

Tropical Timber Market Report

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Top Story

Teak log prices collapse on heels of log export ban

Prices offered for teak logs during the latest open tender in Myanmar were sharply down from levels at the auction just prior to the beginning of the log export ban.

Logs can no longer be exported from Myanmar so increased volumes have become available to the domestic mills which do not yet have the capacity to process the large volume of logs available.

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Report from Central/West Africa

French market for logs comes to life

The flow of log exports is at a fairly normal to high pace and, as always, okoume is the top species for Asian destinations. Buyers for the Chinese market have resumed purchases of okan logs.

Producers report a modest improvement in interest in logs from buyers in France but across the EU the volumes being imported are much lower than in the past as there are now fewer sawmills in the EU processing tropical logs.

As expected, log prices for the limited number of premium species have moved higher. At present there are two main drivers of log prices one is the firming demand for sawnwood in major markets the other the limited availability of the prime species.

Demand for sapele and sipo sawnwood is particularly strong at present and demand outstrips the ability of mills to secure logs.

Sapele from Congo now coming onto the market

New sawmills have now started production in Northern Congo Brazzaville and are milling mainly sapele for shipment out of Douala or Point Noir. Shipment from either port involves very long distance road haulage.

While log prices are rising, sawnwood prices are currently unchanged having stabilised following the steep rises for the prime species during April.

Port delays reported in Cameroon

Reports suggest shipments of logs and sawnwood from Cameroon are being delayed because the contract with the port handling company is yet to be renewed.

Log and sawnwood stocks have built up in Cameroon and there are reports of long delays in shipments. Exporters are concerned that some of the lighter density timbers may deteriorate when held for long periods sealed in containers. Analysts say it may take some considerable time to clear the back-log of cargo.

Exporters now face stringent container inspections in Cameroon and Gabon as the authorities are determined to crack down on those attempting to ship banned species mixed with behind other timbers.

The Middle East market continues to be strong and producers say prices are stable and order book positions extend to September.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	225	225	150
Azobe & Ekki	235	230	150
Belli	245↑	245↑	-
Bibolo/Dibétou	150	145	
Iroko	295↑	280↑	240↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	300↑	290↑	-
Movingui	220	220	180
Niove	160	155	-
Okan	270	270	-
Padouk	300	275	210
Sapele	300↑	300↑	200↑
Sipo/Utile	350↑	340↑	210↑
Tali	305↑	305↑	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	345
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	270
Std/Btr GMS	350
Sipo FAS GMS	520
FAS fixed sizes	590
FAS scantlings	600
Padouk FAS GMS	800
FAS scantlings	820
Strips	450
Sapele FAS Spanish sizes	590
FAS scantlings	590
Iroko FAS GMS	590
Scantlings	630
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	560
Scantlings	560
Movingui FAS GMS	420

Report from Ghana

Ghana on track to trade FLEGT licensed timber

A meeting of managers of all projects and activities being implemented in support of the Forest Law Enforcement Governance and Trade Voluntary Partnership Agreement (FLEGT-VPA) between Ghana and the European Union was held recently.

The meeting was jointly convened by the EU Delegation to Ghana and the Forestry Commission of Ghana in an effort to ensure the effective collaboration and coordination between the organisations managing these projects.

Ghana became the first country to agree a VPA with the EU which will result in systems to verify the legality of timber for exports and to strengthen forest governance. The EU is Ghana largest market for wood products.

By agreeing the VPA Ghana has committed to dealing with the challenges of illegal logging and its associated economic, social and environmental costs. The changes that have been effected in Ghana paved the way for the

country to access investment from the World Bank, the International Finance Corporation (IFC) and the African Development Bank.

Over the past five years, the Forestry Commission has been working to put in place the systems and reforms necessary to implement the VPA. After considerable progress with the development of the system to license legal timber Ghana is on track to soon be shipping FLEGT licensed wood products.

Signing EPA will ensure competitiveness of exporters

Ghana's Minister of Trade and Industry has said that signing the ECOWAS-EU Economic Partnership Agreement is essential as not signing would seriously undermine export opportunities for the main commodities such as cocoa, gold, oil and timber as well as for non-traditional products.

The EU is Ghana's largest export market, accounting for more than half of all exports and failure to seize the opportunity for improved market access would result in the country's exporters losing competitiveness in the EU market.

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	164-170	180-195
Odum Grade A	170-175	180-188
Ceiba	124-135	140-155
Chenchen	109-122	125-133
Khaya/Mahogany (Veneer Qual.)	145-160	166-185
Sapele Grade A	160-170	175-190
Makore (Veneer Qual.) Grade A	123-130	135-140
Ofram	120-127	130-140

Boule Export prices

	Euro per m ³
Black Ofram	250
Black Ofram Kiln dry	335
Niangon	519
NiangonKiln dry	580

Export Rotary Veneer Prices

Rotary Veneer 1-1.9mm , FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (2mm)
Ceiba	255	330
Chenchen	320	365
Ogea	334▲	344▲
Essa	344	355
Ofram	333	365

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.47
Asanfina	1.20	0.59
Avodire	1.12	0.77
Chenchen	1.10	0.57
Mahogany	1.30	0.58
Makore	1.30	0.62
Odum	1.76	1.08

Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	€ per m ³	
	Air-dried	Kiln-dried
Afromosia	855	945
Asanfina	480	564
Ceiba	230	295
Dahoma	263▼	352
Edinam (mixed redwood)	351	537▼
Emeri	380	550
African mahogany (Ivorensis)	593	681
Makore	580	650
Niangon	550	625
Odum	610▲	750
Sapele	567	682▼
Wawa 1C & Select	275	323

Export Plywood Prices

Plywood, FOB BB/CC	€ per m ³		
	Ceiba	Ofram	Asanfina
4mm	446	600	641
6mm	453	545	622
9mm	360	423	490
12mm	357	452	445
15mm	325	380	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	13.00	15.70	18.80
Odum	11.90	12.20	12.52
Hyedua	14.10	14.00	18.45
Afromosia	14.30	18.65	18.55

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

Report from Malaysia

Promoting recognition of legal timber in the domestic market

Malaysia is presently negotiating with the EU on a VPA but while these negotiations continue the private sector is implementing a project to identify certified and credible timber suppliers in Malaysia.

The "Certified Timber and Credible Suppliers" (CTCS) project was initiated by Ahmad Shah and is currently being executed by PEKA (Association of Malaysian Bumiputra Timber and Furniture Entrepreneurs).

The CTCS has the full support of the Ministry of Plantation Industries and Commodities, the Malaysian Timber Industries Board and the Malaysian Timber Council.

According to Ahmad, "In Malaysia there is inadequate recognition and use of certified timber and timber products in the domestic market. The trade network between small and medium sized timber companies and domestic housing developers is poor such that the SMEs find it difficult to trade directly".

The CTCS was designed to promote sales of green and environmentally friendly wood based products to domestic consumers and to regain and increase market share in applications such as flooring, window and door frames.

Currently, the CTCS Programme covers four main product categories: (1) windows, doors and flooring, including decking, (2) glulam, (3) furniture, and (4) interior products.

The strength of this initiative lies in its Quality Assurance Verification which verifies the source of timber and assesses quality standards and compliance with the green building code.

First quarter exports from Sabah

The latest data released by the Sabah Department of Statistics show that Sabah exported 58,282 cubic metres of sawntimber in the first quarter of 2014 worth RM90,180,563 (approximately US\$26.66 million).

Sabah exports of sawnwood by destination (January to March 2014)

	Volume (M ³) % of total	Value (RM)
Thailand	10,140 (17.4%)	12,695,552
Taiwan	9,533 (16.4%)	12,940,143
China	9,494 (16.3%)	16,518,776
Philippines	6,813 (11.7%)	4,341,885
Japan	5,952 (10.2%)	11,482,553
South Africa	4,000 (6.9%)	7,010,750
Netherlands	2,132 (3.7%)	6,474,172
Pakistan	1,485 (2.5%)	2,199,262
Belgium	1,060 (1.8%)	2,987,063

Also in the first quarter, Sabah exported 141,422 cubic metres of plywood worth RM235,027,628 (approx. US\$72 million).

Sabah exports of plywood (January to March 2014)

	Volume (m ³)	Value (RM)
Japan	31,009 (21.9%)	57,743,051
Peninsular Malaysia	25,074 (17.7%)	40,346,538
S. Korea	23,096 (16.3%)	29,283,665
USA	11,298 (8.0%)	21,584,180
Philippines	8,761 (6.2%)	17,454,087
Thailand	8,283 (5.9%)	12,565,936
Taiwan	6,859 (4.9%)	11,684,814
Mexico	6,255 (4.4%)	11,497.99
Yemen	5,134 (3.6%)	6,505,403

Japan takes lion's share of Sarawak plywood exports

Last year log production in Sarawak fell to 8.2 mil. cubic metres compared to 9.5 mil. cubic metres in 2012, and 10.2 mil. in 2011. Of the total log production in 2013 around 8 mil. cubic metres was harvested from the hill forests and the remaining came from swamp forests.

In 2013 log exports from Sarawak totalled 2.8 mil. cubic metres with India being the biggest buyer taking a 62% share.

Sarawak Timber Association data showed that in 2013, Sarawak exported 2.58 mil. cubic metres of plywood valued at RM 4.0 bil. (approximately US\$ 1.23 bil.). Out of this total Japan took 1.43 mil. cubic metres (55%).

Report from Indonesia

Satellite mapping provides new deforestation data

In November 2013 a group of researchers who partnered with Google and NASA noted that there appeared to be an alarming increase in the rate of deforestation in Indonesia. Through satellite mapping technologies the researchers found that the rate of deforestation in Indonesia had doubled between 2000 and 2012.

The deforestation rate in Indonesia was estimated to have increased from about 10,000 square kilometres per year in 2000-03, to nearly 20,000 square kilometres per year between by 2011-2012.

The impact of deforestation in Indonesia has given rise to more frequent floods and contributes to rising temperatures in the archipelago say researchers.

Nine institutions offered grant support for forest conservation

The Ministry of Forestry (MoF) has released details of grants provided under the First Tropical Forest Conservation Act (TFCA).

The available funds will be disbursed by the Biodiversity Foundation (KEHATI) that facilitate the conservation, protection, restoration and sustainable use of tropical forests in Indonesia. KEHATI supports the Berau Forest Carbon Program (BFCP) and the Heart of Borneo initiative in Kapuas Hulu, West Kalimantan and in the West Kutai district, the Mahakam Ulu and the Berau districts in East Kalimantan .

