1436	1601	12	1456	1551	7
<b>By EU exporter</b>						
Italy	2212	2464	11	2214	2422	9
Germany	1175	1239	5	1160	1188	2
Poland	578	583	1	534	643	20
Sweden	566	603	7	563	529	-6
Denmark	366	411	12	382	399	4
France	390	374	-4	341	350	2
Lithuania	190	263	38	241	301	25
Spain	227	268	18	244	280	15
Austria	243	264	9	243	232	-4
Other	1041	1202	15	1106	1184	7

Source FII Ltd analysis of Eurostat

**Strong global influence of large EU furniture manufacturers**

The latest edition of World Furniture (www.worldfurnitureonline.com), the quarterly journal of the Italian furniture industry research association CSIL, includes an overview of production trends in the European furniture sector.

CSIL note that profits have declined and the total value of European furniture production has been static for a decade (or even decreased in some countries). However CSIL also highlight the strong global influence of Europe’s largest furniture companies.

Following the recent rapid growth in emerging markets, particularly China, the EU now accounts for one quarter of the world’s furniture production and consumption. EU share of world furniture production has contracted over the last decade so that the total value of production in the EU in 2012 was no more than ten years previously.

Total EU furniture sector turnover in 2012 was €100 billion, just over the peak of 2008. European furniture industry profits after tax and net income have reduced by a cumulative 30% over the last 5 years.

However these trends are partly offset by a rise in furniture production in plants operated by European companies in other parts of the world. European furniture companies continue to play a leading role in the international market.

Europe is home to 84 of the world’s Top 200 furniture manufacturers. These companies are mainly located (in order of importance), in Germany, Italy, Sweden, France, the UK, Poland, Finland, the Netherlands, Austria, Denmark, Lithuania, Spain and Romania.

Although in terms of numbers, around 85% of European furniture companies are micro enterprises with less than

10 employees, the leading European companies are very large.

The 100 largest companies in Europe have a total turnover of €20 billion and average of €150 million. Together these 100 companies account for around 20% of the EU furniture sector turnover. Their productive presence now includes numerous plants outside the EU, notably in China, Russia, Ukraine, Belarus and USA.

Europe's large furniture companies have adopted various strategies to improve competitive during the European financial crises.

These include downsizing (with plant closures and layoffs), increasing production efficiency, increased sourcing from Asia, strong investment in existing and new retailing formats (including in emerging markets) and a strong focus on brand development.

As a result, despite the recession in domestic markets, European manufacturers have retained their global leadership in furniture design and production innovation.

**European furniture manufacturers go east**

CSIL report that around 80% of EU furniture production value in 2012 was in Western Europe (EU15 group of countries). This is down from around 90% a decade ago. However, these figures omit the rising value of production by Western European companies in plants outside the region.

Weak European consumption has meant that Western European companies now focus heavily on expansion of exports to fast growing emerging markets.

Germany has the best performing furniture sector and recently overtook Italy as the largest European furniture producer (in terms of value).

Germany now ranks as the world's third largest furniture producer after China and the United States. It is also the second largest exporter after China. According to Eurostat data, Germany is host to over 9,000 furniture manufacturing companies.

The furniture sector in Italy, comprising 20,000 mainly small furniture companies, is more fragmented than in Germany. These companies are concentrated in several regional clusters in Italy.

The performance of these clusters has varied widely in recent years depending on product specialisation and their diversity of export markets.

**Rapid production growth in Poland**

Production value in the EU13 group of Eastern European countries increased 50% between 2002 and 2012. This region now accounts for 20% of total EU production value. Production growth has been particularly rapid in Poland, Romania, Lithuania and Slovakia.

Furniture production in this region has always been more export-oriented than in Western Europe. By combining

relatively cheap labour with proximity to European customers, furniture production in these countries has risen alongside the on-going process of EU eastern expansion and market integration.

Poland is by far the leading furniture exporter in Eastern Europe with over €6 billion in 2012. Exports accounted for as much as 79% of Poland's production value in 2012.

Poland is also increasingly influential in the global furniture industry. In 2012, it was the world's 7<sup>th</sup> largest manufacturer (up from 12<sup>th</sup> in 2002) and the 4<sup>th</sup> largest exporter (up from 5<sup>th</sup> in 2002) after China, Germany and Italy. As in Italy, production in Poland is highly fragmented.

