

Tropical Timber Market Report

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Top Story

Attitudes towards legal timber in Japan

NGOs in Japan recently surveyed government agencies on attitudes to Green Purchasing. The results have been summarised in the Japan Lumber Reports of May 30th 2014.

The results suggest that public offices give priority to purchasing products from locally grown timbers. While a high number of those surveyed said they follow the Green Purchasing guidelines, around a third reported they have no formal means to confirm the legality of wood products.

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Report from Central/West Africa

Industries in Gabon owed billions in tax refunds

Exporters in Gabon are saying that delays in the TVA tax refund are having a negative impact on the industry. The delays in repayments are causing cash flow problems which have been made worse by the tight credit environment at local banks.

While it is not clear exactly how much is owed to exporters, figures as high as CFA 240 billion have been mentioned. The government of Gabon reportedly plans phased repayments but, as these are yet to start, the timber industry is experiencing serious financial problems.

To make matters worse the industry still has to contend with delays with shipments because of continued industrial action by Customs staff who are members of the SNAD union which has orchestrated recent strike action.

The Union is demanding, among other things, improvement of working conditions, the prompt payment of various allowances and construction of housing units for union members.

Export shipments moving slowly

Exporters in Cameroon report that log exports are still well behind schedule because of the huge backlog of cargo at the port. Shipments have been hampered recently because of a delay in issuing a new contract for port operations.

A new port operator has been appointed and exporters are hoping that work will begin shortly to ship out a very large stockpile of well over 250,000 cubic metres of logs that has built up over the past weeks.

Some observers speculate that, possibly next year, Cameroon may begin to tighten up on log exports by further restricting the number and/or volumes of particular species that can be exported.

Improved prices now well established

The upward movement in prices for the premium species continued into the first weeks of June and the new price levels seem well established.

Producers have been emphasising that they are currently close to the maximum log production limit in their government approved forest management plans and that it will be almost impossible to increase output any further.

The tight log supply is impacting local mills cutting for export and some are struggling to maintain full production. The rainy season is already beginning in some areas and mills are earnestly trying to stockpile logs in anticipation of the disruption to logging.

Mills report full order books through to third quarter

Producers report market demand continues firm and exporters have full order books for deliveries through to the third quarter.

Buyers for the Chinese market are active making regular and consistent purchases of okoume logs, in particular from Congo Brazzaville. Middle East markets are also said to be active and firming with sawn okoume being the preferred species.

Some exporters also report good business with mixed red timbers especially as these mixed parcels can be offered at prices that compete well with Malaysian mixed light hardwoods (MLH).

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	260↑	260↑	-
Bibolo/Dibétou	150	145	-
Iroko	310↑	290↑	245↑
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	320↑	320↑	210↑
Sipo/Utile	360↑	360↑	220↑
Tali	315	315	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	350+
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	275
Std/Btr GMS	350
Sipo FAS GMS	600↑
FAS fixed sizes	620↑
FAS scantlings	640↑
Padouk FAS GMS	820
FAS scantlings	870
Strips	500
Sapele FAS Spanish sizes	610↑
FAS scantlings	610↑
Iroko FAS GMS	600↑
Scantlings	670↑
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	580
Scantlings	560
Movingui FAS GMS	420

Report from Ghana

New Minister for Lands and Natural Resources

His Excellency, John Dramani Mahama, the President of Ghana has nominated a new Minister for Lands and Natural Resources, Mr. Nii Osah Mills, a former president of the Ghana Bar Association.

Mr. Osah Mills replaces Alhaji Inusah Fuesini, who currently occupies the position. Mr. Emmanuel Oklety Terlarbi has also been moved from the Ministry of Defence to the Ministry of Lands and Natural Resources as a Deputy Minister.

FLEGT Action plan agreed

Ghana and the European Union (EU) have signed a memorandum of understanding (MoU) for the implementation of the FLEGT Action Plan.

Addressing the media after the signing the Deputy Minister of Lands and Natural Resources, Ms Barbara Serwaa Asamoah, said on conclusion of the VPA trade in illegal timber will be impossible.

The Head of the EU Delegation, Mr. Claude Maerten, said "Ghana has demonstrated global leadership not only in the application of the wood tracking technology but also in the field of forest governance.

Private sector to be drawn into plantation developments

The Forestry Commission (FC) is embarking on a forest plantation development plan to meet the rapidly growing demand for wood products and this will involve the private sector in conservation and development of forest resources.

At a National Colloquium on Forest and Wildlife resource management in Accra, Musah Abu-Juam, Technical Director in charge of Forestry at the Ministry of Lands and Natural Resources, said the government has reviewed the policy on Forests and Wildlife to ensure conservation and sustainable development of resources in the sector.

The FC policy is to promote the rehabilitation and restoration of degraded landscapes through forest plantation development and enrichment planting

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	494
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	325	366
Ogea	294	344
Essa	344	355
Ofram	333	365

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.47
Asanfina	1.20	0.61
Avodire	1.12	0.48
Chenchen	1.10	0.33
Mahogany	1.30	0.56
Makore	1.30	0.52
Odum	1.76	1.08

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	945
Asanfina	480	564
Ceiba	230	295
Dahoma	276	376
Edinam (mixed redwood)	351	512
Emeri	380	512
African mahogany (Ivorenensis)	593	602
Makore	580	646
Niangon	550	625
Odum	610	779
Sapele	567	667
Wawa 1C & Select	275	340

Export Plywood Prices

Plywood, FOB	€ per m ³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	460	600	641
6mm	510	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
Afrormosia	14.30	18.65	18.55

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

Report from Malaysia

17 million cubic metres of palm logs available annually

Intensive research has been undertaken to assess how the palm oil industry can supply more raw material for the timber-based industry in Malaysia.

Data from the Malaysian Palm Oil Board for 2013 show that 5.23 million hectares were planted with oil palm. The total crude palm oil production was 19.22 million tonnes, second only to Indonesia, the number one producer.

The industry is a major export earner and in 2013 exports of palm oil and palm products earned RM61.36 billion (approx. US\$18.94 billion).

Productivity of the oil palm drops sharply when they are 25 – 30 years old so the older stems are replaced. The felling results in a huge amount of biomass part of which is the palm stem and this has caught the attention of the timber industry.

Every year oil palm replanting produces an estimated 17 million cubic metres of palm trunks and this potential additional raw material for the domestic industry.

There are many major challenges in further utilisation of palm trunks, in particular they are vulnerable to insect and fungi attacks so trunks have to be processed promptly.

In addition, and like cocowood, the palm trunk has varying densities, heavier on the outside and lighter in the core, heavier at the base and lighter at the top. Densities range from 400-700 kg/cu.m on the outside to 150-250 kg/cu.m in the core. This wide variation in densities poses a problem in milling and utilisation.

A further challenge with palm trunks is that, again like cocowood, they are difficult to saw and blunt saw blades easily so stellite tipped saws must be used. In addition, the moisture content across the diameter of a palm trunk varies widely making drying difficult.

R & D is ongoing to overcome the challenges in oil palm trunk utilisation to turn the annual 17 million cubic metres of palm logs into usable raw material.

Log exporters expect higher log sales to India

Timber companies in Sarawak have reported strong exports of logs and plywood this year due to a spike in demand for new houses in Japan. However, analysts expect the increase in Japanese consumption tax from 5% to 8% to impact demand for new homes in the short-term which will mean stock levels of wood products in Japan will be adjusted down.

Plywood traders in Sarawak have reported the following export prices:

Floor base (FB) 11.5mm US\$ 680 C&F,
Concrete formboard panels (CP) 3'x 6' US\$ 550 FOB,
Coated formboard panels (UCP) US\$ 630 FOB;

Standard plywood:

Middle East (9-18 mm) US\$ 480 FOB;
South Korea (8.5 – 17.5 mm) US\$ 490 – 510 C&F;
Taiwan (8.5 – 17.5mm) US\$ 500 FOB;
China/Hong Kong US\$ 480 – 500 FOB.

India was the major buyer of logs from Sarawak in 2013. Log exporters in Sarawak are closely watching to see if the new government can deliver economic growth, increased investment and control of inflation all of which would improve prospects for increased exports from Sarawak. Analysts are generally positive on prospects for log exports to India this year.

Report from Indonesia

Second quarter should deliver faster growth

The Bank Indonesia Deputy Governor Perry Warjiyo said the Bank expects the economy to strengthen in the second quarter and could achieve a 5.3 percent expansion.

Warjiyo said second quarter growth will depend largely on household consumption and investments which traditionally peak in the second quarter.

Indonesian household consumption usually rises in the second quarter because of higher spending during the Islamic celebration of Ramadan and Idul Fitri. In recent years household consumption has been accounting for over 50 percent of economic growth in Indonesia.

April trade deficit weakens rupiah

A drop in exports in April resulted in a sharp drop in Indonesia's trade balance becoming the second biggest monthly deficit in five years. This disappointing export performance hit the rupiah exchange rate and the rupiah fell almost 1 percent to 11,785 to the US dollar.

The Bank Indonesia has stated it will continue with its tight monetary policy in order to help stabilise the rupiah.

Furniture exports to EU set to rise

Prospects for increased sales of Indonesian furniture in Europe are improving as the credibility of the Indonesian Timber Legality Verification System (or Indonesian: sistem verifikasi legalitas kayu SVLK) becomes widely appreciated.

Exports of furniture are projected to grow by 50 percent over the next year or two said Deputy Trade Minister, Bayu Krisnamurthi.

Since the SVLK became mandatory Indonesia exports of wooden doors has grown to between 13,000 to 15,000 doors per week said the minister.

Update on accreditation bodies

To-date, Indonesia's National Accreditation Body (KAN) has accredited 14 Sustainable Forest Management Verification Bodies (LPPHPL) and 11 Timber Legality Verification Agencies (LVLK).

