

# Tropical Timber Market Report

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## Top Story

### Imported timber must be verified legal

Indonesia is proceeding with plans to require imported wood products meet the same strict verification of legality standard as its domestic timber legality verification system (SVLK).

The Director General of the Foreign Trade Section of the Ministry of Trade, Partogi Pangaribuan, said official documents would be finalised by the end of September so that all timber entering Indonesia can be verified as legal.

Indonesia aims to implement this new regulation in 2015.

See page 4

## Report from Central/West Africa

### European buyers stay on the side lines

Producers in West Africa report that the rather quiet but sustained demand continues with new orders flowing at a steady but unchanged pace.

European buyers have not yet returned in any strength to negotiate contracts for the fourth quarter. This is a slower resumption of the autumn and winter round of purchases. Analysts suggest this may be because prices are fairly stable and there is no immediate pressure from a lack of availability.

### Potential in Middle East improves

Producers report that mills are busy preparing shipments for the Middle East and China but order levels have not improved beyond the steady flow seen over the past three months.

The real estate market in just one country, Saudi Arabia, was valued at more than US\$ 0.37 trillion last year and is expected to top US\$0.4 trillion in five years.

Currently, the Saudi housing and construction market is growing at an annual rate of between 5 and 7 percent due to high demand for housing development and commercial projects. Estimates suggest that the Kingdom will need more than 5 million new housing units across all cities by 2020.

### FOB prices largely unchanged

The market for W. African timbers in Vietnam has grown and this market is now well established but mainly for a handful of 'favoured' species.

Sawnwood prices in the region are largely unchanged and producers appear satisfied with the current levels and there have been no serious attempts by producers to raise prices.

FOB prices for a few log contracts have moved up but these changes reflect only the normal adjustments not a shift in overall trend.

The overall market outlook appears stable through into the fourth quarter with shippers in Cameroon reported as being the most active at present.

### Generous incentives for investors in Republic of the Congo

There are positive developments in Congo Brazzaville where the government is very supportive of new investment in the forestry sector providing generous log export allowances for companies investing in processing capacity. On completion of the processing plants companies will be subject to log export quotas.

Because of the number of new investors the availability of logs for export will improve. In the medium term the volumes of sawnwood and other processed products from Congo Brazzaville are expected to increase significantly.

## Market outlook

Producers are confident of prospects in the final quarter of the year but there have been signals that competition is increasing in the Middle Eastern markets which have always been very price conscious.

Despite the suggestions from many analysts that demand for tropical timber in China may be slowing producers see no evidence of this at present and, as was anticipated, Indian importers have begun to look to African sources to fill the void left by the log export ban by Myanmar.

West and Central African exporters have not yet fully explored the opportunities in the Indian market where SE Asian producers have had success.

### Log Export Prices

West African logs, FOB	LM	€ per m <sup>3</sup>	
Asian market		B	BC/C
Acajou/ Khaya/N'Gollon	230↑	230↑	160↑
Ayous/Obeche/Wawa	230	230	150
Azobe & Ekki	235	230	150
Belli	300↑	295↑	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	330↑	300	220
Movingui	210↓	210↓	160↓
Niove	160	155	-
Okan	290↑	285↑	-
Padouk	300	275	210
Sapele	340	340	240
Sipo/Utile	365↑	365↑	250↑
Tali	320↑	320↑	-

### 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	660
FAS scantlings	670
Iroko FAS GMS	620
Scantlings	695
Strips	440
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	580
Scantlings	560
Movingui FAS GMS	420

## Report from Ghana

### Exporters seek permission to conclude rosewood export contracts

The Importers and Exporters Association of Ghana has urged the Ministry of Lands and Natural Resources to amend the regulation putting a stop to rosewood exports. This is because several companies had concluded contracts prior to the ban on rosewood exports but now find their containers have been seized.

The Customs Division of the Ghana Revenue Authority said in August it had intercepted more than 50 containers of rosewood set for export.

#### GFC cracks down on contractors

The Forestry Commission has ordered six timber contractors to temporary halt logging in the Kwahu Afram Plains North and South districts for failing to sign a social responsibility agreement with the local communities as called for in the concession agreement.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	245
Black Ofram Kiln dry	415
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	333
Chenchen	320	366
Ogea	300	344
Essa	318	350
Ofram	333	358

#### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.32	0.48
Asanfina	1.20	0.59
Avodire	2.90	0.75
Chenchen	1.10	0.37
Mahogany	1.30	1.07
Makore	1.30	0.49
Odum	1.76	0.49

#### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	855	945
Asanfina	480	564
Ceiba	220	270
Dahoma	307	358
Edinam (mixed redwood)	409	525
Emeri	385	550
African mahogany (Ivorenensis)	593	720
Makore	580	618
Niangon	579	710
Odum	610	807
Sapele	567	70
Wawa 1C & Select	275	340

#### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
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	13.70	15.70	18.80
Odum	10.80	12.20	12.52
Hyedua	14.67	14.93	18.45
Afromosia	14.00	18.65	18.55

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

### Report from Malaysia

#### New tax to affect timber exports

Malaysia plans to introduce a Goods and Service tax (GST) in April next year. Businesses with an annual turnover above RM 500,000 will have to register and levy the new GST on customers. The GST has been proposed at a rate of 6% and will replace the current Sales and Service Tax.

Several basic items such as rice, poultry, meat, vegetables, flour, cooking oil, sugar, residential and agriculture properties, education and health services will be zero-rated and exempt from the GST. Some form of rebate is expected for small and medium enterprises.

Officials from the Finance Ministry fear the biggest hurdle in implementation is public acceptance of the tax as many remain concerned that prices will rise once the GST is implemented.

The Malaysian Timber Council (MTC) recently organised a briefing for timber and furniture companies on the key essentials of the GST so as to improve their understanding of the new taxation scheme how it will affect the timber and furniture sectors.

Among the concerns raised by participants were queries on the mechanics of issuing tax invoices and grace periods for contracts that have already been signed.

#### MIFF furniture design competition

Preparations are well underway for next year's Malaysian International Furniture Fair (MIFF) with the launch of the annual furniture design competition. In its sixth year, the industry's leading competition is poised to top last year's record of 244 entries.

Malaysians, foreigners and students residing in Malaysia under the age of 30 are eligible to compete. In an attempt to highlight the uniqueness of Malaysian wooden furniture, this year's competition requires the product designs to be centred on wood as the primary material.

"By setting wood as the main material for the entries, we hope that it will enhance awareness among the younger generation on the eco-friendliness, versatility and beauty of wood, a material that has helped propel the growth of the Malaysian furniture industry," said MIFF chairman Tan Chin Huat. MIFF 2015 is scheduled for 3 to 7 March next year in Kuala Lumpur.

See: <http://www.miff.com.my/miffdc/>

### Log export prices lifted by Myanmar ban

The log export ban in Myanmar appears to be lifting the price of export logs from Sarawak. The Star newspaper in Malaysia reported comments from local logging companies.

According to Ta Ann Holdings Bhd, prices for keruing and mixed light hardwood (MLH) logs have increased since Myanmar stopped exporting logs on 1 April this year. Ta Ann said the group increased log sales by 30% in the April-June quarter.

WTK Holdings Bhd reported an almost 7% rise in average round log prices in the April-June quarter and it took advantage of the firm price to increase sales. The news of price increases continued with Jaya Tiasa Holdings Bhd saying the average price of its logs improved by 18% in the 12 months to 30 June.

See: <http://www.thestar.com.my/Business/Business-News/2014/09/04/Tropical-log-prices-surge-Myanmar-export-ban-a-boon-to-Sarawak-timber-companies/>

Plywood traders based in Sarawak reported the following FOB export prices:

Floor base FB (11.5mm) US\$ 630-635  
Concrete formboard panels CP (3' x 6') US\$530  
Coated formboard panels UCP (3' x 6') US\$610  
Standard boards  
Middle East (9-18 mm) US\$465  
South Korea (8.5 – 17.5 mm) US\$470  
Taiwan P.o.C (8.5 – 17.5 mm) US\$ 465  
Hong Kong US\$ 475

## Report from Indonesia

### Imported timber must be verified legal

Indonesia is proceeding with plans to require imported wood products to meet the same strict legality standards as the domestic legality-certification scheme (SVLK) and expects to begin implementation in 2015

The Director General of the Foreign Trade Section of the Ministry of Trade, Partogi Pangaribuan, said official documents would be finalised by the end of September so that all timber entering Indonesia shall be verified legal.

ASMIDO chairman Ambar Tjahyono welcomed the plan as it would ensure exported wood products do not face market resistance and will eliminate doubts on the legality of the materials in the manufactured products.

### Geothermal development in conservation areas

Indonesia now has a Geothermal Law which opens the way for development of geothermal resources, one of the largest in the world.

Many of the geothermal resources are located in forest conservation areas where development was restricted until the coming into effect of the new Geo-thermal legislation.

### Village forest expanded

The Forestry Ministry has designated 40,000 hectares of state forest in West Sumatra as nagari (village) forests over the past three years. Nagari forest is the lowest level of state territory, overseen through a local community-based forest management scheme.

Forestry Minister Zulkifli Hasan officially handed over the official allocation of nagari production forests to four nagari, (total area of 18,985 ha) on the sidelines of a meeting of governors from across Sumatra.