Nine institutions will receive grants namely : Operation Wallacea Trust (Bogor), PEKA Indonesia Foundation (Bogor), BIOMA Foundation (Samarinda), Center of Sosial Forestry Mulawarman University (Samarinda), Organisa Indonesia Alliance (Bogor), FORINA (Bogor), PRCF Indonesia Foundation (Pontianak), Gemawan Institution (Pontianak) and Penabulu Foundation (Jakarta).

For more see

<http://www.dephut.go.id/uploads/files/62a4b8b8caffc878f9dc21bfe3c2dafa.pdf>

Protect environment but not at expense of local communities

President Susilo Bambang Yudhoyono has said Indonesia should strive for a balance between protecting the environment and the use of forests by local communities.

In an address at the Forests Asia Summit in Jakarta the President said "It is about striking a balance between the need to conserve the environment and guaranteeing the rights of local communities over their customary forests." The President called on all countries in the region to implement strategies to promote sustainability of all natural resources.

Biomass and Bioenergy, an opportunity for Indonesian forestry

The Indonesian government has adopted an energy plan which foresees a change in energy sources. By 2025 the government hopes to secure 15 % of the energy needs by investing in renewable energy sources such as geothermal sources, biofuels and biomass.

The Ministry of Energy and Mineral Resources has developed a Biofuel Development Roadmap to this end.

The forestry sector, which manages 60% of the land area of Indonesia, has great potential as a supplier of bioenergy to meet national energy needs.

According to Ir. Sofwan Bustomi, wood energy resources are still a low priority for the government but emphasised the wood pellet industry would deliver many local social and economic benefits and could provide a source of export earning as the global wood pellet market is projected to grow quickly.

Economy on a stronger footing in first quarter

The Bank of Indonesia (BoI) has reported a year on year growth in the first quarter of 2014 of 5.2% slightly below that in the fourth quarter of 2013 (5.7%). The first quarter 2014 GDP growth is below the Bank's expectation.

In a press release the BoI said the slower than expected growth was largely due to external factors as the growth in exports slowed particularly for minerals and coal.

Imports also slowed in the first quarter of 2014 in line with an easing of domestic demand and by lower consumption in the public sector.

Economic growth in the first quarter of 2014 was supported by satisfactory performance of household consumption and investment.

For more see: http://www.bi.go.id/en/ruang-media/siaran-pers/Pages/SP_1628_DKom.aspx

In related news inflation in April 2014 continued a downward trend and the Consumer Price Index (CPI) in April recorded deflation of -0.02% month on month.

The mild deflation in April mainly was supported by falling prices for fresh food the result of an abundant supply as harvests were good in the first quarter.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	210-240
Sawlogs (Meranti)	220-250
Falcata logs	180-230
Rubberwood	105-130
Pine	135-160
Mahoni (plantation mahogany)	140-180

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	400-440
KD	-
AD 3x20x400cm	590-630
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	360-400
AD 2x20x400cm	490-520
AD 3x30x400cm	415-440

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	640-680
3mm	680-710
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	380-440
12mm	355-400
15mm	300-330

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³		
<i>Particleboard</i>	Export 9-18mm	700-740	
	Domestic	9mm	980-1040
		12-15mm	600-630
	18mm	500-650	
<i>MDF</i>	Export 12-18mm	750-780	
	Domestic 12-18mm	430-530	

Report from Myanmar

Tender prices collapse on heels of log export ban

Average prices secured by the MTE during the latest open tender (28 April) are shown below along with the average prices obtained in the previous sale for comparison.

As logs can no longer be exported but have to be milled locally the decline in average prices is in line with forecasts made by local analysts.

Given the sizeable volume of unshipped logs in the country observers do not foresee a rise in open tender sale prices in the coming months. Average prices US\$ per hoppus ton are shown below.

Species	Grade	H. tons	Avg. Price	Previous Avg. Price
Teak	SG-1	15	3889	5722
Teak	SG 2	14	3000	4996
Teak	SG 3	57	2840	3362
Teak	SG 4	15	2266	3022
Teak	SG 6	22	1666	1501
Padauk	unshipped export	6	2188	3500-3880
Tamalan	ditto	1	3188	8598
Pyinkadoe	ditto	127	586	386

Tamalan (*Dalbergia oliveri*) is the favourite of Chinese buyers and attracted very high prices prior to the log export ban as will be seen from the above table.

Risk that timber smuggling will rise

During March and April this year almost 600 tons of illegally harvested timber was seized by authorities in Mandalay. The illegal timber was either in illicit log depots or loaded on trucks ready for transport.

Tamalan accounted for more than 500 tons of the total seized, a huge increase on the mere 50 tons seized in the same period a year before. About 400 tons of tamalan was seized during the 'water festival' between 13th and 16th April.

The Forest Department reported seizure of 502 tons of tamalan ; 57 tons of padauk; 6 tons of teak 6 tons; 6 tons of pyinkadoe; 2 tons of red sandalwood and 13 tons of other species.

Between 29 April and 4 March over 1,000 tons of teak and non-teak hardwoods were seized by authorities across the country. The largest quantity was seized in Sagaing Division in the north says the Ministry of Environmental Conservation and Forestry (MOECAF).

FREDA Chairman Ohn, commented that, because of the log export ban, overland smuggling appears to be increasing.

According to Weekly Eleven Journal the cost of illegally trucking Tamalan from Mandalay to Muse on the Myanmar China border could be as high as Myanmar Kyats 100,000 (roughly US\$10,000) per trip.

From Namhsan and Kholan in the Southern Shan States to China. skirting the Kengtung area, truck owner will reportedly receive K90,000 per trip. Each truck can carry as much as 15 to 20 tons.

Analysts say that, because the authorities have stepped up operations against smugglers, the illicit trade has become more risky. However, the risks pale when such enormous profits are possible. Unless the government finds an answer to these activities, analysts say the situation may worsen.

Forest degradation from illegal activities is now viewed as a major cause of the increased risk of natural disasters and the domestic media are trying to raise public awareness of these issues.

Record export shipments of teak and other hardwoods

The local newspaper, Daily Eleven, quoting Ministry of Commerce trade statistics, reported a record of shipment of teak and non-teak hardwood logs worth nearly one billion US dollars in the last fiscal year.

It reported that some US\$916,400 million was exported by sea and an additional US\$31,420 million overland.

According to the data available, teak log exports amounted to US\$638.400 million while the quantity of other hardwood logs shipped was over 590,000 tons valued at US\$222 million.

Report from India

India's wood product exports jump 8 percent

Between April and December 2013 India's wood product export exports were over US\$540 mil. Up 8.9% year on year. Exports of plywood and veneer fell and wooden furniture exports were maintained at the same level as a year earlier.

In terms rupee, exports improved from Rs.27,365.08 million a year ago to Rs.32,953.82 million between April and December 2013, a growth of 20.42 %. Export figures in US dollars terms are shown below.

	US\$ (Million) Apr-Dec 2013	US\$ (Million) Apr-Dec 2012	% change 2012 - 2013
Cork and cork products	1.72	1.84	-6.5
Hardboard	9.7	8.7	11.5
Other articles of wood	176.73	136.01	30
Decorative plywood	0.28	0.39	-28.2
Other plywood	15.92	11.73	35.7
Sandalwood chips	1.79	0.7	155.7
Sawnwood	19.82	22.95	-13.6
Tea chests	0	0.08	0
Veneer	10.1	11.92	-15.3
Wooden furniture	310.55	307.62	1
Total	546.61	501.94	8.9

Data source CAPEXIL

India's largest casuarina propagation centre

APPM Ltd, a group company of the US based International Paper in India, has established India's largest casuarina clonal propagation centre in Mulugapudi village in Vishakhapatnam district of Andhra Pradesh.

This is the fifth centre opened in the country and is equipped with technology to develop superior clones to improve the productivity of pulpwood plantations.

Yields are expected to increase to 25- 28 tonnes of pulpwood per hectare over a 4 year plantation cycle as against the 12- 14 tonnes per hectare at present in conventional seedling plantations.

By establishing plant distribution centers around the country the company has made it easier for farmers to obtain planting high quality stock as well as technical support. It is imperative that wood production is expanded to support the domestic industry.

Domestic teak log prices

At various depots approximately 12,500 cubic metres of newly harvested and logs left unsold at earlier auctions were put up for sale.

The average prices recorded at the most recent auction are as follows:

Teak logs	Per cubic foot
A quality for ship building	Rs.2300-2500
B quality for ship building	Rs.2200- 2300
A for sawing	Rs.2050-2100
B or sawing	Rs. 2000-2050
A Long length logs	Rs. 1750-1800
B Long length logs	Rs 1700-1750
Long length, Medium Quality	Rs 1450-1600
Short Length, Medium Quality	Rs 1300-1400
Short Length, Average Quality	Rs 1000-1200

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

Good quality non-teak hardwood logs (Haldu (Adina cordifolia), Laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium) of 3 to 4 metres length with girths of 91cms and up attracted prices in the range of Rs.700-900 per cubic foot.

Medium quality logs of the same size were sold at between Rs500-600 per cubic foot. Lower quality logs were sold at around Rs.250 per cubic foot.

Analysts report that a good quantity of freshly harvested teak and hardwood logs are arriving at depots in Dang, Vyara, Raj Pipla and Valsad.

Teak sales in Central India forest depots

Over 8,000 cubic metres of teak logs were sold at the Timarni, Khirakia, Ashapur, Narmada nagar depots in Central India.

As the volumes of teak available in the depots of Maharashtra are declining the auctions in Madhya Pradesh are good news for millers in and around Nagpur.

Prices at the recent auctions are shown below.

Teak logs	Per cubic foot
A Long length logs	Rs. 1600-1700
B short length logs	Rs 1400-1500
Medium grade logs	Rs 1100-1200
Average grade logs	Rs 1000

Millers switch to domestic teak as imported logs getting smaller

The flow of imported plantation teak logs has been maintained but domestic millers are complaining that the quality of logs is deteriorating.

The plantation teak logs presently coming from West Africa, especially from Nigeria, Ghana and Ivory Coast are now smaller and of poor quality than previously. Also, Sudan, Tanzania and Ghana used to ship good quality logs and the recovery rate for these logs was comparable to recovery rates for Myanmar logs.

Analysts suspect that, in the counties mentioned, all old growth logs have been harvested as now most of the logs arriving in India from W. Africa are small in the 30-36 inch girth range.

These developments have prompted some mills to begin buying higher priced domestic teak as recovery rates are better than for imported plantation teak.

