Tropical Timber Market Report

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Top Story

Trade group calls on ITTO to develop a strategy to harness the experience and energy of the private sector

In its Trade Statement delivered to the International Tropical Timber Council (ITTC) the Trade Advisory Group (TAG) called on Council to develop innovative ideas for a strategy to harness private sector experience and resources to help ITTO meet its objectives.

The TAG Coordinator said, “The strategy should be developed drawing on the accumulated experience and expertise of ITTO and public and private sector actors to secure the future of tropical forests and the international tropical timber trade.”

See page 2 for the Trade Statement

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Trade Statement to 50th ITTC, Yokohama, 2014

Chairman, Ladies and Gentlemen

Today we have reached an auspicious milestone for our Organisation. We are meeting together as ITTO for the fiftieth time. In the ebb and flow of international relationships, this indeed is a remarkable achievement over the last 29 years.

Today also marked a significant milestone for the Trade Advisory Group (TAG) as 15 TAG members from consumer and producer countries came together in Yokohama for a Pre Meeting to brainstorm how the TAG can enhance the work of Council.

This Milestone presented us with an opportunity to discuss how to craft a new vision and a clear strategy for the next 50 years. This Statement is the result of our combined efforts.

Before I present the results of our meeting, we would like to take this opportunity to recognise and thank Emmanuel Ze Meka who worked tirelessly as the Executive Director to support the TAG. In particular his recent encouragement for us to suggest ideas for inclusion in the ITTO's Biennial Work Programme (BWP). Thank you, Emmanuel.

We would like to draw Council's attention to our two proposals in the BWP:

- Development of Environmental Product Declaration (EPD) for three tropical wood products; and
- Creation and maintenance of 'One-Stop' interactive online producer country industry and profiles on trade and production and all relevant legislation related to forestry and the timber trade.

Now back to our main issue.

Enhancement of the international trade in tropical timber and timber products is one of ITTO's key fundamental objectives, and since its inception, the organisation has funded studies and supported other activities aimed at increasing the market share of tropical timber and timber products.

Unfortunately, today, the challenges to the international tropical timber and timber products trade have intensified for example:

- Rising regulatory and consumer requirements;
- Increasing production and transaction costs; and
- Competition from alternative materials;

to name but just a few.

These challenges have resulted in declining competitiveness and market share, and low appreciation of our products, particularly in eco-sensitive markets. Declining market share continues to have major socio-economic impacts for producer countries, as the trade, in most cases, is one of the major income-generating sectors of their economies.

We see that, as a result of attempts by several producer countries to meet the requirements of major eco-sensitive markets through certification and verifying legality, consumer perception of tropical timber is improving, and we need to further build on these positive developments.

The TAG has a sufficient understanding of the reasons for the continual declining market share and competitiveness of tropical timber and timber products. What is needed now is a comprehensive strategy. The TAG has developed ideas on how this strategy could be developed.

In the context of developing an innovative strategy, the view recently expressed by the EC Commissioner for Development on this subject is relevant and I quote: "The impact that private sector actors can have on development is now widely recognised, and donors around the world are seeking ways to effectively engage with the private sector in creating jobs, providing incomes, goods and services, advancing innovation, and generating public revenues essential for economic, social and environmental welfare."

We envisage an approach that 'blends' private sector initiatives and ITTC resources. The TAG would like to suggest that the Secretariat be provided with resources to contract consultants to develop comprehensive and innovative ideas on the strategy to help all stakeholders in continually improving the market position and technical foundation of tropical timber and timber products as the environmentally-friendly material of choice. The TAG is ready to assist the Secretariat in developing the Terms of Reference to enable the desired objectives to be realised.

The strategy should draw on the accumulated experience and expertise of the ITTO, and public and private sector actors to secure the future of tropical forests and the international tropical timber trade.

This is not just 'more of the same', rather a more comprehensive approach to take advantage of opportunities presented by the international market place.