Three of the four nagari are located in Solok regency, namely Nagari Sirukam (3,398 ha), Nagari Sungai Abu (6,787 ha) and Nagari Sariak Alahan Tigo (4,300 ha). Nagari Paru (4,500 hectares) is located in Sijunjung regency.

### Fuel subsidies to eventually go

The issue of fuel subsidies will be at the top of the agenda of the new government when it takes over in October. Because of the subsidy Indonesian petrol prices, at around US\$0.56 per litre, are close to being the cheapest in the world.

Indonesia needs to begin removing the subsidies before the end of the fiscal year to ease pressure on the current account thus creating the opportunity for the Central Bank to concentrate on boosting economic growth.

Fuel subsidies cost the government about US\$20 billion a year and their eventual removal will impact the manufacturing sector and the competitiveness of exports.

### 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	900-990
	Domestic	12-15mm	650-670
		18mm	520-600
<i>MDF</i>	Export 12-18mm	700-750	
	Domestic 12-18mm	430-530	

## Report from Myanmar

### Open tender sales due end September

Sales of logs by open tender for the local processing will be held at Myanma Timber Enterprise on the 26 and 29 September where about 500 tons of logs will be sold.

For details see the MTE website: [www.myanmarimber.com.mm](http://www.myanmarimber.com.mm)

The Myanmar Forest Products Joint Venture Corporation (FJV) sold 2,171 tons of kanyin logs on the 22 August 2014. The average price for the kanyin logs was US\$ 537 per H. ton.

Considering that the price for the same timber sold in July was US\$450 ( Myitkyina depot, northern Myanmar) the latest prices are good. The logs sold recently were of veneer quality which may explain the better than average prices. The image below is of the kanyin logs recently sold.



courtesy of Win Enterprise

### IWPA initiative welcomed but hurdles to trade persist

The US government has lifted restrictions on US companies trading with the Myanma Timber Enterprise (MTE), but restrictions are still in place on certain financial institutions in Myanmar.

The latest US rule allows for transactions with four banks in Myanmar; Asia Green Development Bank, Ayeyarwady Bank, Myanma Economic Bank, and Myanma Investment and Commercial Bank.

Analysts in Myanmar report that the MTE is finding it cannot conclude export contracts with US importers as financial transactions with the bank it uses (not one of the above four) are blocked. The result of this is that companies in countries such as Thailand, India and

Vietnam which accumulated large stocks of Myanmar teak logs before the log export ban in Myanmar can now readily export Myanmar teak products to the US but the MTE cannot.

When the US government eased sanctions a few years ago it authorised the use of a series of general licenses for financial transactions by US companies and individuals.

Recently, changes were made to the rules on sanctions which replaced the general license scheme. Information on this can be found at: [www.treasury.gov/resource-center/sanctions/Programs/Documents/fr79\\_37106.pdf](http://www.treasury.gov/resource-center/sanctions/Programs/Documents/fr79_37106.pdf).

This document explains that US individuals and entities may engage in financial transactions with any non-blocked Myanmar bank.

### One year waiver too short

Companies in Myanmar are saying a one year waiver of sanctions in the timber trade is too short to develop a meaningful business as it takes about two to three months to conclude a contract and another two to three months to secure and mill the logs.

Even when the order has been processed domestic export procedures add to the overall time required to ship an export order. Analysts say a waiver of two or three years would be more practical to test the efficacy of this constructive US initiative.

At present almost all export teak and hardwood shipments from Myanmar are to the EU. One manufacturer in Myanmar said that, while they can satisfy compliance with the US Lacey Act, they find it difficult to meet the stringent quality standards for US orders. At present local observers say most exporters in Myanmar are more interested in exporting to the EU than the US.

While there are more than 1,500 timber companies in Myanmar the number that have the capacity to export is limited. Moreover, export shipments must be paid for in advance which is viewed as a major risk by importers.

To reduce the risks to overseas buyers, agents and dealers have a role to play and may be the key to the reopening of the US market for Myanmar teak and other hardwoods.

### Good quality logs in short supply

Analysts in Myanmar have raised concerns on the quality of teak logs now available and question if these can yield sawnwood of a quality to meet international market requirements.

There are few high quality logs coming onto the domestic market at present and, say analysts, this is the result of years of irresponsible harvesting practices and poor forest management.

The logs now available for sawnwood production are mainly Sawing Grade 1, 2 and 4 logs. The images below show recently auctioned SG-2 and SG-4 logs.

**SG-2 logs**



Courtesy Win Enterprise

**SG-4 logs**



Courtesy Win Enterprise

**Domestic prices for sawn teak and hardwoods, Yangon**

The following prices per ton of 50 cubic feet and are quoted for the construction sector.

Specification	MMK per cubic ton
Teak scantlings 6 ft. and up	2.7 mil.
Teak scantlings less than 6 ft.	2.0 – 2.2 mil.
Pyinkado, Length 10 ft. and up	1.7 mil.
Pyinkado, Length less than 10 ft.	1.2 mil
Others, Length 10 ft. and up	0.62 mil.

**Report from India**

**Seized sandalwood to be sold for export**

The Andhra Pradesh government has begun the process of disposing of some of its seized red sandalwood (red sanders) in the international market.

The state has over 8,550 tonnes of sandalwood seized from smugglers and around 4,000 tonnes will now be auctioned to domestic and international buyers.

Red sanders is an endangered tree species found only in Chittoor, Kadapa, Nellore and Kurnool districts of Andhra Pradesh. It grows in about 200,000 hectares of forests in the state.

There is a huge market for red sanders in countries such as China and Japan where it is used for medicines, furniture, musical instruments and sculptures.

A single tonne of red sanders can earn as much as Rs.25 lakh (approx. US\$41,000) in international markets.

Because it is so valuable the state authorities face a constant battle to protect trees from being felled illegally. Incidents of illegal felling and smuggling have increased in Andhra Pradesh over the past few years and in December 2013 two forestry officials were allegedly killed by a group of smugglers in Chittoor forests.

International buyers are showing a keen interest in the upcoming sale and the state government expects to earn over Rs.10 billion from the first sale.

The sale of seized red sanders confiscated from Seshachalam forests will be conducted for six days from 19 September and some 4,160 tonnes in 177 lots will be for sale through an e-auction.

Red sanders is endemic in Seshachalam, Veliganda, Lankamala, and Palakonda hill ranges of the state and is distributed in the Kadapa, Chittoor, and Kurnool districts in Rayalaseema region and parts of Nellore and Prakasam. The majority of illegal felling and smuggling of red sanders takes place in Chittoor and Kadapa.

The Convention on International Trade in Endangered Species (CITES) has approved India's request to export 11,806 tonnes of seized and confiscated red sanders and the local media have reported that the Director General of Foreign Trade has issued a notification permitting the state government to export 8,584 tonnes of red sanders wood in log form by amending the foreign trade policy.

**Auctions of domestic teak in Western India**

Taking advantage of a spell of dry weather an auction of 2,114 cubic metres of teak and 1,071 cubic metres of other hardwoods was conducted by the Surat and Vyara forestry divisions of Western India. Buyers attending the sale reported the logs offered were smaller than usual but of good quality.

Teak logs	Rs. / cu.ft
A grade 4-5m Length, Girth 91cm and up	1700-1800
B grade 3-4m length, girth 91cm and up	1400-1600
Medium grade	1000-1200
Average quality	900-1000

Price variations are based on quality, length and average girth

Good quality non-teak hard wood logs such as 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 ranging from Rs.650-850 per cu.ft.

Medium quality logs were sold at between Rs 500-600 per cu.ft. Lower quality logs fetched between Rs.350-450 per cu.ft.

### Current prices for plantation teak logs and sawnwood

	US\$ per cu.m C&F
Belize logs	350-400
Benin logs	320-680
Benin sawn	400-800
Brazil logs	390-750
Brazil squares	360-680
Cameroon logs	390-510
Colombia logs	320-650
Congo logs	450-710
Costa Rica logs	360-840
Côte d'Ivoire logs	330-720
Ecuador squares	300-540
El-Salvador logs	340-695
Ghana logs	370-650
Guatemala logs	270-550
Guyana logs	300-450
Kenya logs	350-600
Laos logs	300-605
Liberia logs	350-460
Malaysian teak logs	350-525
Nicaragua logs	370-535
Nigeria squares	340-450
Panama logs	275-660
PNG logs	400-575
Sudan logs	450-700
Tanzania teak, sawn	350-885
Thailand logs	460-700
Togo logs	230-715
Trinidad and Tobago logs	420-680
Uganda logs	440-860
Uganda Teak sawn	680-900

Price variations are based on quality, length and average girth.

### Exmill prices for sawnwood

Sawnwood	Rs
Ex-mill	per cu.ft
Merbau	1550-1650
Balau	1700-1900
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	925-975
Radiata pine AD	550-650
Whitewood	600-650

Price variations are based on quality, length and average girth

### Local mills still have imported teak stocks

Indian sawmillers still have some stocks of Myanmar teak and are able to satisfy demand at the moment so prices for sawn Myanmar teak in the domestic market in India have not changed since last month.