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

	US\$ per cu.m C&F
Tanzania teak, sawn	350-885
Côte d'Ivoire logs	390-750
PNG logs	400-575
El-Salvador logs	340-695
Guatemala logs	400-550
Nigeria squares	370-450
Ghana logs	375-650
Guyana logs	300-450
Benin logs	340-650
Benin sawn	435-800
Brazil squares	360-680
Brazil logs	350-750
Cameroon logs	390-510
Togo logs	380-715
Ecuador squares	330-540

Costa Rica logs	355-700
Panama logs	360-550
Sudan logs	480-700
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	400-685

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

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

Sawnwood	Rs
Ex-mill	per cu.ft
Merbau	1550-1650
Balau	1650-1850
Resak	1200-1300
Kapur	1200-1250
Kempas	1100-1200
Meranti	875-975
Radiata	
AD	550-650
Whitewood	600-650

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

Balau, kapur and red meranti are gaining in popularity and demand for these timbers is expected to increase further.

Myanmar teak processed in India

Just prior to the introduction of the log export ban in Myanmar Indian buyers increased the number of shipments of logs from Myanmar and almost double the number of shipments were made.

However, it was not possible to clear all stocks in Myanmar so Indian buyers are now trying to negotiate with the authorities for permission to export the logs left behind.

In the domestic market teak prices have risen as the availability of high quality teak is likely to be an issue once stocks of Myanmar teak are sold.

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-15000
Plantation Teak A grade	5500-6000
Plantation Teak B grade	3800-4550
Plantation Teak FAS grade	3300-3800

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 ³
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 makers looking for an alternative to gurjan

Plywood manufacturers rely heavily on sales to the building and construction sectors but the real estate sector continues to be weak despite builders offering a wide range of discounts and other incentives to prospective buyers.

Demand in the main urban centres is particularly depressed and it is only sales in the smaller towns that keep the market alive.

Gurjan, the main species used for face veneers in India is no longer available in log form from Myanmar, the main supplier until the log export ban was introduced.

Indian plywood mills are now searching for reliable sources of alternative red coloured durable species. The shortage of gurjan has pushed up plywood prices but analysts say some mills are taking advantage of the shortage of gurjan and raising rises more than justified.

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.00
6 mm	47.50
9mm	60.00
12 mm	74.50
15 mm	98.50
18 mm	104.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
		Rubberwood Hardwood
4mm	Rs.18.50	Rs.27.30
6mm	Rs.28.30	Rs.35.00
9mm	Rs.35.50	Rs.42.25
12mm	Rs.42.25	Rs.51.50
15mm	Rs.52.00	RS.62.80
19mm	RS.60.00	Rs.70.30
5mm Flexible ply	Rs.37.00	

Report from Brazil

New association asking for policies to stimulate investment

The newly-established Brazilian Tree Industry Association (IBA) represents almost the entire forestry sector in the country, replacing the Brazilian Association of Wood Panel Industry (ABIPA), the Brazilian Association of High Strength Laminated Flooring Industry (ABIPLAR), the Brazilian Association of Forest Plantation Producers (ABRAF) and the Brazilian Pulp and Paper Association (BRACELPA).

Companies in the new association have annual gross revenues of R\$ 60 billion, equivalent to 6% of GDP; they employ around 5 million people which is close to 5% of the economically active population (PEA).

In addition the association members export some US\$8 billion annually, equivalent to about 3% of total Brazilian exports.

IBA's objectives for 2014 are to reduce the tax burden in the forestry sector to stimulate investment, increase carbon credit trading, broaden the debate on national infrastructure and to further the debate on the purchase of land by companies with foreign capital and the use of genetically modified trees.

The forestry association would like to see a doubling in the size of the forest sector by 2020, to see an increase in plantations from 7 to 14 million hectares; to see pulp production increase from 14 to 22 million tons per year and paper production to rise to 13 million tons per year.

In the wood based panel sector IBA aims to raise panel production from around 10 to 14 million tons per year.

To achieve the goals set forestry sector investments of R\$ 53 billion will be required from the present to 2020 with the bulk being investment by companies that produce and export pulp.

Public-private collaboration to strengthening forestry in Mato Grosso

The Center for Timber Industries Producers and Exporters of Mato Grosso (CIPEM) and the State government of

Mato Grosso, through the State Secretary for Industry, Commerce, Mines and Energy (SICME), signed an agreement providing for R\$600,000 to be spent on the State Sustainable Forestry Development Plan (PDFS).

SICME designated R\$500,000 for the development of the State Forest Plan and is committed to disseminate and promote the development plan so as to attract investment.

The PDFS was launched in early 2014 and is the result of a joint effort of the private sector (CIPEM) and the State government for the development of forest-based activities taking into consideration environmental, social and economic aspects.

According to CIPEM, the launch of PDFS was very important for the sector which has seen a decline in production over the past years and currently operates at only around 30% of its production potential. The average annual production of the forest industry in Mato Grosso in recent years required just 3.6 million cubic metres of raw materials.

According to SICME, companies wood based industry will benefit from a reduced tax burden on trade within the state as well as interstate trade which, it is hoped, will encourage expansion in the sector.

Infrared scan to distinguish mahogany from 'look-a-likes'

The Forest Products Laboratory of the Brazilian Forest Service (LPF/SFB) is evaluating the use of infrared light to distinguish mahogany from other similar species. The financial support for this research is coming from the International Tropical Timber Organization (ITTO).

Mahogany is an endangered timber species and included in CITES appendix II limiting its trade. Sawn mahogany is similar in appearance to cedar (*Cedrela odorata*), andiroba (*Carapa guianensis*) and curupixá (*Micropholis Venulosa*) and there is a danger that mahogany could be mislabelled as one of the 'look-a-likes' and traded illegally.

Using a bench spectrometer (equipment that emits infrared light), the researchers were able to take a visual 'thumbprint' of mahogany, cedar, andiroba and curupixá based on the unique chemical composition of each species and have verified that it is possible to distinguish the species using this technology.

The LPF will assess whether this methodology, using portable devices in a commercial environment, can be used to identify mahogany wood with the same reliability as in the laboratory.

New regulation makes trading more difficult

Mato Grosso is home to major wood product exporters but in the first quarter of 2014 exports declined.

Between January to March 2014, 20,048 tons of wood products were exported, down 28% compared to the same

period of last year. Trading revenue also fell but by only 6% to US\$20.9 million.

Analysts point out that a new regulation (Normative Instruction (IN) No. 21) published in December 2013 by Brazilian Institute for Environment and Renewable Natural Resources (IBAMA), made trading of wood products more complex and this contributed to the decline in exports.

The regulation IN 21 establishes standardised mechanisms for forest products transport into the Document of Forest Origin (DOF). The DOF is a compulsory license required for transport and storage of forest products of native species.

Observers point out that some processed forest products are not included in IN 21 and are therefore blocked at the port and this has undermined exports to MERCOSUR and other markets.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	169
Jatoba	109
Massaranduba	120
Miiracatiara	122
Angelim Vermelho	114
Mixed redwood and white woods	108

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipê	1294
Jatoba	1202
Massaranduba	707
Miiracatiara	726
Pine (KD)	228

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	856
Jatoba	534
Massaranduba	409
Muiracatiara	470
Angelim Vermelho	407
Mixed red and white	253
Eucalyptus (AD)	235
Pine (AD)	187
Pine (KD)	196

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	372
12mm C/CC (WBP)	345
15mm C/CC (WBP)	337
18mm C/CC (WBP)	325

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	762
10mm WBP	683.40
15mm WBP	538.70
4mm MR	674.90
10mm MR	532.20
15mm MR	495.30

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDP	326
15mm MDF	512

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,330.00
Jatoba	1,550.00

Report from Peru

Germany supporting forest management

The German Development Bank (KfW) has contributed US\$0.85mil. to the Forest and Wildlife department (DGFFS) of the Ministry of Agriculture and Irrigation to implement a sustainable forest management programme to improve the competitiveness of the sector.

This first contribution will be used for pre-investment studies of this programme and an assessment of its compatibility with the National Public Investment System (SNIP).

The second phase of the programme involves another contribution of US\$49.4 million from KfW, of which US\$42.3 million will be a loan, and US\$ 7.1 million will be contributed by the Peruvian government.

Activities will be conducted in the regions of Loreto, Ucayali, San Martin, Amazonas, Madre de Dios, Cusco, Puno, Junin, Ayacucho, Pasco, Huanuco and Cajamarca, for a period of five years.

Regional efforts to tackle illegal logging

The Ministry of Economy and Finance (MEF) has authorised the transfer of US\$0.62 mil. to nine regional governments to maintain and operate control systems for the fight against illegal logging and transport of illegal timber.

The funds for these activities will come from the budgets of the Ministry of Agriculture and Irrigation (MINAGRI) and will be transferred to the regional governments of Amazonas, Ayacucho, Huánuco, La Libertad, Loreto, Madre de Dios, San Martin, Tumbes and Ucayali.

Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US\$ per m ³
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 Sawwood, FOB Callao Port (cont.)	US\$ per m ³
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	444-495

Peru Sawwood, FOB Iquitos	US\$ per m ³
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 Sawwood Prices

Peru sawwood, domestic	US\$ per m ³
Mahogany	867-911
Virola	152-177
Spanish Cedar	296-355
Marupa (simarouba)	110-121

Export Veneer Prices

Veneer FOB Callao port	US\$ per m ³
Lupuna 3/Btr 2.5mm	207-239
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 ³
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	373-399
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 ³
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 ³
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 ³
Cabreuva/estoraque KD12% S4S, Asian market	1293-1351
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

Moderately brisk logs exports and encouraging prices

During the period reviewed greenheart logs were exported and there were price adjustments in all categories.

Standard sawmill quality log FOB prices were US\$210 per cubic metre, Fair sawmill quality greenheart logs were traded at between US\$130 and US\$210 per cubic metre FOB while Small sawmill quality logs were sold for US\$120 per cubic metre.

Purpleheart logs attracted favourable prices. The top end price for Standard sawmill quality purpleheart logs was US\$215 FOB, Fair sawmill quality logs traded at US\$200 per cubic metre while Small sawmill quality logs were priced at US\$170 per cubic metre FOB.

There were no exports of Mora logs in the period reviewed.

Sawwood demand remains firm

Overall, sawwood prices were favourable and made a valuable contribution towards the total export earnings. Undressed greenheart (Prime) saw a decline in price from US\$1,057 to US\$954 per cubic metre FOB. But for Select category there was an improvement in price from US\$ 1,060 to US\$ 1,102 per cubic metre.

Sound category Undressed sawn greenheart recorded an increase in price from US\$763 to US\$933 per cubic metre FOB. Undressed Greenheart, which is an ideal timber for heavy duty construction, was in high demand in Caribbean, European, Middle Eastern, North American and Oceania markets.