Challenges in global timber markets the focus of ITTO's Annual Market Discussion

The ITTO Annual Market Discussion 2014, organised by the Organization's Trade Advisory Group (TAG), took place on the 5th of November 2014 with the theme "Domestic and emerging international markets – a changing market landscape". The theme chosen by the TAG reflects the economic growth across Asia, Latin America and Africa in recent years, which is changing the nature of the global wood products market and is gradually shifting demand from west to east.

Presentations were made by speakers from the International Wood Products Association (USA), the Brazilian Association for Mechanically Processed Timber (ABIMCI), The Thai Timber Association, The Wood Foundation (South Africa), and other independent consultants. Presentations can be found at: http://www.itto.int/news_releases/id=4172

In addition to their focus on growth in domestic timber markets in countries Brazil, South Africa and Thailand, speakers noted that demand for tropical timber had declined in many traditional markets.

However, with a well-articulated message to create public support for sustainability and legality of wood and wood products, tropical timber could regain market share.

Report from Central/West Africa

Slower demand in China and tougher competition challenges exporters

Over the past two weeks producers have indicated there have been a few price increases for logs and sawnwood of selected species reflecting changes in demand. However, producers are now concerned that buyers for the Chinese market are scaling back enquiries due to an economic slow-down in China and due to very competitive offers for especially meranti from Malaysian exporters.

Logs still stockpiled in Douala Port

In Cameroon the huge stock of logs at Douala Port still awaits shipment. To make matters worse logs for new contracts are beginning to enter the port creating more congestion. On a brighter note, sawnwood production and shipments are well balanced and export orders are being met on time.

Tough conditions get worse for Gabon millers

Millers in Gabon now face increased costs as the government has imposed a new surcharge over and above the existing requirement for businesses to purchase a certificate to trade. This, along with the delay in the TVA refund, has created very tough conditions for the industry.

New logging concession in northern provinces

In Congo Brazzaville the government continues to closely monitor company log export quotas. They are also strictly enforcing concession forest management agreements and have not hesitated to rescinding the agreement if concession holders are in breach of their obligations.

Negotiations are already in progress for the last available concessions located mainly in the northern provinces. These areas are far from the ports which will result in very high transport costs.

Importers playing tough on prices

Apart from a possible weakening of demand in China, markets continue largely unchanged as demand is firm and stable.

Producers report that buyers are getting tough in price negotiations and in some markets buyers are switching to alternative species if the price is right.

For the European market trading volumes are low and producers do not expect this will improve until early spring when, traditionally, European buyers came back into the market.

VPA countries in Africa share TLAS experiences

The EU FLEGT facility has reported that about 20 government officials and private sector representatives from VPA countries in Africa who are engaged in implementing timber legality assurance systems (TLAS) met for a day on the sidelines of the Forest Governance Forum in Yaoundé, Cameroon, on 21 October.

The one-day workshop included participants from Cameroon, Central African Republic, Côte d'Ivoire, Ghana and Republic of Congo. This meeting was a first step in supporting an African network of private sector and government representatives working to develop a VPA in their country.

The network aims to exchange lessons learnt on challenges, solutions and successes to better implement TLAS for their VPAs.

For more see:
www.anpdm.com/newsletterweb/43405B447047415D4073464659/48405043754943504A7140405143

Log Export Prices

West African logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	235	235	180+
Azobe & Ekki	235	235+	160+
Belli	315+	315+	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	340	260
Moabi	335+	305+	225+
Movingui	210	210	160
Niove	160	155	-
Okan	290	285	-
Padouk	300	275	210
Sapele	355+	355+	260+
Sipo/Utile	380+	380+	255+
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m^3
Ayous	FAS GMS	360
Bilinga	FAS GMS	520
Okoumé	FAS GMS	480
	Merchantable	275
	Std/Btr GMS	350
Sipo	FAS GMS	670+
	FAS fixed sizes	670+
	FAS scantlings	690+
Padouk	FAS GMS	820
	FAS scantlings	870
	Strips	500
Sapele	FAS Spanish sizes	675
	FAS scantlings	670
Iroko	FAS GMS	620
	Scantlings	695
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	470
Moabi	FAS GMS	600+
	Scantlings	600+
Movingui	FAS GMS	420

Report from Ghana

Ghana's 8-Months wood product exports up 15%

In the first eight months of this year Ghana exported 209,928 cubic metres of wood products earning Euro 84.23 million.

