

# Tropical Timber Market Report

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

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## Top Story

### Europe's construction sector a globally significant market for wood products

Even though growth in the EU construction remains modest, investments of nearly euro 1.3 trillion in 2013 makes the sector globally significant and a very large consumer of wood products.

Euroconstruct is painting a brighter picture for construction growth in the EU. The positive trend in German construction is expected to continue, there will be a rebound in France in 2015 and continued expansion is forecast for the UK.

Poland, Ireland, Denmark and Hungary are among the fastest growing construction markets.

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## Headlines

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## Report from Central/West Africa

### Red species get new lease of life

The demand for red species has turned around and producers report active purchasing with sapele and sipo very much the favourites. This comes as a surprise as a few months ago buyers were showing little interest in either timber.

FOB prices for these two species are the only ones showing any real upward movement at present. Prices for other species are steady at the recent highs but are not showing any signs of strengthening.

Export orders for sapele and sipo logs, sawn GMS and scantlings are firming and producers report adequate log supplies for the present level of demand.

W. African exporters say demand in Europe for the red timbers has improved and because Chinese consumers 'discovered' sapele last year resulting in an overall strengthening of demand.

Some producers report a steady, albeit small, demand for sapele in New Zealand. Sapele, it seems, is one of the few tropical woods appreciated in New Zealand.

Analysts point out that the sapele/sipo 'boom' has not had a knock one effect on mahogany prices.

### Seasonal dip in demand from EU

Demand began to show signs of life but now it is holiday season so the market is slow. Producers must wait now for the end of August before buyers in the EU begin to consider their autumn and winter purchases. European demand is for a very limited number of species and the prospects for a change in this are slim.

### Exporters managing to meet requirements of EUTR

There reports that some NGOs are calling for tighter application of the EUTR which is of concern to producers. So far W. African exporters have been able to meet the requirements of importers in satisfying the EUTR and, so far, there has been no noticeable impact on volumes traded.

### Regional round up

News is trickling through on further concession areas having been awarded in northern Congo Brazzaville said to be rich in sapele and other red species.

The Gabon tax repayment situation remains unchanged creating serious problems for the timber industry. In related news, it appears that in Cameroon there is a similar problem but the authorities there have provided a tax credit relief for the timber industry.

Companies with operations in Gabon say it is becoming more and more difficult to do business as production costs are constantly rising.

The latest issue is congested rail and port operations in Gabon as exports of manganese and other products seem to be given priority.

### Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	155
Ayous/Obeche/Wawa	230↑	230↑	150
Azobe & Ekki	235	230	150
Belli	290	290	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	320	300	-
Movingui	220	220	180
Niove	160	155	-
Okan	280	280	-
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 <sup>3</sup>
Ayous FAS GMS	350
Bilinga FAS GMS	520
Okoumé FAS GMS	480
Merchantable	275
Std/Btr GMS	350
Sipo FAS GMS	660↑
FAS fixed sizes	660↑
FAS scantlings	670↑
Padouk FAS GMS	820
FAS scantlings	870
Strips	500
Sapele FAS Spanish sizes	645↑
FAS scantlings	655↑
Iroko FAS GMS	610
Scantlings	680
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	580
Scantlings	560
Movingui FAS GMS	420

## Report from Ghana

### No further extraction of rosewood

The Outgoing Minister of Lands and Natural Resources, Alhaji Inusah Fuseini, has confirmed that the ban rosewood harvesting remains in force and has called upon all Forestry Commission staff to be vigilant and halt the illegal trade in Ghana rosewood

A statement signed by the Minister revoked all permits and licenses issued by the Forestry Commission for the harvesting of rosewood, including permits and licenses for the extraction and sale of rosewood from the Bui dam site.

### Petrol subsidies removed

The National Petroleum Authority (NPA) has announced an average 23% increase in the prices of petroleum products as government subsidies have been withdrawn.

The manufacturing sector is now challenged with trying to absorb some of the increase in production costs and wherever possible pass on the cost increase to consumers.

### Finance Ministry revises 2014 growth targets

The 2014 growth projections for Ghana's economy have been revised down. The previously forecast GDP of 8 percent has been revised to 7.1 percent, while the end of year inflation target of 9 percent has also been revised to 13%.

The government plan to cut the budget deficit from 12% in 2013 to 8.5% in 2014 has been thwarted, forcing the government to set a new target to attain an 8.8% budget deficit this year.

### Domestic Log Prices

Ghana logs	US\$ per m <sup>3</sup>	
	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 <sup>3</sup>
Black Ofram	220↓
Black Ofram Kiln dry	335
Niangon	475
Niangon Kiln dry	570↓

### Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (2mm)
Ceiba	265↑	345↓
Chenchen	320↓	366
Ogea	300↑	344
Essa	318↓	350
Ofram	333	360↓

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.48
Asanфина	1.20	0.51
Avodire	2.90+	0.57
Chenchen	1.10	0.38↓
Mahogany	1.30	1.07↑
Makore	1.30	0.41↑
Odum	1.76	1.09↑

### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	945
Asanфина	480	564
Ceiba	220↓	272
Dahoma	315↑	369
Edinam (mixed redwood)	409↑	534
Emeri	385↓	550
African mahogany (Ivorenensis)	593	627
Makore	580	646
Niangon	580↓	710
Odum	610	807
Sapele	567	701
Wawa 1C & Select	275	340

### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanфина
4mm	460↓	600	641
6mm	440↓	555↑	622
9mm	382	423	490
12mm	374	423↓	445
15mm	350	380	443
18mm	335	363	370

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

### Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.70↓	15.70	18.80
Odum	10.80↓	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

### Epilogue - MTCS "acceptance" in Holland

The Malaysian Timber Certification Council (MTCC) has confirmed that the PEFC-endorsed Malaysian Timber Certification Scheme (MTCS) meets the Dutch government's public procurement policy for timber.

The acceptance is for a period of two years and opens the way for the Dutch timber and construction industry to use Malaysia's PEFC-certified timber and timber products for public projects.

### Furniture industry needs to attract domestic workers

Malaysia's Plantation Industries and Commodities Minister has said the government aims to rebalance the distribution of foreign and domestic workers in the country's furniture and wood working industries.

At present around 65% of the workers in the timber industries are foreign and the aim is to increase the proportion of domestic workers to about 70% by 2020.

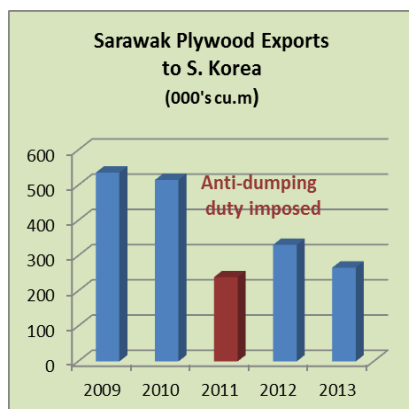
The Minister said young people are not keen to work in the industry which is perceived as tough with difficult working conditions but mechanisation and automation is changing the industry such that, with appropriate training, it may be more attractive to domestic workers.

In related news, a study by the Malaysian Timber Industry Board (MTIB) has forecast that, if the furniture industry expands in line with government predictions, the sector will require an additional 36,000 workers by 2020.

### Sarawak plywood exports brace for impact of anti-dumping duties

It appears certain that the South Korean government will endorse the recommendation for an extension of the anti-dumping duties on Malaysian plywood.

The anti-dumping duties were first imposed by S. Korea in 2011 and had a dramatic impact on Malaysia's plywood exports to S. Korea as can be seen from the following.



Data source: STA Sarawak

### Sarawak plywood export prices

Sarawak plywood traders report the following export prices.

- Floor base (FB) (11.5mm) US\$ 635 – 640 FOB
- Concrete formboard panels (CP) 3'x 6' US\$ 560 FOB
- Coated formboard panels (UCP) US\$ 640 FOB

Standard plywood:

- Middle East (9 – 18mm) US\$ 480 FOB
- South Korea (8.5 – 17.5mm) US\$ 465 FOB
- Taiwan P.o.C (8.5 – 17.5mm) US\$ 465 FOB
- Hong Kong US\$ 460 FOB

## Report from Indonesia

### Timber trade deal with Australia

Trade Minister, Muhammad Lutfi, has revealed that Indonesia and Australia are exploring the possibility of creating a bilateral deal on trade in timber taking advantage of Indonesia's legality assurance scheme (SVLK).

Australia passed into law a Logging Prohibition Act in November 2012 to eliminate imports of illegal wood products. The authorities in Indonesia expect that the SVLK will satisfy the new Australian law and could lead to greater exports of wood and paper products to Australia.

Indonesia's main wood product exports to Australia are paper, furniture and plywood and exports of wood based products in 2013 totalled US\$188.5 million which is considered small in terms of the total demand in Australia.

### Small timber enterprises need help with SVLK

The Center for International Forestry Research (CIFOR) has released a report examining "Timber Legality Verification and Small-scale Forestry Enterprises in Indonesia."

See: <http://forests-1.iisd.org/news/cifor-seeks-to-improve-legality-of-timber-from-small-enterprises/>

The press release introducing the report says, "There are an estimated 700,000 small-scale forest enterprises in Indonesia."

However, the SVLK (legality assurance scheme) has not been broadly adopted by small producers and a high level of illegal production takes place.

Some of the reasons for this lack of application among small-scale enterprises include high certification costs and limited verification and certification capacity".

The report outlines some policy options and suggests small operators be provided with financial and technical assistance, that the process of certification be simplified and that the number and capacity of verification bodies (private sector organisations authorised by government to offer SVLK certification services) be increased.

### Boosting domestic consumption of locally produced pulp

The Indonesian Pulp and Paper Association (APKI) Deputy Chairman, Rusli Tan, has said his members found it difficult to sell pulp into the domestic market as domestic paper producers tended to focus on imported certified pulp.

Indonesian pulp producers comply with the Indonesian timber legality assurance scheme (SVLK) so APKI is seeking government support for boosting domestic consumption of local pulp. Because local producers of pulp cannot sell into the domestic market they have to rely on exports.

In related news the Ministry of Trade has identified the market for Indonesian paper products in Pakistan to be worth developing further. Currently India is the largest market for Indonesian paper but Pakistan has potential said Vice Minister of Trade, Bayu Krisnamurthi, as the country's 2012 imports of paper and paper products was in the region of 200,000 tonnes of which Indonesia supplied less than half.

See: [silk.dephtut.go.id/index.php/article/vnews/90](http://silk.dephtut.go.id/index.php/article/vnews/90)

### Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	210-230
Sawlogs (Meranti)	200-240
Falcata logs	150-190
Rubberwood	95-120
Pine	120-140
Mahoni (plantation mahogany)	130-150

### Domestic Ex-mill Sawnwood Prices

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	510-620
KD	-
AD 3x20x400cm	590-630
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	550-720
AD 2x20x400cm	490-520
AD 3x30x400cm	415-440

### Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	650-680
3mm	670-700
6mm	-

### Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	370-420
12mm	350-400
15mm	320-350

### Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB			US\$ per m <sup>3</sup>
<i>Particleboard</i>	Export	9-18mm	720-750
	Domestic	9mm	900-990
		12-15mm	650-670
		18mm	520-600
<i>MDF</i>	Export	12-18mm	700-750
	Domestic	12-18mm	430-530

## Report from Myanmar

### Background to MTE sales

Open tenders by the state run Myanmar Timber Enterprise (MTE) are held by both the Export Department and the Local Marketing Department.

The Export Department sells mostly teak and sales are priced in US dollars, on the other hand, the Local Marketing Department sells mainly non-teak hardwood timber and their sales are priced in Myanmar Kyats (MMK).

The Export Department open tenders are usually held twice a month, one sale event for teak the other for non-teak hardwoods when they are available. Buyers say that currently the volume of logs is small at the Export Department tender sales.

The Local Marketing Department sales are mostly of sawn non-teak hardwoods and they held across the country where ever there are MTE sawmills and depots.

Timber purchased from the both the Export and Local Marketing Departments can be further processed and exported.

Many of the companies having stocks of logs that missed the 31 March shipping deadline for export are engaging local mills to process these logs so the timber meets the criteria for export.