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	7500-17500
Myanmar teak A grade	5700-6200
Myanmar teak B grade	4200-4700
Sawn Myanmar FAS	3400-3700

Price variations depend mainly on length and cross section

### Imported 12% KD sawn wood prices per cu.ft ex-warehouse

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 on length and cross section

### Laminated plywood prices driven up

Manufacturers of paper laminated plywood have increased prices by 3-4% due to rising costs. Plywood manufacturers across the country had hoped for an opportunity to raise prices on the back of improved business sentiment especially in the housing sector but this has not materialised.

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

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4 mm	37
6 mm	50
9mm	63.5
12 mm	78.4
15 mm	104
18 mm	109.7

**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	

**Report from Brazil**

**Exports set to rise in second half 2014**

Brazilian plywood manufacturers anticipate exports to the US could increase in the second half of the year due to higher spending on civil construction which increased 7.5% in the second quarter of this year.

According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), the Brazilian industry’s optimism has its foundation in the tripling of plywood exports to the US since March this year. However, Brazil’s fluctuating exchange rate is of concern to entrepreneurs.

The dollar was around R\$ 2.25 in April but the industry would like to see a rate between R\$ 2.70 and R\$ 2.80.

According to ABIMCI, exports of plywood to other markets such as Turkey have been falling but efforts are being made to expand markets in Egypt and Saudi Arabia.

While prospects in international markets are improving growth of sales in the domestic market is weak.

According to the Civil Construction Industry Union of São Paulo State (SINDUSCON-SP) domestic civil construction is expected to only grow between 1% and 2% in 2014 against the 2.8% previously forecast. Weak domestic demand will mean more wood products could be made available for export which could affect price stability.

ABIMCI will hold a national meeting with plywood manufacturers in October to discuss market issues, products standardisation, certification and to develop strategies for the domestic and international markets.

**Investors see opportunities in plantation expansion**

Brazil’s forest sector has developed in the last two years helped by a National Policy for Planted Forests and also by the creation of a new broad based association, the Brazilian Tree Industry (IBA).

According to IBA, the area of planted forests in Brazil is expected to double by 2020 a target questioned by foreign investors given the complex legal issues involved.

A recent conference provided a good opportunity for discussions on expanding pine and teak plantations. A report from the largest private teak plantation project in Brazil attracted the attention of potential investors.

**Rio de Janeiro the main market for teak furniture**

Rio de Janeiro State is the main market for teak furniture manufactured in Mato Grosso State taking around 40% of the teak furniture from the state.

The first teak furniture manufacturer in Mato Grosso began work in 2006 and produced souvenir items as well as napkin and pencil holders to hand out as gifts to business partners and customers.

In Brazil sawn and kiln dry plantation teak is sold for between R\$3,500 to R\$ 4,000 per cubic metre and is now used to produce a wide range of products

Teak sawnwood is produced mainly in the municipalities of São José do Rio Claro and Alta Floresta, both in Mato Grosso state.

**Deforestation increases in the Amazon**

According to the Brazilian National Institute for Space Research (INPE) the deforestation rate in the Amazon amounted to was 3,036 sq. km between August 2013 and July 2014, an increase of 9.8% year on year.

The deforested area was assessed through the Real Time Deforestation Detection System (DETER), a technology managed by INPE to analyse forest degradation and clear cutting in the the Amazonian states of Acre, Amapá, Pará, Amazonas, Mato Grosso, Rondônia, Roraima, Tocantins and part of Maranhão.

To calculate the annual deforestation rate from clear cutting INPE uses the Amazon Deforestation Monitoring Project (PRODES) system which provides high resolution satellite images showing even small deforested areas.

The deforestation data released by INPE shows a forest loss of 535 sq. km in June and 729 sq. km in July. Pará state had the highest rate of deforestation followed by the states of Mato Grosso and Rondônia.

**Export Sawnwood Prices**

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



**Export Plywood Prices**

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
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**

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

**Domestic Log Prices**

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	183
Jatoba	113
Massaranduba	122
Muiracatiara	127
Angelim Vermelho	117
Mixed redwood and white woods	109

**Domestic Sawnwood Prices**

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	911
Jatoba	546
Massaranduba	439
Muiracatiara	484
Angelim Vermelho	424
Mixed red and white	265
Eucalyptus (AD)	249
Pine (AD)	195
Pine (KD)	208

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

Parica	US\$ per m <sup>3</sup>
4mm WBP	795
10mm WBP	662
15mm WBP	565
4mm MR	703
10mm MR	549
15mm MR	519

Domestic prices include taxes and may be subject to discounts.

**Prices For Other Panel Products**

<i>Domestic ex-mill Prices</i>	US\$ per m <sup>3</sup>
15mm MDPparticleboard	346
15mm MDF	501

## Report from Peru

**Tax benefits mulled for forestry**

Minister of Production, Piero Ghezzi, has revealed that his Ministry and the Ministry of Agriculture and Irrigation are planning to offer the forestry sector the same benefits provided to agriculture under the Agricultural Promotion Act.

The Ministry of Production will select a consultant to identify the competitiveness of Peruvian wood product exports since the wood processing industries have the potential to contribute more to the country's finances and overall economic growth.

**SERFOR begins evaluation of contribution to economy**

The National Forest and Wildlife Service (SERFOR) has initiated a review of the contribution of forestry to the economy. Various agencies have been brought together to assess the economic resources and services of the forest.

**Visit of Finnish forest sector entrepreneurs**

A delegation of Finnish businessmen and forestry sector academics met with the Minister of Agriculture during a recently concluded Peru-Finland Forestry Seminar. The Finnish forestry companies introduced the latest technology in, and Finnish experience of, sustainable forest management and forestry education.

**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	871-916
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	494
6mm	495
8mm	497
12mm	446
(Pucallpa mills)	
4mm	473
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	915-1043
Swedish market	1234-1298
Asian market	1187-1278
Cumaru decking, AD, S4S E4S, US market	479-554
Pumaquiro KD # 1, C&B, Mexican market	493-519
Quinilla KD, S4S 2x10x62cm, Asian market	732-815
2x13x75cm, Asian market	

## Report from Guyana

### Encouraging first half 2014 production

In the first half of 2014 the performance of Guyana's forestry sector improved compared to the first half of 2013 due mainly to a good performance of the sawnwood and plywood industries according to the review conducted by the Ministry of Finance and the Guyana Forestry Commission.

See:

<http://www.nre.gov.gy/PDF/Setting%20the%20Record%20Straight%20on%20the%20Forestry%20Sector/Forest%20Sector%20Performance%20Improve%20over%202013%20half%20year%20owing%20to%20Timber%20and%20Plywood%20Sub%20Category%20Increase.pdf>

The review says production logs, sawnwood and roundwood (piles and posts ) increased from 151,151 cubic metres in the first half of 2013 to 238,411 cubic metres in the first half of 2014.

Log production rose 77%, driven by an increase in output of prime such as greenheart and wamara as well as lesser utilised species.

Plywood and veneer production accounted most of the increased output with the timber and plywood sub sectors recording a 53% increase in export volumes in the first half of this year.

The report on the forestry sector says: "The forest sector has shown a strong performance so far in 2014. As reported by the Ministry of Finance in the half year summary, this provides strong basis for revising the projected increase in forest sector growth for 2014.

Further, as noted in the Ministry of Finance half yearly report, plywood production is one of the main drivers of the growth in the sector with a 65% increase in production recorded in the first half of 2014."

### Export Log Prices

Logs, FOB Georgetown	SQ - US \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart	140	130	-
Purpleheart	200-325	170-215	150-215
Mora	-	115	110

### Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m <sup>3</sup>	
		Undressed	Dressed
EU and US markets			
Greenheart	Prime	-	-
	Standard	-	721-1,060
	Select	575-912	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	1.080	-
	Standard	-	700-1,113
	Select	1,000-1,080	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-530	-
	Sound	-	-
	Merchantable	500	-

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	No export
		12mm	488-723
	Utility	5.5mm	No export
		12mm	No export

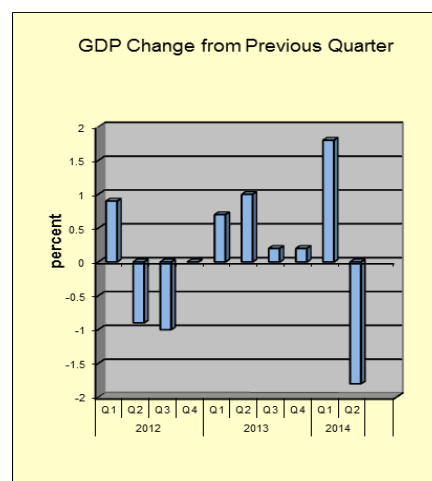
## Report from Japan

### Second quarter GDP revised down

Japan's second quarter GDP has been revised down to minus 1.8% according to the most recent release from the Cabinet Office.

See:

[http://www.esri.cao.go.jp/jp/sna/data/data\\_list/sokuhou/gaiyou/pdf/main\\_1.pdf](http://www.esri.cao.go.jp/jp/sna/data/data_list/sokuhou/gaiyou/pdf/main_1.pdf)



Source: Ministry of Finance, Japan

With the revised data the fall in second quarter GDP was the worst since 2009 when GDP was severely affected by the global financial crisis.