Export volumes in the first eight months of 2014 were 14.8% higher compared to the same period in 2013.

The export performance January to August 2013 and 2014 is shown below.

	2013 Jan - Aug cu.m	2014 Jan - Aug cu.m	Percent change
Primary	5,761	25,769	347.3
Secondary	166,877	176,863	5.98
Tertiary	10,268	7,297	-28.93
Total	182,906	209,929	14.77

Source: TIDD Ghana Forestry Commission

The export of primary products (poles and billets) and secondary products (sawnwood, boules, veneers, blockboard and plywood), continues to rise but 2014 exports of tertiary products dropped by 29% compared to the same period in 2013.

The major markets for Ghana's wood products are Africa, Europe and Asia which, together, accounted for about 92% of all exports. Details on export destinations are shown below.

	2013 Jan- Aug	2014 Jan - Aug
Europe	37.41%	24.46%
Asia/Far East	13.17%	40.55%
Africa	41.22%	26.84%
America	5.48%	5.12%
Middle East	2.51%	3.00%
Oceania	0.20%	0.03%

Source: TIDD Ghana Forestry Commission

Teak, papao (Afzelia africana; A. bella), dahoma, senya, ceiba, wawa, mahogany, sapele and odum were some of the major species exported during the period reviewed.

Businesses Confidence Improves

As a consequence of the recent appreciation of the Ghanaian currency against the US dollar and other major currencies the Association of Ghana Industries (AGI) has reported that businesses confidence improved slightly in the third quarter of 2014.

An AGI Business Barometer study attributed much of the improvement to the reversal of the recent Bank of Ghana regulations on foreign currency transactions in the second quarter of the year as this led to improved exchange rate stability.

The business confidence index was at a low of 22 in the second quarter survey but was assessed at 42 in the third quarter survey. According to the Chief Executive Officer of the AGI, Mr. Seth Twum-Akwaboah, major challenges that continue to be a stumbling block to industry are unstable power supplies, access to and the cost of credit and the multiplicity of taxes.

In another development, the AGI plans to set up a development bank, to offer members an alternative to the current commercial banks. The new bank will provide easier access to finance for members and help make Ghanaian businesses competitive.

At a media launch organised by Strategic Communications Africa, Mr. Asare-Adjei said, research showed that about 80% of the credit offered by commercial banks is only short-term while AGI industries are in need of medium to long term financing.

Boule Export prices

	Euro per m^3
Black Ofram	245
Black Ofram Kiln dry	425
Niangon	492⬆
Niangon Kiln dry	550

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	290	340
Chenchen	320	355
Ogea	326	355
Essa	318	364
Ofram	315	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.58⬆
Asanfina	1.40	0.56⬆
Avodire	1.15	0.75
Chenchen	1.10	0 .40
Mahogany	1.30	0.72
Makore	1.30	0.53
Odum	1.76	0.99

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	945
Asanfina	485	564
Ceiba	242	310
Dahoma	311	283⬇
Edinam (mixed redwood)	392⬆	465
Emeri	410	500
African mahogany (Ivorensis)	593	720
Makore	580	618
Niangon	615	710
Odum	610	700
Sapele	610⬆	712⬆
Wawa 1C & Select	291⬆	360⬆

Export Plywood Prices

Plywood, FOB	€ per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	420	600	641
6mm	400	575	622
9mm	382	450⬆	510
12mm	374	440	450
15mm	355	385⬆	401⬆
18mm	308⬆	357	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	14.00	15.70	18.80
Odum	9.80	13.30	11.80
Hyedua	14.00	14.93	18.45
Afromosia	15.50	18.65	18.55

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

Report from Malaysia

Sabah Forestry Department centenary

The Sabah Forestry Department has just marked its 100th anniversary with a grand celebration and two conferences. The Forestry Department was established in in 1914 with only six staff.