Accredited bodies are authorised to conduct assessments and verification of forest management units and wood processing plants following standards contained in the annex to the Ministry of Forestry Regulation No. DG BUK. P.6/VI-BPPHH/2012.

Sustainable Forest Management Verification Bodies are accredited by KAN based on ISO / IEC 17021:2011 while the Timber Legality Verification Agencies are accredited based on based on ISO / IEC 17065:2012.

Sustainable Forest Management Verification Bodies

1. AYAMARU BAKTIPERTIWI, PT
2. SARBI INTERNATIONAL CERTIFICATION
3. SICS - SUCOFINDO, PT
4. ALMASENTRA CERTIFICATION
5. RENSA GLOBAL TRUST
6. MUTUAGUNG LESTARI, PT
7. PT. Forescitra Sejahtera (FOCUS QE)
8. NUSA BHAKTI MANDIRI, PT
9. EQUALITY INDONESIA, PT
10. MULTIMA KRIDA CIPTA (SUSPENDE)

11. PT. TUV Rheinland Indonesia
12. PT. Global Resource Sertifikasi
13. PT. TRANsTRA PERMADA
14. PT. Trustindo Primakarya

Timber Legality Verification Agencies

1. Badan revitalisasi Industri Kehutanan (BRIK)
2. PT. Sucofindo International Certification Services
3. PT Mutuagung Lestari
4. PT Mutu Hijau Indonesia
5. PT TUV Rheinland Indonesia
6. PT. Sarbi International Certification
7. PT SGS Indonesia
8. PT Equality Indonesia
9. PT. TRANsTRA PERMADA
10. PT. Trustindo Primakarya
11. PT. Ayamaru Certification

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

EU to provide support in preparation for VPA negotiations

The Myanmar press (Weekly Eleven of 2 June) has reported a meeting between Isabel Faria de Almeida of the EU Representative Office and MOECAF Union Minister Win Tun held to open preliminary negotiations for a Voluntary Partnership Agreement (VPA) with the EU. Discussions centered on the provision of technical assistance and training by the EU.

Analysts say that it is definitely in the interest of the country to adopt a credible domestic system for timber legality verification so exporters to the EU can satisfy the due diligence requirements of EU importers.

They further commented that it would be advisable if Myanmar first tackles legality verification before certification, the route taken by most other ASEAN countries.

Analysts warn that in other countries VPA negotiations have been difficult as some conditions in the VPA agreements are difficult to implement which could result in exporters failing to secure a FLEGT license.

Given the experience in other countries analysts recommend the conditions requested from the EU should be studied in detail and possible implications carefully assessed.

More on timber smuggling

According to reports from the Forest Department between April 2013 and March 2014, 45,465 tons of illegal timber and 14,732 tons of charcoal were seized by the authorities.

In addition 1,416 trucks, cranes and tractors, 157 tuolaji (Chinese light tractors), 121 motor bikes, 267 motorised boats and Z-craft (pontoons) and 378 sawmill machine parts were among the item seized.

In related news, Myanmar Environmental Education Team Chairman Sithu Lwin an eminent Forester and Environmentalist, was reported to have commented that despite whatever environmentalist say or hope for or whatever is reported in the media, timber smuggling will continue until there is rule of law in the country.

Another prominent local environmentalist, Ms. Devi Thant Zin was quoted to have said that the penalties for timber smuggling did not seem to be a significant deterrent.

Myanmar's forests are at risk because the Forest Department is understaffed according to Zaw Win Director General of the Forest Department.

Zaw Win said the department employed about 7,000 personnel but needed about 15,000 staff to properly oversee the protection of Myanmar's remaining 320,000 square kilometres of forests.

Local forestry experts say the Forest Department is doing an unenviable task in trying to eradicate illegal activities. Forest rangers are often faced with intimidation from armed gangs in border areas and even in central parts of the country, such as Bago and Sagaing regions.

The extent of illegal logging is such that it is difficult for the Forest Department to combat this alone.

Myanmar Timber Enterprise open tender prices

The next teak sales will be held at the end of June. The following are prices reported for the sale on 26 May

Yangon depot prices

Srl	Species	Grade	H. Tons	Avg. Price (US\$/H.ton)
1	Teak	Sawing Grade-1	11	4384
2	Teak	Sawing Grade-2	18	3665
3	Teak	Sawing Grade-4	27	3332
4	Teak	Sawing Grade-5	15	2333
5	Teak	Sawing Grade-6	26	2177
6	Kanyin	Second Quality	686	373

Padauk timber ex- Moug Gon (Upper Myanmar)

	Grade	Hoppus tons	Avg. Price (US\$/H.ton)
Padauk	3 rd Quality	3	5256
Padauk	4 th Quality	33	4099
Padauk	Assorted	84	3699
Padauk	Domestic	82	2699

Padauk logs which were illegal and seized by authorities

Report from India

Streamlining regulatory processes in forest and environmental sectors

In India the Ministry of Environment and Forests will now be known as Ministry of Environment, Forests and Climate Change. This signals the importance the new government attaches to environmental and climate change issues and comes at a time when the country is determined to contribute to global initiatives.

The ministry will also create a National Environment Regulator to streamline regulatory procedures it will also address the hundreds of projects which have been delayed in the ministry for lack of official clearance.

In the past, environmental issues were being handled by a number of authorities at the central and state levels and each had a role to play in approvals, be it environmental, forest, wild life, coastal or air and water pollution.

The new administration intends to streamline assessment procedures and clearances for project in the industrial, mining, infrastructure and environmental sectors.

Improving river transportation a new national priority

Extending river transport has become a national priority. Plans are being developed to further expand opportunities for waterway transport of passengers and goods.

An ambitious plan has been unveiled to develop the river Ganges for such traffic and the media report a budget of Rs.60 billion has been mentioned to improve the Benaras to Calcutta route.

Redefine real estate sector to boost housing growth

With the new government already busy with plans for economic revival there are high expectations in the housing sector that infrastructure deficiencies in the country will be addressed.

This is essential if the housing sector is to contribute to the economy as the sector cannot grow without the foundation provided by infrastructure.

India currently suffers from a crisis in urban housing and can only break out of this if infrastructure, in its broadest sense, is addressed. To spur urban housing growth there needs to be investment in roads, water and electricity supply, waste disposal, healthcare and education services, communications.

The Indian real estate sector has long campaigned to be recognised as an integral part of the infrastructure sector not merely a business. If the government can deliver on the infrastructure then the real estate sector will grow rapidly.

The Confederation of Real Estate Developers Association of India (CREDAI) Chairman Lalit Kumar Jain has welcomed the move by the new government to grant 'infrastructure' status to the low-cost housing segment and said the plans outlined by the government could, if implemented, bring real change to real estate sector.

Real estate developers would prefer an infrastructure tag to the whole housing sector but the government appears likely to grant it only to the low-cost segment.

For more see: <http://credai.org/sites/default/files/Issue-6-Real-Estate-at-Glance-2-6-2014.pdf>

Prices for imported plantation teak

The supply of plantation teak logs and sawnwood is adequate to meet current demand and the strengthening of the rupee from around Rs68 to Rs58 to the US dollar is helping importers. Analysts expect the rupee to gain more strength which will make teak imports cheaper.

Importers report that the average log size for plantation teak from a few suppliers has been getting smaller and this has affected prices being offered by Indian importers.

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	310-650
Guyana logs	300-450
Benin logs	360-650
Benin sawn	440-800
Brazil squares	360-680
Brazil logs	400-750
Cameroon logs	390-510
Togo logs	380-715
Ecuador squares	330-540
Costa Rica logs	355-700
Panama logs	350-550
Sudan logs	450-700
Congo logs	450-550
Kenya logs	350-600
Thailand logs	460-700
Trinidad and Tobago logs	420-680
Uganda logs	440-800
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.

Domestic prices for sawnwood

Interest in non-teak tropical hardwoods remains firm as many of these timbers are acceptable in the furniture and joinery industries. Hardwood logs have started arriving from Latin America and more new sources are likely as the industry in India adjusts to the ban of log exports by Myanmar.

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

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

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

Myanmar teak processed in India

Teak decking export markets are very lucrative for Indian manufacturers but other hardwoods such as cumaru and ipe and substitute synthetic products are stealing market share as many boat builders find they are available at a fraction of the cost of natural forest teak decking.

However, there is a group of consumers who want only Myanmar teak and they continue to support the trade.

Indian exporters and overseas importers are closely watching developments in Myanmar to try and anticipate prospects for future supplies of top quality teak.

Export demand for teak products processed in India is steady and millers still have reasonable stocks according to analysts. However, teak prices will continue to climb as log stocks fall.

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	3600-4250
Plantation Teak FAS grade	3300-3600

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 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

Century Plyboard posts good results – bullish on 2014 prospects

Plywood maker Century Plyboard, the largest plywood manufacturer in India, has a veneer manufacturing plant in Myanmar which, say company officials, can support all the requirements of the Indian factories which produce plywood.

A spokesman from Century Plyboards said, “the log export ban in Myanmar has resulted in a sharp fall in log prices in Myanmar, it has also resulted in a 15-20% rise in the price of veneers produced from logs imported into India before the ban delivering a double benefit to the company”.

Plywood industry struggles with labour shortage

The latest estimates indicate that India has over 2,000 small and medium sized plywood mills across the country. As the number of mills increases the problem of labour shortages worsens and mills are forced to operate well below capacity.

The stronger rupee is opening an opportunity for more imports of both logs and plywood. Increased imports of poplar and beech have been observed and the range of species imported from S. America and Africa for plywood manufacture is likely to grow.