Prices achieved at the 19 June open tender sale by the MTE Local Marketing Department in Toung Oo Area, Bago Division (East) are shown below.

Species	Cubic Tons	Avg. price/ton (Kyat)
Group 1 Rejects	760	486,650
Group 1 (S/US)	1035	368,436
Others Rejects	1115	181,686
Others (S/US)	825	100,908
Teak 2 <sup>nd</sup> Class Rejects	115	591,787
Teak 2 <sup>nd</sup> Class (S/US)	130	519,308

Group 1 includes mainly Pyinkadoe, Thitya, Ingyin, Others include various species of non-teak hardwoods other than Group 1.

S= Short lengths= 3' to 9.5'

US= Ultra Shorts= 1.5' to 2.5'

The above length group system is used by the MTE Local Marketing Department when selling non-teak sawnwood.

In selling teak sawnwood the MTE Local Marketing Department uses the same nomenclature as is used in the Export Marketing Department i.e.: L= 6' & up, S= 3' to 5.5' and US=1.5' to 2.5'

The current price per ton for sawn teak and other hardwoods in Yangon is MMK 2,200,000 to 2,300,000 for teak and MMK 1,200,000 for Pyinkado per ton. Kanyin sawnwood is trading at around MMK 670,000. These prices are quoted for the domestic construction sector.

### Vietnam to invest in manufacturing wood products

Vietnam has expressed interest in setting up an industrial zone in Myanmar to process wood products and gems according to the local Eleven Media Group.

Myanmar officials said they would welcome such an investment in line with the country's Foreign Investment Law. Currently, Vietnam is the eighth largest source of foreign investment in Myanmar.

Myanmar's imports from Vietnam include pharmaceuticals, cement, chemical products, machinery, electrical products as well as paper, rubber and plastic. Myanmar's exports to Vietnam include teak and other hardwoods and minerals.



The following prices were obtained during the Special Open Tender sales held in Yangon on 25 July 2014.

**Hardwood logs ex-Chindwin/Sittaung/Taunggyi/Myitkyina**

Species/Group	Cubic tons	Avg. Price/ton (US\$)
Padauk (Pterocarpus macrocarpus)	37	2991
Pyinkado (Xylia dolabiformis)	423	470
Sagawa (Michelia champca)	209	570
Kanyin (Dipterocapus spp)	389	450
Thingan (Hopea odorata)	10	245
Thingadu (Parashorea stallata)	26	205

**Teak Logs ex-Bamaw/Myitkyina- SOT-03/ 25 July 2014**

Sawing Grade	H. Tons	Avg. Price US\$/ton
Grade-5	6	1999
Grade-6	79	1135
Grade-7	150	866
Grade-8	257	788
Grade-9	78	700

**Teak Logs ex-site Kalay- SOT-03/ 25 July 2014**

Sawing Grade	H. Tons	Avg. Price US\$/ton
Grade-5	22	2859
Grade-6	41	2395
Grade-7	260	1288

**Report from India**

**Smart cities – Singapore invited to help**

While there is no simple definition for smart cities, the Smart Cities Council describes them as “urban space that is ecologically friendly and technologically integrated and utilises information technology to improve efficiency”. See <http://smartcitiescouncil.com/india>.

Smart cities are necessary in India say advocates as India’s urbanisation is developing such that around 500 million Indians will be living in cities by 2030, almost double that at present.

In a recent study the McKinsey Global Institute says that by 2030 the urban areas will provide the bulk of new jobs and that almost three quarters of India’s GDP will be generated by the city workforce.

In related news, during a meeting with visiting Singaporean Minister for Foreign Affairs, Singapore was officially invited to contribute to the Indian government effort to provide low-cost and affordable housing.

**Economy on sounder footing**

India’s exports grew by more than 10% in June, the second monthly rise and the latest sign that international markets are firming which will put the Indian economy on a stronger foundation. Imports also rose by over 8% reversing the decline in May

India’s industrial output in June was at a 19 month high and efforts by the Reserve Bank of India to stem consumer inflation are taking effect as inflation dropped to the lowest in two years.

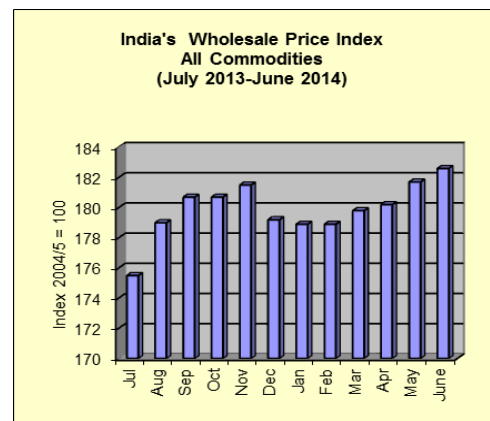
The only negative news is that gold imports jumped 65% in June to US\$3.1 billion creating a risk that the current-account deficit could widen so it is unlikely that the government will relax the import tax on gold.

**Pace of inflation growth slows**

The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI). The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for the month of June 2014 rose by 0.5 percent to 182.6 (provisional) from 181.7 (provisional) for the previous month.

Indian inflation slowed in June as food prices eased and the forecast for a good monsoon resulting in high crop yields is boosting confidence that the slowing pace of inflation can be sustained.

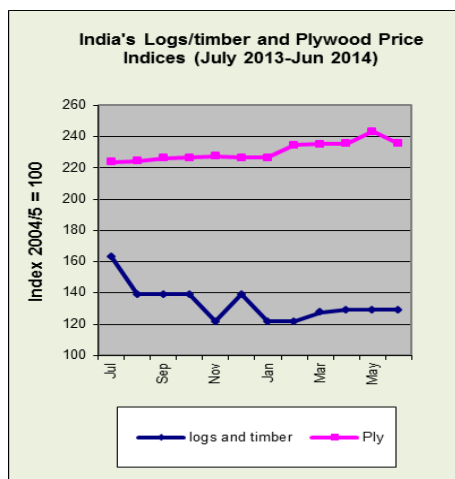
The annual rate of inflation based on the June WPI was up 5.3% compared to the previous month See <http://eaindustry.nic.in/cmonthly.pdf>



Data source: Office of the Economic Adviser to the Indian government

**Timber and plywood wholesale price indices**

The OEA reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Logs/timber and Plywood are shown below. The June 2014 logs/timber index remains flat and for the first time in six months the plywood price index dipped in June.



Data source: Office of the Economic Adviser to the Indian government

### Domestic teak logs attract better prices

During the past auctions at Rani Amba, Raj Pipla and Valsad forest depots in the Dangs Division, good quality log lots were available from the Forest Worker's Co-operatives. These logs attracted prices of Rs.100-150 per cubic foot more than log lots from the Forest Department

Average prices recorded at the most recent auction are as follows:

Teak logs	Per cubic foot
A quality for ship building	Rs.2300-2550
B quality for ship building	Rs.2200- 2400
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 1450-1650
Short Length, Medium Quality	Rs 1100-1300
Short Length, Average Quality	Rs 950-1050

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

Good quality non-teak hardwood logs of Haldu (*Adina cordifolia*), Laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium*, 3 to 4 metres long having girths of 91cms and above attracted prices in the range of Rs.750-950.

Medium quality logs of the same species were sold at between Rs500-600 per cubic foot. The lower quality logs went around Rs.300-450 per cft.

The monsoon has become well established in those areas so auctions will resume in the dry season which begins in about three months.

### Teak sales in Central India forest depots.

Over 20,000 cubic metres of teak logs were sold at Timarni, Khirakia, Ashapur, Narmada nagar, Betul and other depots in Central India.

As the volume of teak offered for sale Maharashtra is falling auctions in Madhya Pradesh also attract sawmill owners from the Nagpur area.

Teak logs	Per cubic foot
A Long length logs, med. Girth	Rs. 1600-1800
B Short Length, med. girth	Rs 1400-1600
Medium grade	Rs. 1100-1300
Average quality	Rs 900-1000

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

Approximately 15-20% of the log lots offered at the latest sale remained unsold as the reserve prices were not achieved.

### Plantation teak prices

Prices and deliveries for imported plantation teak are reported as satisfactory. The slight weakening of the rupee has had little impact on trade so far. Sales of plantation timbers tend to slow during the monsoon.

Importers have noticed that imported log parcels now have a higher proportion of small diameter 'thinning poles' than previously and this has resulted in the minimum price offered for log parcels falling.

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	330-700
PNG logs	400-575
El-Salvador logs	340-695
Guatemala logs	270-550
Nigeria squares	340-450
Ghana logs	380-650
Guyana logs	300-450
Benin logs	320-680
Benin sawn	400-800
Brazil squares	360-680
Brazil logs	390-750
Cameroon logs	390-510
Togo logs	380-715
Ecuador squares	300-540
Costa Rica logs	440-700
Panama logs	380-590
Sudan logs	450-700

Congo logs	450-550
Kenya logs	350-600
Thailand logs	460-700
Trinidad and Tobago logs	420-680
Uganda logs	440-860
Uganda Teak sawn	680-900
Laos logs	300-605
Malaysian teak logs	350-525
Nicaragua logs	370-535
Liberia logs	350-460
Colombia logs	320-650

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
Red Meranti	875-975
Radiata pine AD	550-650
Whitewood	600-650

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

#### Myanmar teak processed in India

Current prices for air dried Sawn timber per Cubic Foot, ex-Saw Mill, have remained steady and are as under::

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	7500-17500
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 <sup>3</sup>
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section

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

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	37.00
6 mm	50.00
9mm	63.50
12 mm	78.40
15 mm	104.00
18 mm	109.70

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.19.50	Rs.28.70
6mm	Rs.29.90	Rs.37.00
9mm	Rs.37.50	Rs.44.60
12mm	Rs.44.60	Rs.54.30
15mm	Rs.55.00	RS.66.30
19mm	RS.63.30	Rs.74.20
5mm Flexible ply	Rs.39.00	

#### Plywood manufacturers expect better prices as investment in housing expands

The allocation of Rs.40 billion made to National Housing Board by the government for building affordable houses in urban areas, the Rs.80 billion for rural housing and the Rs.70.6 billion budget allocation for 'smart cities' has lifted sentiment in the plywood industry.

In anticipation of firmer demand plywood manufacturers are already pushing higher prices.



### Tax on furniture makers unchanged

The Industrialized Products tax (IPI) on furniture, furniture coatings, panels and some other wood products will be maintained until December 31, 2014.

As a result of this decision the tax on the furniture industry will remain at 4% which is a welcome relief as there were plans for the tax to be increased to 5%.

According to the Furniture Industry Association of Rio Grande do Sul (MOVERGS) and the Union of Furniture Industries of Bento Gonçalves (SINDMÓVEIS), the decision to maintain the tax rate at 4% was good as the furniture industry is facing difficult times and has high inventories of unsold furniture, at the same time furniture imports have been increasing.

### IBA wants to expand planted forest area in Brazil

The Brazilian Tree Industry Association (IBÁ) has, since its inception in April, been very active in the Brazilian forest sector development. The association is comprised of 73 Brazilian companies with a gross revenue of around R\$ 60 billion (2013 estimate).

According to IBA, Brazil has the largest planted forest area in the world and for each hectare of plantation one hectare of natural forest is preserved. It is forecast, that by 2020, the forest sector will have invested US\$53 billion to double the planted forest area in Brazil.

A great part of these investments should be in the southern region which today accounts for 20% of total pulp production, 67% of total wood panel production and 42% of all paper production.

### Exports of tropical plywood and sawnwood rise

In June 2014, the value of wood product exports (except pulp and paper) fell 2.4% compared to June 2013, from US\$205.6 million to US\$200.6 million.

However, pine sawnwood exports increased 34.6% in value in June 2014 compared to June 2013, from US\$13.3 million to US\$17.9 million. In terms of volume, exports rose 32%, from 58,100 cu.m to 76,500 cu.m over the same period.