Speaking at one of the events the Chief Minister of Sabah, Musa Aman, reported that his administration has signed some 31 international agreements and memoranda of understanding worth around US$22 million for investments into the development of the forestry sector in the State.

As part of the 100th anniversary an international conference was held in Kota Kinabalu, Sabah themed “Enhancing Biodiversity towards No Net Loss and Beyond within the Heart of Borneo Landscape”.

This attracted about 700 participants from various backgrounds and different parts of the world. The conference focused on biodiversity conservation and the development of sustainable economic activities utilising natures ‘capital’.

The Heart of Borneo Initiative Declaration was signed in Bali in February 2007 to reflect the commitments of Malaysia, Indonesia and Brunei Darussalam in conserving and managing one of the most important centres of biodiversity in the world, the centre of the island of Borneo.

In an opening speech the Malaysian Minister of Natural Resources and Environment, G Palanivel, pledged the support of the Federal Government to the Heart of Borneo concept reiterating that both the Federal and State governments must work together and adopt best practices in forest management and biodiversity conservation.

He further said the key to sustainable development is the restoration of the full productive capacity of the forests, rationalising forest land use from ecological and social perspectives

Sabah to launch massive forest restoration programme

The 17th Malaysian Forestry Conference (MFC) was held in Kota Kinabalu as part of the celebrations. The MFC is held once every three years and brings together foresters from the Forestry Departments in Sabah, Sarawak and Peninsular Malaysia.

The Chief Minister of Sabah, Musa Aman, commended the State Forestry Department for fostering collaborative ties with various agencies such as the international Society of Mangrove Ecosystems which conducts mangrove rehabilitation activities, the European Union which works on climate change through REDD+ and Kyoto University which is collaborating on management of biodiversity.

Sam Mannan, Director of Sabah Forestry Department, said over the next 20 years a massive programme of forest restoration will be undertaken.

Strong political push towards legality verification in the Sarawak

The political push towards legality verification in the Sarawak timber industry continues. The latest development, reported in the Borneo Post, is the move to severely punish licensees who harvest outside their concession area since this is a breach of the terms and conditions of their license.

Awang Tengah Ali Hasan, the Sarawak Minister for Resource Planning and Environment, said, when caught, offenders will be prosecuted just like unlicensed loggers or individuals who extract timber illegally.

He reported there had been cases of illegal logging involving licensed timber companies, unlicensed loggers and individuals encroaching onto state land claiming native customary rights as a pretext for clearing the land for agricultural purposes.

In related news, Sarawak State authorities have seized illegal logs worth more than one million ringgit in Lawas, East Sarawak. This comes after a raid conducted as part of the state-wide anti-illegal logging and anti-graft operation. The Malaysian Anti-Corruption Commission (MACC) has seized over 1,000 illegally harvested logs of various species.

Zahari Ahmad of the General Operations Force said the Forest Department estimated the seized logs to be worth RM1.3million. The MACC said that illegal logging cost the state government some RM43mil (approx. US$12.8 million) in revenue in the first nine months of this year.

Report from Indonesia

SMEs to benefit from change to timber legality verification system

The Indonesian press has reported that the Ministry of Commerce plans to drastically reduce the requirements for the SVLK (Timber Legality Verification System) which is currently mandatory for all timber and wood processing companies.

The main reason quoted for the change is that verification of legality under the SVLK is expensive and unaffordable for small and medium industries.

The Ministry of Commerce is proposing to make legality verification mandatory only for suppliers of wood as the supply chain is more manageable. With this change wooden furniture manufacturers and exporters will not be subject to mandatory SVLK certification. The proposed change is due to come into effect 1 January 2015.

For more see:
http://bisniskeuangan.kompas.com/read/2014/11/04/201946926/Pemerintah.Perlonggar.Aturan.Wajib.Telusur.Kayu

Two months to merge ministries

The Ministry of Forestry has issued a press release on the merger of the Ministry of Forestry and Ministry of Environment. Environment and Forestry Minister Dr. Ir. Siti Nurbaya Bakar, hopes that work to merge the two ministries will proceed smoothly and can be achieved over the next two months as directed by the Cabinet.