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	36.00
6 mm	49.00
9mm	62.00
12 mm	76.50
15 mm	101.50
18 mm	107.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood “Commercial Grade”	Rs. per sq.ft	Rubberwood	Hardwood
4mm	Rs.19.00		Rs.28.00
6mm	Rs.29.15		Rs.36.00
9mm	Rs.36.60		Rs.43.50
12mm	Rs.43.50		Rs.53.00
15mm	Rs.53.60		RS.64.70
19mm	RS.61.80		Rs.72.40
5mm Flexible ply	Rs.38.00		

Report from Brazil

‘Arc of Deforestation’ focus of national forest inventory

As of June this year the National Forest Inventory (Inventário Florestal Nacional - IFN) has been completed in Santa Catarina and the Federal District and is underway in the states of Ceará, Rio Grande do Norte, Sergipe, Rio de Janeiro, Espírito Santo, Paraná and Rio Grande do Sul.

The Brazilian Forest Service (SFB) established partnerships with state governments, universities and research institutions to implement the inventory.

In the Amazon, the inventory is focussing first on forest areas of greatest vulnerability known as the ‘Arc of Deforestation’ namely five areas in the states of Rondônia, Southern Amazonas, Manaus, Northwestern Mato Grosso and Southeastern Pará.

ABIMCI and producers discuss expanding international market share

The Brazilian Association of Mechanically Processed Timber Industry (ABIMCI) recently met with pine, tropical hardwood and laminated plywood manufacturers from around the country that together produce about 116,000 cubic metres or 84 percent the Brazilian total exports of these products.

The manufacturers wished to get advice on how to secure a more prominent position in the international market and the impact that high production costs are a serious handicap.

ABIMCI presented data on a case study which showed that in plywood production margins are very small because inflation is constantly pushing up production costs but prices in the international markets are stagnant.

Small producers get state support

Guarantã do Norte will be the first municipality in Mato Grosso State (Amazon region) to have a Local Productive Arrangement (APL) project to support small producers.

This initiative came from the Center for Wood Producers and Exporters of Mato Grosso (CIPEM) and support was

forthcoming from the State Secretariat for Industry, Commerce, Mines and Energy (SICME) and the Brazilian Support Service for Micro and Small Enterprises (SEBRAE).

According to SICME, the object is to tackle some of the main problems in the forestry sector such as timber pricing, level of taxes imposed by the State Secretary of the Environment (SEMA) and the use of timber transport documentation amongst others.

According to SEBRAE, the APLs will be successful if the union of small producers can create networks that sustain the local market. To this end entrepreneurs are being encouraged to pay more attention to marketing, market analysis and sector networking as well as collaboration with institutions which can offer assistance.

Brazilian sawnwood exports

Brazilian tropical sawnwood exports from January to April 2014 fell 2.4% in value and 9.2% in volume, compared to the same period last year.

The main export markets for Brazil's tropical sawnwood in terms of value were France (14%), the United States (13%), China (12%), Netherlands (10%) and India (9.5%).

In terms of volume, between January to April 2013 Brazilian tropical sawnwood exports totaled 110,670 cubic metres while in 2014 the figure was 101,335 cubic metres. In terms of total value, 2013 exports were US\$59 million while 2014 exports totaled US\$58 million.

The main states providing sawnwood exports in 2014, in terms of value, were Pará, 40.6% of all tropical sawnwood exports, followed by Mato Grosso (23%), Rondônia (17.5%) and Paraná (9.9%).

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	174
Jatoba	108
Massaranduba	119
Muiracatiara	123
Angelim Vermelho	114
Mixed redwood and white woods	109

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1297
Jatoba	1168
Massaranduba	700
Muiracatiara	735
Pine (KD)	220

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	867
Jatoba	543
Massaranduba	417
Muiracatiara	468
Angelim Vermelho	415
Mixed red and white	251
Eucalyptus (AD)	239
Pine (AD)	190
Pine (KD)	203

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	374
12mm C/CC (WBP)	343
15mm C/CC (WBP)	331
18mm C/CC (WBP)	323

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	752
10mm WBP	682
15mm WBP	555
4mm MR	670
10mm MR	526
15mm MR	496

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	336
15mm MDF	512

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,345
Jatoba	1,558

Report from Peru

Huge investment in forest inventory planned

The government plans to invest around US\$ 6 million to conduct an inventory of forest resources. To this end the President has sent a bill to Congress that will authorise the allocation of funds to the Ministry of Agriculture and Irrigation (MINAGRI).

The money will be used to fund infrastructure improvements, training, equipment modernisation and the upgrading of technical administration within the Directorate of Forestry and Wildlife (ATFFS).

The General Directorate of Forestry and Wildlife of the MINAGRI has decentralised offices or ATFFS whose role is the management and control of forest resources and wildlife but many cannot function effectively. Currently, 13 ATFFS require additional resources and equipment, particularly for operations at checkpoints.

FENAFOR scheduled for October

The fifth National Forest Fair (FENAFOR) will be held from 23 to 25 October in the exhibition area of La Molina National Agrarian University in Lima.

FENAFOR provides an opportunity for companies to strengthen ties and promote business contacts as well as providing investors to develop business contacts.

This fair will bring together producers of a wide range of products and services in the forestry and wood processing sectors.

FENAFOR is one of the leading trade fairs in Latin America promoting new technologies, technical solutions and industry trends. In the previous FENAFOR almost half the exhibitors were from Germany, Argentina, Brazil, Colombia, Chile, Spain, Italy and the USA.

Export Sawwood Prices

Peru Sawwood, 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	439-508
Grade 2, Mexican market	388-423
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	606-631
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	433-474
Grade 2, Mexican market	342-381
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	365-418↑

Domestic Sawwood Prices

Peru sawwood, domestic	US\$ per m ³
Mahogany	-
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	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded, 5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	373-399
Lupuna plywood B/C 15mm	407-439
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices

Lupuna Plywood BB/CC, domestic (Iquitos mills) 2440x1220	US\$ per m ³
4mm	486
6mm	489
8mm	497
12mm	446
(Pucallpa mills)	
4mm	463
6mm	439
8mm	430
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	1287-1388
Cumaru KD, S4S Swedish market	915-1043
Asian market	1309-1355
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**On-site RIL training for forest communities**

The Forestry Training Centre Incorporated (FTCI), recently conducted on-site Reduced Impact Logging (RIL) training for the Kaburi Amerindian Village community and the Rockstone Loggers' Association.

The RIL based training comprised three training modules:

(a) 'Introduction to Forest management for Communities' which exposed villagers to the tangible and intangible benefits of forest resources, the legal framework for forestry practice, and basic steps to take in managing forest resources, whatever the objectives of management;

(b) Surveying, mapping and forest inventory which provided trainees with most of the knowledge they need for planning of timber harvests;

and (c) directional felling and chainsaw milling with a board mill which aimed to help chainsaw operators optimise all trees harvested.

For the training at Kaburi Amerindian Village, FTCI collaborated with UNDP's Global Environment Facility (GEF) Small Grants Programme to train sixteen persons.

Kaburi Amerindian Village has a population of 350 and a forest area of 10,772 ha of mostly intact, communal forests and they would like to carry out logging in a sustainable manner.

For the training for the Rockstone Loggers Association, FTCI collaborated with the Guyana Forestry Commission (GFC) which is implementing an Institutional Support Project within its REDD+ Secretariat that supports Guyana's Low Carbon Development Strategy. The GFC Rockstone Village has a population of about 300 and a forest concession of about 4,088ha.

Both communities have asked FTCI to prepare forest management plans that reflect a multiple use approach to the management of their respective forest resources. FTCI expects to see other forest based communities adopt the models being developed at Kaburi and Rockstone.

Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart	140	130	-
Purpleheart	200-385	170	150
Mora	115	110	-

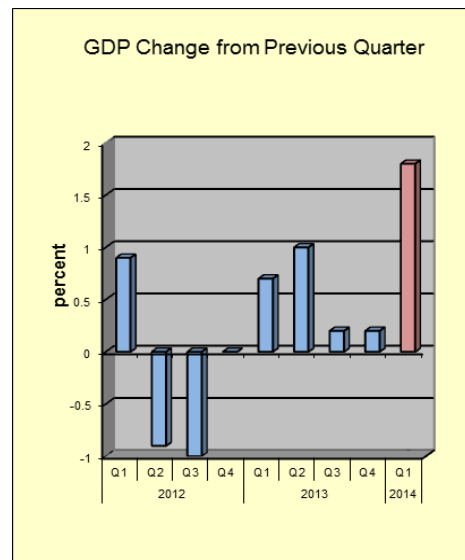
Export Plywood Prices

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	1,102	-
	Standard	-	650-966
	Select	700-1,060	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	700-1,158
	Select	700-1,158	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-509	-
	Sound	-	-
	Merchantable	500	-

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



Data source: Cabinet Office, Japan

Tax hike has minor impact on Consumer confidence

The most recent Cabinet Office survey of consumer confidence is showing that sentiment has improved for the first time in six months.

The consumer confidence index jumped to 39.3, much higher than the 37.6 forecast by analysts. The indications are that the negative impact from the consumption tax increase in April this year could be short-lived.

Of the sub components of the index, livelihood, income growth, employment prospects and willingness to buy durable goods all improved in the May survey.

For more see

<http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>

Report from Japan

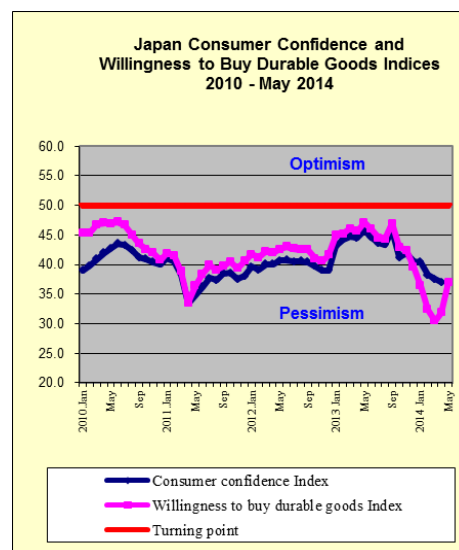
First quarter GDP not indicative of the future

Japan's Cabinet Office has revised the first quarter GDP estimates saying that capital spending was much higher than first assessed. The economy grew 1.6% in the first quarter of 2014 compared the the rate in the last quarter of 2013.