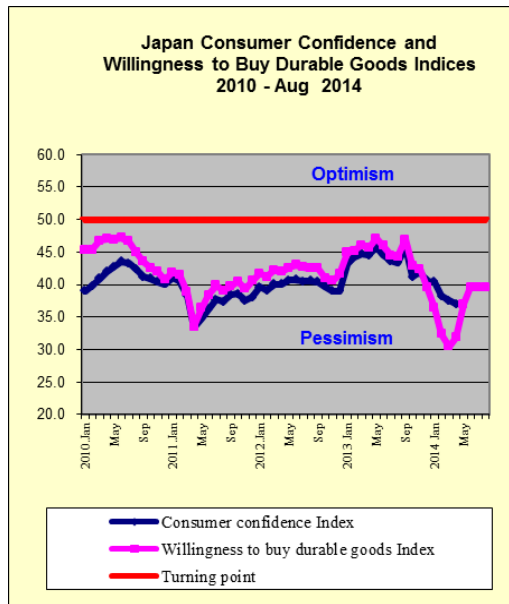
For the financial year ending in March 2015 annual GDP growth is likely to be lower than forecast because it is taking longer than expected for consumers and businesses to recover from the 'tax hike shock' which has resulted in a sharp drop in capital expenditure and consumer spending.

The pace of growth in the July-September quarter will decide whether or not the consumption tax is raised further to 10% in October 2015. The Bank of Japan chief has suggested that the fall in consumer spending is temporary and consumer spending will pick up in the third quarter.

**Consumer Confidence Index**

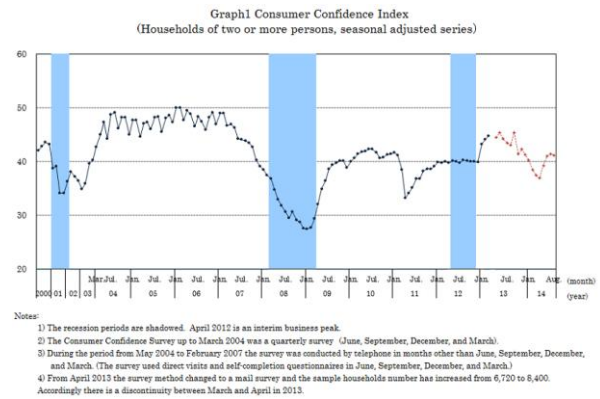
Consumer confidence in Japan fell slightly in August which confounded government analysts who expected an improvement. The full data is available at: <http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>

The overall consumer confidence index fell to 41.2 in August from 41.5 in July. Out of the four main sub-indices three declined in August. The Overall livelihood index for August was 39.1 (up 0.6 from the previous month); Income growth 38.5 (down 0.6 from the previous month); Employment: 47.8 (down 0.9 from the previous month) and Willingness to buy durable goods: 39.5 (down 0.1 from the previous month).



Source: Cabinet Office, Japan

The long term trend in the consumer confidence index is shown below.



Source: Cabinet Office, Japan

**Business sentiment weakens**

Japan's Business Outlook Survey for the period July-September was published on 11 September. See: <http://www.esri.cao.go.jp/en/stat/hojin/hojin-e.html>

The report shows that in August business sentiment for all regions in Japan was the worst for three months with the diffusion index for business conditions down 0.7 points from July to 46.2. The main reason cited for the bad news is weak exports and rising production costs now made worse by the weakening of the yen.

The manufacturing sector in Japan is facing rising energy bills as the country struggles to adjust to the shutdown of all nuclear power plants pending safety inspections. The government's assessments of the Coincident Index is given below.

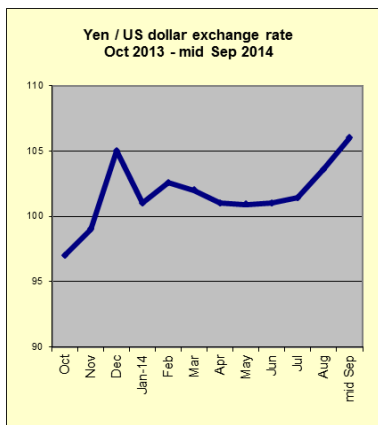
January, 2014	Improving
February, 2014	Improving
March, 2014	Improving
April, 2014	Weakening
May, 2014	Weakening
June, 2014	Weakening
July, 2014	Weakening

Source: Cabinet Office, Japan

Despite the somber news, the BoJ maintains that the Japanese economy is continuing to recover so its monetary policy can stand for the present. But financial analysts are raising doubts on whether the 2% inflation target can be achieved without a change in policy at the Bank.

**Weaker yen a double edged sword**

Since mid-August, the yen has fallen almost 4% against the US dollar sliding to 106.95 on 11 September. The main cause of the abrupt change is the conviction that the US Federal Reserve will stop buying assets within a month and by the flow of funds out of the yen into dollars because of firm signals that the US economy is improving.



The weak yen is a double edged sword for Japan, exports become more competitive but imports more expensive and Japan faces huge energy import bills made more costly as the yen weakens. However, a spokesperson from the BoJ denied the Bank was relying on a weak yen to lift consumer prices.

While the BoJ governor has said the yen weakness “won't be a minus for the economy” business leaders do not appreciate a fluctuating yen, preferring the yen:dollar rate to stay between 105 to 110. The BoJ's decision in mid-September to maintain its current policy opened the door for more yen weakness.

#### 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>

#### Additional species for Wood Use Point system

The administration office of the Wood Use Point system announced that it added two more species as eligible species for the system.

They are European spruce and European red pine from Finland. They are not approved for newly built units since the point is issued by September 30. Formally added European spruce and red pine from Sweden and radiata pine from New Zealand are approved as qualified species since August 15.

There is difference by the prefecture in ruling. By other construction methods than previously registered methods, condition is to use following species more than half of structural members in Iwate, Kyoto and Nagasaki prefecture. Species are cedar, cypress, larch, fir, black pine, Ryukyu pine, yellow cedar, Douglas fir from the U.S.A. and spruce from Austria.

#### Yamasa Mokuzai acquired JAS on CLT

Yamasa Mokuzai Co., Ltd. (Kagoshima prefecture) has acquired JAS certificate on CLT (cross laminated timber) on June 30. Species are cedar and possible producing sizes are 450 mm in thickness, 2,000 mm in width and 4,000 mm in length. The annual production is 4,000 cbms.

Yamasa Mokuzai is one of establishing member of Japan CLT Association and it has been promoting panel use of structural laminated lumber like floor, wall and ceiling. It has built full scale two story house with cedar CLT with which they test floor impact sound insulation performance on CLT composite floor and observe aging degradation.

#### North American log imports up in first half 2014

According to the summary the tallying organizations made up, total import of North American logs were 1,789,000 cbms, 4.3% more than the same period of last year. Logs for sawmills in major Douglas fir ports like Kure, Matsunaga and Kashima decreased considerably by mills' slower production but log arrivals increased for the ports like Ishinomaki and Sakai Minato where plywood mills are so increase of logs for plywood mills offset decrease of logs for sawmills.

Volume for top three port of Kure, Kashima and Matsunaga where Chugoku Lumber and other major Douglas fir sawmills like Toa decreased and total of three ports was 852,000 cbms, 13.6% drop and share of three ports in total import was 47.6%, 7.6 points down from the same period of last year. Another port of Matsuyama where another large Douglas fir sawmill, Tsurui Sangyo is, showed 19% decline as well.

Meantime, plywood ports showed considerable increase. Sakai Minato had 12.6% more. Ishinomaki shows 50.6% more. Nanao had 16.3% more. Komatsushima had 25.5% more and Akita had 4.8% more. They have been using Douglas fir logs mainly from Canada.

#### Russian logs and lumber

With continuing demand slump, port inventories of imported Russian lumber like red pine 30x40 mm remain high and the arrivals have not declined yet so supply glut feeling is heavy in the market. Arrivals seem to continue steady through the summer so the adjustment won't be done until sometime in fall.

The market prices continue declining little by little without any bottom in sight so the buyers minimize the purchase volume.

The importers and wholesalers are not able to make any future purchase in this situation. Median offer price of red pine lumber by the suppliers is about US\$500 per cbm CIF but there are variety of prices offered by the suppliers so arrived cost varies.

Imported cost of standard items is about 60,000-62,000 yen per cbm FOB truck port yard but actual market prices are 55,000-58,000 yen. Quality lumber market prices are 65,000-67,000 yen at best for the import cost of 68,000 yen.



Domestic sawmills reduce the production of red pine 30x40 mm to avoid head-on competition with imported Russian red pine lumber but because of confused market of imported lumber, market prices of domestic products are uncertain.

**Sash manufacturers' overseas expansion**

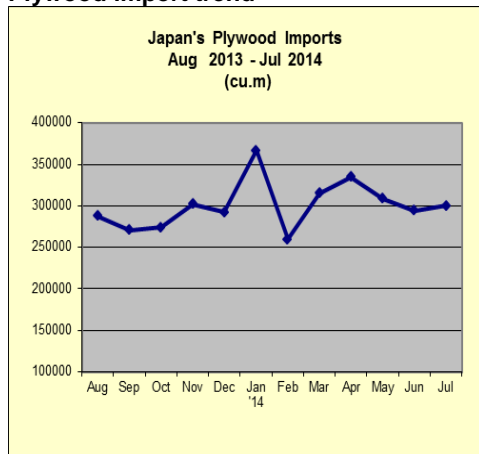
Lixil has been aggressively making merger and acquisition of overseas companies then YKK AP and Fuji Sash have started overseas expansion. YKK AP has made overseas business expansion as one of the major business plans for its mid-term plan during 2013 and 2016.