In a turnaround from the previous month the volume of tropical sawnwood exports increased 2.3% from 29,900 cu.m in June 2013 to 30,600 cu.m in June 2014. The value of exports increased a healthy 6.5% from US\$15.5 million to US\$16.5 million, over the same period.

Exports of pine plywood fell 12% largely because of the impact of the seasonally weaker markets in the US and Europe. The value of pine plywood exports in June this year was US\$ 29.1 million down from US\$ 33.1 million in June 2013.

On the other hand exports of tropical plywood, while now very small, increased 2.3% from 4,300 cu.m in June 2013

to 4,400 cu.m in June 2014. In terms of value, tropical plywood exports increased 12.5%, from US\$2.4 million in June 2013 to US\$2.7 million this June.

### Direction of Brazilian sawnwood exports

Brazilian tropical sawnwood exports in June 2014 increased 6.5% in value and 2.2% in volume year on year.

The main destinations (in terms of value) in June 2013 were China, the United States, Vietnam, Belgium and France representing 15.7%, 14.4%, 13.8%, 7.1% and 5.9%, respectively.

For this June there was a change with the United States becoming the main importer of Brazilian tropical sawnwood, (18.8%), followed by China (12.2%), France (10.6%), the Netherlands (10%) and Vietnam (7.9%).

In terms of total volume, June 2013 tropical sawnwood exports totalled 29,890 cubic metres while for June this year exports reached 30,558 cubic metres valued at US\$16.5 million.

The states supplying most of the exports of tropical sawnwood in terms of value, was Pará, representing 32%, followed by Mato Grosso (29%), Rondônia (18%) and Paraná (10%).

### Slight increase in first half furniture exports

Despite a rather sharp drop (-7.4%) in wooden furniture exports in June this year, the first half of 2014 saw furniture exports increase slightly in value, from US\$220 million in the first six months of 2013 to US\$223 million in the same period in 2014.

Last year the main destinations for Brazilian furniture (in terms of value) in the first six months were the United States, the United Kingdom, Peru, Chile and Uruguay, representing 18%, 15%, 8%, 7% and 6.9%, respectively.

This year the pattern of trade remained much the same: the United States (20%), the United Kingdom (18%), Peru (8%), Chile (6%) and Uruguay (6%).

The state of Santa Catarina contributed the highest to furniture exports (40%, US\$89 million) followed by Rio Grande do Sul (36%, US\$80.4 million) and Paraná (15%, US\$ 34 million).

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	184↑
Jatoba	113↑
Massaranduba	123↑
Miiracatiara	127↑
Angelim Vermelho	118↑
Mixed redwood and white woods	110↓

**Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	916↑
Ipê	549↓
Jatoba	442↑
Massaranduba	487↑
Muiracatiara	427↑
Angelim Vermelho	266↑
Mixed red and white	
Eucalyptus (AD)	251↑
Pine (AD)	196↑
Pine (KD)	209↑

**Domestic Plywood Prices (excl. taxes)**

	US\$ per m <sup>3</sup>
Parica	799↑
4mm WBP	665↓
10mm WBP	568↑
15mm WBP	707↑
4mm MR	552↑
10mm MR	521↑
15mm MR	

Domestic prices include taxes and may be subject to discounts.

**Prices For Other Panel Products**

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	348↑
15mm MDF	504↓

**Domestic market prices**

Average prices of Brazilian roundwood from natural forests are ranging from US\$ 110/m<sup>3</sup> to US\$ 184/m<sup>3</sup> at mill yard (US\$111 per cubic metre to US\$178 in June), while average prices of Brazilian sawnwood from natural forests varied from US\$ 266/m<sup>3</sup> to US\$ 916/m<sup>3</sup> ex-factory depending on the species (US\$256 per cubic metre to US\$885 in June).

For both cases, highest prices refer to ipê (Tabebuia sp.) species, considered noble wood. The average price of parica WBP glue plywood ranges from US\$ 568/m<sup>3</sup> to US\$ 799/m<sup>3</sup> ex-factory depending on thickness (US\$566 per cubic metre to US\$768 in June).

Prices for parica MR glue plywood range from US\$ 521/m<sup>3</sup> to US\$ 707/m<sup>3</sup> ex-factory, according to the thickness (US\$506 per cubic metre to US\$684 in June).

**Export Sawnwood Prices**

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
lpe	1247↓
Jatoba	1080↓
Massaranduba	725↑
Muiracatiara	707↓
Pine (KD)	228↑

**Export Plywood Prices**

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

**Export Prices For Added Value Products**

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards	
Ipê	2,297↓
Jatoba	1,501↓

**Package of support for forestry**

The Ministry of Agriculture and Irrigation (MINAGRI) will implement a series of measures to boost forestry in the country. The package proposed includes the restructuring of at least ten administrative processes in order to cut the time taken for authorisations to be released.

The re-organisation of the procedures will be the responsibility of the new National Forest Service and Wildlife (SERFOR) which was officially inaugurated 1 July.

SERFOR Executive Director, Fabiola Muñoz, announced that implementation of the new forest authority procedures will result in faster and more efficient processing and full use will be made of online applications for permits or licenses.

**Wooden furniture exports to reach US\$ 8 billion this year**

According to a study by the Center for Business Intelligence and Markets ( MAXIMIXE) 2014 exports of wooden furniture will have grown by around 2% and could total US\$8 million on the back of the recovery in the US housing market.

On the other hand furniture imports could expand 12% in 2014 to US\$121 million as demand strengthens in Lima and the provinces. MAXIMIXE points out that furniture imports from Brazil and China are growing fast.

Competitively priced imports are having a negative effect on domestic furniture manufacturers which may see a decline in domestic sales this year.

**Spanish trade mission to Peru**

Spanish furniture manufacturers recently toured Peru and Panama. The companies participating in the trade mission included Furniture Canella, Point, Mobil Fresno, Brothers Calatayud and Grassoler Amboan.

The mission was organised by the Asociación Nacional de Fabricantes y Exportadores de Muebles de España (ANIEME), in collaboration with the Instituto Español de Comercio Exterior ( ICEX) to promote trade contacts with importers and help expand demand in the medium-high and high-end retail market for Spanish cabinetry in Peru.

ANIEME President, Juan Carlos Muñoz said during a press conference in Lima that Spanish companies need to diversify their markets and that there are exciting business opportunities in Latin American countries such as Peru, Panama, Mexico, Colombia and Chile.

### Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	439-508
Grade 2, Mexican market	388-423
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	886-955
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 Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	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	369-426

### Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	1562-184 ↑
Spanish Cedar	296-355
Marupa (simarouba)	123-129 ↑

### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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	413-441 ↑
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 <sup>3</sup>
4mm	489
6mm	495
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 <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S	Swedish market 915-1043
	Asian market 1287-1332 ↓
Cumaru decking, AD, S4S E4S, US market	1215-1311
Pumaquiro KD # 1, C&B, Mexican market	479-554 ↑
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

## Report from Guyana

### First quarter exports a year-on-year improvement

Guyana's first quarter 2014 wood product exports totalled US\$8.24 million up 8% on the first quarter 2013 (US\$7.6 million). As will be seen from the table below the log and sawnwood exports accounted for the bulk of export earnings (90%).

Guyana exports a wide range of products including poles for transmission lines, foundation piling (manly greenheart), furniture and builders woodwork, charcoal craft items.

	cu.m	US\$	% change 2013-14
<b>Logs</b>	19,850	2,721,216	47
<b>Sawn, Undressed</b>	3,053	2,255,136	-4
<b>Sawn, Dressed</b>	1,602	1,997,734	11
<b>Plywood</b>	930	472,589	-8

### Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	-	-	-
Purpleheart	200-325	170-250	-
Mora	-	-	-

### Export Sawnwood Prices

Sawnwood, FOB Georgetown	\$ Avg unit val. per m <sup>3</sup>	
EU and US markets	Undressed	Dressed
Greenheart	Prime -	-
	Standard -	650-1,454
	Select 640-1,059	-
	Sound -	-
	Merchantable -	-
Purpleheart	Prime -	-
	Standard -	750-1,158
	Select 680-1,080	-
	Sound -	-
	Merchantable 650	-
Mora	Prime -	-
	Select 594	-
	Sound -	-
	Merchantable -	-

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

### Export Plywood Prices

Plywood, FOB Georgetown Port	US\$ Avg unit val. per m <sup>3</sup>	
Baromalli	BB/CC	5.5mm
		12mm
	Utility	5.5mm
		12mm
		No export
		410-584
		No export
		No export

**Inflation target threatened**

Recent data from Japan’s Cabinet Office show that inflation slowed in June which puts more pressure on the Bank of Japan (BoJ) which has set itself the target of raising inflation to break the deflationary cycle that has blighted Japan for years.

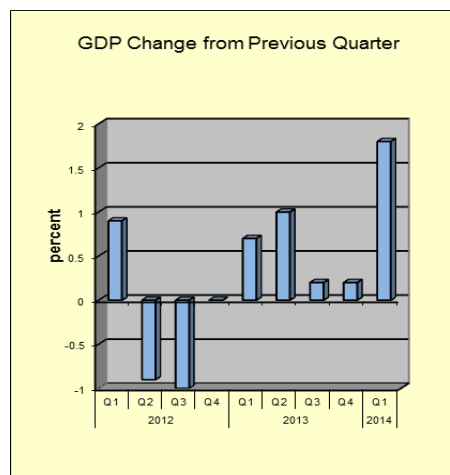
The data show that consumer prices (excluding fresh food) rose just 3.3% year on year. One of the main issues is that incomes are not growing causing consumption to slow.

Analysts suggest that most companies have either absorbed or already passed on the increase in consumption tax and are not optimistic of any sustained inflation which could force the BoJ into more monetary easing.

**Growth forecast lowered**

The Japanese government has lowered its forecast for the country’s economic growth in the current fiscal year which ends in March 2015. The government now projects that the economy will grow 1.2% (revised down from 1.4%) up to March next year.

At the moment the signals are all bad, exports are down, imports are up, private sector investment has stalled and retail sales are worse than expected suggesting consumers have become very cautious and are easing up on spending.



Source: Cabinet Office, Japan

**8 million vacant homes**

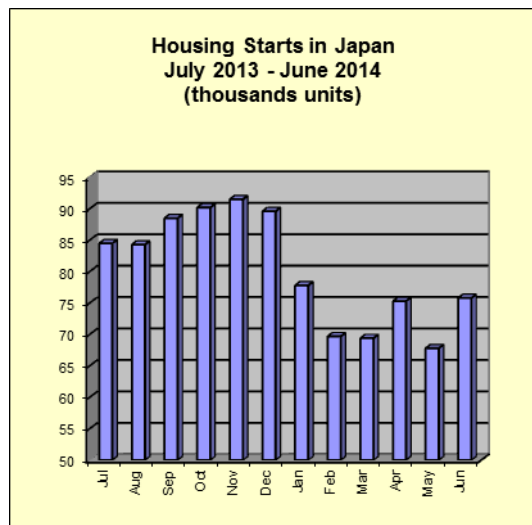
The Japanese Internal Affairs and Communications Ministry has released the results of its latest survey of vacant homes showing a record high of 1 in 7 houses across Japan are vacant and many are derelict and in need of demolition.

While the average rate of vacant homes may be 14% in some rural areas over 20% of houses are vacant.

Over the five-year period since the last survey the stock of vacant homes increased by 630,000 to over 8 million, there are calls for an urgent response by the central and local governments to address the problem of rapidly deteriorating houses which pose safety and health hazards.

**June housing starts – better than forecast**

June housing starts data from Japan’s Ministry of Land, Infrastructure and Transport show that while there was an improvement over levels in the previous month year-on-year starts are around 9% down. However, many analysts had expected worse figures, some in the region of minus 12%.

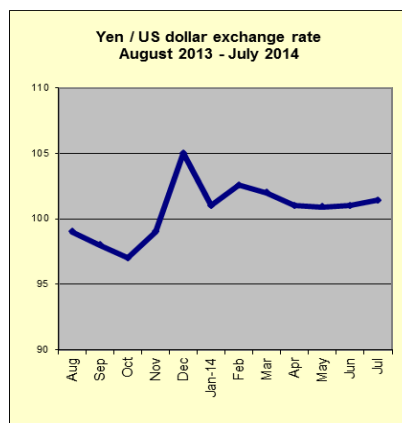


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

**Yen strengthens and then swings down**

At the beginning of the period reviewed, once again, money moved to the ‘safe-haven’ Japan in response to uncertainty created by the downing of the Malaysia aircraft over Ukraine, growing tension between the west and Russia and the situation in Gaza.