The latest data show that Japan's GDP in the first quarter increased even more than expected and on an annualised basis grew 6.7%, considerably up on the initial 5.9% reported.

The exceptional upward revision suggests that consumer spending before the consumption tax increase in April was not the only factor and that capital expenditure played a big part in the upswing.

Analysts are forecasting a sharp correction in GDP growth in the second quarter as it is expected consumer spending will drop significantly.



Data source: Cabinet Office, Japan

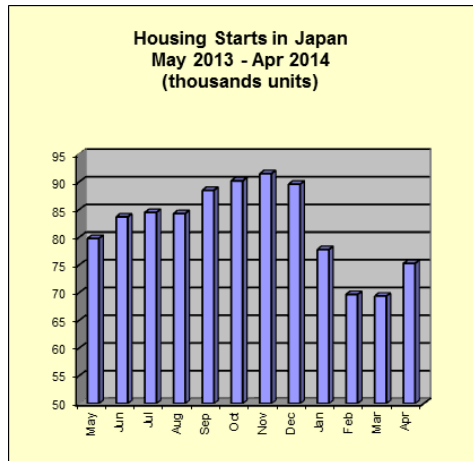
House prices steadily rising

The Land Institute of Japan, in its latest report, says that house prices have been steadily rising throughout 2014 following on from the housing market recovery last year.

The average price of an existing detached house has increased by 2.4% since the beginning of this year.

Builders are finding that, while demand has slowed after the pre-tax increase boom, it is still at its strongest for more than five years and analysts put this down to the government reflationary policies.

House prices are expected to continue rising in 2014, given that the government is expected to inject an additional stimulus package in the second half of this year.



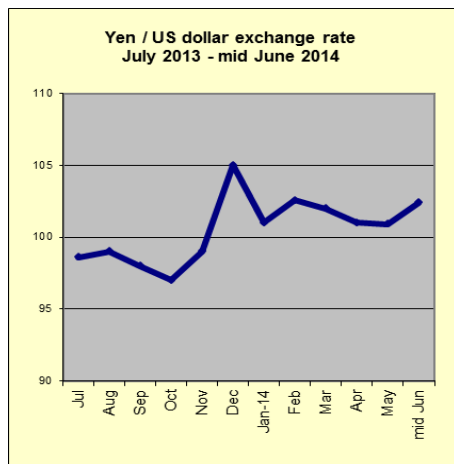
Source: Min. Land, Infrastructure Transport and Tourism, Japan

BoJ confident 2 percent inflation target achievable

At the latest policy meeting the Bank of Japan (BoJ) decided to continue to expand the monetary base saying the economy is showing firm signs of recovery and that the negative effect of the consumption tax rise will be short lived.

The fact that economies in Japan’s major trading partners have improved is giving the Bank confidence that it can bring the Japanese economy out of its deflationary cycle.

The BoJ governor reiterated that he is confident the Bank will achieve the 2 percent inflation target next year.



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>

Chugoku Lumber reduces beam prices

Chugoku Lumber, the largest Douglas fir lumber manufacturer in Japan, decided to reduce dry beam lumber prices by 2,000 yen per cbm after lumber market has been weak since April after the consumption tax was increased by 3%. Movement of structural materials has been slowing since last January.

The prices peaked in January and the movement got worse after April. Competing laminated lumber prices are also weakening. Douglas fir log export prices dropped for two straight months of April and May.

Export of Canadian lumber in March

Total exports of Canadian lumber in March were 18.3% less than March 2012. By destination, shipments to Japan and China plunged sharply in particular. Drop for China was 53% and for Japan was 67.3%.

The reason is truckers’ strike at container yards in Vancouver, B.C. for three weeks in March. This stopped all the container shipments of lumber for China and Japan. Lumber for the U.S. market was not affected by the strike since transportation is by land.

The most affected species were SPF lumber for Japan and China. Drop for China was 60.8% and for Japan was 76.6%. Hemlock and Douglas fir lumber is shipped by bulk carriers so drop was not as bad as SPF.

Imported wood chip in 2013

The total volume of imported wood chips in 2013 was 11,014,788 tonne, 1.1% less than 2012 but because of sudden depreciation of the yen and higher export prices by the suppliers, total value increased to yen 217,960,525, 7.8% higher than 2012.

Average cost of imported wood chip climbed to yen 19.16 per kilogram. This pushed up the cost of not only chemical pulp but also wooden board.

In total imports, hardwood chip took 87%. By source, 2,230 M ton from Chile, 2,160 M ton from Vietnam, 1,810 M ton from Australia, 1,010 M ton from South Africa, 860 M ton from Thailand, 840 M ton from Brazil.

Those six countries took 93% of hardwood chip supply. Average imported cost was 19.93 yen per kilogram, almost 10% higher than 2012.

The four major softwood chip supplying countries were U.S.A. (500 M ton), Australia (470 M ton), Canada (220 M ton) and New Zealand (220 M ton). Those four took 96% of imported softwood chip supply. Average softwood chip prices rose to 18.85 yen per kilogram.

According to the Japan Paper Manufacturers Federation, in 2013, imported wood chip was 10,610 M ton out of which hardwood chip was 9,250,000 tonne. Then domestic supply of wood chip was 5,060,000 tonne out of which softwood chip was 3,620,000 tonne.

Pulp and paper manufacturers want to increase domestic supply of wood chip since imported chip cost is climbing but competition with biomass power generation facilities is getting hard for wood chip procurement so paper companies would rather rely heavier on imported wood chip.

Actually in the first quarter of 2014, imported wood chip was 2,850,000 tonne, 10.1% more than 2013 while domestic procurement was 1,200,000 tonne, 0.6% more. So the share of imports exceeds 70%.

South Sea (tropical) logs

Weather in Sarawak, Malaysia continues fine and dry so that log transportation is by land. Local Weather Bureau reports that this weather appears to continue through September. In this weather, log production remains low and log suppliers are bullish.

Besides limited log production, Myanmar banned log export and plywood mills in India started buying Malaysian keruing to replace Myanmar logs. Low grade keruing log prices shot up to US\$350 per cbm FOB from US\$320-330. When keruing is not available, India buys mersawa instead.

Sarawak plywood mills, which had been operating with mainly small logs, now started buying larger logs to improve productivity even with higher prices.

Not only India but other countries like China, Taiwan P.o.C and Vietnam are aggressively buying MLH logs.

Sarawak meranti regular log prices now are about US\$290 per cbm FOB. Small meranti prices are about US \$250 and super small are US\$230. They are all firming.

Weather in PNG and Solomon Islands recovered and log production is picking up but China’s dominance is unchanged.. Since logs for China need no sorting, the suppliers prefer to sell to China. Despite excessive North American and New Zealand log inventories in China, it continues buying South Sea logs aggressively yet

Survey on attitudes toward legality of wood products

NPO Global Environmental Forum and NGO FOE Japan made a survey toward legality of wood products through various government organizations in relation to the Green Purchase system.

Questionnaires were sent out to 116 national organizations and 67 local government offices to see awareness of legality. Out of 183 sent the effective replies were 70.

In procurement policy, 42.5% replied to give priority for purchasing products made out of thinning; 40.0% said to confirm legality of purchasing products; 25% said to give priority for purchasing wood products made out of recycled or unused wood resources; 25.0% responded to give priority to purchase wood products made out of locally produced wood.

The results indicate that public offices give priority to purchasing locally produced products and thinning.

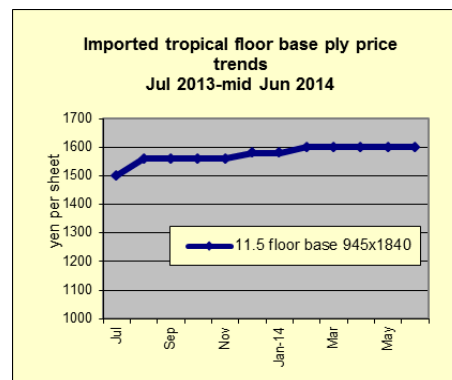
In procuring wood products, 61.4% confirm legality of wood products such as office furniture, paper and stationary. For how to confirm legality of wood, 33.8% replied no means.

Many refer to catalogues of products which verify that the products conform to standards of the Green Purchase law; 18.4% said to confirm either Forest Certification or COC certificate; 34.3% commented that method or standard to confirm legality is hard to understand as it is too technical and academic then 17.1% said awareness to illegal; harvest among organizations and procurement people is low.

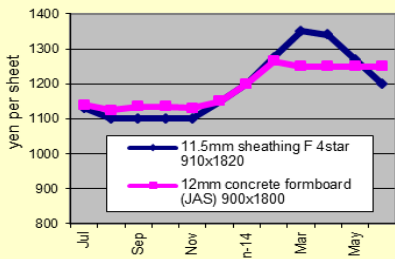
The purpose of the Green Purchase law is to end illegal harvesting in foreign countries but the system is not effective to trace back through supply chains back to the origin so legality confirmation remains superficial.

On measures to reduce illegal wood products, 51.4% commented that consuming countries need to promote buying products which legality and sustainability are proved; 37.1% said not only public procurement but purchase by private enterprises should be object of Green Purchase law.