Undressed purpleheart sawnwood export prices improved moving up from US\$1,100 to US\$1,200 per cubic metre FOB. This product was exported to markets in Asia, Caribbean, Oceania and North America.

Export prices for Undressed mora were maintained at US\$500 per cubic metre FOB for markets in Asia, the Caribbean and Europe.

Dressed greenheart FOB prices moved up from US\$996 to US\$1,158 per cubic metre FOB and the Caribbean remains the main market for this product. Similarly Dressed purpleheart recorded an attractive price on the market which saw the price moving from US\$1,060 to US\$1,158 per cubic metre

Caribbean markets providing good opportunities

Guyana's Plywood continues to be in high demand in Central and South American markets earning prices as much as US\$ 584 per cubic metre FOB.

Splitwood (shingles) prices remain firm and FOB prices increased from US\$1,000 to US\$1,332 per cubic metre in Caribbean and North America markets.

Domestic mills advised to change business model to capture market share

The Forest Products Development and Marketing Council (FPDMC) has determined that, when it comes to the domestic market, the timber industry in the country needs to adjust their business model from the current traditional way of supplying wood products one that is more customer-friendly with respect to price, quality and accessibility.

Currently, local millers face strong competition from imported wood products especially pine sawnwood which is available in standard sizes.

With this in mind the FPDMC is promoting the concept of supplying dimensional sawnwood for specific enduses.

This, says the FPDMC, would deliver savings to the consumer as well as increase sales from supplier. Producers of sawnwood could significantly expand their market base by stocking dimensional timber in local outlets.

The production of dimensional sawnwood in standard sizes may also open up further opportunities in foreign markets says the FPDMC.

Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	210	130-210	120
Purpleheart	200-215	170-200	150-170
Mora	-	-	-

*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 ³	
Baromalli	BB/CC	5.5mm	No export
		12mm	450-584
Utility		5.5mm	No export
		12mm	No export

Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	954	-
	Standard	-	636-1,158
	Select	575-1,102	-
	Sound	636-933	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	700-1,158
	Select	650-1,200	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	-	-
	Sound	500	-
	Merchantable	-	-

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

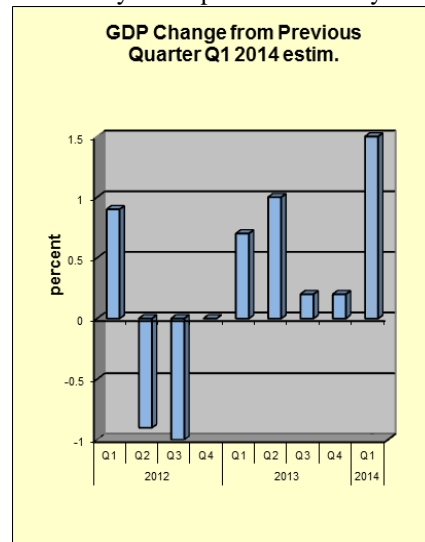
Report from Japan

GDP 'rocket' in first quarter

Japan's first quarter GDP was up 1.5 percent from the last quarter of 2013. This figure is way beyond analysts' expectations and reflects the surge in consumer spending prior to the increase in consumption tax.

Personal consumption was so high in the first quarter that any impact from the slowing of the US was overwhelmed. Private consumption in the first quarter was up an annualised 8.5%!

The boost to GDP growth defies the overall sluggish economic performance and is a one-off surge unlikely to be repeated in the quarters to come. Second quarter figures due in July are expected to be very sobering.



Source: Cabinet Office, Japan

Women in the workforce

The labour crisis in Japan will only get worse as the country's birthrate is falling and is already one of the lowest in the world. Estimates suggest that the population (excluding immigration) could fall by close to 50 percent by 2060. The present government is considering loosening immigration rules to allow more foreign workers but most analysts see greater benefits in getting Japanese women into the workforce.

The huge pool of well-educated women in Japan is a potential resource to help revive the economy. At present, mainly due to inadequate child care facilities many women exit the workforce when they have children and the corporate structures in Japan offer little incentive for them to return.

In a recent report by Goldman Sachs (Womenomics) says "Japan could boost its gross domestic product by 12.5 percent if it closes the gender gap and gets more women into the workforce".

See: <http://www.goldmansachs.com/our-thinking/investing-in-women/giving-credit-where-it-is-due.html>

TPP talks progress in Vietnam

Over four days mid-month negotiators from the countries trying to hammer out a deal for the Trans-Pacific Partnership met in Ho Chi Minh City. The aim was to make some progress in time for the ministerial meeting which will be hosted by Singapore 19 to 20 May.

Japan and the US, representing the two biggest economies of all 12 members participating in TPP talks made some progress at a summit between Prime Minister Shinzo Abe and President Barack Obama last month.

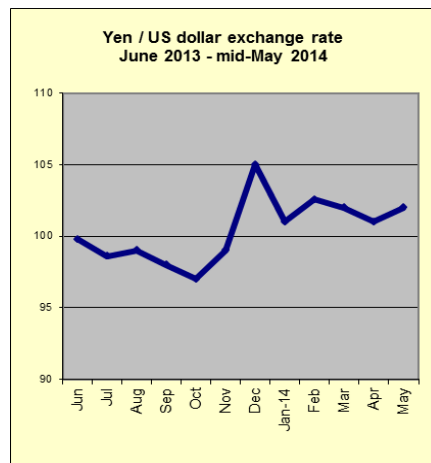
The current round of talks will focus on tariffs, especially the politically sensitive agricultural grps, intellectual property and reform of state companies. The news from the talks was that progress had been made on intellectual property rights.

However, Koji Tsuruoka, the lead negotiator from Japan, said agreement on tariff removal is the main stumbling block.

Mixed signals on prospects in housing market

The combined effect of the week long holidays spanning the end of April to the first week of May and the increase in consumption tax which has added an extra 3 percent tax to the price of a house will drive down housing start figures for April.

There are mixed signals on the prospects for a return to housing start growth. On the one hand the government and the Bank of Japan are predicting the slump in starts will be short lived while on the other hand timber importers, domestic millers of building components and construction companies are bracing for a prolonged period of sluggish growth in housing.



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:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

Price hike by secondary processors of South Sea (tropical) plywood

Secondary plywood processors to make print plywood and color plywood are facing higher cost of raw materials so they are proposing higher prices since April.

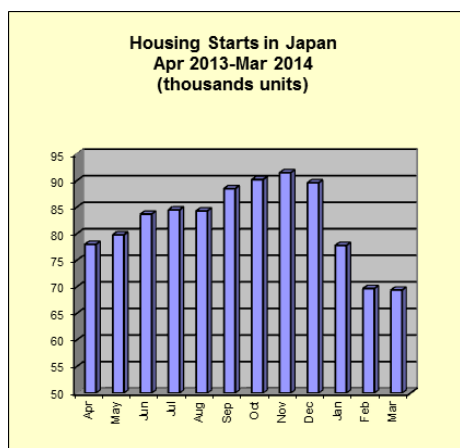
Because of price increase of imported South Sea hardwood plywood mainly due to weaker yen, the manufacturers increased the sales prices about a year ago but it was hard to pass higher cost onto sales prices.

Currently the prices of imported thin plywood have been climbing due to higher log cost, labor cost and energy cost in producing regions plus weaker yen in Japan. The manufacturers have to use such high cost materials when the demand is slowing by consumption tax increase since April. There is no other way to absorb higher cost but to price hike.

Meantime, house builders have no room to accept higher materials cost when new orders are declining. So the situation is very severe for the manufacturers.

Nankai Plywood (Kagawa prefecture), manufacturer of wall of closet by print plywood, increased the sales prices last year but the cost further increased so that it needs to ask another hike again. Future cost of imported plywood seems to be strong but demand for the products is slowing.

Another wood floor manufacturer in Aichi prefecture has been increasing sales prices of composite floor since last year but it is hard to pass onto higher cost while



Source: Min. Land, Infrastructure Transport and Tourism

Yen moves in narrow range

In mid-May the yen strengthened slightly against the dollar rising to yen 101.83 to the dollar as holders of US dollars reacted negatively to the risks of even tighter US sanctions on Russia and shifted more resources into yen.

manufacturing cost has steadily climbing. It tries to switch to use domestic raw materials to avoid volatile imported materials.

Tenryu Lumber (Shizuoka prefecture) announced price hike of wall, specially made embossed plywood for furniture and fixtures and others made with imported plywood base by 15-20% since April 1 because price of Indonesian thin plywood climbed considerably, which is the main raw material for the product. Not only raw material cost but other cost like adhesive, trucking and crating materials is also up.

Supply and demand of composite floor in 2013

The Japan Laminated Wood Flooring Manufacturers Association disclosed supply and demand of composite floor in 2013.

Total production was 20,469,600 tsubo (1 tsubo=3.3 square meters), 9.8% more than 2012 and the shipment was 20,424,100 tsubo, 11.1% more than 2012.

This is five straight years' increase over previous year. Increase of new housing starts in 2013 with rush-in orders before the consumption tax increase obviously contributed larger production and shipment.

Sheet floor production was 8,769,800 tsubo, 9.8% more than 2012 and the share in total composite floor was about 43%. It is popular because color is uniform and has least claim so that there are brisk orders from builders of condominium and units built for sale. The quality largely improved such a way that appearance is so close to natural wood.

By type of base material, share of composite type three, which base materials are fiber board or composite of plywood and fiber board was about 55% with 11,291,100 tsubo as compared to type one, which base is plywood only.

This proves that the manufacturers have been trying to change base material from unstable supply of imported South Sea hardwood plywood to fiber board. Also there is increasing product with domestic softwood plywood as base board.

The Wood Use Point system helps use of domestic wood plywood. There are many composite base with softwood plywood and fiber board.

Wooden trestles for solar panels

As more solar power generation facilities are built, more demand for trestles to place solar panels is expected to grow. So far, majority of trestles are either steel or aluminium. The Japan Wood Preservers Industry Association has been promoting to develop demand for wood trestles for solar power generation.

The problem of wooden trestle was higher design and placement cost but now they are down enough to compete with metal trestles then for life of wooden trestles, 20

years life is guaranteed by chemical treatment, incising process and pressurized injection.

Now wooden trestles can be competitive in cost and have same durability with metal trestles. As to life of 20 years, by the Forest Agency's supplementary business of durability test of preservative treated wood in 2011, it is confirmed that domestic cedar, cypress and larch can have more than 20 years life if they are properly treated with JAS K4 class chemical.