It made sales amount of 71.25 billion yen in 2013 and aims 79.8 billion yen in 2014. In the U.S.A., it will make expansion of the facilities and in Taiwan P.o.C, it plans to shift to market higher grade products. It plans to start marketing a new merchandises in Indonesia.

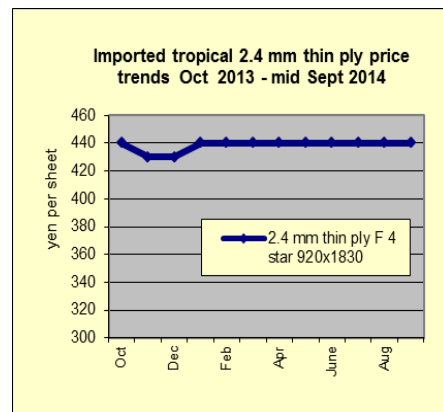
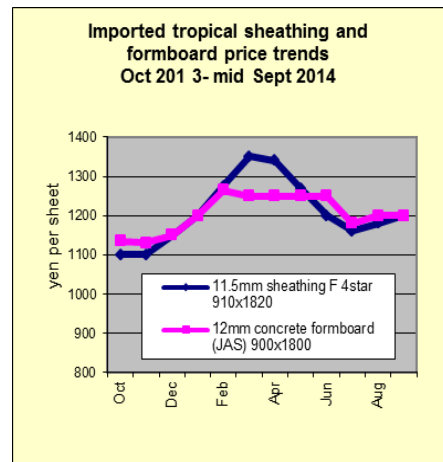
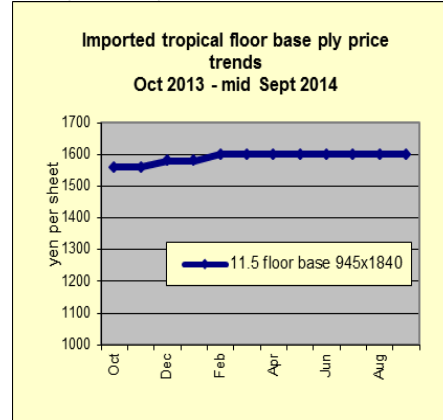
In the U.S.A., it started expansion of resin window frame manufacturing facility. It has been manufacturing window frame since 2007. Specialty is the window which flying objects cannot go through in hurricane. With housing starts recovering in the States, it decided to increase the production capacity to make multi layered glass window and resin window frame.

By 2015, the production will be double from 2013 level. Sales in the U.S.A. in 2013 were about 16 billion yen and the target for 2016 is 19 billion yen. Fuji Sash plans to expand overseas sales in next two years.

**Plywood import trend**



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



**Report from China**

**Taicang Port introduces new timber import regulations**

New regulations have been introduced by the Taicang Port Authority to ensure that the shippers of wood products provide an accurate and detailed packing list. The new regulations will come into effect on 1 October 2014.

See: [http://www.taicangwoodinsp.com/nd.jsp?id=315&\\_np=2\\_3](http://www.taicangwoodinsp.com/nd.jsp?id=315&_np=2_3)

The following outlines the requirements of the new regulation:

- Detailed measurement of logs shall include volume, quality, grade and species without which the shipment will not be processed on arrival.

- Each batch of imported logs from Canada must be accompanied by an electronic specification
- in accordance with the Canadian standard.
- If volumes are shown in board feet these will be converted to cubic metres using the Chinese national standard before shipments are processed.

The Taicang Port authorities will not allow ships to dock and unload if the new regulation is not satisfied.

#### **Furniture sector profits rise**

According to the latest data released by the Ministry of Industry and Information Technology, in the first half of 2014 the revenue generated by China's furniture manufacturing sector rose 13% to RMB328.21 billion and profits grew 17%.

The number of large scale furniture manufacturing enterprises is expanding and the number of furniture enterprises with a total output value of more than RMB5 million has been increasing.

As of May this year a recent survey showed there were over 4840 furniture enterprises with total output value of more than 5 million yuan in China , a 6% increase in number 2013.

While the large enterprises are modern plants with the latest technology most of the small and micro scale enterprises lack basic technology and have failed to achieve brand status and as such profit margins are small.

#### **Guangdong enterprises import more US sawnwood**

From January to July 2014, sawnwood imports by Chinese enterprises in Guangdong Province increased by 19% to 2.93 million cubic metres. Of the total, sawnwood imports from the US rose 22% to 1.70 million cubic metres from the same period of 2013.

Guangdong sawnwood imports from Russia increased 16% to 4.07 million cubic metres, from Thailand imports grew 11% to 1.14 million cubic metres, and from Canada a 7% increase was recorded (3.77 million cubic metres).

#### **National plywood distribution centre for Jiashan County**

E-commerce in the timber industry is developing fast and is changing the way companies trade.

The Bohai Commodity Exchange (BOCE) is the largest national commodity exchange authorised by the State Council and established by Tianjin municipal government. Nearly one hundred commodities are listed and the Exchange has more than 170 institutional members and more than 1000 business partners.

At the end of September plywood will be listed on Bohai Commodity Exchange and a national plywood distribution centre will be set up in Jiashan County of Zhejiang.

This will create a favourable environment for wood industry and promote a transition to e-trading.

Manufacturers in Jiashan County are developing a reputation for production of a wide range of wood products. There are some 800 furniture manufacturers of which 83 have an output value of RMB20 million.

For more see: [www.boceworld.com/](http://www.boceworld.com/)

#### **Guangxi Liuwanshan a base for container flooring**

The output of container flooring from Liuwanshan Forestry Co., Ltd in Guangxi Zhuang Autonomous region has expanded. The main product from the company is bamboo wood composite plywood for container flooring.

The company invested in a 120,000 cubic metre bamboo plywood plant in 2011 at a cost of RMB360 million. At present there are 2 production lines for container flooring but expansion plans are underway which could create a further 1000 jobs.

The Liuwanshan panel industry has become an important bamboo wood composite plywood production base for container flooring.

#### **Guangdong furniture mill wages to exceed RMB6000/m in five years**

According to a report 'Efficiency Analysis and Research of Furniture Enterprises in Shunde City of Guangdong Province', the value of worker output in furniture enterprises is RMB32,2880.

The value of worker output is forecast to grow and it is estimated wages will rise 13% to around RMB6060 per month in five years. Experts expect the rapidly rising wages will hollow out the sector such that only 45% of the current furniture enterprises will be in business 5 years from now because of high labour costs.

In order to cut labour costs some enterprises have introduced more automation but because much of the furniture is of individual design there is a limit to the extent that automation can replace handwork.

#### **2014 CAEXPO Forest and Wood Products Exhibition**

The 2014 CAEXPO Forest and Wood Products Exhibition will be held in Nanning September 25-28, 2014. A wide range of wood products will be exhibited especially 'redwood' furniture. The exhibition will help lift the reputation of Guangxi Province as a premier 'redwood' product sales centre specializing in hardwood furniture.

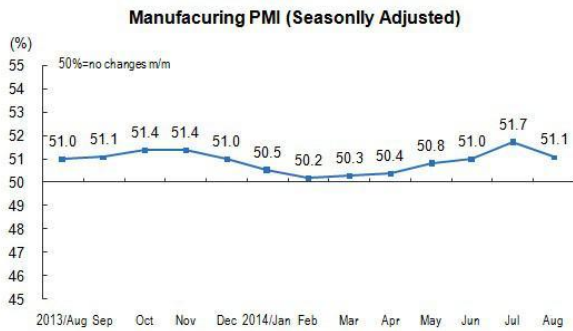
#### **PMI no longer the key indicator of economic prospects**

In August 2014, China's manufacturing purchasing managers index (PMI) as determined by the National Bureau of Statistics was 51.1 percent, 0.6 percentage points lower than the previous month having fallen after 5 months of increase.

A PMI reading above 50 indicates that manufacturing is generally expanding and a reading below 50 implies it is generally contracting.

See:

[http://www.stats.gov.cn/english/PressRelease/201409/t20140901\\_604195.html](http://www.stats.gov.cn/english/PressRelease/201409/t20140901_604195.html)



Source: National Bureau of Statistics, China

The PMI of large-sized enterprises was 51.9 percent, down 0.7 percent month-on-month but above the negative threshold and as such supports manufacturing growth. The PMI for medium-sized enterprises was below 50 signalling and the index for small-sized enterprises was also below 50.

Analysts point out that China is moving towards a services-dominated economic development model such that forecasts of change based on the manufacturing sector may not be as useful as before in forecasting potential growth.

**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
yuan per tonne		
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

	Sawnwood	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

Logs All grades	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

	Sawnwood	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

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

	Sawnwood	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

Logs, all grades	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

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

Logs, all grades	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



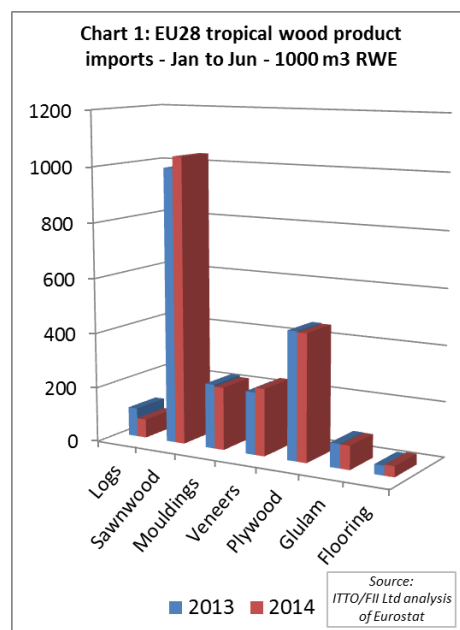
### Rebound in EU tropical hardwood imports unlikely during 2014

Although there has been some shifting between product groups, total EU imports of tropical hardwood products in the first half of 2014 hardly recovered from the historically low levels recorded in the previous two years.