Dr. Nurbaya Bakar recently visited the Ministry of Forestry and was briefed by the Secretary General of the Ministry of Forestry Dr. Hadi Daryanto.

In the transition period the new minister requested that ministries should continue to implement the current work programmes until year end.

The new minister said that one focus of future work will be simplifying the licensing process in the two institutions so that there will be no overlapping licenses.

Australia considers recognising TLAS

An agreement between Australia and Indonesia on recognition by Australia of Indonesia' timber legality verification system is expected. This agreement will provide the opportunity for Indonesian exporters to expand wood product sales into Australia.

According to the Ministry of Forestry, in the period January-August 2014, the value of wood product exports to Australia reached US$163,322, around 5% of Indonesia's total wood product exports.

China and Japan are the first and second ranked export market for Indonesia's wood. China accounts for around 38% of Indonesia's exports of wood products while Japan accounts for just over 21%.

Cutting red tape to stimulate investment

The Indonesian government has indicated it will streamline the issuance of permits and licenses by moving ministry licenses to a one-stop service. This move is aimed at making it easier for companies investing in the country.

According to the Minister for Economic Affairs, Sofyan Djalil, permits from ministries such as mining, forestry and transport will be moved to the Investment Coordinating Board.

Domestic Log Prices

Indonesia logs, domestic prices	US$ per m^3
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^3
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^3
2.7mm	650-680
3mm	670-700
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	370-420
12mm	350-400
15mm	320-350

Export and Domestic Other Panel Prices

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

Report from Myanmar

MTE to lease its mills to private sector

A recent report in the domestic press (Daily Eleven 11 November) says that out of the 80 plus sawmills owned by the Myanma Timber enterprise (MTE), more than 70 will be leased to the private sector with the other mills remaining under MTE management to supply sawnwood for special projects by the government and for emergency use in case of natural disasters.

The press report says that MTE will no longer supply sawnwood to the public but will continue to auction logs for milling by private sawmills. Since the log export ban beginning this fiscal year, log extraction has fallen to about one third of what was before the ban.

MTE is seeking approval from Ministry of Environmental Conservation and Forestry (MOECAF) to lease 15 sawmills and 3 furniture factories to the private sector during this financial year.

Sale of teak logs by MTE

On 27 October MTE sold teak logs by open tender. Average prices for the various grades are shown below in US dollars per hoppus ton.

Sale of Sawing Grade teak logs from Yangon Depots

Grade	H. tons	Average Price/ton	Previous month average price
SG-2	11	$3,930	-
SG-4	63	$3,874	$3,190
SG-5	41	$2,730	$3,077
SG-6	18	$2,558	$2,222
SG-7	77	$1,541	$1,687

Tender prices vary according to log quality which is influenced by the area where the logs are harvested.

Analysts expect the depreciation of the Myanmar kyat (MMK) to 1025 per US dollar on 6 November to have an impact on future log price levels. The MMK has been weakening against the US dollar since late September and it crossed the MMK 1000 barrier on 21 October and continues to weaken.

MOECAF speaks out on illicit timber trade

In response to questions by the media at the Forestry Joint Venture Corporation's (FJV) annual meeting on 7 November, Union Minister for Environmental Conservation and Forestry (MOECAF), Win Tun spoke on the slow response by authorities in Yunnan Province to curb the cross border trade in illegally harvested timber. He said, even though he was aware the Central Government in China has called for the Yunnan authorities to act to end the illegal cross border trade but little has changed.

Win Tun admitted it was not possible for Myanmar's forestry officials to control illegal logging in the border area due to security concerns.

Nyi Nyi Kyaw the Director-General of the Forest Department (FD) also mentioned that there is a huge demand for tamalan and padauk in China which is driving the illegal trade.

Local analysts are of the opinion that the people living in the affected areas feel very bitter about the continual smuggling and suggest MOECAF and the FD open a dialog with the Chinese authorities within the framework of the ITTO.