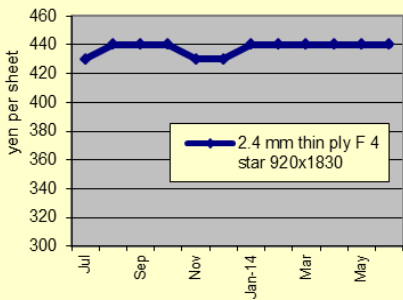
Price trends for Japanese imports of Indonesian and Malaysian plywood



Imported tropical sheathing and formboard price trends Jul 2013-mid Jun 2014



Imported tropical 2.4 mm thin ply price trends Jul 2013-mid-Jun 2014



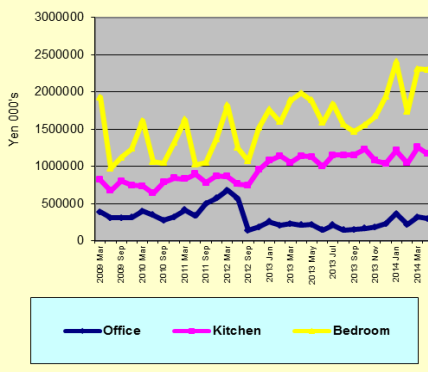
Trends in office, kitchen and bedroom furniture imports

Japan’s office kitchen and bedroom furniture imports from 2009 to the end of April 2014 are shown below.

Japanese imports of furniture exhibit a cyclical trend between 2009 and 2012. However, from 2012 bedroom furniture imports began to increase while imports of office and kitchen furniture have remained within a narrow range.

April imports of office, kitchen and bedroom furniture fell and when the May import figures are released at the end of June a further decline is anticipated.

Japan's Imports of Office, Kitchen and Bedroom Furniture 2009 - Apr 2014



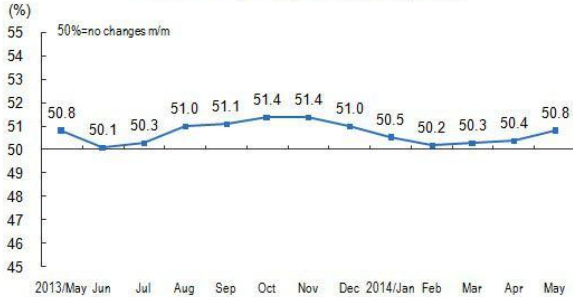
Source: Ministry of Finance, Japan

PMI up for 3 consecutive months

In May 2014, China's purchasing managers index (PMI) for the manufacturing was released by the National Bureau of Statistics. The May PMI for the sector stood at 50.8, 0.4 points higher than in April. The May figure consolidated the growth trend for three consecutive months.

For more see: http://www.stats.gov.cn/english/PressRelease/201406/t20140604_563603.html

Manufacturing PMI (Seasonly Adjusted)



Source: National Bureau of Statistics, China

In terms of size of enterprises, the PMI for large-sized enterprises was 50.9 percent, slightly up month-on-month and in positive territory. The PMI for medium-sized enterprises was 51.4, again up on the previous month while the index for small-sized enterprises was still in negative territory at 48.8.

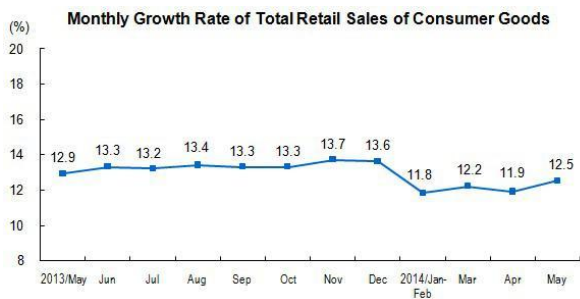
In summary, of the five sub-indices comprising the PMI, three improved and two weakened.

- Production index: 52.8 up month-on-month.
- New orders index: 52.3up month-on-month.
- Raw materials inventory index: 48.0 down on April.
- Employed person index: 48.2 down month-on-month.
- Supplier delivery time index: 50.3 up month on month.
- The new export and import indices reflecting foreign trade in manufactured goods were 49.3 and 49.0 respectively both in negative territory.

Stimulus measures boost May retail sales

May 2014 retail sales growth beat analyst’s expectations by growing by 12.5 percent year-on-year. The government had recently eased monetary conditions and introduced other measures aimed at giving the economy a boost. The ‘mini’ stimulus appears to be working given the improvement in retail sales.

From January to May total retail sales of consumer goods was yuan 10,303.2 billion, up by 12.1 percent year-on-year. Online retail sales increased 53.2 percent.



Source: National Bureau of Statistics, China

US\$ 90 billion outward investment in 2013

Early this year Forest Trends published a report “Chinese Overseas Investment in Forestry and Industries with High Impact on Forests: Official Guidelines and Credit Policies for Chinese Enterprises Operating and Investing Abroad”.

The following excerpts draw on this report.

For the full report see http://www.forest-trends.org/documents/files/doc_4203.pdf

In 2013 Chinese enterprises invested US\$90 billion in 5,090 foreign companies in 156 countries, a year on year increase of 17%.

Of the total, investments in Hong kong, ASEAN, EU, Australia, USA, Russia and Japan totalled USD65.5 billion around 73% all overseas investments. But investment flows to Hongkong, the EU and Japan fell in 2013 compared to a year earlier.

The value of China’s investments grew in Russia (US\$4.1 bil.), the US (US\$4.2 bil.), Australia (US\$3.9 bil.) and ASEAN (US\$5.7 bil.). The greatest increase was seen in investments in Russian companies.

In terms of investment categories, 90% of China’s outward FDI in 2013 was to service industries (33%) followed by mining (22%), wholesale and retail (15%), manufacturing (10%), construction (7%) and transportation (3%). The pace of growth in investment in the construction sector was particularly high in 2013.

The data from the Ministry of Finance indicates that some 527,000 Chinese workers were sent to foreign companies in 2013, a year on year increase of 15,000 employees. In total by the end of 2013, China had around 7 million people overseas employed in support of its outward investment.

The majority of China’s outward FDI originates from state-owned enterprises (national, provincial, and municipal) although the government is encouraging outward FDI by private enterprises.

Geographically, enterprises in the industrial and commercial centres in the coastal cities and provinces are responsible for most outward FDI. Provinces where forestry and wood processing is strong such as Shandong and Yunnan tend to feature in FDI in the timber sector.

A powerful incentive for outward FDI is provided by the government in the form of financial backing. Chinese enterprises on an approved list benefit from the government’s financial support in the form of access to below-market rate loans, direct capital contribution and subsidies associated with official aid programmes.

The incentives are backed up by various guidelines to banks and financial institutions to encourage them to ensure their clients comply with environmental and social standards, including host-country laws and regulations.

The most recent green credit guidelines (2012) are the most comprehensive yet, but as with the other f guidelines, their implementation has so far been patchy. However, the government has plans to enforce them more strictly. All guidelines and policies share the basic and fundamental requirement that host-country laws and regulations must be followed.

Despite the poor implementation of past guidelines the most recent environmental protection and green credit guidelines offer clear opportunities for host-country governments, NGOs, and campaigners to highlight occasions where Chinese companies are operating in breach of their own government’s regulations and laws.

Direction of outward investments

According to records kept by China’s Ministry of Commerce, investments in forestry and other land-use sectors have been made in the following regions and countries:

- *Africa*: Fourteen countries in Africa have received FDI in agriculture and forestry, in particular Gabon, Zambia, Equatorial Guinea, Liberia, Republic of Congo and Cameroon.
- *Asia*: Outward FDI in logging and processing has been mainly directed to Laos, Myanmar, Thailand, and Korea. Efforts have been made to establish plantations in areas previously under opium poppy cultivation in Laos, Thailand, and Myanmar.
- *Latin America and Caribbean*: While less significant than Africa or Asia, Chinese investments have been expanding in Brazil, Argentina, Venezuela, Peru and Guyana.
- *Russia*: Chinese investment has focused on logging, timber processing, pulp and paper and other products and is concentrated in the border areas in Siberia and the Russian Far East. Chinese outward FDI has been encouraged by the Russian and Chinese governments through supportive programmes that began in 1997.

Guangzhou Yuzhu International Timber Market Wholesale Prices

Logs

Logs		10-May	27-May
		yuan/cu.m	yuan/cu.m
Merbau	dia. 100 cm+	5200-5400	5200-5400
Bangkirai	dia. 100 cm+	5300-5500	5300-5500
Kapur	dia. 80 cm+	2800-3000	2800-3000
Ulin	All grades	6500	6500
Lauan	dia. 60 cm+	2000-2200	2000-2200
Kempas	dia. 60 cm+	2000-2100	2000-2100
Teak	dia. 30-60 cm	8000-12000	8000-12000

Logs		10-May	27-May
		yuan/cu.m	yuan/cu.m
Greenheart	dia. 40 cm+	2300-2450	2300-2450
Purpleheart	dia. 60 cm+	3100-3300	3100-3300
Pau rosa	dia. 60 cm+	4700-4800	4700-4800
Ipe	dia. 40 cm+	4000-4800	4000-4800
yuan per tonne			
Cocobolo	All grades	53-58000	53-58000

Logs		10-May	27-May
		yuan/cu.m	yuan/cu.m
Wenge	All grades	4300-5200	4300-5200
Okoume	All grades	2200-2500	2200-2500
Okan	All grades	3700-3800	3700-3800
African blackwood	All grades	8000-15000	8000-15000
African rosewood	All grades	5000-6500	5000-6500
Bubinga	dia.80 m+	13-15000	13-15000