Also by the Forestry Agency's supplementary business for cost and life of wooden trestles for solar panels in 2013, it revealed that wooden trestles have enough competitive factors with metal trestles. Three major wood preservative treating companies, Xyence, Koshii and Kanematsu KNN has made model trestles with cedar, which are treated with K4 to find out actual cost and to verify that wooden trestles are competitive with metal trestles.

Wood chip market

After FIT system (energy purchase system with fixed prices generated by renewable resources) started in July 2013, there are many projects of wood biomass power generation and many plans to start up in 2015 so that movements to purchase and collect wood resources for fuel have started in everywhere.

So far, majority of demand of wood chip has been paper and pulp manufacturing then biomass wood chip for power generation is totally new demand. Right at this moment, there is no place where wood chip supply is tight and the prices soar but locally wood biomass wood chip prices exceed that for paper manufacturing.

To prepare biomass wood chip demand, there are movements to collect low grade logs for fuel and to bring in portable wood chippers into the woods to produce wood chip for biomass generation.

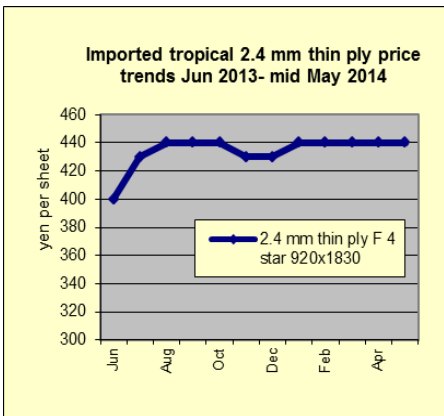
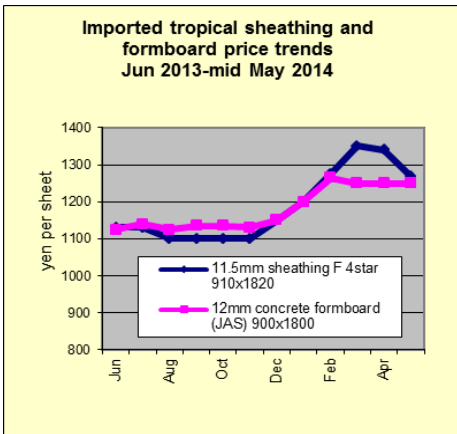
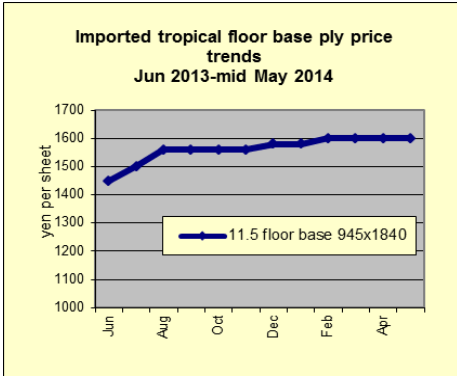
Demand of wood chip for paper manufacturing has been recovering after a long time. Since late last year, orders for printing paper and card board increased before the consumption tax increase then by weakening yen, import of papers like copy paper decreases and export of paper increases, which stimulate paper production in Japan.

Accordingly demand of wood chip for paper manufacturing increases. Housing starts were active last year and sawmills were busy for lumber production, which generated more residue, which helped production of wood chip. Thus far, there is no panic of wood chip supply and demand but after many biomass power generation facilities start up, supply shortage will come for sure.

Importing wood chip from overseas resources is based on annual contract so that the volume is fixed and any increment demand of wood chip has to be fulfilled by domestic supply. The prices of imported wood chips are climbing. Softwood chip prices from the U.S.A. are 12% up compared to last October and softwood chip prices

from Australia are 7% up. By weak yen, arrived cost is higher.

Price trends for Japanese imports of Indonesian and Malaysian plywood



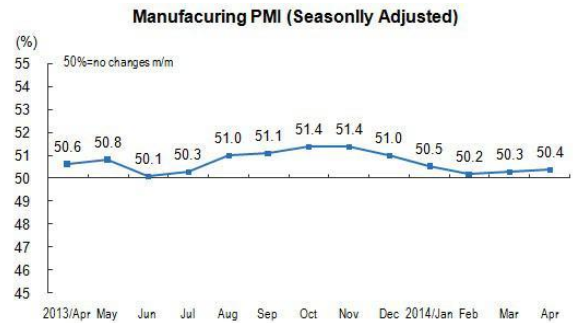
Report from China

China's PMI signals economy steady

Manufacturing activity expanded in April according to the Chinese government official purchasing managers index (PMI).

see: http://www.stats.gov.cn/english/PressRelease/201405/t20140504_548128.html

This was good news suggesting the economy is beginning to stabilise. The April 2014 PMI stood at 50.4 supporting the gradual upward trend seen over the past two. This is good news on two fronts, it suggests business consider consumer sentiment to gain strength and it is good news for employment numbers.



Source: Department of Service Statistics, National Bureau Statistics, China

In terms of enterprise size, the PMI of large-sized enterprises was 50.8 percent, down slightly month-on-month but above the negative threshold; that of medium-sized enterprises was 50.3 percent, up 1.1 points month-on-month and back into positive territory.

The PMI for small-sized enterprises was 48.8 percent, down once again and stubbornly in negative territory.

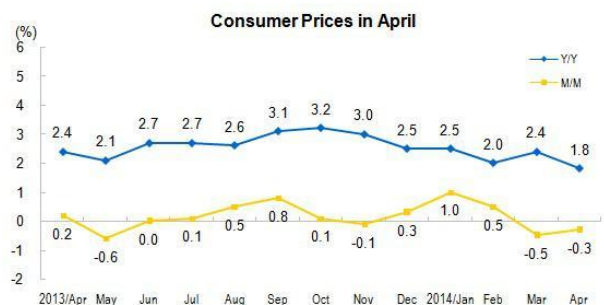
Tamer April inflation as pace of growth slows

Consumer product inflation in April was the tamest for several months and comes after signs that efforts to slow the pace of growth are succeeding.

In a press release the National Bureau of Statistics has reported the April the consumer price index (CPI) rose by just 1.8 percent year-on-year. Price increases of 1.9 percent were recorded in the urban area while the rise in rural areas was 1.6 percent.

See: http://www.stats.gov.cn/english/PressRelease/201405/t20140512_551594.html

The latest survey indicates that food prices went up by 2.3 percent, while prices for non-food items increased 1.6 percent. On average from January to April, overall consumer prices were up by 2.2 percent over the same period of the previous year.



Source: Department of Service Statistics, National Bureau Statistics, China

25 million cubic metres of particleboard annually

Currently, production of particleboard in China is mainly concentrated in Shandong, Hebei, Jilin, Jiangsu, Fujian, Guangdong and Guangxi provinces. There more than 700 enterprises producing particleboard with an output capacity of around 25 million cubic metres. Most of particleboard production lines are Chinese made.

Plants utilizing imported production lines mainly found in Guangdong, Guangxi, Fujian, Jiangsu and Hebei provinces.

China’s particleboard industry has been developing rapidly in recent years and output increased to 25.6 million cubic metres in 2011 from 6.4 million cubic metres in 2003.

In the domestic market particleboard is used mainly for kitchen, office and bedroom furniture, truck decks, packaging and, when surfaced, interior decoration industry. Consumption of particleboard is highest in Guangdong where 2013 consumption was over 8 million cubic metres or around a third of the national total..

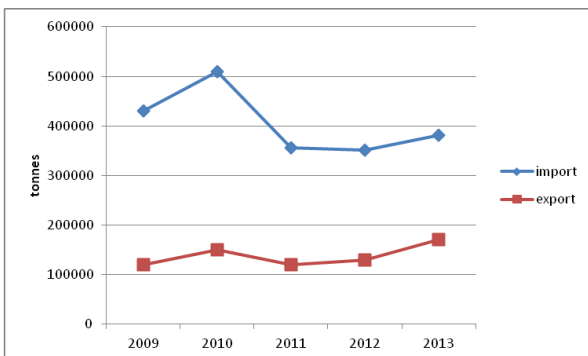
International trade in particleboard

China’s particleboard imports totalled 381,400 tonnes valued at US\$128 million in 2013, up 8 percent in volume and 9 percent in value from 2012. The main suppliers were Germany, New Zealand, Switzerland, Belgium and Australia.

Particleboard exports totalled 169,800 tonnes, valued at US\$88.36 million in 2013, up 26 percent in volume and 40 percent in value respectively from 2012. The average unit price for exported particleboard was US\$520 per cubic metre, a year on year increase of 11 percent.

The main markets for China’s particleboard were Russia (43 000 tonnes), Mongolia (25 800 tonnes) and Tadjhikistan (19 200 tonnes).

The main provinces of exporting particle board in 2013 were Shandong (65 200 tonnes), Heilongjiang (25 600 tonnes), Inner Mongolia (25 400 tonnes), Xinjiang (20 900 tonnes), Jiangsu (15 400 tonnes), Guangzhou (6 400 tonnes), Zhejiang (2 600 tonnes), Shanghai (2 000 tonnes), Fujian (1 600 tonnes) and Hubei (1 500 tonnes).



Containerised timber imports up sharply

According to the statistics from Zhangjiagang Entry-Exit Inspection and Quarantine Bureau, in the first quarter of 2014 containerised timber imports through Zhangjiagang Port were 67,600 cubic metres valued at US\$29 million, a year on year increase of 94% in volume and 108% in value. Of the total, nearly 80% were imported logs.

Timber imports through Zhangjiagang in the first quarter of 2014 were mainly from Gabon (10,493 cubic metres), Suriname (10,339 cubic metres), Cameroon (9,748 cubic metres), Myanmar (6680 cubic metres), Mozambique (8,327 cubic metres) and Central African (4,270 cubic metres).

Timber price indices

The following indices are prepared by the Ministry of Commerce and the China Timber and Wood Products Distribution Association and published in a Chinese magazine, "China Timber and Wood Products".