However, the stronger yen was not sustained as traders responded to a strengthening dollar. On the 25 July the US dollar bought 101.86 yen, up from 101.3 a week earlier.

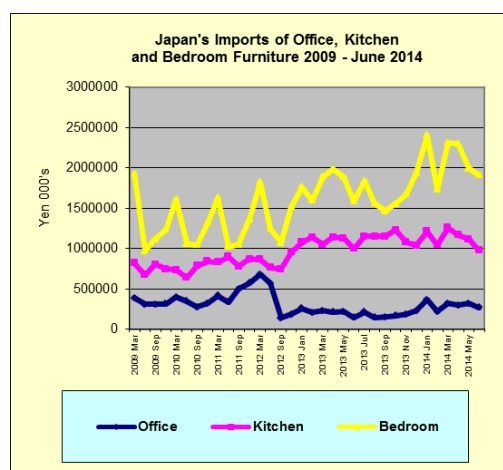


**Trends in office, kitchen and bedroom furniture imports**

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

Japan’s imports of bedroom furniture continued down in June marking the second monthly decline after the steep rise seen in the months prior to the consumption tax rise in April this year.

The demand for both office and kitchen furniture has weakened and this is reflected in the flat import levels.



Source: Ministry of Finance, Japan

#### Office furniture imports (HS 9403.30)

China, Poland, Portugal and Italy provided around 85% of all Japan's June imports of office furniture. Imports from June imports from China were about the same as in May while the value of imports for the others fell except for Italy which expanded exports to Japan.

Overall, June imports of office furniture were down over 16%.

#### June 2014 office furniture imports

	Imports, June 2014 Unit 1,000 Yen
S. Korea	441
China	128915
Taiwan P.o.C	4113
Hong Kong	-
Vietnam	322
Thailand	472
Malaysia	2630
Philippines	-
Indonesia	6240
Sweden	306
Denmark	-
UK	-
Netherlands	-
Belgium	-
France	1592
Germany	10881
Switzerland	269
Portugal	27893
Italy	21758
Poland	48300
Lithuania	2933
Slovakia	1503

Canada	2079
USA	4590
Mexico	-
Australia	-
Total	265237

Source: Ministry of Finance, Japan

#### Kitchen furniture imports (HS 9403.40)

The top suppliers of kitchen furniture to Japan in June remained Vietnam and China which together supplied 55% of imports. A further 26% was supplied by Philippines and Indonesia.

In May Germany was a significant supplier of kitchen furniture but in June exports to Japan fell.

Overall, there was a 12.5% decline in kitchen furniture imports compared to a month earlier.

#### June 2014 kitchen furniture imports

	Imports June 2014 Unit 1,000 Yen
S. Korea	-
China	194790
Taiwan P.o.C	-
Vietnam	455947
Thailand	1334
Malaysia	19181
Philippines	174521
Indonesia	83049
India	-
Denmark	-
UK	828
France	347
Germany	26991
Portugal	-
Italy	10268
Poland	-
Austria	-
Romania	1538
Lithuania	-
Canada	1051
USA	5310
Total	975155

Source: Ministry of Finance, Japan

#### Bedroom furniture imports (HS 9403.50)

June bedroom furniture imports were marginally down on May levels (-4%) with the top three of China, Vietnam and Thailand accounting for the bulk of imports (80%).



Poland and Slovakia featured in the top ranked suppliers but their combined contribution amounted to a little over 5%.

#### June 2014 Bedroom furniture imports

	Imports, June 2014 Unit 1,000 Yen
S. Korea	-
China	1037515
Taiwan P.o.C	9730
Vietnam	496314
Thailand	102435
Singapore	-
Malaysia	70044
Philippines	-
Indonesia	50018
Kazakhstan	-
Sweden	3097
Denmark	3022
UK	-
France	-
Germany	1717
Switzerland	1499
Spain	-
Italy	13521
Poland	66709
Austria	344
Romania	7774
Turkey	-
Latvia	-
Lithuania	10588
Bosnia and Herzegovina	-
Slovakia	26867
USA	8996
Brazil	-
<b>Total</b>	<b>1910190</b>

Source: Ministry of Finance, Japan

#### 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>

#### Demand and supply of wood in 2013

The Forestry Agency (Japan) disclosed demand for wood in 2013. Total demand was 73,867,000 cbms, 4.6% more than 2012. That for lumber was 28,592,000 cbms, 9.7% more and for plywood was 11,232,000 cbms, 9.1% more while demand for pulp and wood chip was 30,353,000 cbms, 2.1% less.

The domestic supply was 21,117,000 cbms, 7.3% more and the import was 52,750,000 cbms, 3.5% more. Growth of domestic supply exceeded the imports so that the self-sufficiency rate increased by 0.7 points to 28.6%.

Supply for lumber by import increased by 12.2%, which surpassed domestic supply so that self-sufficiency rate was down by 1.3 point to 42.2% while the domestic supply for plywood and others grew more than the imports to make self-sufficiency rate to 29.0%, 3.7 points up.

Both domestic and import supply for wood chip and pulp declined with self-sufficiency rate of 17.1%. In this, domestic log production was 20,818,000 cbms, 8.0% more while supply of forest residue was 299,000 cbms, 25.6% less. Obviously log supply for lumber and plywood was so busy that removal of forest residue was way behind.

#### Sojitz plans sales expansion of Chinese poplar LVL

Sojitz Building Materials Corporation (Tokyo) will expand sales of Chinese made poplar LVL. Poplar LVL is one of strategic items of Sojitz.

Current monthly sales volume is 4,000-5,000 cbms then target in 2017 is 10,000 cbms. About 3,000 cbms are for fixture material and 1,000 cbms are for crating so far.

Sojitz started handling poplar LVL since 2004. Supply sources are two plants of Taian Huihao Timber and Huaian Hui Hao Timber of Hui Hao Timber group then another plant of Jiangsu Fuqing Wood. They are in Jiangsu and Shangdong province.

All those plants have acquired JAS certification for fixture use and two plants have JAS certificate for structural use. Products by Huaian Huihao plant are 100% for Japan market with about 10 years' dealings with Sojitz. Sojitz loaned about \$750,000 for renewal of facility of Huaian Hui Hao Timber.

Current market of poplar LVL is for stud for condominium, core for interior fittings and crating. Sojitz estimates it holds share of about 10% in Japan. Sojitz plans to develop market for core of panel on top of current market of stud, brace and ceiling joist.

Sojitz will aggressively propose use of LVL for builders and precutting plants. In case they use light weight steel, LVL can be replaced since LVL has cost competitiveness, price stability, dimensional stability and short delivery period.

Sojitz figures that the market of Chinese LVL will expand to 600,000 cbms in 2017 as compared to current 440,000

cbms. It also considers capital investment on Chinese plants if the market expands as much as it figures.

Basic order unit of sales is one container but it will market small volume out of the inventory at major ports like Osaka, Nagoya and Hakata.

**Radiata pine logs and lumber**

Movement of crating and pallet slowed down after rainy season started in June. Up until April, crating lumber for export cargoes and pallet moved well. Distribution was busy and active before the consumption tax increased so that orders on wood pallet was brisk then the orders slowed down.

Crating lumber for export cargoes is not so active even after the yen weakened. When the yen was strong many industries moved manufacturing facilities to overseas countries, which is why export business is not as busy as before.

Order files of radiata pine log cutting sawmills dropped down to several days but they maintain full operations.

Orvis closed down large mill then Tachikawa Forest Products in New Zealand shut down so supply sources are limited now. However, with weak demand, there is no more chance to raise the lumber sales prices.

**Plywood inventories on the rise**

The market is weak after the demand started skidding since May. Since late May, some wholesalers started selling softwood plywood at low prices then in June some manufacturers followed but the volume was small and limited so that there was no sharp slide and the prices are being held at 970-1,010 yen per sheet delivered on 12 mm 3x6.

While the manufacturers continued high level production, the shipment started dropping sharply so that the inventory started increasing much faster than the manufacturers expected so that the manufacturers have started curtail the production to hold the market prices.

Market of imported plywood is also slackening by dropping demand and the market prices are under downward pressure. Meantime, the supply side continues bullish with high log prices. Order balance is decreasing as the importers reduced the purchases but the supply side figures the Japanese would come to buy sooner or later.

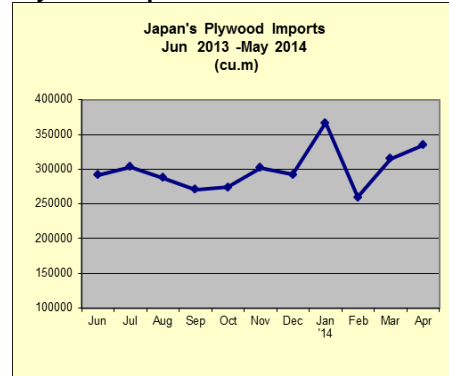
The market in Japan continues weak and dull. Wholesalers and retailers make short coverings then the importers and large dealers try to push more volume so that the prices are weakening. Despite declining arrivals, port inventories remain high because of slower shipments.

Current wholesale market prices of JAS 3x6 concrete forming panel are 1,200-1,230 yen per sheet, 30 yen down from June.

**May plywood supply**

Total supply of plywood in May was 546,700 cbms, 4.3% less than May last year and 7% less than April. Import of plywood declined in May, which reduced total supply than April. Inventories of domestic softwood plywood increased due to slower demand so the manufacturers started production curtailment.

**Plywood import trend**



Imported volume in May was 308,600 cbms, 9.5% less and 7.9% less. Monthly average for last five months is 317 M cbms, which is 1.9% less than the same period of last year. Volume from Malaysia was 133,300 cbms, 14,000 cbms less than April and 12.2% less and 9.7% less. Five months average from Malaysia was 136,900 cbms, 8.5% less than the same period of last year.

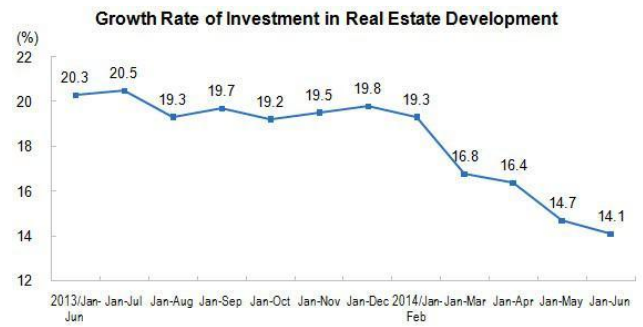
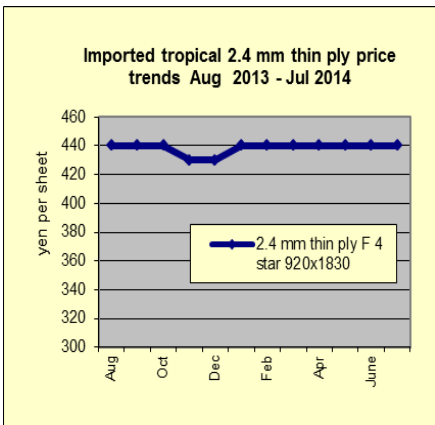
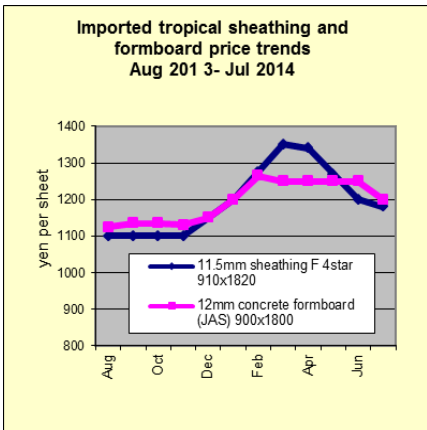
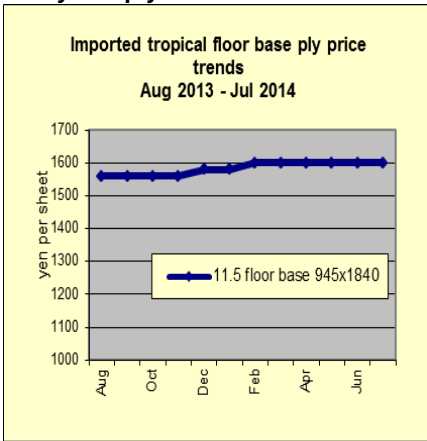
Indonesian volume was 87,300 cbms, 13.4% less and 3.2% less. Five months average from Indonesia was 90,500 cbms.