Logs		10-May	27-May
		yuan/cu.m	yuan/cu.m
Ash	dia. 35 cm+	4200-4300	4200-4300
Basswood	dia. 36 cm+	3500-3800	3500-3800
Elm	dia. 36	2800-3600	2800-3600
Catalpa	dia. 36	2800-4200	2800-4200
Oak	dia. 36 cm+	4000-5500	4000-5500
Scots pine	dia. 36 cm+	2000-2200	2000-2200
Larch	dia. 36 cm+	1550-1900	1550-1900
Maple	dia. 36 cm+	2700-3050	2700-3050
Poplar	dia. 36 cm+	1650-1950	1650-1950
Red oak	dia. 30 cm+	2500-2600	2500-2600

Sawnwood

Sawnwood		10-May	27-May
		yuan/cu.m	yuan/cu.m
Makore	Grade A	7300	7300
Zebrano	Grade A	12000-15000	12000-15000
Walnut	Grade A	9500-10000	9500-10000
Sapelli	Grade A	7500-7900	7500-7900
Okoume	Grade A	4200-4500	4200-4500
Padauk	Grade A	14500-17000	14500-17000
Mahogany	Grade A	6500-7000	6500-7000
yuan/tonne			
Ebony	Special grade	16000	16000

Sawnwood		10-May	27-May
		yuan/cu.m	yuan/cu.m
Ulin	All grade	9000-10000	9000-10000
Merbau	Special grade	8600-9500	8600-9500
Lauan	Special grade	4600-4800	4600-4800
Kapur	Special grade	5500-6000	5500-6000
Teak	Grade A	9600	9600
Teak	Special grade	14-20000	14-20000

Sawnwood		10-May	27-May
		yuan/cu.m	yuan/cu.m
Cherry	FAS 2 inch	10000-12800	10000-12800
Black Walnut	FAS 2 inch	14000-16000	14000-16000
Maple	FAS	7500-10000	7500-10000
White oak	FAS	8000-11000	8000-11000
Red oak	FAS	6800-9000	6800-9000
Finnish pine	Grade A	3000	3000

Sawnwood		10-May	27-May
		yuan/cu.m	yuan/cu.m
Maple	Grade A	10000-10500	10000-10500
Beech	Special grade	5300	5300
Ash	no knot	5000-5800	5000-5800
Basswood	no knot	2700-3500	2700-3500
Oak	no knot	4000-5500	4000-5500
Scots pine	no knot	2800	2800

Shanghai Furen Forest Products Market Wholesale Prices

Logs

	10-May	27-May
Logs - All grades	000's yuan/tonne	000's yuan/tonne
Bois de rose	250-300	250-300
Red sandalwood	1600-2000	1600-2000
Siam rosewood	100-550	100-550
Burma padauk	27-45	27-45
Rengas	8-15	8-15
Mai dou lai	6-8000	6-8000
Neang noun	32-65	32-65
Burma tulipwood	28-60	28-60
Cocobolo	43-180	43-180
Morado	10 - 15	10-15
Ebony	15-40	15-40
Trebol	7-8	7-8
African sandalwood	18-32	18-32

Sawnwood

		May_10	May_27
	Sawnwood	yuan/cu.m	yuan/cu.m
Okoume	Grade A	4500-4700	4500-4700
Sapelli	Grade A	7600-7900	7600-7900
Zebrano	Grade A	8000-9000	8000-9000
Bubinga	Grade A	13500-15800	13500-15800
Mahogany	Grade A	6000-7000	6000-7000
Wawa	FAS	3700-3900	3700-3900
Ayous	FAS	4000-4200	4000-4200

		May_10	May_27
	Sawnwood	yuan/cu.m	yuan/cu.m
Lauan	Grade A	3700-3900	3700-3900
Merbau	All grades	8000-10000	8000-10000
Teak	All grades	11500-36000	11500-36000

		May_10	May_27
	Sawnwood	yuan/cu.m	yuan/cu.m
Beech	Grade A	4200-4800	4200-4800
Ash	Grade A	5500-6500	5500-6500
Elm	Grade A	4900-5300	4900-5300
Red oak	2 inch FAS	8000-8600	8000-8600
White oak	2 inch FAS	7500-8500	7500-8500
Maple	2 inch FAS	9800-10500	9800-10500
Cherry	2 inch	9500-10500	9500-10500
Black walnut	2 inch	15000-17000	15000-17000

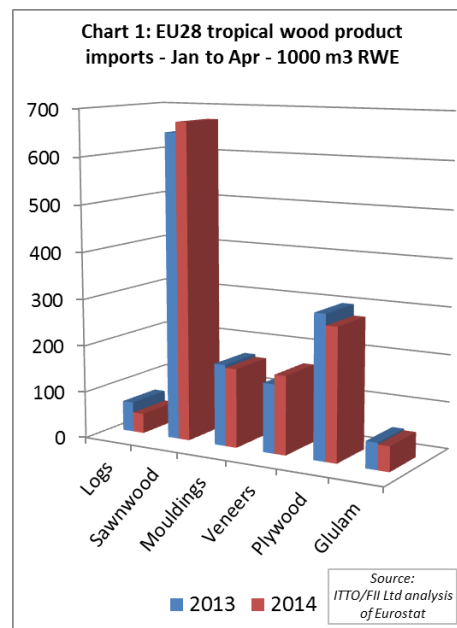
Report from Europe

EU tropical wood imports static at last year's level

While economic indicators are beginning to improve in the EU and market confidence is rising, these trends are filtering only very slowly into the European tropical hardwood trade.

The latest EU trade data indicate imports of tropical hardwood products in the first four months of 2014 were 1.385 million cubic metres in roundwood equivalent terms, down 1% compared to the same period last year (Chart 1).

Although imports of tropical hardwood sawn and veneer have increased this year by 3% and 14% respectively, these gains have been offset by declining imports of tropical hardwood logs (-34%), mouldings and decking (-3%), plywood (-8%) and glulam/window scantlings (-6%).



In addition to slow consumption, the European market for tropical wood during the first quarter of 2014 suffered from supply constraints, notably from Cameroon and Congo where shipments were significantly limited due to major issues with handling operations and administrative procedures at Douala Port.

The situation has improved since the start of the year but the backlog of wood destined for Europe at the port is being shifted only slowly.

Lead times between ordering and delivery into Europe of the main African commercial species such as sapele and framire has now fallen to 3 to 4 months compared to 6 months at the start of this year.

Another reason for slow imports of tropical wood in 2014 is the change in GSP status of several key tropical suppliers, notably Malaysia and Gabon.

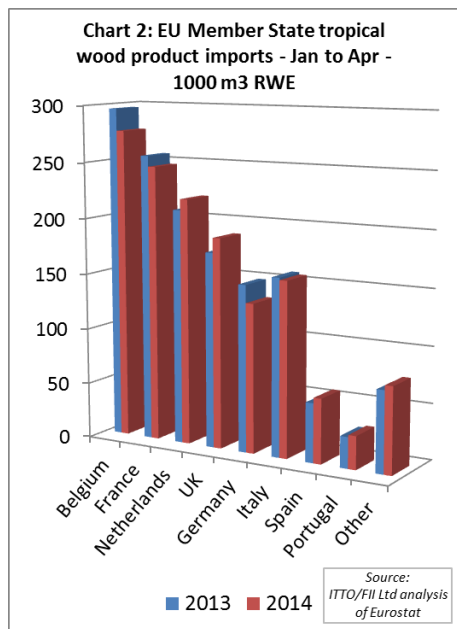
This led to a rise in European import duties on timber products from these countries on 1 January 2014. An immediate effect was to encourage a short-term build-up of stocks before the deadline and subsequent fall in imports from these countries in the first quarter of 2013.

Declining imports into France and Belgium

In the first four months of 2014, the volume of tropical hardwood imports (roundwood equivalent volume of logs, sawnwood, mouldings & decking, veneers, plywood and glulam) fell into both Belgium (-7%) and France (-5%), the two largest volume European destinations for these products (Chart 2).

Both markets are currently affected by consolidation of operators in the tropical wood industry and rapidly changing trends in demand.

In France economic conditions remain difficult and generally uncertain. Building permits in France declined 22% in the three months to end February 2014. There are also concerted efforts underway in France to boost demand for locally grown hardwoods, for example through continued expansion of thermal treatment facilities to increase their durability and use in outdoor applications previously dominated by tropical woods.



Fall in German tropical wood imports despite improving economy

There was an 11% fall in imports of tropical hardwoods into Germany during the first four months of 2014, despite evidence of stronger economic conditions and robust growth in demand for wood products in the construction and garden furniture sectors.

According to EUWID, the German Timber Federation GD Holz reported strong growth in total German timber trade revenues in the first four months of 2014, up 13% in the first quarter and a further 8% in April.

GD Holz reported that revenues in the garden wood sector were up 50% in the first quarter of 2014 compared to the same period in 2013, particularly owing to much better weather conditions during the late winter months this year.

Unfortunately these gains have not led to improved demand for tropical wood which has come under considerable competitive pressure from wood-plastic composites in the garden wood sector during 2014.

Another factor that has reduced demand for tropical wood in Germany this year is uncertainty over the legality of some tropical products.

This follows the German EUTR Competent Authorities' seizure in August last year of a consignment of wenge logs imported from the Democratic Republic of Congo (DRC).

According to a recent report in EUWID, the wenge logs remain confiscated despite receipt of another letter from the DRC government to the German authorities confirming the legality of the concession held by Bakri Bois Corporation (BBC) where the logs are claimed to have originated.

However, according to EUWID, the German EUTR authorities are not satisfied that there is sufficient proof that the logs in question derive from the specified concession.

Rising tropical wood imports by the Netherlands and UK

Declining imports of tropical wood into Belgium, France, and Germany have been partly offset this year by rising imports into the Netherlands, UK, Spain and Portugal.

Tropical wood imports into the Netherlands were up 5% in roundwood equivalent volume terms in the first four months of 2014.

After many years of very depressed activity, the Dutch construction sector is now improving with architects and builders reporting better order books and turnover.