There are almost 24,000 furniture manufacturers in the country mainly concentrated in the Wielkopolskie, Mazowieckie and Malopolskie regions.

Romania is the second largest furniture producer in the EU13 group of countries, although production of €1.5 billion in 2012 was only a quarter of that in Poland. Furniture production in Romania expanded at an average annual rate of 6.3% between 2002 and 2012. Exports account for 88% of production and have driven this rapid growth.

The Czech Republic is the third largest producer of furniture in the EU13, with production value of €1.4 billion in 2012. The country has around 500 producers, mostly locally owned with lower levels of foreign investment than in other parts of the region.

Lithuania is now the fourth largest furniture manufacturer in Eastern Europe, with production value rising by 400% between 2002 and 2012, notably due to large investments by the Swedish giant Ikea.

#### **Ikea reports strong market growth in China, Russia and US**

The 2013 financial report for the Ikea Group, the world's largest furniture retailer, provides insights into the outlook for the international furniture sector.

In the financial year 2013 (to 31st August 2013), Ikea's sales increased 3.1% to €27.9 billion and profit also increased by 3.1% to €3.3 billion. Market conditions continued to improve, reports the retailer, with strong growth in China, Russia and the US.

Ikea reports that "Consumer spending is improving in many countries. While the challenging economic situation may not be over, there are positive signs. Important consumer markets such as the US are coming back and Europe in general is starting to recover.

Even some of the challenging markets in Southern Europe are showing good signs of activity." The Ikea Group claims to have gained market share in almost all markets.

The largest markets were Germany, the US, France, Russia and Sweden. Ikea, which specialises in large volume sales of low priced furniture, suggests "this indicates that value for money is increasingly important".

The Ikea Group has an ambitious growth agenda, aiming for €50 billion in sales by 2020. It states that the large emerging markets are important sources of future growth.

In FY13, the Ikea Group opened two more stores in China – another step in expansion in the Chinese market. Ikea's long-term focus is to "keep developing better products at lower prices, improving the shopping experience and becoming more accessible to our customers, for example through an improved service offer, e-commerce and continued expansion".

#### **European furniture shows highlight continuing strong fashion for oak**

A recent report from the American Hardwood Export Council (AHEC) reviews fashion trends based on visits to European furniture shows. AHEC note that there are three high profile furniture shows in Europe. The imm show in Cologne, Germany and Maison Objet in Paris take place in January, while the Salone del Mobile is held in Milan, Italy in April.

All attract an international audience both in terms of visitors and exhibitors. However, exhibitors often have to choose between the Cologne and Paris as they are held within only a few weeks of each other.

The Cologne fair is more traditional and is of particular focus for companies selling into the German market and other Central and Northern EU countries. But as with all the big European shows there are always plenty of visitors from outside Europe.

Based on their visit to imm Cologne, AHEC suggest contemporary design furniture has a much greater representation than in the past. Traditional and reproduction furniture is shown but does not dominate.

The exhibition is a platform for leading brands and individual designers targeting the higher end of the market. As a result, quality materials are used.

There was a lot of real wood on display, often in combination with other materials.

It is hard to quantify, but AHEC suggest that real wood was more prominent than in previous years and there were fewer paper foil and vinyl finishes. This suggests the higher end of the European furniture sector is still an important source of demand for hardwood.

According to AHEC, contrasting colours is a very obvious trend at the moment, and many manufacturers are using the natural tones of wood to contrast with bright colours. White with wood also seemed a particular theme for many brands this year.

The vast majority of the wood was temperate hardwood; there were relatively small amounts of tropical hardwood or softwood species on show.

The dominant species was oak, but ash was also common, a little beech and quite a lot of walnut, most of which was American. AHEC report that the trend for a natural rustic look has grown in recent years. It is now common to see leading brands offering expensive designer collections with “character” solid oak.

This oak contains grain and colour variations and even sometimes knots. Most of the character oak was from Europe. European producers are favouring European oak because they can source short dimensions and low grades more cheaply than white oak from the USA. For the cleaner more consistent look, manufacturers use mostly veneered panels for the surfaces but solid for legs, rails and chairs.

AHEC also note that at Cologne there was quite a lot of bent wood being used in the contemporary chair design especially ash which lends itself to this application, but also beech and some oak. One new trend this year was the use of heat treated hardwoods - European and North American - for outdoor furniture.