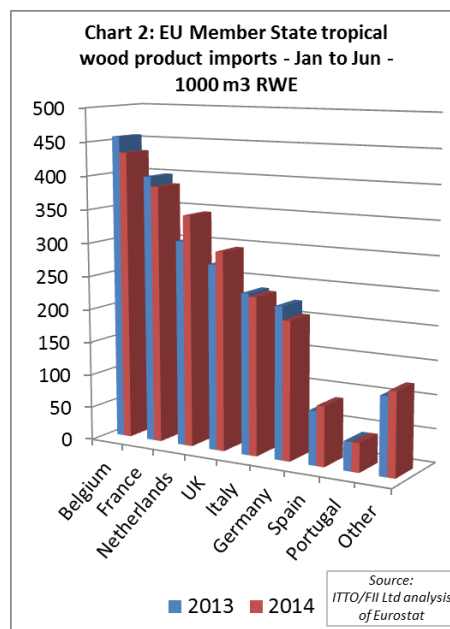
EU imports of tropical hardwood products in the first half of 2014 were 2.157 million cu.m (roundwood equivalent, rwe), a marginal increase of 1% compared to the same period last year.

Imports of tropical hardwood logs, mouldings and decking, plywood and glulam/window scantlings have all fallen so far this year.

These losses have been offset by rising imports of tropical hardwood sawn, veneer and flooring (Chart 1).



In the first half of 2014, the volume of tropical hardwood imports (see footnote 1) fell into both Belgium (-5%) and France (-4%), the two largest European destinations for these products (Chart 2). Both markets are currently affected by consolidation of operators in the tropical wood industry and rapidly changing demand trends.



After signs of recovery at the end of 2013, both countries also registered a general slowdown in construction activity in the first half of 2014.

In contrast, the volume of tropical hardwood imports increased into the Netherlands (+13%) in the first half of 2014. After a long period of recession, Dutch building activity improved gradually in the second half of 2013 and first half of 2014.

Dutch construction still faces challenges including low permit issuance, stricter regulations for housing corporations, and government austerity.

However, demand for hardwood has benefitted from the temporary VAT reduction on renovation activities implemented since early 2013 which is due to remain in place until the end of 2014.

UK imports of tropical hardwood products were up 7% in the first half of 2014, boosted by good recovery in the construction sector.

UK construction activity slowed a little in July but recovered strongly in August. New construction orders continue to rise in the UK, suggesting good market prospects for the rest of the year.

In contrast, imports of tropical hardwood products into Germany were down 9% in the first half of 2014 compared to the same period last year. After two years of robust growth, Germany's construction sector has been contracting during 2014.

Tropical hardwood is struggling to compete against alternative products in several key market segments in Germany including the decking, window scantlings, plywood and flooring markets.

<sup>1</sup> Refers to total roundwood equivalent volume of logs, sawnwood, mouldings & decking, veneers, plywood and glulam

Implementation of a tough EUTR inspection regime in Germany and the government’s decision to confiscate a consignment of African wenge logs due to an alleged breach of the law may also have played a role to discourage tropical wood imports into Germany this year.

There was a pick-up in demand for tropical hardwood products in Spain and Portugal in the second quarter of 2014, mainly to replenish depleted stocks.

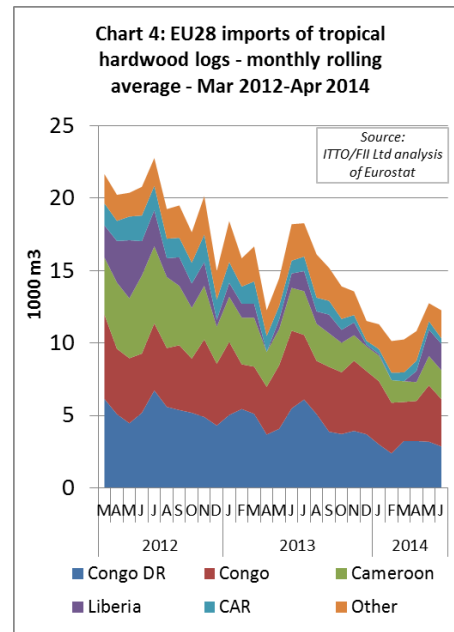
However in both countries, as in Italy, there is still very little speculative purchasing in anticipation of any increase in future demand.

**EU tropical hardwood log imports slide even further**

EU imports of tropical hardwood logs were 68,000 cu.m in the first six months of 2014, 35% less than the same period of 2013 (Chart 3).

Continuing delays in shipment of logs from Douala port has had a significant impact on log exports from Cameroon and Congo this year. The civil war in Central African Republic and EUTR-related concerns over the reliability of legality documentation are other factors impeding EU tropical log imports this year.

Lack of availability elsewhere has encouraged an increase in EU log imports from Equatorial Guinea and Liberia during 2014, although the volumes involved are very small.

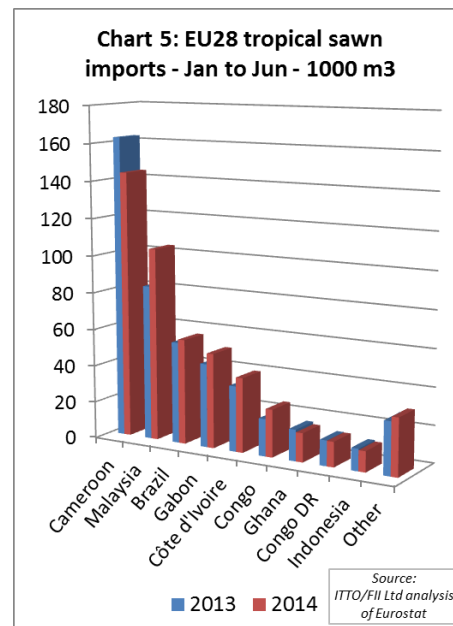
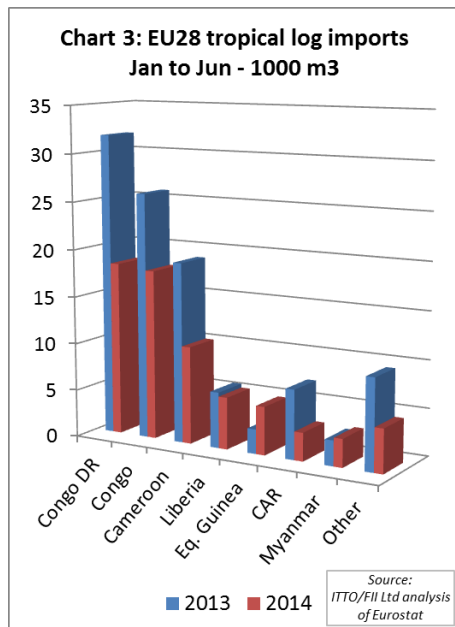


Review of monthly data shows that EU imports of tropical hardwood logs were extremely low in the first quarter of 2014 and increased only a little in April and May.

Imports were again showing signs of weakness in June (Chart 4). Since most log imports usually arrive in the first half of the year, the downward trend is expected to continue.

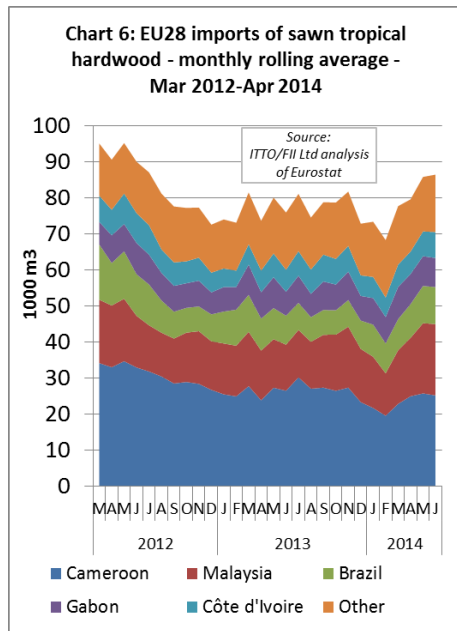
**Minor recovery in EU imports of sawn tropical hardwood**

EU imports of sawn tropical hardwood were 493,000 cu.m in the first half of 2014, 4% more than the same period in 2013.



Imports from Cameroon fell 11% to 144,000 cu.m (Chart 5). However, this decline was offset by rising imports from Malaysia (+24% to 104,000 cu.m), Brazil (+3% to 57,000 cu.m), Gabon (+13% to 51,000 cu.m), Ivory Coast

(+14% to 40,000 cu.m) and the Republic of Congo (+27% to 26,000 cu.m).



Exports from the main port of Douala in Cameroon have been disrupted by logistical problems this year. There also continues to be significant competition for African sawn hardwood supplies from Asian and North American buyers.