Although new building permits issued in Netherlands have slowed a little in recent months, the Dutch market is now benefitting from the temporary VAT reduction on renovation activities implemented since early 2013 and due to remain in place until the end of 2014.

UK imports of tropical hardwood increased 8% in roundwood equivalent volume terms during the first four months of 2014. Consumption has been rising at a time when UK landed stocks of most hardwood products are quite low, encouraging stronger UK engagement in the import trade.

The recovery in UK construction has become stronger and broader this year, with rapid increases in private house building, together with growth in renovation, infrastructure and commercial construction activity.

While the 8% rise in UK imports of tropical hardwood products is encouraging, there are signs that tropical wood may be losing share to temperate hardwood in this market during 2014.

The American Hardwood Export Council recently reported a 66% increase in UK imports of American sawn hardwood in the first quarter of 2014 compared to the same period last year.

Demand in Spain shows signs of improvement

For the first time since the start of the Global Financial Crises, the Spanish market has shown slight signs of improvement this year.

In roundwood equivalent volume terms, Spain's imports of tropical hardwood products were up 9% in the first four months of 2014 compared to the same period the previous year.

According to the latest survey of European architects by Archivision, a market research firm, the long-term decline in Spanish architects order books hit bottom at the start of 2013 and architects have become more positive during every subsequent quarter of the year.

However, Archivision also note that the more positive attitude amongst Spanish architects is not in line with trends in building permits, especially the non-residential sector which is still showing decline.

The volume of imports of tropical hardwood into Italy in the first four months of 2014 was at the same low level as in 2013. Although some large Italian tropical hardwood importers report stronger sales into other parts of Europe this year, the domestic market remains weak.

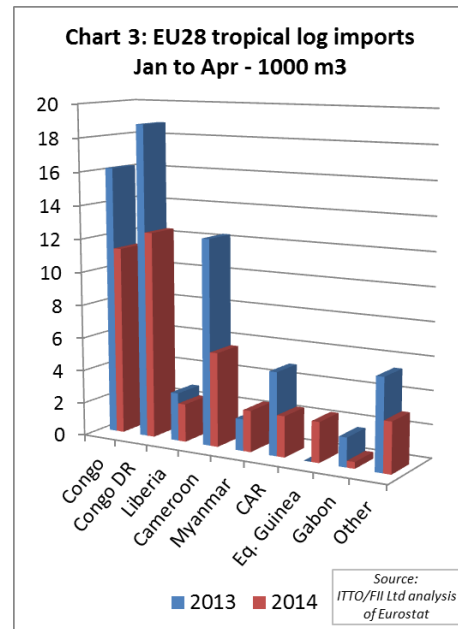
There seems little prospect of any improvement in the Italian construction market, probably the main driver of demand for tropical wood now that Italy's furniture sector is so focused on temperate species, particularly oak. Archivision forecast that Italian construction will shrink by 9% in 2014 and by a further 4% in 2015.

EU imports of tropical hardwood logs fall sharply

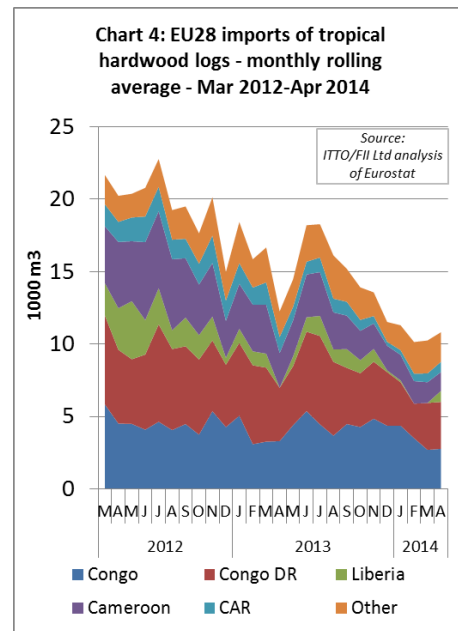
EU imports of tropical hardwood logs were 42,000 cubic metres in the first four months of 2014, 34% less than the same period of 2013.

Imports fell particularly heavily from the Congo countries, Cameroon, and Central African Republic (Chart 3).

This is due to the combined effects of shipping problems at Douala Port, the civil war in Central African Republic, and EUTR-related concerns over the reliability of legality documentation.



While total EU imports of tropical hardwood logs were down over the four month period, closer analysis of the monthly trend suggests a slight improvement in April compared to the first quarter of the year (Chart 4).

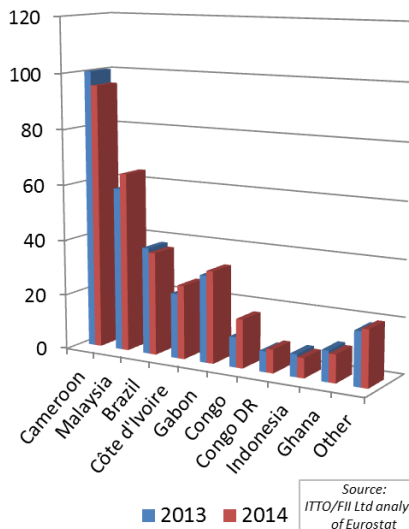


Malaysia and Côte d'Ivoire fill gap in Cameroon sawn supply

Improving demand in the UK and Netherlands boosted EU imports of sawn hardwood in the first four months of 2014.

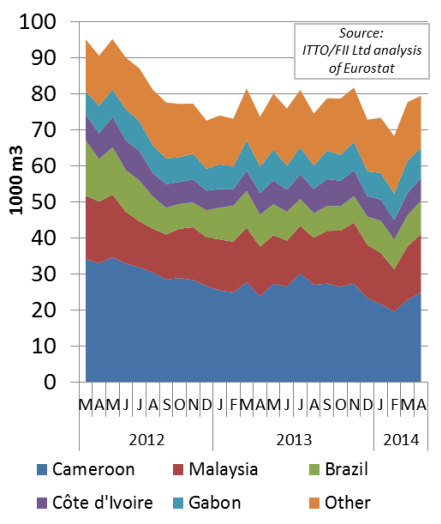
Imports were 320,000 cubic metres during this period, 4% more than the same period in 2013. Rising imports from Malaysia, Ivory Coast and Gabon, helped to fill the gap caused by supply disruption in Cameroon (Chart 5).

Chart 5: EU28 tropical sawn imports - Jan to Apr - 1000 m3



Monthly data reveals that after a sharp fall in January and February this year, the pace of EU imports of tropical sawn hardwood began to recover from March onwards. This was due to improved shipments from both Cameroon and Malaysia (Chart 6).

Chart 6: EU28 imports of sawn tropical hardwood - monthly rolling average - Mar 2012-Apr 2014

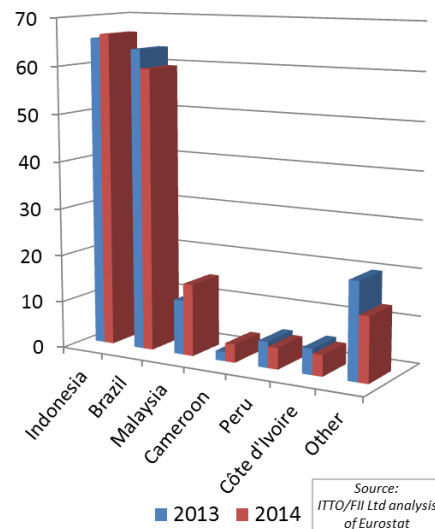


Indonesia and Malaysia increase share in EU decking imports

EU imports of mouldings and decking products were 168,000 cubic metres (RWE - Roundwood Equivalent) during the first 4 months of 2014, 4% less than the same period in 2013 (Chart 7).

Improved supply conditions led to gains in imports from Indonesia and Malaysia and these countries gained market share, particularly at the expense of Brazil and other Amazonian suppliers.

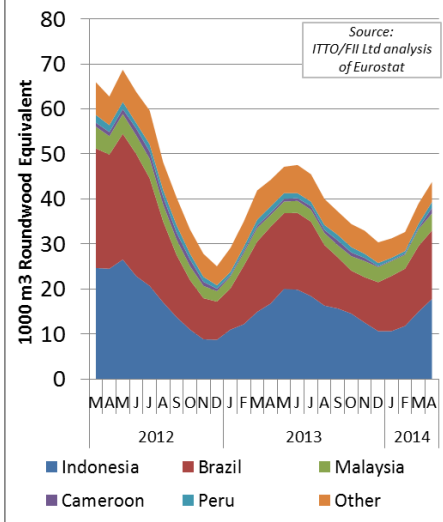
Chart 7: EU28 tropical mouldings imports - Jan to Apr - 1000 m3 RWE



Monthly data reveals the strong seasonal pattern of EU mouldings imports, driven by the decking sector and timed to coincide with the European spring and summer garden season (Chart 8).

Overall imports this year seem to be shaping up to be very similar to last year but still well below the level of 2012.

Chart 8: EU28 imports of tropical hardwood mouldings - monthly rolling average - Mar 2012-Apr 2014



Rougier revenues rise in Africa but fall in Europe

In a press release, Paris-based Rougier reports first quarter revenues for their Africa International branch at euro 27 million, up 11.7% on the first quarter of 2013.

According to Rougier this growth reflects the positive trend for international tropical timber markets.

In Gabon, business has also benefited from a dynamic local market. However, for Cameroon and Congo, shipments were significantly limited during the quarter as

a result of logistical problems at Douala Port. Some deliveries have therefore been put back to the second quarter.

First quarter 2014 revenues of Rougier's France Import-Distribution branch were €7.5 million, down 6.3% on the first quarter of 2013, but up 20.3% compared with the fourth quarter of 2013. According to Rougier, this trend highlights the French market's volatility.