Chinese volume was 71,000 cbms, 6.8% less and 4% less. June estimate of imports is 310 M cbms. Plywood import from other sources other than major countries is increasing so the monthly volume seems to stay about 300,000 cbms for some time.

Future arrivals will decrease probably down to 270,000 cbms a month because orders for Malaysian mills have been declining in last several months.

Domestic plywood production in May was 238,000 cbms, 3.6% more than May last year and 5.2% less than April. In this, softwood plywood production was 221,800 cbms, 3.6% more and 6.2% less.

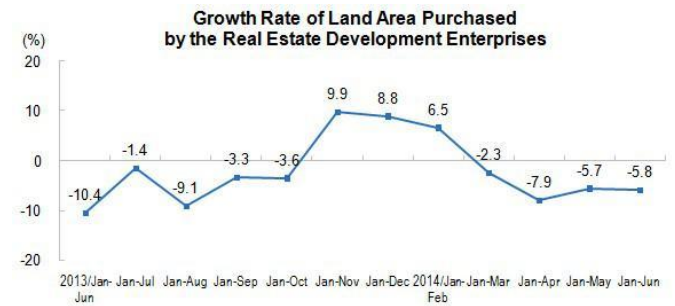
**Price trends for Japanese imports of Indonesian and Malaysian plywood**



Source: National Bureau of Statistics, China

By region the investment in the eastern region was up almost 15% year-on-year. In the central region investment in real estate was up 12% but in the western region there was a fall in investment.

In the first six months the land area purchased by the real estate companies totalled 148.07 million square metres, a year-on-year decline of about 6%. The pace of decline in land purchases for real estate development accelerated the first half of this year.



Source: National Bureau of Statistics, China

**June home prices in major cities**

The pace of increase in house prices moderated in June falling to the slowest since March last year according to the National Bureau of Statistics. The housing price index has been falling since late last year.

Compared to May in those 70 medium and large cities included in the index, prices of newly built residential buildings fell in 55 cities, remained the same in 7 cities and increased in only 8 cities.

For secondhand homes, prices fell in 52 cities, was unchanged in 11 cities but increased in 7 cities.

**First half GDP**

The improvement in second-quarter growth brought annualised GDP back on track but analysts are not convinced that the good second quarter result is due to an underlying strength but more likely the impact of the multiple mini-stimulus measures from the government.

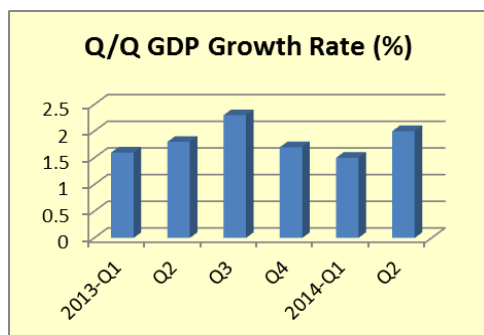
**Report from China**

**First half real estate investment**

The National Bureau of Statistics has released a summary of real estate developments in the first six months of this year. Total investment came to yuan 4,201.9 billion, up 14% year-on-year of which investment in residential buildings was yuan 2,868.9 billion accounting for 68.3% of all real estate investment.

See:

[http://www.stats.gov.cn/english/PressRelease/201407/t20140717\\_582827.html](http://www.stats.gov.cn/english/PressRelease/201407/t20140717_582827.html)



Data source: National Bureau of Statistics, China

Many of the recent measures to stimulate growth have relied on expanding credit and higher central and regional government spending.

The National Bureau of Statistics has shown that annualised GDP rose to 7.5% in the first quarter see: [http://www.stats.gov.cn/english/PressRelease/201407/t20140717\\_582998.html](http://www.stats.gov.cn/english/PressRelease/201407/t20140717_582998.html)

#### International trade returns to positive growth

The value of China's international trade (imports and exports) in the first half of this year was yuan 12,391.9 billion (approx US\$2,021 billion) an increase of 1.2 percent (trade in the first quarter fell 1.0 percent year-on-year).

Exports were worth yuan 6,511.3 billion yuan, (approx. US\$1,062 billion), up by 0.9 percent while the value of imports was yuan 5,881 billion, (approx. US\$959 billion) an increase of 1.5 percent.

For more see:

[http://www.stats.gov.cn/english/PressRelease/201407/t20140716\\_581912.html](http://www.stats.gov.cn/english/PressRelease/201407/t20140716_581912.html)

#### Boost to trade in Heilongjiang Province

According to statistics from Heilongjiang Forestry Department, both timber sales and imports in Heilongjiang Province increased in the first half of 2014.

As of the end of June timber output in the Province was 790,776 cubic metres of which just 81,818 was added to stock. The average unit prices was yuan 805 per cubic metre, up yuan 110 per cubic metre from the same period of 2013.

In the first five months of 2014, timber imports through Heilongjiang Province from Russia increased dramatically totalling 2.469 million cubic metres valued at US\$435 million.

Of this total, log imports were 1.837 million cubic metres (+35% year on year) worth US\$255 million. Sawntwood imports amounted to 632 000 cubic metres valued at US\$110 million, up a massive 57% from the same period of 2013.

The main species of imported timber were spruce, fir, larch, Scots pine, poplar, birch, elm, basswood, oak and ash.

In related news, Manzhouli Customs have reported that in the first half of this year log imports through Manzhouli Port were 2.889 million cubic metres (+23% year on year) valued at RMB2.32 billion. All imported logs through Manzhouli Port come from Russia and all were imported by private enterprises.

The border trade is dominated by small traders who account for an estimated 98% of the total trade.

Currently there are around 100 timber processing enterprises in Manzhoul, most produce only primary products and these enterprises process around 60% of all logs entering the port. Production of finished products is generally only for the local market and the scale of operations of these enterprises is small.

#### Record breaking containerised cargoes at Zhangjiagang Port

The Zhangjiagang Entry-Exit Inspection and Quarantine Bureau has reported that containerised timber imports increased by over 80% in the first half of the year compared to the same period in 2013.

There has been a sharp increase in containerized hardwoods from Myanmar, South America and Africa. The demand for 'redwood' in China is booming and large volumes were imported from Myanmar prior to the log export ban which came into effect at the end of March.

#### Output of wood-based panel in Guangdong Province

It has been reported that first half year output of woodbased panel by manufacturers in Guangdong Province has increased significantly.

Wood product	Output, cu.m million	Change %
plywood	1.29	14
MDF	2.27	13
Particleboard	0.66	24
blockboard	0.21	25
Solid wood floors	8.82	6
Wood composite floors	1.02	10
Wooden furniture	26.26(million pieces)	-5

In terms of value, first half year output was worth RMB3.904 billion up 28%. The output value of wood based panels jumped 26%, there was a 15% increase in the value of output of wooden furniture and bamboo and rattan furniture output rose 9%.

### Zhaoyin Port top for radiata pine imports

Zhaoyin Port, Zhangzhou City in Fujian Province, is the second ranked national timber port in terms of volume handled. The main species imported is radiata pine and first half imports totalled 968 400 cubic metres valued at US\$147 million, an increase of 18% in volume and 34% in value.

Zhaoyin has become the largest timber distribution centre on the southeast coast and it is expected that for the year some 3 million cubic metres of timber will pass through the port.

### National timber reserve alliance established

Recently a National Timber Reserve Strategic Alliance has been established.

The Alliance is deemed a public, non-profit social service organisation and it has 91 members including 16 central and provincial level project management departments, 20 forestry enterprises, 45 state-owned forest farms, 5 specialised cooperative organisations and 5 science and technology units.

Members also come from China National Reserve Bureau, European Investment Bank, China Agricultural Bank and the State Forestry Administration.

The stated aim of the Alliance is the creation of a 14 million hectare timber reserve by 2020. The concept of a strategic timber reserve was launched in 2012.

### Guangzhou Yuzhu International Timber Market Wholesale Prices

#### Logs

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

	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	2300-2450
Purpleheart	dia. 60 cm+	3100-3300
Pau rosa	dia. 60 cm+	4700-4800
Ipe	dia. 40 cm+	4000-4800
<b>yuan per tonne</b>		
Cocobolo	All grades	53000-58000

	Logs	yuan/cu.m
Wenge	All grades	4300-5200
Okoume	All grades	2200-2500
Okan	All grades	3700-3800
African blackwood	All grades	8000-15000
African rosewood	All grades	5000-6500
Bubinga	dia. 80 cm+	13000-15000

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

#### Sawnwood

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

	Sawnwood	yuan/cu.m
Ulin	All grade	9000-10000
Merbau	Special grade	8600-9500
Lauan	Special grade	4600-4800
Kapur	Special grade	5500-6000
Teak	Grade A	9600
Teak	Special grade	14000-20000

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



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

### Shanghai Furen Forest Products Market Wholesale Prices

#### Logs

<b>Logs All grades</b>	000's yuan/tonne
Bois de rose	250-300
Red sandalwood	1600-2000
Siam rosewood	100-550
Burma padauk	27-45
Rengas	8-15
Mai dou lai	6000-8000
Neang noun	32-65
Burma tulipwood	28-60
Cocobolo	43-180
Morado	10 - 15
Ebony	15-40
Trebol	7-8
African sandalwood	18-32

#### Sawnwood

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

	<b>Sawnwood</b>	yuan/cu.m
Lauan	Grade A	3700-3900
Merbau	All grade	8000-10000
Teak	All grade	11500-36000

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

### Zhangjiagang Timber Market Wholesale Prices

<b>Logs, all grades</b>	yuan/tonne
Sapelli	4500-5700
Kevazingo	8700-34000
Padouk de africa	3000-3800
okoume	2100-2600
Okan	3490-3650
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4500-5000
Zingana	4200-5500
Acajou de africa	3100-3600
Ovengkol	3850-4300
Pao rosa	5950-6600

<b>Logs, all grades</b>	yuan/tonne
Merbau	3500-5800
Lauan	1600-2400
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850

<b>Logs, all grades</b>	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

**Euroconstruct raises annual construction growth forecast to 1.8%**

According to the latest half-yearly report issued in June 2014 by the Euroconstruct research agency, aggregated construction output for the EU countries fell by 2.7% in real terms in 2013 to the lowest level in 20 years (at constant prices).

However, Euroconstruct report that the European construction market hit bottom last year and forecast average growth of 1.8% per year between 2014 and 2016. This new growth rate forecast is 0.2% greater than the previous Euroconstruct forecast in November 2013.

The rate of recovery projected by Euroconstruct is slow given the extent of the decline in construction value in recent years. It implies that output and capacity utilization in the European construction sector as a whole will remain at near-depression levels. High unemployment and debt, low investment, tight credit, and financial fragmentation in the Euro area will continue to dampen demand.

**Europe's construction sector remains globally significant**

Even though construction growth is slow, with total value of nearly €1.3 trillion in 2013, Europe's construction sector remains globally significant and a very large consumer of wood and other materials.