Large European-owned companies in Gabon have been actively expanding sales of sawn hardwood in Europe in 2014, building on a strategy of certification and diversification of the range of timber species and products on offer.

Much of the gain in EU imports of sawn hardwood from Malaysia during 2014 has been destined for the Netherlands, indicative of improved construction activity in that country this year. Suppliers in Malaysia have also been better able than those in Africa and Brazil to supply product at short notice, particularly certified product which is increasingly required in the Netherlands.

After a slow start to the year, EU imports of sawn hardwood increased strongly between March and June (Chart 6). However by July, trade was slowing again as consumption had not kept pace with imports and European stocks had begun to build.

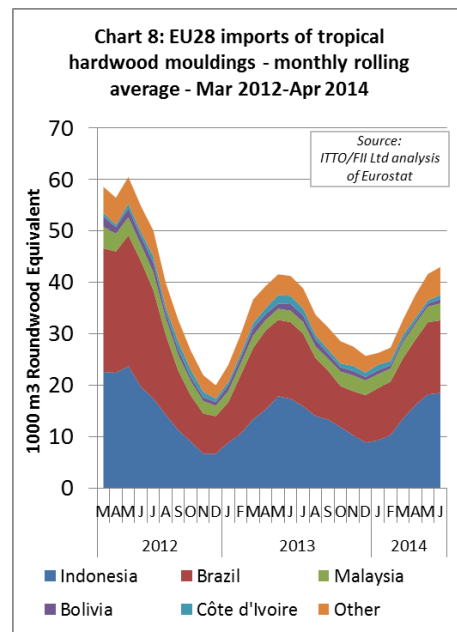
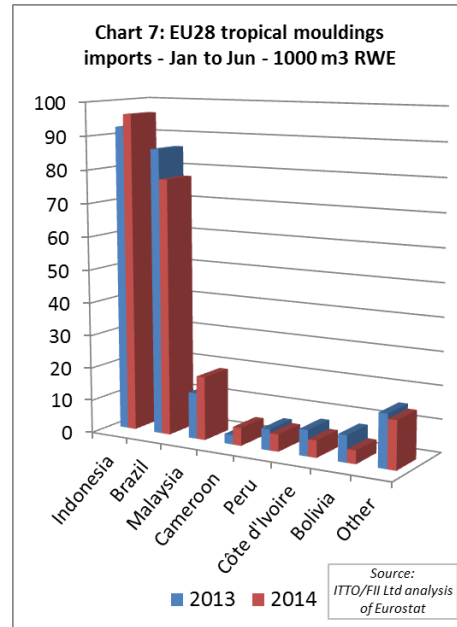
The hiatus in activity may be short-lived with most forecasts indicating relatively stable European buying and consumption of sawn tropical hardwood for the rest of the year.

According to European importers, tight supplies and better demand led to rising export prices for several species of African sawn wood, including framire, iroko and sipo, in the second quarter of the year. Prices for sapele and wawa sawn lumber have remained stable at the higher levels achieved in April.

### Better EU demand for Asian decking in 2014

European demand for Indonesian bangkirai decking has been better overall during 2014 compared to the previous year, although the total volume is still low by historical standards.

Total EU imports of mouldings and decking from Indonesia in the first half of 2014 were 96,000 cu.m, 4% more than the same period in 2013 (Chart 7). EU imports of mouldings and decking from Malaysia also increased 37% to 19,000 cu.m in the first 6 months of 2014 compared to the same period in 2013.



However, European imports of Brazilian decking products have continued to subside this year. Imports of Brazilian mouldings and decking in the first 6 months of 2014 were 77,000 cu.m, 10% less than the same period in 2013.

This may be partly due to currency fluctuations, the euro having depreciated more than 10% against the Brazilian real since the start of the year.

Brazilian decking products have also been the target of a Greenpeace campaign in Europe in 2014. Several large European retailers have discontinued sales of ipe decking following allegations that legal documentation does not meet EUTR requirements.

Asian decking has been more competitively priced than Brazilian products in Europe this year. Indonesian bangkirai decking has also reclaimed share from alternative temperate wood products during 2014.

However, all wood decking products now face significant competitive pressure in European markets from wood-plastic composites.

Monthly data reveals the usual steep rise in EU imports of moulding and decking products during the second quarter, levelling off in June (Chart 8). Anecdotal reports indicate that as the summer season progressed, the pace of new orders for decking tailed off rapidly in July and August this year. Those orders placed were limited to small volumes of specific sizes to fill gaps in stocks.

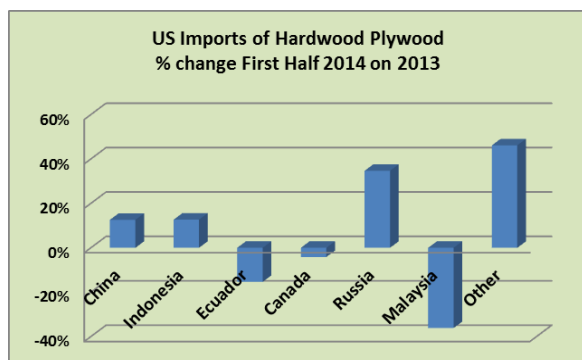
Significant new orders are not now expected before November at the earliest. Depending on importers assessment of the stock situation and still uncertain forecasts of demand next year, most new orders of decking for next season may be delayed until January.

**Report from North America \***

US imports of most major wood products declined in June following high May imports. The notable exception was wooden furniture imports which grew by 3% from the previous month.

**Hardwood plywood imports from China**

The US imported 270,487 cu.m of hardwood plywood in June, 18% less than in the previous month. However, year-to-date imports were 10% higher than in June 2013.



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

Hardwood plywood imports from China increased despite the overall decline in imports. China shipped 170,305 cu.m of plywood in June, up 15% from May. Year-to-date imports from China were 13% higher than in June 2013 but plywood imports from Indonesia fell to just 23,271 cu.m in June, a decline of 77% from May. On the other hand, imports from Ecuador fell to 15,829 cu.m.

**Moulding imports down**

The value of hardwood moulding imports declined by 11% from the previous month to US\$17.4 million in June. But year-to-date imports are higher than in 2013.

Hardwood moulding imports from China and Brazil declined in June, while Malaysian shipments increased. Imports from Canada were stable compared to the previous month.

June moulding imports from China were worth US\$6.0 million, down 12% from May while imports of mouldings from Brazil declined by 21% to US\$4.3 million.

**More hardwood flooring from Indonesia**

US imports of hardwood flooring were maintained at May levels (US\$2.9 million in June) while assembled flooring panel imports fell 4% worth US\$11.3 million in June.

US imports of assembled flooring panels from China fell by 14% in June to US\$5.0 million while Assembled flooring panel imports from Canada were unchanged at US\$2.8 million.

In contrast to the weak imports of Assembled Flooring, hardwood flooring imports from Indonesia increased significantly in June to US\$0.73 million and hardwood flooring imports from China were worth US\$0.58 million, up 44% from May.

**Mexico's furniture shipments surpass Indonesia and Malaysia**

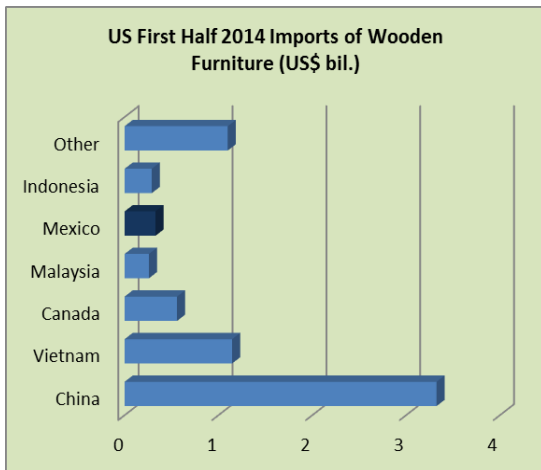
The growth in US wooden furniture imports continued in June. Total imports were worth US\$1.29 billion, up 3% from May and 11% higher year-to-date than in 2013. Imports from China increased by 6% in June to US\$656.8 million and year-to-date furniture imports from China were worth US\$6.95 billion, up 11% from June 2013.

Furniture imports from Vietnam were worth US\$183.6 million, down 11% from May. However, year-to-date imports from Vietnam were 42% higher than in June 2013.

Canadian furniture shipments to the US increased by 14% in June to US\$103.8 million. Imports from Mexico declined by 6% in June, but year-to-date imports are significantly higher than in 2013.

Mexico has surpassed Indonesia and Malaysia to become the fourth-largest supplier of wooden furniture to the US after China, Vietnam and Canada.

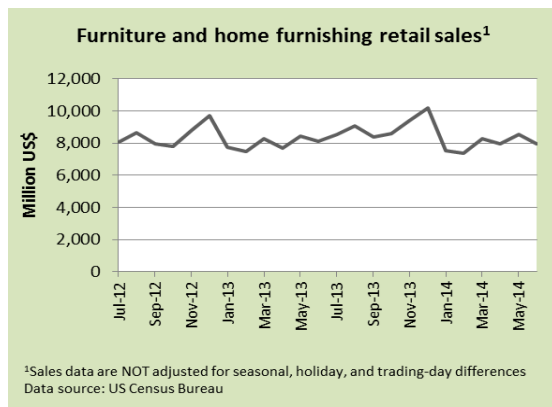




Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

### Furniture retail sales slow

While furniture imports increased in June, US retail sales were down. Retail sales at furniture and home furnishing stores in the US declined by 7% in June according to the US Census Bureau. Sales were 2% lower than in June 2013.