Rougier report that first quarter log sales were up 29.4%, particularly in Gabon thanks to sustained growth in sales to local industrial operators. Sawn timber sales were up 6.0% in relation to last year.

This positive trend is being supported by the diversification of the regional mix, as well as demand for certain timber species and the good level of average sales prices in general. Plywood sales, generated primarily in European countries, were stable compared with the first quarter of 2013.

Faced with the slowdown in European markets, Rougier has continued moving forward with its strategy to diversify its regional markets, achieving strong growth in the Americas and Sub-Saharan Africa, particularly Gabon. Markets in the Mediterranean Basin and Middle East are gradually picking up again. In Asia, sales trends confirm the upturn on the Chinese market, as seen during the second half of 2013.

DLH - "Challenging conditions" for tropical wood in Nordic countries

The European divisions of the Denmark-based DLH posted a turnover of DKK 399 million for the first three months of the year, 6% less than the same period last year. 2% of the decline in turnover was exchange rate related.

This downturn came against the background of challenging market conditions in both the Nordic countries and France, the only areas of Europe where DLH now operates following recent divestment of other European divisions.

DLH note that the Swedish retail sector remains particularly challenging, while the Danish and Norwegian markets are showing signs of gradual improvement. In general, the industrial sector is showing a good development.

Overall DLH reckons that there is continuing strong growth potential in the industrial sector in Sweden and Norway.

In France, DLH has decided to focus and optimise the business solely on one hub which supplies tropical hardwood in Sète in the south of the country. The objective is to create a smaller, more cash efficient and cash generating unit with a view to divestment under the current strategy plan.

DLH report that turnover in France is at the same level as last year but margins have improved significantly due to the focus on decking business.

In Central Europe and Russia, DLH report that macro-economic conditions remain weak, but are showing signs of improvement. Turnover for the first quarter shows a decline of 5% to DKK 65 million, mainly related to the weakening of the Russian Rouble.

In contrast to the decline in turnover of European operations, DLH Global Sales Division delivered a 2% increase in turnover to DKK 108 million for the first quarter compared to the same period last year.

This Division is engaged in tropical hardwood trading between and within Vietnam, China, Indonesia and Africa. DLH note that the Vietnamese market is showing particularly strong development while China is somewhat lower due to a more selective approach to bulk shipments.

Report from North America

March tropical sawnwood imports up, temperate imports down

Total US sawn hardwood imports fell by 21% in March to 70,604 m³.

The decline was in imports of temperate species, while tropical sawnwood imports grew by 14% to 19,368 m³ in March. Year-to-date tropical imports were 16% higher than in March 2013.

The largest growth was in imports of balsa from Ecuador, almost doubling to 5,483 m³ in March.

Imports from Brazil grew by 44% to 3,497 m³. Shipments from Brazil to the US of both ipe (2,348 m³) and virola (644 m³) increased in March.

Virola sawnwood imports from Peru jumped from zero to 980 m³ in March. As a result total sawnwood imports from Peru increased in March, but imports are still lower than at the same time last year.

Malaysian shipments to the US fell in March, mainly because of lower imports of keruing (1,275 m³). Keruing imports from Indonesia increased (396 m³), however, and total US imports of keruing sawnwood declined by just 12% from February.

Sawnwood imports from Cameroon also decreased in March to just over 1,000 m³. The main reason was a 61% drop in sapelli imports (676 m³).

By species, the largest decline in March imports was in sapelli and acajou d'Afrique.

The strongest growth was in balsa, virola and ipe. Imports of mahogany, cedro, meranti and jatoba also increased from the previous month.

Canada imported more sawn hardwood from Africa in March

Canadian imports of tropical sawn hardwood increased by 5% from the previous month to US\$1.95 million in March. Year-to-date imports are one third higher than in March 2013.

Ecuador, Brazil and Cameroon were the largest sources of supply. Imports from Ecuador fell by 11% to US\$370,676, while Brazil's hardwood sawnwood exports to Canada were worth US\$359,436.

Imports from Cameroon were US\$297,102 in March, up 15% from the previous month. Imports from Ghana more than doubled to US\$192,599.

Canadian imports of virola, imbuia and balsa combined were worth US\$403,608 in March, triple the value year-to-date than in March 2013. Sapelli imports were US\$377,188 in March, up 41% from last year on a year-to-date basis.

US wood window and door market set to grow

US demand for windows and doors of all materials is expected to grow 7% per year to 2018. Demand will reach \$32.0 billion in 2018, up from \$22.8 billion in 2013 (Freedonia, Industry Study Windows & Doors, May 2014).

The market share of wood windows and doors was 33% in 2013, compared to 42% for metal and 25% for plastic. The wood share is mainly in doors, while plastic dominates the window market.

Over the next five years plastic will take away market share from both wood and metal. Low cost, superior energy performance and low maintenance are the main advantages of plastic doors and windows.

Wood windows and doors are forecast to have the slowest demand growth of the three materials. Still, demand is expected to grow 6.2% every year through 2018. Demand would increase from US\$7.5 billion in 2013 to over US\$10 in 2018.

The main demand for wood will be in residential interior doors. Housing starts are expected to continue the slow recovery, boosting demand for construction materials including doors. In exterior applications (windows, doors) wood will continue to lose market share to plastic.

The main market for wood windows is the higher end residential market where demand exists for an aesthetically more pleasing material than plastic.

American Hardwood Export Council uses art to promote hardwoods

The American Hardwood Export Council (AHEC) has long promoted American hardwoods at trade shows, industry conferences and seminars in export markets in Asia, Europe, the Middle East and Latin America.

To promote the use of American hardwoods to the public as well as to professionals, AHEC has sponsored the design and construction of wooden exhibits at the London Design Festival in recent years.

In 2013, the exhibit was "Endless Stair", an outdoor sculpture which used American poplar in cross-laminated timber (CLT). The design promoted both the novel application of poplar in CLT and the use of hardwood in a structural application.

The poplar was donated by AHEC member companies. In April 2014, the Endless Stair exhibit was reassembled in a different design in Milan, Italy.

AHEC produced an environmental profile according to ISO standards for the exhibit, using the data from its recently completed Life Cycle Assessment project for all major American hardwoods.

According to the association, tens of thousands of people have seen the exhibit and the accompanying promotion of US hardwoods.

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.*

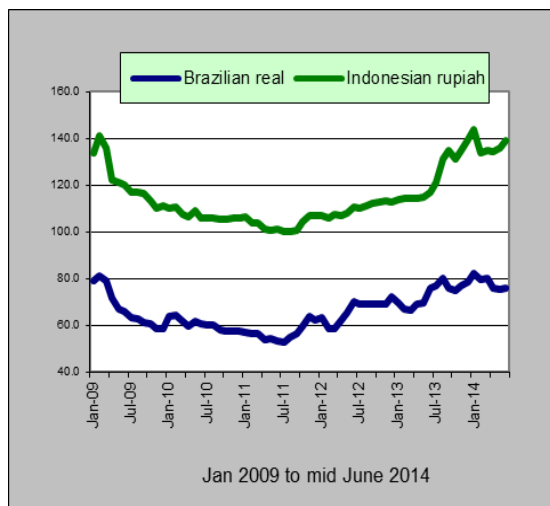
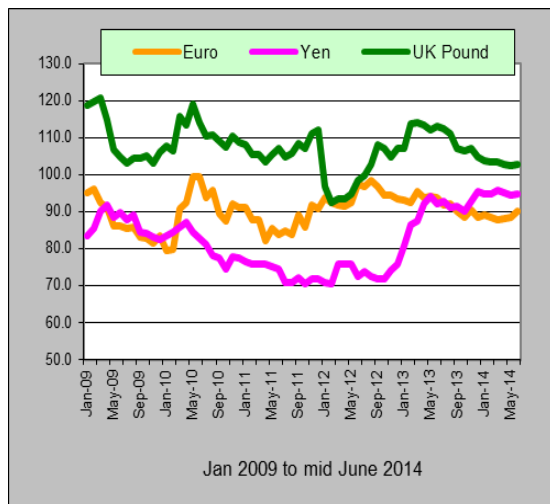
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Main US Dollar Exchange Rates

As of 11th June 2014

Brazil	Real	2.2334
CFA countries	CFA Franc	484.21
China	Yuan	6.2283
EU	Euro	0.739
India	Rupee	59.37
Indonesia	Rupiah	11815
Japan	Yen	102.07
Malaysia	Ringgit	3.2129
Peru	New Sol	2.7985
UK	Pound	0.5957
South Korea	Won	1016.35

Exchange rate index (Dec 2003=100)

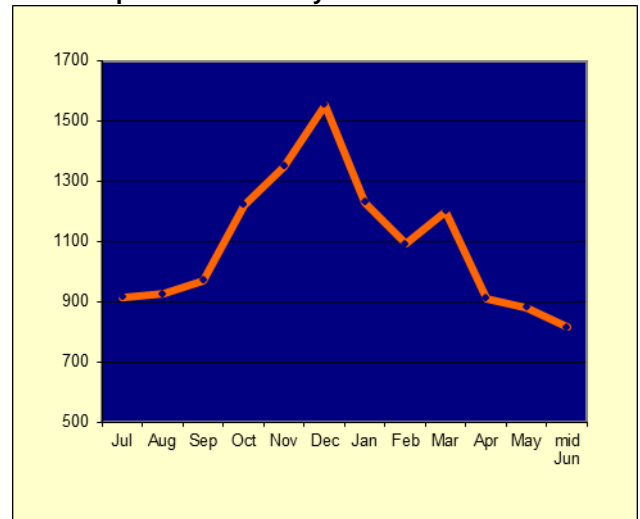


Abbreviations and Equivalences

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
C&F	Cost and freight
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 July 2013 – mid June 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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