Report from India

Indian Panel Federation President speaks out on securing the domestic raw material base for industry

The following is the text of a statement made by Mr. Sajjan Bhajanka, President, Federation of Indian Plywood and Panel Industries on securing the availability of sustainably produced logs for the wood based industries.

"Most of the wood based industries in general and plywood and panel industries in particular are passing through a very crucial stage for their existence.

Raw material insecurity, misperception about the wood based panel industries in the mind of policy makers on one hand and continuous increasing demand for the panel products on the other hand has brought this sector to crossroad.

In a country like ours (India) meeting consumer needs for wood based panel products in a sustainable manner becomes a much more important issue and challenging task where still more than half of the wood produced is used as firewood.

The panel industry embraces plywood, veneer, particle board and MDF manufacturers. The demand projections for wood raw materials for these products has been estimated to be nearly 30 million cubic metres by 2020.

The government policy through the liberalisation of the import of logs is not considered a long term viable solution to support growth of the industry and also cannot be taken into consideration for long term investment decisions.

The Indian wood based industry today consists of more than 2,000 mills of various capacities and supports the livelihood of nearly 6 million people.

A serious drawback in the planned development of raising plantations to meet the requirement of industry is the lack of integration between forestry and wood based industry sector which has resulted in diffused programmes of planning and development."

A document containing the following points was handed over by the Chairman FIPPI, to the Honourable Minister of Environment, Forests and Climate Change on the occasion of latest Annual General Meeting of IPIRTI held in Delhi."

Suggested measures

- Increase investments in plantations through the involvement of the private sector and support from financial institutions and simplifying the procedures for the sanction of financial support to the farmers and tree growers.

- Devise a strategy for improving productivity of agro-forestry and social forestry on degraded lands through technology based plantations and making available institutional credit on softer terms and promoting involvement of private sector in tree plantation activities.

- Remove restrictions on felling, land holdings, land tenure for tree cultivation and timber transit rules and marketing to improve the efficiency of wood production and better price realisation by the growers as well as increased supply for the Industry. Market mechanism should be developed to ensure reasonable prices to private timber producers.

- Establish a forum for periodic discussion between MoEF, Ministry of Industry, Ministry of Commerce, and recognised associations of wood based industries to review and evolve a rational import/export policy and tariff rates keeping in view local demand, supply and market conditions.

- Organise an annual meeting of the Managing Directors of concerned State Forest Development Corporations, Principal Chief Conservators of Forests and Industry Associations well before the submission of the Central budget to assess the situation of the country regarding wood and forest products' availability, the need for imports and then provide necessary knowledge based recommendations regarding the levy of customs duties and other tariff advice and policies concerning the same.

- Relax the land ceiling laws so that wood based industry can establish large scale and economically viable plantations. Companies should be allowed to enter into long term lease agreements, free of land ceiling restrictions with farmers to raise commercial tree plantations.

- Identify and prioritise the suitable species for raising the industrial plantation of plywood timber.

- Design a new policy framework and linkages which would bring about a genuine integration of the forestry sector and wood based panel industry in the country.

Auctions of Local forest Teak at Western India Forest Depots.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.2200-2400
B quality for ship building	Rs.2100- 2300
A for sawing (large girth)	Rs.2000-2100
B or sawing (large girth)	Rs.1800-2000
A Long length logs	Rs. 1700-1800
B Long length logs	Rs. 1550-1650
Long length, Medium Quality	Rs. 1450-1550
Short Length, Medium Quality	Rs. 1000-1100
Short Length, Average Quality	Rs. 900-1000

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

In the first post monsoon log auctions held at sales depots in the Surat and Vyara divisions, approximately 12,000 cubic metres of mainly teak and some other hardwoods were offered for sale.

Good quality non-teak hardwood logs, 3 to 4 mtrs long having girths 91cms & up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium attracted prices in the range of Rs.750-900 per cubic foot. Medium quality logs traded at around Rs500-600 per cubic foot while lower quality logs sold at between Rs.300-450 per cubic foot.

Imported plantation teak

The minimum and maximum prices for logs from Nicaragua have changed. Prices for teak from other suppliers remained unchanged in the period reported.