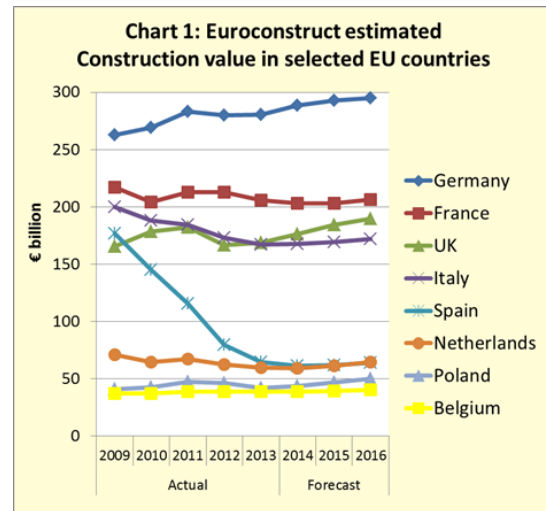
Growth in construction will vary widely between EU countries (Chart 1). The German construction sector has grown consistently over the last five years and is now by far the largest in Europe. The upward trend in German construction is expected to continue between 2014 and 2016.

Construction activity in France has been sliding since 2012 but is forecast to hit bottom in 2014 and stabilise in 2015.

Construction activity in the UK began to rebound last year and is forecast to continue to recover well between 2014 and 2016.

Poland, Ireland, Denmark and Hungary are also among the fast growing construction markets, all with average growth rates expected to exceed 4% per year.

In contrast, construction output looks set to remain below 2013 levels in Spain and the Czech Republic.



Source: Euroconstruct

Much of the growth in European construction will be concentrated in new residential construction, but the gradual recovery should feed through into all sub sectors. New residential construction in total is expected to grow by 3.2% a year between 2014 and 2016.

However residential renovation and maintenance (R&M) is expected to grow by only 1.2% a year. This will reduce average growth in total residential construction to 2% a year in real terms.

Although most EU countries are clear of recession, sluggish domestic demand growth and weak public sector finances are likely to dampen non-residential construction for some time. Euroconstruct expect total non-residential construction on average to increase by 1.5% a year between 2014 and 2016 in real terms, an upward revision of 0.3% from the November 2013 forecast.

Total civil engineering works is now expected to grow by 1.9% a year between 2014 and 2016 in real terms, compared to 1.5% in the previous forecast. The adjustment is mainly a result of a brighter outlook for new civil engineering.

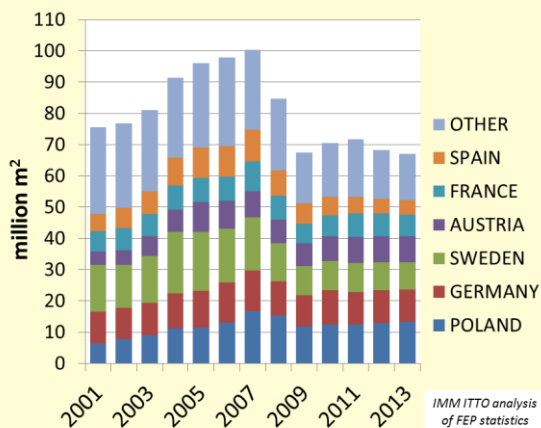
**European 'real wood' flooring production down 1.8% in 2013**

Production of 'real wood' flooring<sup>1</sup> in the 17 countries covered by FEP<sup>2</sup>, the European wood flooring association, declined by 1.8% to 67.03 million m<sup>2</sup> in 2013 (Chart 2). FEP estimate that total production in Europe, including both FEP and non-FEP countries, was just over 77 million sq.m in 2013. These figures were released by FEP at their annual meeting in Malaga, Spain, in June.

<sup>1</sup> The term 'real wood' flooring is used to denote products with a real wood face veneer which are identified specifically as wood flooring in the trade product codes. These products are distinct from laminated flooring which are considered separately in this report.

<sup>2</sup> Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Romania, Slovakia, Spain, Sweden and Switzerland.

**Chart 2: Wood flooring production in FEP countries 2001 to 2013 (million m<sup>2</sup>)**



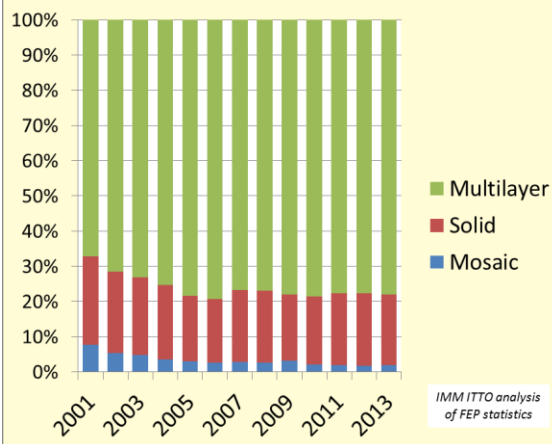
Production in Poland, Europe's largest wood flooring manufacturing country, increased 2.5% to 13.28 million sq.m in 2013. Poland now accounts for nearly 20% of all production in FEP countries.

Production in Germany, the second largest European manufacturing country, remained stable at 10.4 million m<sup>2</sup> between 2012 and 2013.

However production in Sweden, the third largest manufacturing country, declined 3.3% to 8.78 million sq.m in 2013. There was also a 5.8% fall in production in France to 6.9 million sq.m.

There was no change in the proportion of real wood flooring production by product type between 2012 and 2013 (Chart 3). In both years, multilayer flooring accounted for 78% of production, solid wood for 20% of production and mosaic wood flooring for only 2% of production.

**Chart 3: Proportion of wood flooring production in FEP countries by type**

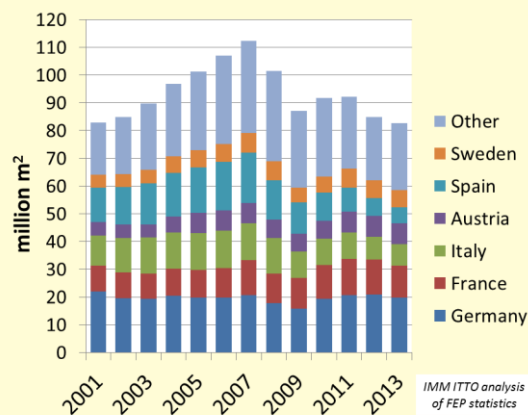


Consumption of real wood flooring in FEP countries declined 2.6% to 82.68 million sq.m in 2013 (Chart 4). Consumption in all the leading European markets was falling last year.

Consumption was down 6% to 19.8 million m<sup>2</sup> in Germany, down 7% to 11.6 million m<sup>2</sup> in France, and down 5% to 7.8 million m<sup>2</sup> in Italy.

However these losses were partially offset by rising consumption in Austria, Denmark, Finland, Norway, Switzerland, and Romania.

**Chart 4: Wood flooring consumption in FEP countries 2001 to 2013 (million m<sup>2</sup>)**

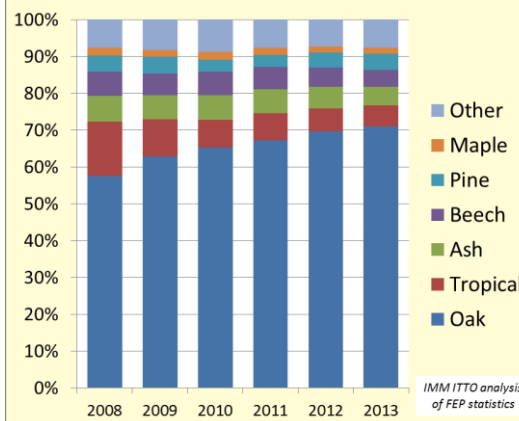


Consumption of real wood flooring per inhabitant throughout the FEP area fell slightly from 0.22 sq.m in 2012 to 0.21 sq.m in 2013. Per capita consumption is now highest in Switzerland (0.79 sq.m), followed by Austria (0.77 sq.m) and Sweden (0.65 sq.m).

In contrast, per capita consumption was no more than 0.05 sq.m in Netherlands and Hungary.

The dominance of oak in European real wood flooring production continued to rise last year, while tropical wood lost more ground (Chart 5). In 2013, oak accounted for 70.9% of wood flooring production in FEP countries, up from 69.6% in 2012.

**Chart 5: Proportion of wood flooring production in FEP countries by species**



The share of tropical wood fell from 6.2% to 5.8% last year. The share of ash (5.1%), beech (4.6%) and maple (1.6%) were all slightly lower in 2013 than in the previous

year. However, the share of pine increased from 4.1% in 2012 to 4.4% in 2013

At their June meeting, members of FEP reported that the outlook for real wood flooring in Europe has improved in 2014 after nearly seven years of lingering economic and financial crisis.

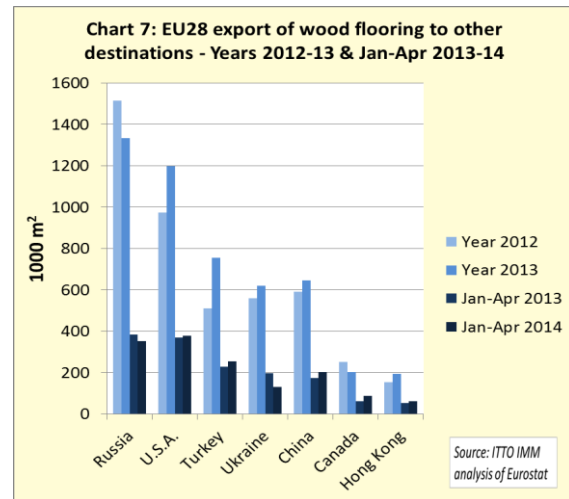
The positive trends that have emerged in northern Europe at last seem to be filtering through into southern Europe which was traditionally a large market for wood flooring.

However, members of FEP expressed concern about continuing lack of access to credit following the financial crises, particularly amongst small and medium-sized companies that dominate the wood flooring sector.

**Slowdown in rate of increase in EU wood flooring exports**

EU exports of real wood flooring have been rising in recent years as European manufacturers focused on diversifying overseas markets in the face of weak domestic demand.

In 2013, around 25% of all real wood flooring manufactured in the EU was exported to non-EU countries. However the pace of increase in exports slowed in the first four months of 2014 with a slowdown in economic growth and political problems in several major external markets.



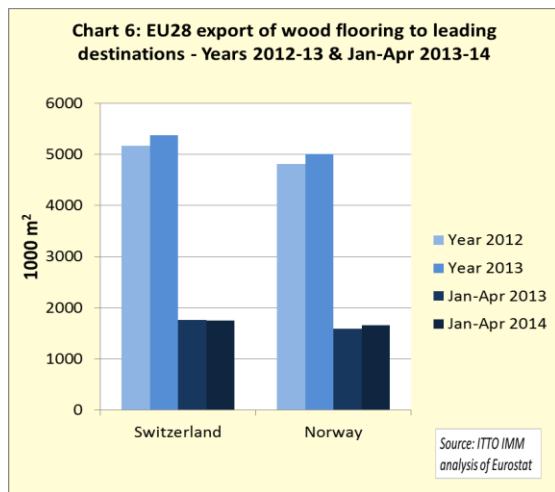
Between January and April 2014, the EU exported 5.64 million m<sup>2</sup> of wood flooring, 1.3% more than the same period in 2013. This year exports have continued to rise strongly to Norway, Turkey, China and Hong Kong.

However the rate of export growth has slowed to the USA, while exports to Switzerland and Ukraine have been declining in 2014. Exports to Russia began to decline in 2013 and this trend has continued in 2014.

**Partial recovery in EU wood flooring imports from China**

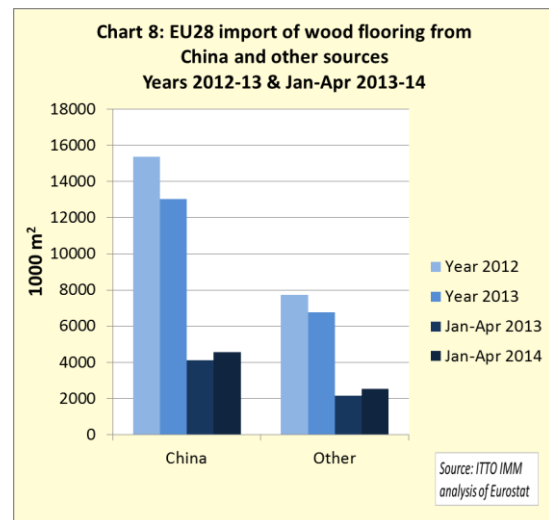
Imports of ‘real wood’ flooring from outside the EU supply around 22% of total consumption throughout the region. EU imports of real wood flooring declined 14% from 23.1 million m<sup>2</sup> in 2012 to 19.8 million m<sup>2</sup> in 2013. Imports from China, by far the largest external supplier, fell 15% from 15.4 million m<sup>2</sup> in 2012 to 13.0 million m<sup>2</sup> in 2013 (Chart 8).