According to AHEC many of the wood trends apparent in Cologne were reinforced at Maison Objet in Paris. At this show, oak was by far the dominant wood material for both furniture and flooring. Flooring manufacturers exhibited oak in hundreds of different finishes and colours. Furniture and interior fittings in pale oak were very popular and often contrasted with other materials such as fabrics or metals in bright colours.

The Paris show also highlighted the continued fashion for ‘streamline’ designs – tables with very thin legs and backs and tables with wafer-thin tops. For higher end products, many manufacturers were using American walnut which remains very popular for luxury goods. Many companies at the show reported that their production is now based in China, Vietnam, Poland and Romania.

#### **Chinese products increase market share in the UK**

The new Statistics Digest issued by the UK Furniture Industry Research Association (FIRA) at the end of 2013 suggests a small recovery for furniture manufacturing in the UK.

However the sector continues to suffer from loss of market share to Chinese product in the domestic market and poor export market performance. The report indicates that the UK furniture sector manufactured £6.5 billion of product in 2012.

The significance of imported furniture is reflected by the fact that, at between £4.3 and £4.5 billion, it comprises 40% of the home market. UK furniture exports, however, have remained relatively static for many years, and struggle to reach £1 billion each year.

There were 6131 furniture manufacturers in the UK in 2012. This number has changed little in recent years. The industry is dominated by micro-businesses and SMEs, with only 260 companies (4%) operating at turnovers in excess of £5 million in 2012. 83% of companies turned over less than £1 million.

A high proportion of UK furniture companies are extremely small. 58% have annual turnover of less than £250,000. Furniture manufacturing is quite evenly spread around the UK, although there is a higher concentration in London and the South-east which together account for 24% of all UK furniture manufacturers.

Total imports of furniture into the UK decreased from £4.5 billion in 2010 to £4.3 billion in 2011 but then increased again to £4.5 billion in 2012. The largest external supplier was China which accounted for 33% of import value in 2012.

Other major suppliers are Italy, accounting for 10% of import value in 2012, and Germany which supplied 9%. UK furniture exports increased from £754 million in 2009, to £993m in 2011, but 2012 saw a reverse in this trend, with exports falling slightly to £946 million.

The UK has traditionally targeted its exports at the Republic of Ireland and the USA and this continued to be the case in 2012 (16% and 13% respectively).

Trade with leading European nations such as Germany, France, the Netherlands and Belgium was the other main source of income from exports.

The Statistics Digest also explores trends in the wider UK economy. Key points include:

- Total consumer expenditure in the UK increased by just over 2% between 2009 and 2012 to over £920 billion.
- Total lending to consumers in the UK has been increasing slowly. Between 2009 and 2012, total lending increased by £23 billion to £1475 billion.
- However total “unsecured” lending (i.e. excluding mortgages) of £210 billion in 2012 was much lower than its peak of £238 billion in September 2008.
- There was a slight upward trend in UK housing starts between 2008 and 2011 followed by a slight downturn in 2012. Preliminary indications are that housing starts increased again in 2013.
- While the total number of UK property transactions gradually increased over the 2009 to 2012 period (by 9%), there was a significant rise of over 5% between 2011 and 2012. Preliminary data suggests the rising trend continued in 2013.

FIRA conclude, based on their statistical analysis and other anecdotal evidence, that furniture consumption in the UK is recovering slowly.

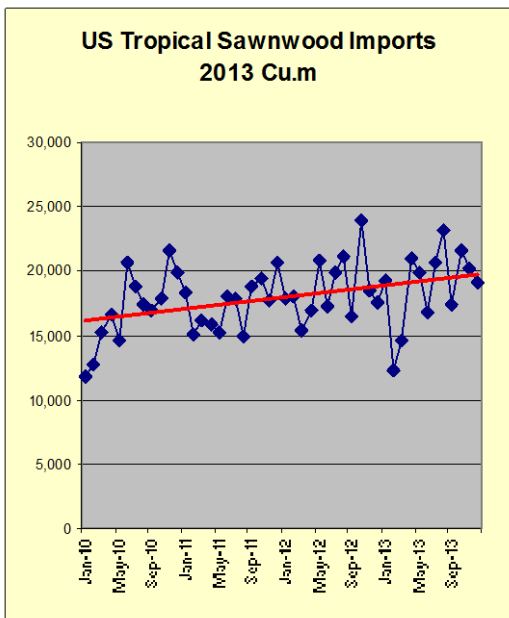
Consumers are becoming willing to borrow and spend more money, and housing starts and transactions are up. However the market remains well below the pre-2008 level and is unlikely to grow rapidly.

\* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI)

**Report from North America**

**2013 tropical sawn hardwood import volume slightly up from 2012**

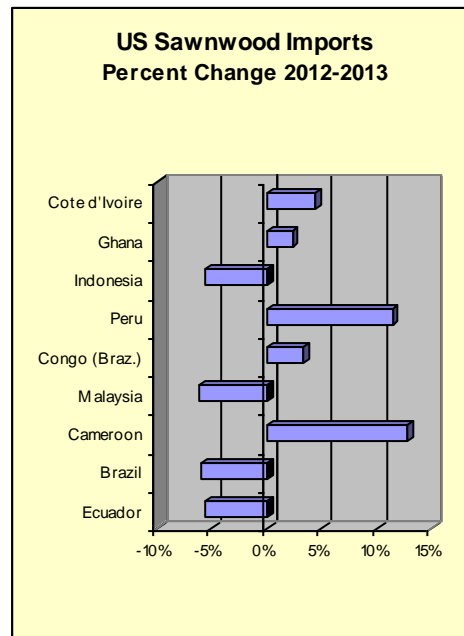
Overall 2013 US imports of tropical sawn hardwood imports were 226,076 cu.m., slightly higher (+1%) than in 2012. The value of imports declined, however, by 4% to \$246.9 million in 2013.



Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

By volume, imports from Ecuador, Brazil, Malaysia and Indonesia declined from the previous year, while African countries and Peru shipped more than in 2013.

Ecuador was the largest supplier to tropical hardwood to the US at 38,563 cu.m. (-6%). Imports from Cameroon increased by 13% to 30,553 cu.m. in 2013.



Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from smaller suppliers also grew in 2013, especially from Guatemala (6,755 cu.m.), Gabon (3,211 cu.m.), Burma (2,982 cu.m.) and India (2,553 cu.m.).

**Significant year-on-year growth in Canadian imports of tropical sawnwood**

Canada imported 20% more tropical sawn hardwood in 2013 than in the previous year, based on import values in US dollars. Overall 2013 tropical sawnwood imports were worth \$24.4 million, about 10% of US imports.

The leading supplier was Brazil (\$7.3 million), followed by Cameroon (\$3.5 million) and Ecuador (\$2.3 million). The largest growth compared to 2012 was in imports from Ecuador, Brazil, Ghana and Indonesia. Sawnwood imports from Cameroon, Bolivia and Congo (formerly Zaire) declined in 2013.

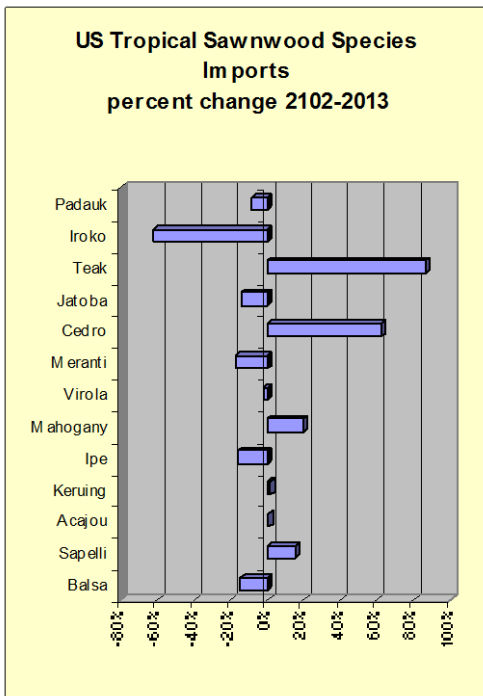
Unlike in the US market, sapelli imports were down in 2013. Canada's imports of virola, imbuia and balsa (combined) increased, as well as imports of iroko. But at \$3.8 million sapelli remains the main tropical species imported in 2013.

**Balsa number one species imported**

Balsa remained the main tropical sawnwood species imported into the US, although the volume fell by 15% from the previous year to 40,647 cu.m. in 2013.

Imports of the following species and countries increased significantly from 2012: sapelli (Cameroon), mahogany (Fiji, Guatemala and Philippines), cedro (Ghana, China and Guatemala), and teak (Burma, India and Malaysia).





Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

**New environmental product declarations for MDF and particleboard**

The American Wood Council and the Canadian Wood Council partnered to provide environmental product declarations (EPD) for MDF and particleboard. The EPDs are based on Life Cycle Inventory and Life Cycle Assessment reports, which were produced with support by industry members of the Composite Panel Association.

A total of nine EPD exist now for North American wood products, according to the American Wood Council. Designers, builders and manufacturers can use the EPDs to compare the wood products with other products and materials in terms of a wide range of environmental impacts.

The following wood products have now EPDs and accompanying transparency briefs: softwood sawnwood, softwood plywood, OSB, glue laminated timbers, laminated veneer lumber, wood I-joists, redwood decking, MDF and particleboard.

The EPDs are available for download on the American Wood Council website:

Mexico, Columbia, Peru and Chile have signed an accord that will eliminate tariffs on almost all products they trade. The four countries formed the Pacific Alliance two years ago and they account for half of Latin America’s economic output.

**Disclaimer:** *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

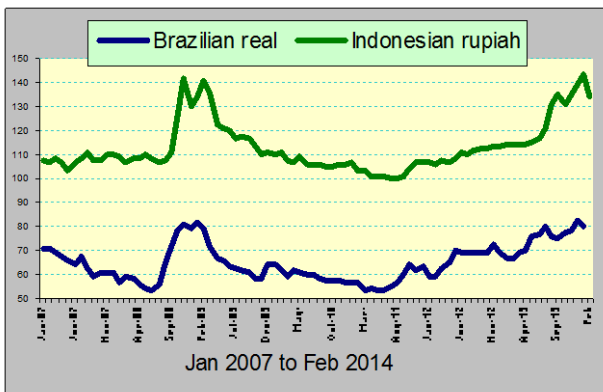
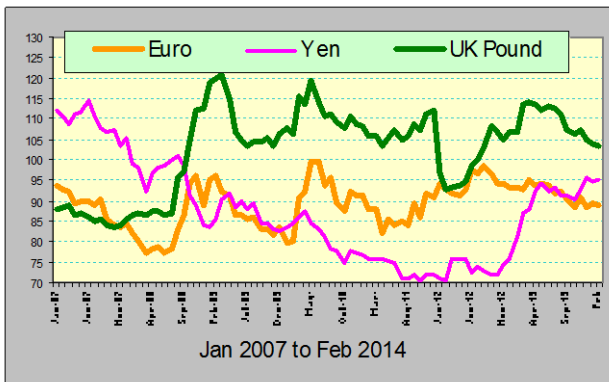
*The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.*

## Main US Dollar Exchange Rates

As of 25th February 2014

Brazil	Real	2.3391
CFA countries	CFA Franc	480.98
China	Yuan	6.1246
EU	Euro	0.7275
India	Rupee	61.91
Indonesia	Rupiah	11638
Japan	Yen	102.24
Malaysia	Ringgit	3.2789
Peru	New Sol	2.8081
UK	Pound	0.5995
South Korea	Won	1073.50

Exchange rates index (Dec 2003=100)

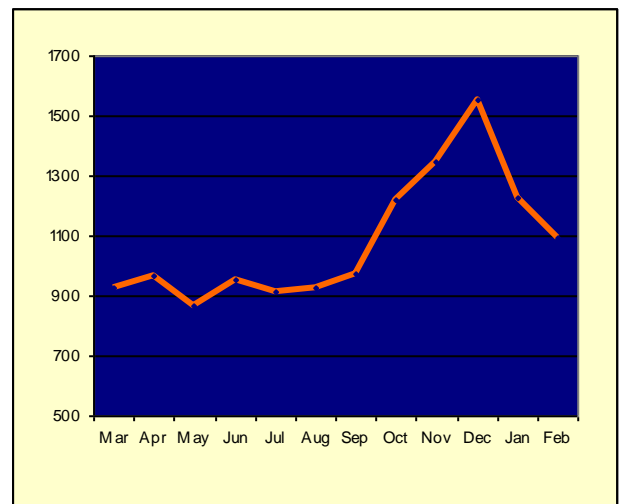


## Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
CI, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR, WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality
TEU	20 foot container equivalent

## Ocean Freight Index

Baltic Supramax Index March 2013 – February 2014



The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

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