Source: Census Bureau

Furniture sales (excluding home furnishing) declined by 9% in June compared to a month earlier and were 1% lower than in June 2013.

### Domestic furniture manufacturers increases output

The US manufacturing sector and the overall economy expanded in July according to survey data from the Institute for Supply Management. Once more the furniture manufacturing sector posted the highest growth rate of all industries. The only industry reporting lower output in July was the primary wood product manufacturing sector.

### Strong second quarter GDP growth

Economic growth accelerated from a dismal -2.1% in the first quarter of 2014 to +4% in the second quarter according to the US Department of Commerce. GDP growth in April, May and June of this year was much stronger than expected.

The increase in GDP was mainly due to higher personal expenditure but exports as well as state and local government spending also grew supporting GDP.

The contribution to GDP from residential and non-residential investment is a welcome development for the timber sector.

### Labour market indicators show economy is 'fragile'

On the downside, the US unemployment rate was unchanged in July at 6.2%, according to the Department of Labor. Several labour market indicators show that the US economy is still fragile. Average hourly earnings are only 2% higher than last year and below the rate of inflation. The number of Americans working in part-time jobs who would prefer a full-time job is almost twice as high as in 2007.

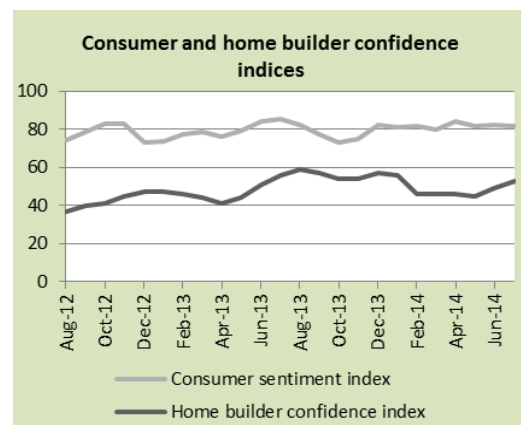
### Consumer confidence falls but home builders more confident

Consumers remain skeptical about economic growth this year. Consumer confidence in the US economy fell in July and it was 3.9% lower than in July 2013, according to the Thomson Reuters/University of Michigan consumer sentiment index.

A positive sign is that most consumers reported a recent increase in income. Higher incomes support more favourable buying plans for durable household items such as furniture.

The housing market had a negative effect on consumer confidence. Growth in home prices slowed, while inflation increased slightly. Both factors contributed to a more negative outlook by home owners.

The US Builders' Confidence Index increased to 54 points in July, an index of over 50 means that more builders view market conditions as good rather than poor. It is the first time since January that the index is above 50.



Data source: Thomson Reuters/University of Michigan Surveys of Consumers, National Association of Home Builders/Wells Fargo Housing Market Index

Confidence in the market for newly built single-family homes grew in all four regions of the country. The strongest growth was in the West but housing construction fell in the south of the US where construction of both single and multi-family homes declined. Overall, housing starts fell by 9.3% to 893,000 units at a seasonally adjusted annual rate.

The decline was entirely due to a drop in construction in the US South. All other regions of the country saw an increase in the number of housing starts.

### **Soft landing for Canadian housing market, energy exports driving economy**

Canadian housing starts increased slightly in June to 199,000 at a seasonally adjusted annual rate. The Canadian Housing and Mortgage Corporation anticipate a soft landing of the Canadian housing market with slightly lower starts in 2014 compared to the previous year.

The Canadian unemployment rate declined by 0.1 percent in July to 7.0%. Canada's job growth has mainly been in Alberta, where oil and gas production drive the economy. Canada's exports of non-energy products remain weak and the Central Bank kept interest rates near zero.

### **Higher prices forecast for softwood mouldings**

In 2013, US consumption of pine and other softwood mouldings increased by 12% according to a market study released in August by International Wood Markets Group (U.S. Clear Pine Lumber and Moulding Market Outlook: 2014- 2018). The US market for softwood mouldings is largely driven by new home construction and home repair and remodelling.

For 2014, the market study forecasts a 4% increase in moulding demand. The relatively low growth is the result of the slow recovery in new home construction. Mouldings consumption is projected to grow faster from 2015 to 2018 because of an overall positive outlook for the US economy.

The availability of clear pine grown in the US is much lower than twenty years ago. As a result, the US millwork industry (including moulding manufacturers) relies heavily on imported sawnwood from pine plantations in Chile, New Zealand and Brazil.

The market share of moulding imports is expected to grow. In 2013, imported mouldings accounted for 40% of total consumption. Softwood moulding imports almost doubled between 2009 and 2013.

The value of moulding imports was US\$693 million in 2013. Pine mouldings from Brazil and Chile dominate imports but imports from China have grown significantly and China is now the US' fourth-largest supplier of softwood mouldings.

Solid pine mouldings are losing market share to hardwood moulding, plastic and paint-grade mouldings made from MDF or finger-jointed pine. Relatively few producers supply the US softwood moulding market and the market study predicts a rise in prices as US demand grows in the next four years.

### **Residential window and door market outlook**

The US market for residential windows is expected to grow by 9.1% in 2014 and by 8.3% in 2015. Market growth in 2013 was 10%. The Window and Door

Manufacturers Association released these forecasts in the Window and Entry Door 2014 US Market Study.

An estimated 44.5 million residential windows were sold in 2013. The leading window materials were vinyl (69%) and wood-clad (20%).

The growth in demand for entry (front) doors is lower than for windows. 14.1 million residential exterior doors were shipped in 2013, 5.3% more than in 2012. For 2014 and 2015 the market for entry doors is forecast to grow by 5.1% and 4.8%, respectively.

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

**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.*

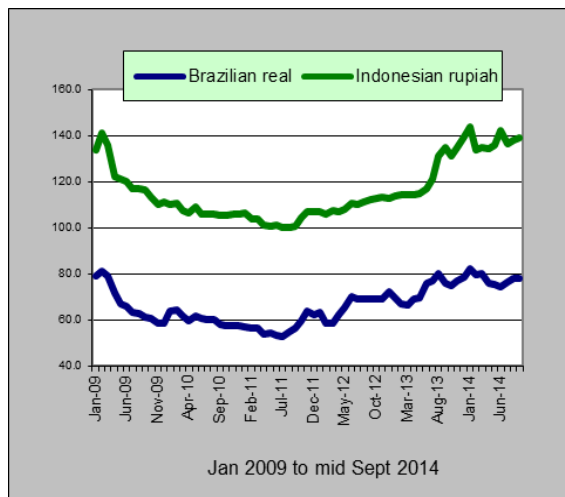
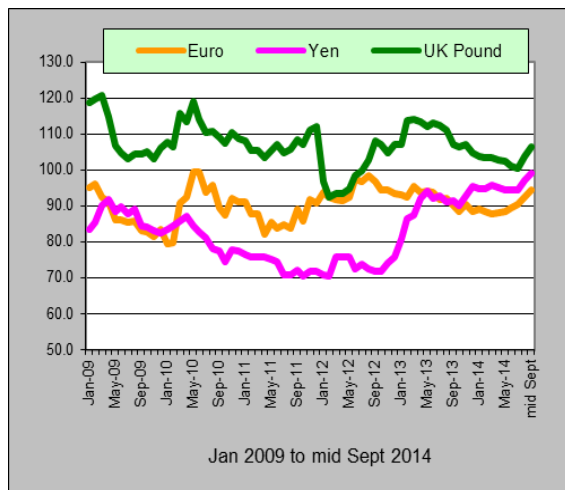
*The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.*

## in US Dollar Exchange Rates

As of 10th September 2014

Brazil	Real	2.2885
CFA countries	CFA Franc	507.35
China	Yuan	6.1296
EU	Euro	0.7742
India	Rupee	60.81
Indonesia	Rupiah	11,825
Japan	Yen	106.85
Malaysia	Ringgit	3.21
Peru	New Sol	2.8545
UK	Pound	0.6169
South Korea	Won	1024.41

Exchange rate index (Dec 2003=100)

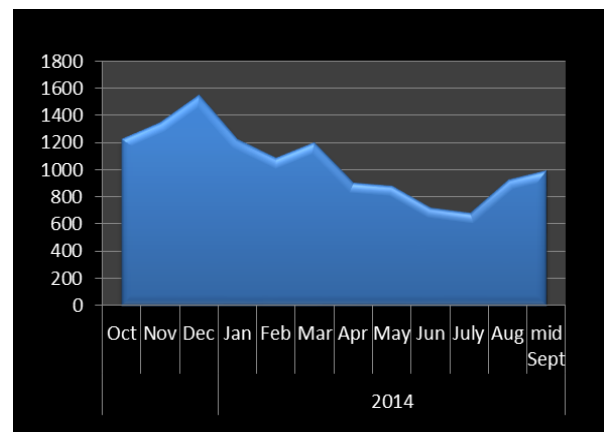


## Abbreviations and Equivalences

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 Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

## Ocean Freight Index

Baltic Supramax Index  
October 2013 – mid September 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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