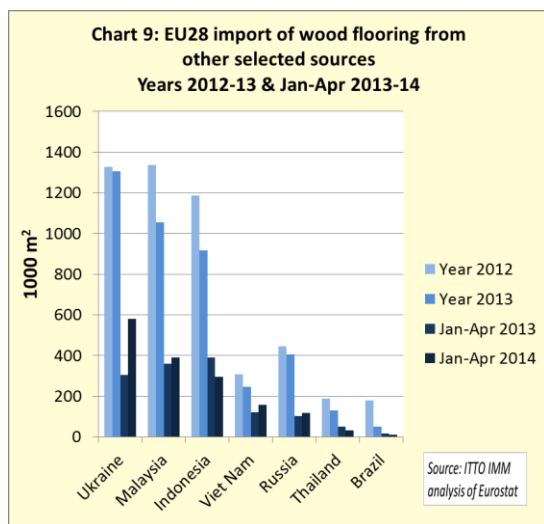
This was due to the combined effects of very slow construction activity and consumer demand in Europe, competition from Europe’s domestic manufacturers and alternative flooring products, rising costs in overseas manufacturing locations, and diversion of supply to more dynamic emerging markets.



Total EU exports of wood flooring increased 4.7% to 17.78 million m<sup>2</sup> between 2012 and 2013. There was growth in exports to Switzerland and Norway, by far the largest export destinations (Chart 6).

However there was also significant growth in exports to USA, Turkey, Ukraine, China and Hong Kong in 2013 (Chart 7).





However EU imports of real wood flooring have been rising again this year. Between January and April 2014, the EU imported 7.1 million m<sup>2</sup> of real wood flooring, 13.2% up on the same period in 2013.

Imports from China were 4.6 million m<sup>2</sup> in the first four months of 2014, 11% more than in the same period the previous year.

Imports have also risen from Ukraine, Malaysia, Vietnam and Russia this year. Imports from Indonesia and Thailand have continued to decline (Chart 9).

**European laminate flooring manufacturers report slow recovery**

Europe’s laminate flooring sector, while still dominant in global terms, came under considerable pressure during the global financial crises. Declining consumption combined with overcapacity and overseas competition, particularly from China, led to a sharp fall in prices.

This meant that retailers had to shift huge volumes of laminate flooring in order to profit from sales. As a result distributors have been turning to higher margin products such as Luxury Vinyl Tiles (LVT) which are seen to offer a better combination of quality, value and margin.

The European laminate flooring industry has responded partly through down-sizing and partly through development of new higher value product lines. It has also focused marketing efforts on the specific performance and environmental benefits of laminate flooring and on the quality credentials of European manufacturers.

Partly as a result of these efforts, Europe’s laminate flooring market has become increasingly diversified. Low end products are still available at retail prices of less than €10 per m<sup>2</sup>. These contrast with upscale products offering some combination of long-life guarantee, bevelled edges, handscraping, wire brushing and exotic designs which might be priced in excess of €25 per sq.m.

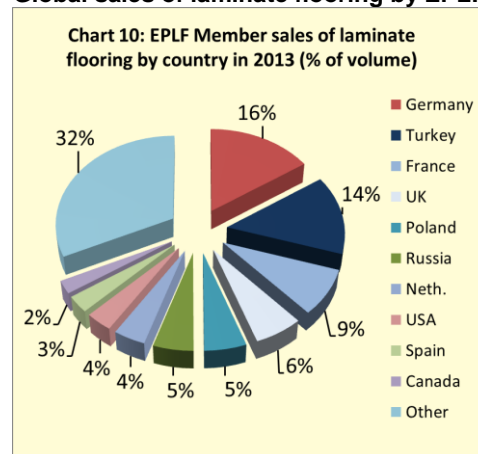
The industry’s marketing effort has been co-ordinated by the Association of European Producers of Laminate Flooring (EPLF) which this year incorporated the slogan

“Quality and Innovation made in Europe” into the association logo.

EPLF’s members currently consist of 21 manufacturers from 11 European countries. The EPLF manufacturers supply approximately 55% of the global laminate flooring market and over 80% of the European market.

Germany is hugely dominant in the sector in Europe, accounting for around 50% of production by EPLF members in 2013. The second largest producer amongst EPLF members is Turkey accounting for 15% of production.

**Global sales of laminate flooring by EPLF members**



According to the latest EPLF annual report, the European market for laminate flooring has stabilised and is just beginning to show signs of recovery. Sales of laminate flooring by EPLF member companies increased 0.7% from 460m sq.m in 2012 to 463m sq.m in 2013.

Although sales declined in Western Europe and Turkey in 2013, there were gains in other regional markets (see table).

million sq.m	Year				% chng. 2012-13
	2010	2011	2012	2013	
W. Europe & Turkey*	302.0	299.4	297.7	290.0	-2.6
E. Europe	109.0	103.5	98.9	103.0	4.1
North America	41.0	26.8	23.4	28.0	19.7
Latin America	16.0	15.7	16.8	17.0	1.2
Asia	10.0	10.6	11.6	13.0	12.1
Other	8.7	11.9	11.2	12.0	7.1
Total	486.7	467.9	459.6	463.0	0.7

\* Turkey is classified as "Western Europe" in EPLF statistics

Sales of laminate flooring in Germany, the largest single European market for laminate flooring, fell from 76 million sq.m in 2012 to 72 million sq.m in 2013. Sales in Turkey, the second largest market, declined from 66 million sq.m in 2012 to 65 million sq.m in 2013.



France also saw a slight decline from 40 million sq.m in 2012 to 39m sq.m in 2013. Sales to the UK were stable at 29 million sq.m in 2012 and 2013.

EPLF member sales increased in Eastern Europe in 2013. Poland was the largest market for laminate flooring in the region, with sales rising from 24 million sq.m in 2012 to 25 million sq.m in 2013. Sales also increased in Russia, Romania and Ukraine last year.

As recently as 2011, North America experienced a dramatic slump in sales of laminate flooring due to the challenging economic situation in the USA. Sales dropped from 41 million sq.m in 2010 to 27 million sq.m in 2011 and then to only 23 million sq.m in 2012.

In 2013, North American sales picked up once more, rising to 28 million sq.m. Sales in the USA increased from 12 million sq.m in 2012 to 16 million sq.m in 2013. Sales in Canada remained stable at 11 million sq.m in both 2012 and 2013.

Tough competition from Asia's domestic manufacturers has meant that sales of European laminate flooring to the region have been limited to date. European sales are focused on higher value premium products. European sales throughout Asia increased from 11.6 million sq.m in 2012 to 13 million sq.m in 2013.

European sales of laminate flooring in China, including Hong Kong, increased from 3 million sq.m in 2012 to 4 million sq.m in 2013.

The volume is very small compared with the overall size of the Chinese market which is believed to consume in excess of 250 million sq.m of laminate flooring each year.

#### **Challenges to European laminate flooring in Turkey and Russia**

EPLF members report a slight upward trend in total European sales of laminate flooring in the first half of 2014.

However political issues are now creating concerns about future prospects in Turkey and Russia which have been key growth markets for laminate flooring in recent years.

Sales of European laminate flooring in Turkey weakened in the first half of this year. This was partly driven by a big fall in the value of the lira-euro exchange rate. However it may also be a consequence of Turkey's decision in December 2013 to start anti-dumping procedures against German laminate flooring producers.

The decision follows complaints by Turkish flooring producers that German manufacturers have been selling at below production cost in Turkey. German manufacturers have responded that their costs are lower than Turkish competitors because they have more efficient raw material supply chains. The Turkish government is still investigating and has yet to publish a final decision.

EPLF members also report challenges in the Russian market this year. Apart from the potential political fall-out from recent events in Ukraine, European laminate flooring manufacturers allege widespread counterfeiting of their products in the Russian market.

EPLF claim that in Russia "the high proportion of inferior-quality and incorrectly-declared goods imported from Asia makes things difficult for EPLF manufacturers as it tends to cause lasting damage to the image of laminate flooring". To counter this threat, EPLF has established a "Russia task force" to work directly with Russian trade associations and retailers to raise awareness of quality standards and put in place procedures for brand protection.

#### **European laminate flooring follows fashion for oak and rusticity**

EPLF report that "rusticity" remains the key theme in current laminate flooring ranges in Europe. The rustic "used look" appears in several varieties of products, from construction timber styles with imitation cement traces, to flooring that feels brushed, planed or freshly sanded.

Ultra-modern synchro-pore printing now enables more authentic transfer of a wide variety of structures, from fine veins and pores to deep, distinctive knots. There is still a strong preference for larger and wider sized boards.

Oak continues to dominate wood decors with its wide-ranging decorative potential, from white-washed to smoked. However floors with the appearance of delicately-grained ash, walnut or elm, or rich softwoods such as spruce and larch, are also rapidly gaining in popularity.

A considerable amount of laminate wood decor no longer appears in its "natural" version, but rather with a discreet white or grey haze.

Dark colours have seen a slight decline, with the new floors of European laminate manufacturers instead presenting a varied spectrum of natural grey and beige tones.

This follows a trend that originated in the wider field of interior decoration.

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

## Report from North America

### Sawnwood imports from Africa up, sapelli a winner

US imports of temperate sawn hardwood recovered in May and total sawn hardwood imports grew by 77% from the previous month. Temperate species accounted for 133,123 cu.m in May. Tropical imports were 19,039 cu.m, down 4% from April. Year-to-date tropical imports were 6% higher than in May 2013.

The decline in tropical timber imports was almost entirely due to lower balsa imports from Ecuador in May. Balsa imports fell by 40% to 4,303 cu.m following very high April import volumes.

Imports from Brazil declined by 5% in May to 2,399 cu.m. There was only a slight decrease in ipe imports from Brazil (1,790 cu.m), but jatoba and virola imports also fell.

Sawnwood imports from Malaysia, Indonesia and Peru were down, but imports from Africa increased in May. Imports from Cameroon grew by 32% to 2,832 cu.m. The majority of Cameroon's shipments was sapelli (2,225 cu.m).

	May 2014	Year-to-date May 2014	Change from previous year
Balsa	4,315	23,579	64%
Sapelli	4,415	15,865	64%
Acajou d'Afrique	2,009	8,343	-23%
Keruing	1,251	7,704	-6%
Ipe	1,872	10,951	13%
Mahogany	970	5,308	-9%
Virola	317	2,783	-53%
Meranti	593	2,891	73%
Cedro	724	3,398	-3%
Jatoba	156	849	-63%
Teak	445	2,314	-54%
Iroko	32	139	124%
Padauk	126	251	81%
Aningre	40	184	268%
Other tropical	1,774	8,063	-18%
<b>Total</b>	<b>19,039</b>	<b>92,622</b>	<b>6%</b>

Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from Congo/Brazzaville more than doubled in May to 1,843 cu.m, again because higher sapelli shipments (1,242 cu.m). Ghana shipped 905 cu.m of sawnwood to the US in May, up 36% from the previous month.

Imports from Ghana were 498 cu.m of acajou d'Afrique and 370 cu.m of cedro, according to US trade statistics.

By species, sapelli overtook balsa as the large tropical import in May (by volume). Sapelli sawnwood imports were 4,415 cu.m and year-to-date imports were 64% higher than in May 2013. Acajou d'Afrique imports grew to 2,009 cu.m in May, but year-to-date imports were 23% lower than last year.

Much of the decline in tropical sawnwood imports in May was in imports from Latin America and Asia: balsa, keruing, ipe, virola, jatoba and teak.