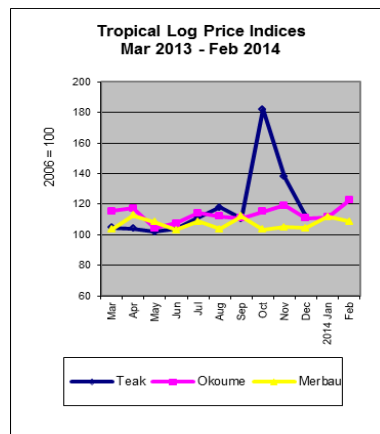
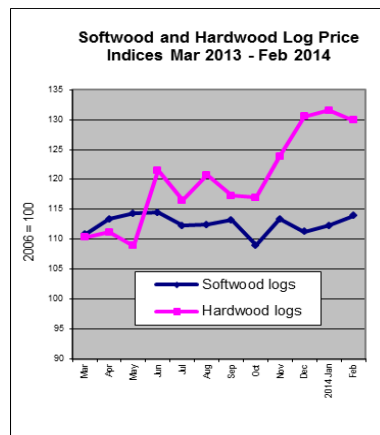
For full details see:

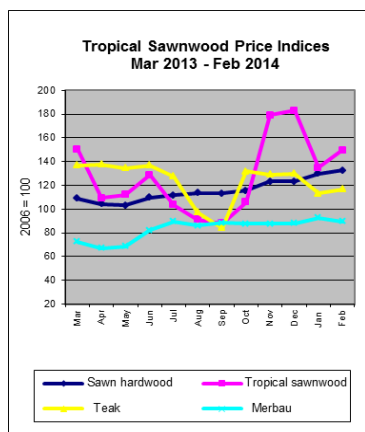
<http://www.cnwood.org/default.htm>

and

<http://itfzs.mofcom.gov.cn/article/buwg/redht/201305/20130500128380.shtml>.

These price indices provided are calculated based on the CIF price.





Report from Europe

Slow start to 2014 but prospects are improving

The latest EU trade data indicates that the tropical hardwood market started the year very slowly. In the first 2 months of 2014, EU imports of tropical hardwood logs, sawn, mouldings and plywood were all significantly lower even than in 2013, a year when tropical hardwoods were at a record low in the EU.

Unlike previous years, low tropical hardwood imports in early 2014 was driven less by low European consumption than by a range of supply-side and policy issues.

EU importers generally report that demand from European manufacturers and end-users is better this year than in 2013.

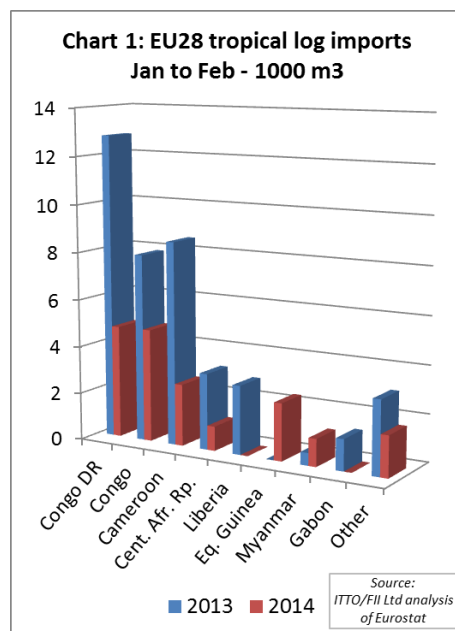
There are indications that the European market for some tropical wood products may have turned a corner in spring 2014 and trade began to improve in March and April.

Several factors explain low EU import volume in the early months of 2014 including:

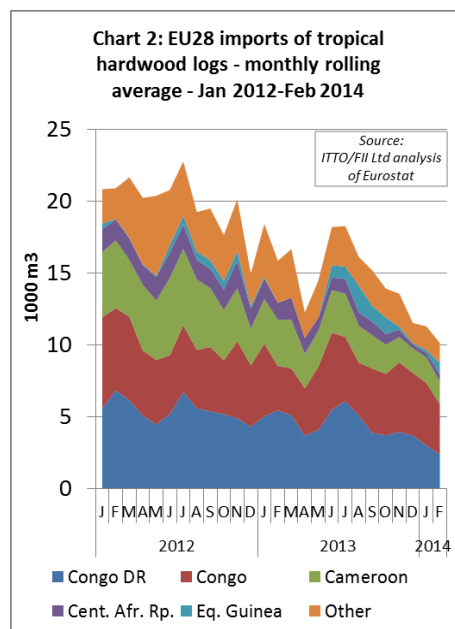
- lack of availability, particularly as more tropical hardwood is being diverted to alternative markets;
- greater focus on a smaller number of legally verified suppliers since introduction of the EU Timber Regulation;
- higher landed stocks in the EU at the close of 2013 as importers bought in advance of changes to import duties from 1 January 2014 with a change in GSP status for several key suppliers (notably Malaysia and Gabon); and
- closure of important EU tropical hardwood stock holding operations in 2013.

EU tropical log imports down 54% to end February 2014

EU imports of tropical hardwood logs in the first two months of 2014 were 18,454 m³, 54% less than the same period the previous year. Imports declined from all the main African supplying countries (Chart 1).



Longer term monthly data shows that after a brief spike in early summer 2013, EU imports of tropical hardwood logs resumed their long term decline between August 2013 and February 2014 (Chart 2)



Amongst smaller suppliers, imports increased from Myanmar in anticipation of the country's log export ban imposed from April this year.

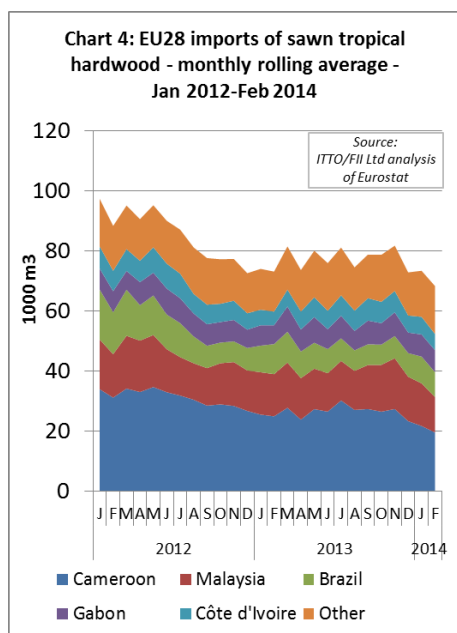
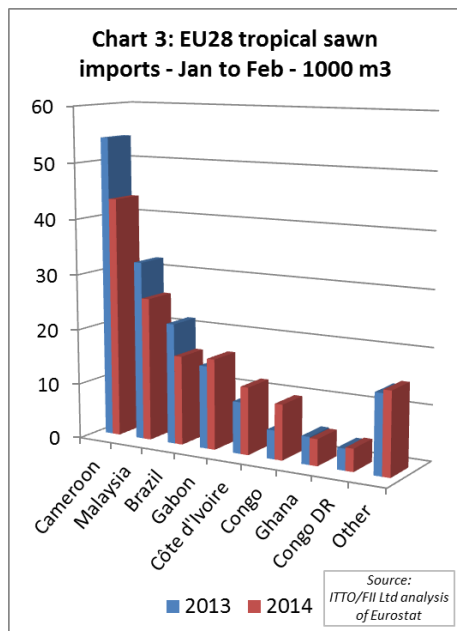
EU imports of logs from Equatorial Guinea only resumed in the second half of last year and were therefore up sharply in January to February 2014 compared to the same period in 2013.

EU imports of sawn tropical hardwood fall sharply

EU imports of tropical sawn hardwood in the first two months of 2014 were 147,326 m3, 8% down on the same period in 2013. Imports fell from all three of the main supply countries including Cameroon, Malaysia and Brazil.

However, imports increased from some smaller suppliers, including Gabon, Ivory Coast, and the Republic of Congo (Chart 3).

EU imports of tropical sawn hardwood were low but stable for most of 2013, but trended down sharply between November 2013 and February 2014 (Chart 4).



The low level of EU imports from Cameroon in early 2014 is partly due to short-term operational problems at the port

of Douala and volumes are likely to rise in the spring as these problems are overcome.

However, European buyers are also struggling to obtain sufficient volumes of preferred species such as sapele and sipo as more is now being sold into the Asian and U.S. markets.

EU imports from Brazil started the year 2014 very slowly, mainly due to weak consumption during the winter months in France and Belgium.

However, judging from Brazilian export data and comments by EU importers, there has been more European interest in Brazilian sawn hardwood during the spring period, partly owing to on-going supply difficulties for African sapele.

Demand for Brazilian sawn hardwood has been particularly robust in the Netherlands this year, and has also improved in France, Portugal and Spain in recent weeks.

Weak EU imports of Malaysian sawn hardwood in the opening months of 2013 follow stronger imports at the end of 2013 when there was a rush to buy in advance of an increase in European import duties.

EU imports of sawn hardwood from Malaysia and other Asian countries have also been negatively affected by high and volatile freight rates during 2014. Availability of Malaysian sawn hardwood was also quite restricted in the early months of 2014.

However the supply situation for Malaysian sawn hardwood has now improved significantly so that standard European dimensions can be shipped at short notice.

Better European consumption combined with improved supply and availability of robust MTCC/PEFC certification procedures, plus shortages of alternatives, suggest better future prospects for Malaysian wood in the EU market during 2014.

EU decking market starts slow but gaining momentum

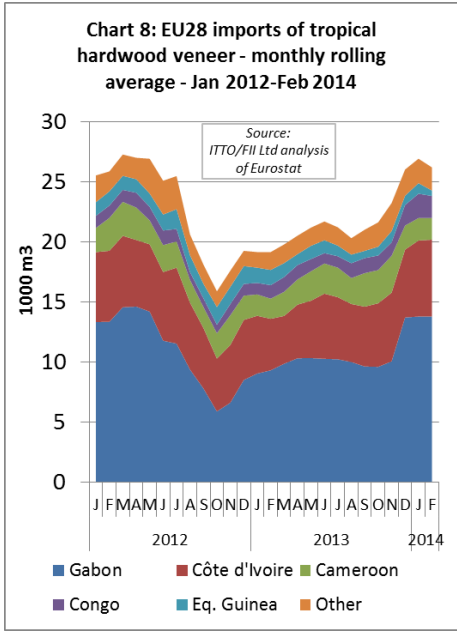
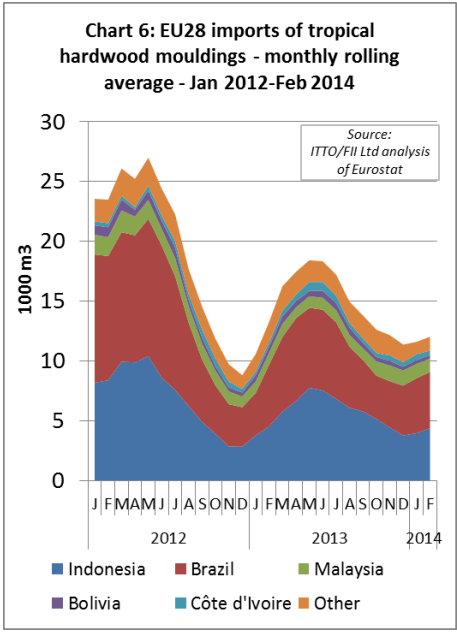
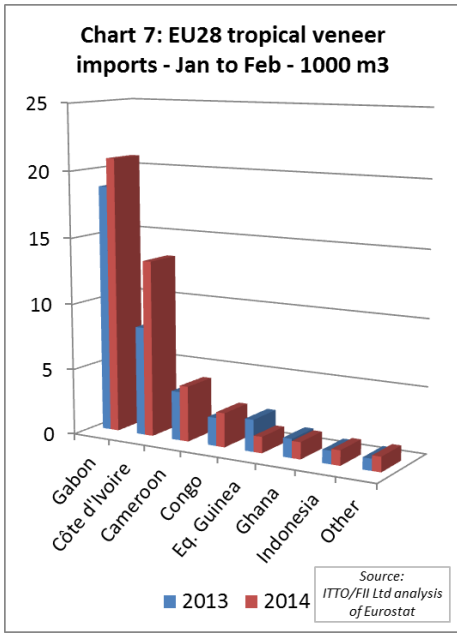
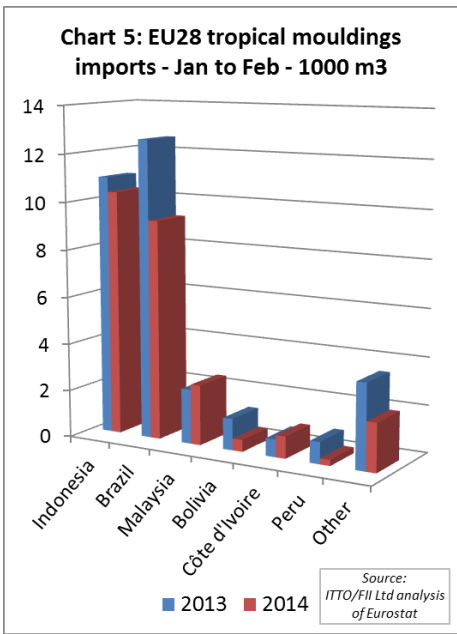
EU imports of mouldings (including decking profiles) were 25,860 m3 in the first two months of 2014, 20% less than the same period in 2013. Imports fell from Indonesia and Brazil, but were higher from Malaysia (Chart 5).

European imports of tropical hardwood decking were low during the winter months when importers were concerned about the persistence of unsold stocks from the previous year on the EU market and uncertain about future demand in 2014.

However, closer analysis of monthly trends indicates an upward turn in EU trade in mouldings and decking during February 2014 (Chart 6).

Imports are also likely to have increased again in March and April with the relatively early arrival of good spring

weather in north-western Europe and rising consumer confidence.



EU veneer imports show signs of revival

EU imports of tropical hardwood veneer in the opening two months of 2014 were 45,746 m3, 19% more than the same period in 2013.

Imports from Ivory Coast were over 60% higher in January to February 2014 than they were during the same period in 2013. Imports also increased from Gabon, Cameroon and the Republic of Congo (Chart 7).

Analysis of the monthly data shows that EU imports of tropical hardwood veneer have been strengthening consistently since the end of 2012, with particularly strong growth in imports from Gabon (Chart 8).

The upward veneer trade trend is partly a result of Gabon’s restrictions on log exports which has led to EU manufacturers importing veneer instead.

Nevertheless, the recent rise imports from a wider a range of African countries is an encouraging sign that the European market is improving and buyers are being encouraged to source higher value tropical products.

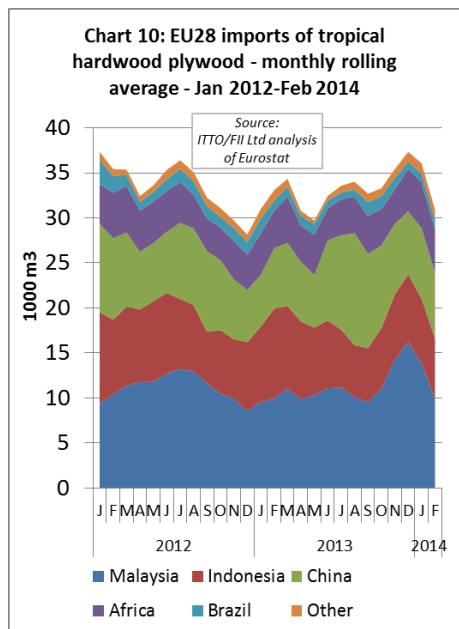
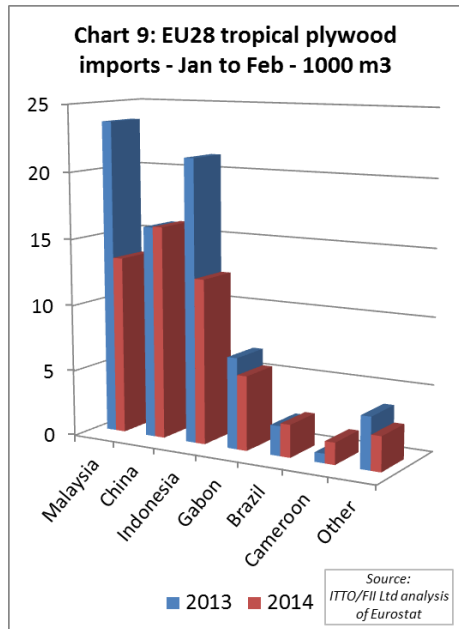
Downturn in EU imports of Malaysian plywood

EU imports of tropical hardwood plywood in the first two months of 2014 were 54,088 m3, 27% down on the same period the previous year.

The opening months of 2014 were marked by a particularly big downturn in imports from Malaysia and Indonesia (Chart 9).

European trade with both countries has been severely disrupted by volatile freight rates in 2014.

Slow EU trade in Malaysian plywood was also partly due to a rise in EU import duties with the change in Malaysia’s GSP status on 1 January 2014. This is clear from monthly data which shows a sharp spike in EU imports from Malaysia in November 2013 followed by consistent decline over the next 3 months (Chart 10).



While EU imports of Indonesian plywood were weak to end February 2014, demand has been rising since March. European trade in Indonesian plywood has been boosted by stronger construction sector activity, particularly in Germany and the UK, and also by rising prices and restricted availability of Russian birch plywood which has been a significant competitor in recent years.

EU imports of tropical hardwood plywood from China in the first two months of 2014 were at the same relatively low level as in 2013. EU imports from China are now much more heavily focused on Mixed Light Hardwood (MLH) products comprising eucalyptus and poplar.

EU imports of MLH plywood in the first two months of 2014 were 143,196 m3, 13% less than the same period in 2013.

However EU imports of this commodity in the early months of last year were inflated as importers built stocks in advance of EUTR enforcement in March 2013. Indications are that EU demand for Chinese MLH plywood has been increasing in 2014 and is better than last year.

Chinese MLH products bearing the Q-Mark issued by BM TRADA are becoming particularly popular in Europe and are taking market share from Malaysian tropical hardwood plywood and Russian birch plywood.

The Q-Mark provides for CE-Marking of Chinese plywood and gives an assurance that the product is fit for purpose. Some Chinese manufacturers are now providing products that are both Q-Marked and FSC or PEFC certified for the European market.

Report from North America

Dark colours and strong texture the choice of US buyers of flooring

The World Flooring Association has released a summary of trends in flooring design in 2014 and beyond. The North American market for hardwood flooring has been dominated by darker colours for many years now, but light colours are making a comeback.

The main wood species with natural light colours sold are white oak, maple and (slightly darker) walnut. Sun-bleached and light greyish tones are popular.

The texture of wood flooring is becoming almost as important as the colour. Distressed, weathered, wire-brushed and hand-scraped are the most common textures, with hand-scraped being the most costly.

Reclaimed wood from industrial or commercial buildings often shows unusual texture. Reclaimed wood is marketed as environmentally friendly because of the reuse of material. Prices are high and luxury homes are the main market.

Strand-woven bamboo flooring of growing popular

Bamboo has enjoyed widespread popularity for some time now. Low cost, hardness and attractive looks have contributed to the success of bamboo flooring.

The range of colours and textures has increased in recent years. Strand-woven bamboo is becoming popular because it is even harder than traditional bamboo flooring and it has a different texture.

Bamboo flooring is still widely regarded as a 'green' material choice among North American consumers, although recent reports published in the US show environmental problems in bamboo growing areas. Third-party certification of bamboo has been recommended by environmental groups.

Wide board bamboo flooring is becoming more widely available, following the trend in hardwood flooring towards wider and longer widths.

Wide, matt finished flooring dominating the market

Wide plank wood flooring has become common and this trend is expected to continue. Wider widths (up to 25 cm) look more modern and manufacturers offer solid wood flooring boards up to 3 metres long now.

Buyers are becoming more interested in matte finishes, which provide a more natural look and show imperfections less than a glossy finish.

Hard wax and oiled finish floor are becoming more popular, although they still account for a much smaller market share than in Europe. The ability to repair and refinish small areas of the floor is a key advantage of waxed and oiled wood flooring.

EPA considering easing testing and certification requirements for laminated products

Wood product manufacturers who make or use composite wood products had again opportunity to comment on the proposed rules for formaldehyde emissions from composite wood products. The input ended May 8, 2014.

The Environmental Protection Agency (EPA) also held a public meeting for stakeholders who wish to modify the proposed rules. The most contentious rule affects laminated products, which includes the lamination of wood veneer on composite panels.

This would require furniture manufacturers who laminate purchased panels in-house to test and certify, even though the panels purchased for lamination had already been tested.

Wood industry associations support California's approach to regulate formaldehyde emissions from laminated products. Based the industry's feedback received in the comment period last year, the EPA is now looking at reducing testing and certification requirements for laminated products, especially for small manufacturers.

The new emission rules apply to hardwood plywood, particleboard, MDF and finished products containing these materials. Both imported and domestically produced products must meet the standards.

For more information about the rules: <http://www.epa.gov/oppt/chemtest/formaldehyde/index.html>

China requests Dispute Settlement Panel for US antidumping proceedings

China has requested that a Dispute Settlement Panel is convened under World Trade Organization (WTO) rules to examine several antidumping investigations by the US Department of Commerce.

China alleges that the Department of Commerce did not follow WTO obligations in its rulings on several products imported from China.

Multilayer wood flooring and wooden bedroom furniture are among the products that the US investigated for antidumping.

China challenges the Department of Commerce's methodology in three aspects with respect to imported wood flooring and bedroom furniture imported from China:

1. The use of "single rate presumption for non-market economies"
2. "NME-wide methodology" which includes according to China's challenge, the failure to request information, the failure to provide rights of defense, and recourse to facts available
3. The use of "adverse facts available."

Comments regarding the issues raised by China can be submitted to the US government at www.regulations.gov (docket number USTR-2014-0001).