### Higher Canadian imports from Brazil in May

Canadian imports of tropical sawn hardwood were worth US\$2.47 million in May, up 11% from the previous month. Year-to-date imports were 18% higher than in May 2013.

Three countries accounted for the bulk of import growth in May: Brazil, the US and Congo/Brazzaville. Imports from Brazil doubled to US\$337,639. Tropical imports via the US were worth US\$376,881, up 118%. Imports from Congo increased by 136% to US\$199,104.

Ecuador shipped US\$ 364,973 worth of sawnwood in May, up 25% from the previous month. Canada's imports from Cameroon, Congo/Zaire, Indonesia and Malaysia were down in May.

By species, Canadian imports of virola, imbuia and balsa combined increased by 23% in May to US\$382,762. Import of sapelli sawnwood declined, but at US\$2.2 million year-to-date sapelli remains the most significant tropical import species in Canada.

### Analysis of N. American furniture market

#### *Housing market affects furniture demand*

Demand for furniture has slowly grown since the financial crisis. At its lowest point in 2009, new furniture orders were worth US\$18.8 billion, according to Smith the Leonhard data. Since 2009 new furniture orders have increased 4-6% every year.

The growth in furniture demand has been steadier than the housing market recovery, although homes sales play an important role in the demand for furniture.

Furniture consumption has been supported by lower unemployment and growing consumer confidence in the US economy. In the first quarter of 2014 the GDP declined mainly due to weather events, but positive economic growth is expected for the rest of the year. If the housing market recovery gains momentum, furniture sales will greatly increase.

#### *More positive outlook for domestic manufacturing*

Over the past 10-15 years US furniture manufacturers suffered, not only from shrinking demand during the recession, but from competition from offshore manufacturers and imports. Furniture supply chains,

technology and consumer trends changed dramatically. Many US manufacturers outsourced production, while others had to close or declared bankruptcy. Imports dominate the US furniture market now.

Furniture industry analysts have recently been more positive on the future of domestic furniture manufacturing. Many US furniture companies have improved sales and profit margins since the recession, even if there has not been a significant shift away from overseas manufacturing.

With labour costs in China and Vietnam on the rise and a less favourable dollar-yuan exchange rate for exports from China, it may become less cost-effective for US manufacturers to produce in China and other East Asian countries. Shipping costs and the logistics of far flung supply chains also affect the location of manufacturing plants.

While the US may remain the location of choice for high-end furniture producers, lower end products may increasingly be made in Mexico instead of East Asia. Mexico has the advantage of low wages, close proximity to the US market and duty free shipping under the North American Free Trade Agreement (NAFTA).

*Furniture imports accelerating*

2013 US wooden furniture imports were worth US\$13.6 billion, up 7% from 2012. The 12-month moving average in May 2014 was US\$1.25 billion, almost 10% higher than in May 2013. The 12-month moving average eliminates seasonal and other variability in monthly data, allowing for a more meaningful analysis.

When comparing wooden furniture imports with retail sales and estimated shipments of furniture (including non-wood materials) the trends are similar. Furniture shipments estimated by Smith Leonard followed retail sales of furniture and home furnishing very closely between 2011 and May 2014.

Wooden furniture imports trailed retail sales until the spring 2014, suggests US domestic manufacturers increased their market share between 2011 and 2013.

However, by April 2014 import growth surpassed the growth in retail sales, and it is difficult to tell from the data whether US furniture companies producing domestically have been able to maintain any market share gains.

*China's imports share declines to under 49%*

China dominates the US furniture market with an import share of around 50%. Imports from China totaled \$6.6 billion in 2013, up 6% from the previous year. On a monthly, 12-month moving average basis, China's imports share has declined from 51% at the start of 2011 to under 49% in May 2014.

It is too early to tell whether China will lose its preeminent position in the US furniture market or whether the decline remains a relatively small shift towards more imports from Vietnam, other Asian countries and Mexico.

The growth in US imports is expected to continue, as suppliers such as India and Russia expand their export markets.

Vietnam is the US market's second-largest supplier with imports worth \$2.0 billion in 2013. Vietnam's import share grew steadily from 13.5% in January 2011 to 16.4% in May 2014.

Furniture imports from NAFTA partners Mexico and Canada grew in recent years. The increase was mainly in imports from Mexico (US\$521 million in 2013), but Canada is still a larger furniture exporter to the US at US\$1.1 billion in 2013.

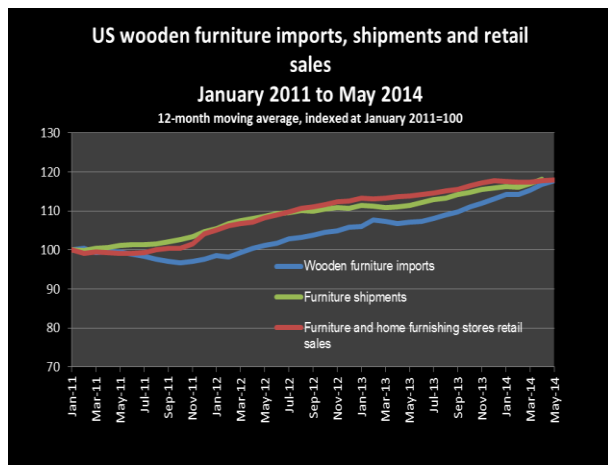
The NAFTA countries' import share increased slightly from 11.9% in January 2011 12.6% in May 2014.

Furniture imports from Malaysia declined by 16% in 2013 to \$543.7 million, but in 2014 imports from both Malaysia and Indonesia are up by over 20% compared to the same time last year.

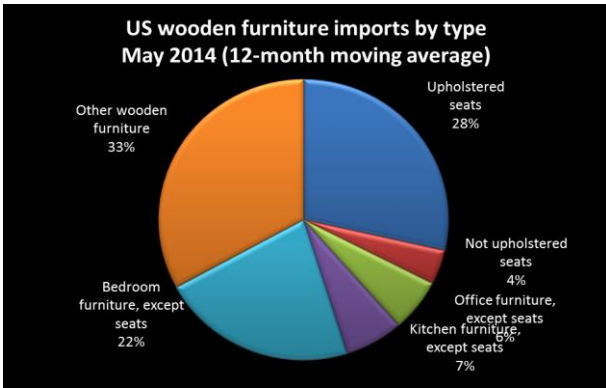
**Imports by type of furniture**

The largest change in the type of wooden furniture imported over the past three years has been in upholstered furniture. The share of upholstered seats in total imports grew from 25% in 2011 to 28% in May 2014 (12-month moving average).

The share of wooden bedroom furniture fell by one percentage point over the same time, while kitchen furniture import shares grew from 6% to 7%.



Source: US Census Bureau (imports, retail sales), Smith Leonard (shipments)



Source: US Census Bureau

*Higher US wood furniture exports*

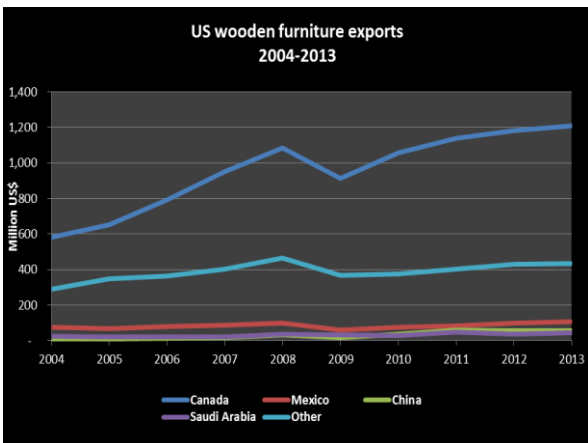
With a wooden furniture trade balance of US\$-11.7 billion in 2013 the US remains the world's largest importer of furniture. In the past few US manufacturers troubled themselves with developing international markets, but exports have grown over the last decade.

Growing demand for high-end furniture in China, India, Latin America and the Middle East created opportunities for US companies willing to deal with style and cultural differences, ocean shipping and language barriers.

Between 2004 and 2013 annual growth in wooden furniture exports was close to 10%. The rise in exports was only briefly interrupted in 2009 by the financial crisis.

The strongest growth was in shipments to China, but Canada is by far the largest market for US manufacturers at US\$1.2 billion in 2013, including re-exports from other countries.

Exports to the Middle East have grown significantly. Saudi Arabia is the largest market at US\$43.7 million in 2013, followed by the United Arab Emirates (US\$27.1 million) and Qatar (US\$19.0 million).



Source: US Census Bureau

**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.*

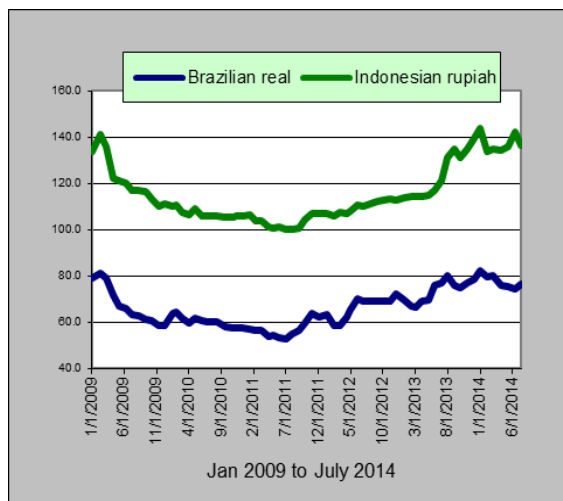
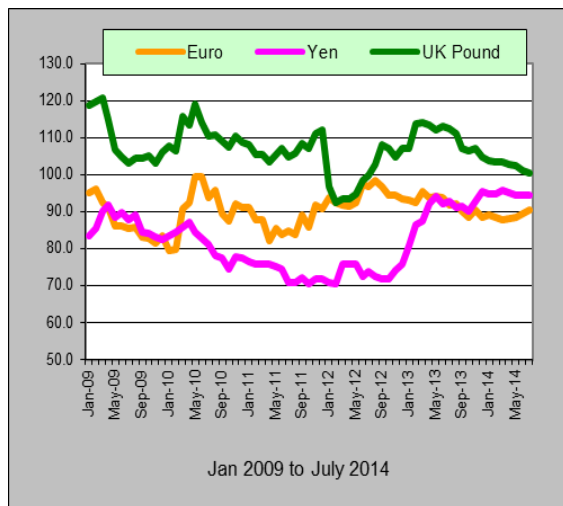
*The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.*

## in US Dollar Exchange Rates

As of 29th July 2014

Brazil	Real	2.22395
CFA countries	CFA Franc	488.32
China	Yuan	6.1861
EU	Euro	0.7441
India	Rupee	60.60
Indonesia	Rupiah	11,575
Japan	Yen	101.86
Malaysia	Ringgit	3.1744
Peru	New Sol	2.7855
UK	Pound	0.5888
South Korea	Won	1025.96

Exchange rate index (Dec 2003=100)

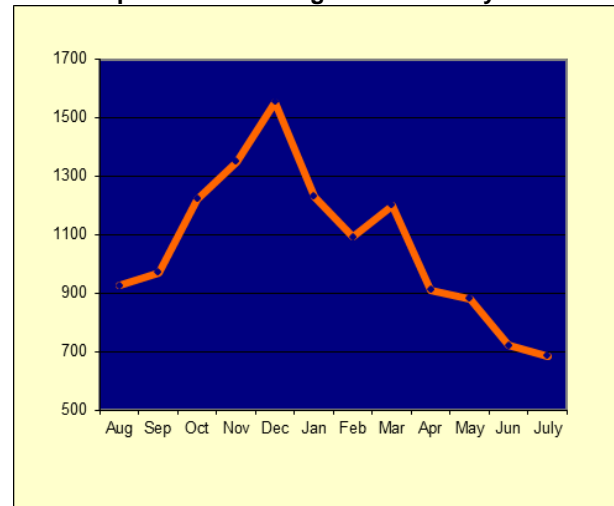


## Abbreviations and Equivalences

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
TEU	20 foot container equivalent
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 Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

## Ocean Freight Index

Baltic Supramax Index August 2013 – July 2014



Data source: Open Financial Data Project

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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