Hardwood plywood imports from Indonesia up in February

US imports of hardwood plywood increased by 4% to 240,723 cu.m in February. However, hardwood plywood imports were 10% lower year-to-date than in February 2013.

Hardwood plywood imports from China fell by 11% from January to 121,960 cu.m. Imports from Ecuador and Russia also declined in February, while shipments from Indonesia and Canada increased. Imports from Indonesia more than doubled from January to 48,964 m³.

Moulding imports down except from Malaysia

Hardwood moulding imports were worth US\$13.7 million in February, down 6% from the previous month. China was the largest supplier at US\$4.3 million, down 1% from January.

Imports from Brazil decreased by 19% from the previous month to US\$2.8 million. Malaysian shipments of hardwood moulding grew by 31% to US\$1.2 million in February.

Hardwood flooring imports still below 2013 values

Hardwood flooring imports were up by 18% in February, but year-to-date imports remain lower than in 2013. The value of total hardwood flooring imports was US\$2.8 million in February.

China was the largest hardwood flooring suppliers in February at US\$838,961 (+32%), followed by Indonesia at US\$732,067 (+55%). Imports from Malaysia were worth US\$620,579 (+5%).

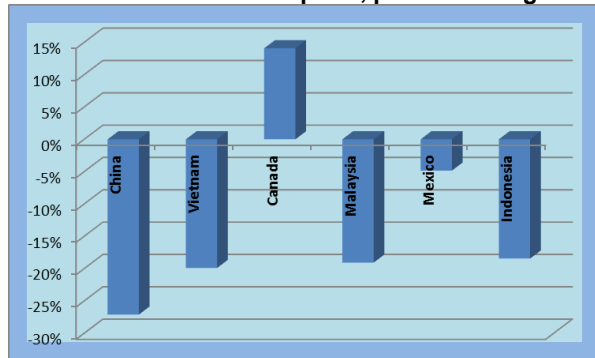
Year-to-date, Malaysia is the only major supplier that has shipped more hardwood flooring to the US in 2014 compared to the previous year.

Assembled flooring imports declined by 22% to US\$7.8 million in February. Much of the decline was in lower imports from China, which fell by 44% to US\$3.5 million. Canadian assembled flooring shipments increased to US\$2.0 million.

China’s furniture shipments to the US fall

US imports of wooden furniture were down 21% in February. Total imports were worth US\$1.01 billion, slightly lower than in February 2013. However, year-to-date imports are still 6% higher than in 2013.

Jan-Feb 2104 furniture imports, percent change



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

The February import data show a reversal of the situation in January, when most countries exported more furniture to the US, with the exception of Canada. In February, Canada’s furniture shipments to the US recovered, while other countries shipped less.

China’s furniture shipments to the US fell by 27% to US\$482.5 million in February. Imports from Vietnam were US\$180.2 (-20%). Malaysian and Indonesian shipments declined to US\$47.3 million and US\$40.5 million, respectively.

Stronger domestic furniture manufacturing

Both the manufacturing sector and the overall US economy grew in March, according to the Institute for Supply Management.

The rate of growth in furniture production increased from the previous month. The wood products industry reported a decline in output in March, although demand appears good. Insufficient hardwood sawnwood supply appears to be an issue for some companies.

Stubborn unemployment rate undermines confidence

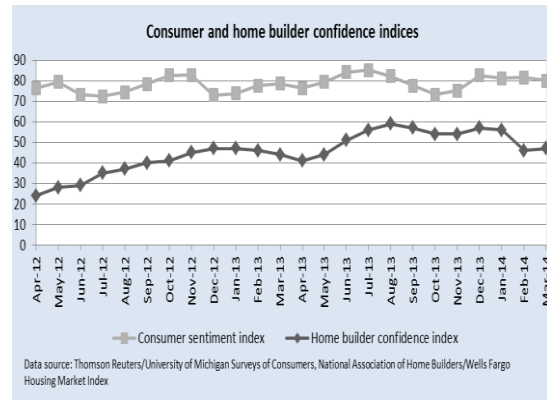
Employment did not improve from February to March. The unemployment rate remained at 6.7% in March.

The Federal Reserve dropped the statement that unemployment needs to fall below 6.5% before interest rates are raised, stating that the unemployment rate on its own is a poor indicator of the economic recovery.

Interest rate raises have not been ruled out but they appear unlikely in the near future. The Federal Reserve’s target interest rate was unchanged near zero in March.

Consumers still unsure about US economy

Consumer confidence in the US economy remained largely unchanged from January to March, according to the Thomson Reuters/University of Michigan consumer sentiment index.



A growing number of Americans expect their personal financial situation to improve this year. One third of American expect income gains, more than any other time since 2009.

However, many consumers worry that there will be another downturn in the US economy within the next five years. The slower growth in home prices has also affected consumer confidence.

Builders concerned about growing labour shortage

Builder confidence in the market for newly built single-family homes rose by one point in March, according to the National Association of Home Builders.

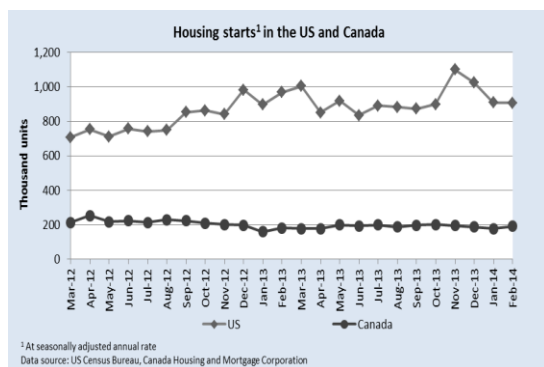
Usually construction activity increases in spring, but the index remained below 50 points, which means that more builders regard the market conditions as poor rather than good.

Builders remain concerned about the same issues as last year, primarily the cost and the availability of workers and building lots.

New home construction unchanged from low January figures

February housing starts were still affected by the cold winter weather and new construction was unchanged from January. Construction started on 907,000 new homes at a seasonally adjusted annual rate.

The share of single and multi-family housing starts also remained constant. Single-family homes accounted for 64% of total starts, down from 67% in February 2013.



The number of building permits increased by 7.7% to over 1 million units in February (seasonally adjusted annual rate). The market for new housing is expected to strengthen in spring, as the number of building permits issued is an indicator of future building activity.

Tight credit affects homes sales

Sales of existing homes declined further in February, largely because of weather conditions and higher home prices. Home prices were 9% higher than in February 2013, but sales were lower than last year.

Tight credit conditions and high personal debt reduce or delay home buying, especially among young first-time home buyers.

Canadian multi-family housing starts up in the east

Canadian housing starts increased by 8% in February from the previous month at a seasonally adjusted annual rate, according to the Canadian Housing and Mortgage Corporation. The growth was entirely in multi-family construction, primarily in Quebec and Atlantic Canada.

Little improvement in non-residential construction

Public spending on construction of offices, commercial, health care and educational buildings in the US was unchanged from January to February.

Private spending on non-residential construction increased slightly (+1.2%) in February, according to US Census Bureau data.

Architecture firms reported improving conditions in February, according to the American Institute of Architects. However, the residential market still outperforms the construction of commercial, industrial and institutional buildings.

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.*

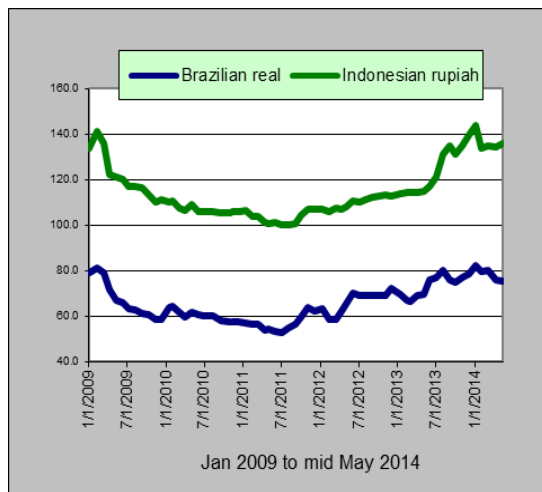
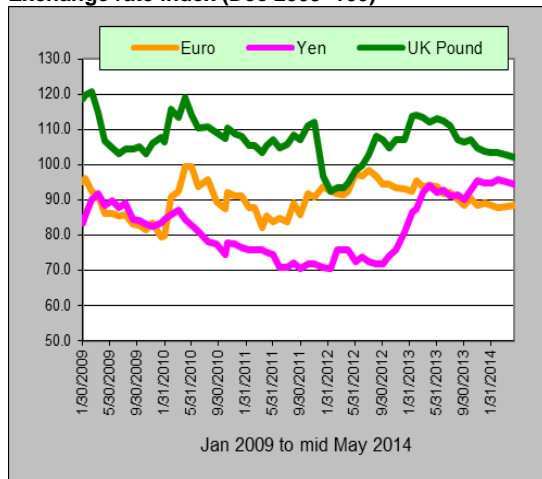
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Main US Dollar Exchange Rates

As of 9th May 2014

Brazil	Real	2.212
CFA countries	CFA Franc	475.99
China	Yuan	6.228
EU	Euro	0.7267
India	Rupee	59.86
Indonesia	Rupiah	11546
Japan	Yen	101.83
Malaysia	Ringgit	3.2257
Peru	New Sol	2.789
UK	Pound	0.5934
South Korea	Won	1024.3

Exchange rate index (Dec 2003=100)

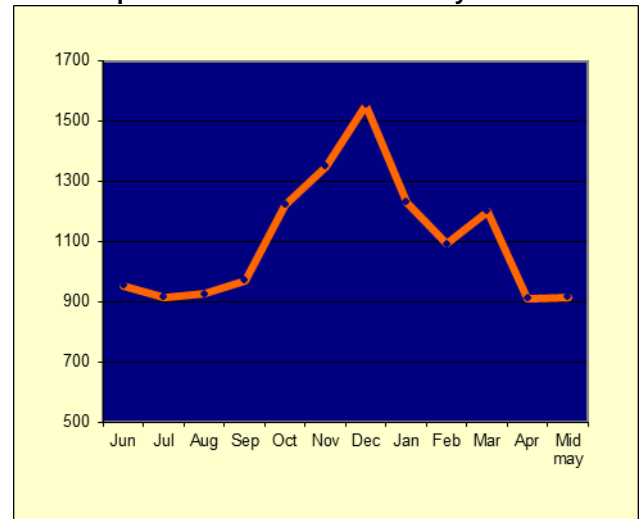


Abbreviations and Equivalences

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 June 2013 – May 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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