Current C&F prices for plantation teak

	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	380-710
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	350-650
Nigeria squares	340-450
Panama logs	275-750
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	410-860
Uganda Teak sawn	680-900

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

Prices for domestically milled sawnwood from imported logs

Current prices for air dried sawnwood remain unchanged.

Sawnwood Ex-mill	Rs 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 depend mainly on length and cross section

Sawn teak from Myanmar arriving in greater volumes

Domestic mills cutting imported Myanmar teak logs have, once again, failed to drive prices higher. Imports of teak sawnwood from Myanmar are arriving in larger volumes which is undermining the efforts of domestic millers to push prices higher.

Sawnwood (Ex-mill)	Rs. per ft^3
Myanmar Teak (AD)	
Export Grade F.E.Q.	7500-17500
Plantation Teak A grade	5700-6200
Plantation Teak B grade	4200-4700
Plantation Teak FAS grade	3400-3700

Price variations depend mainly on length and cross section

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

Demand remains steady and prices remain unchanged.

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

Price variations depend mainly on length and cross section

Prices for gurjan face veneers rise by 20%

After long period of poor demand for plywood and other wood based panels some relief came in September and October as building activity came back to life due mainly to rising sentiment in the festive season.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	39.00
6mm	52.50
9mm	66.50
12mm	82.30
15mm	109.00
18mm	115.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.00	Rs.29.60
6mm	Rs.30.50	Rs.38.10
9mm	Rs.38.25	Rs.46.00
12mm	Rs.45.50	Rs.55.90
15mm	Rs.56.00	RS.68.30
19mm	Rs.64.60	Rs.76.50
5mm Flexible ply	Rs.40.50	

Prices for gurjan face veneers have jumped by close to 20% over the past two months forcing plywood manufacturers to raise plywood prices. Alternative species to gurjan are being tried but end-user preferences for red face and back veneers have to be overcome.

Poplar and okoume faced plywood is gaining a foot hold in the market but plywood manufacturers continue their search for other suitable timbers.

Report from Brazil

Furniture sector proposals sent to new administration

The Brazilian furniture sector achieved a reasonable level of growth up to 2012 due, in part, to the government´s housing policies.

However, Brazil´s economy slowed significantly in 2013 such that the furniture industry only achieved a 1.8% growth, well below the growth for the whole manufacturing sector.

In 2014 the situation has deteriorated as , according to the Union of Furniture Industry of Bento Gonçalves (SINDMÓVEIS), output from the furniture sector fell 8.9% between January and August this year.

SINDMÓVEIS has suggested that Brazil's new government should adopt policies to maintain and enhance the furniture sector. SINDMÓVEIS suggests reducing the tax burden, supporting greater participation in international trade, investing in infrastructure improvements, providing incentives to stimulate innovation, developing a long term industrial policy and consolidating social development and housing policies.

Brazil top plywood producer in South America

Demand for plywood (coniferous and tropical) across South America is high and production capacity is increasing.

The main plywood producers and exporters in South America are Brazil, Chile and Uruguay. In 2013, Brazil was the largest plywood producer and exporter as the country produced 2.57 million cubic metres and exported 1.25 million cubic metres earning US$429.23 million. Between January and October this year Brazilian plywood exports (coniferous and non-coniferous) totalled US$381 million a 7.3% increase compared to the same period of 2013.

The main markets up to October this year were the United Kingdom, (17%) followed by Germany (14%), Belgium (13%) and USA (8%). Productivity has improved in Brazilian mills through the use of modern equipment that allows small diameter logs to be utilised.

New method for timber identification

Research by the Forest Products Laboratory of the Brazilian Forest Service (SFB) in conjunction with University of Brasilia has yielded a technique to identify wood using near infrared spectroscopy and chemo-metrics.

This research began with a view to better track mahogany, a species listed in Appendix II of CITES because mahogany timber is visually very similar to some other timber species.

The initial phase of the research involved the development of a method in the laboratory which confirmed the procedure is successful. Now field trials are underway in a forest management area in Acre state.

Cedar and mahogany samples were used in the early tests and it was established that the laboratory developed method works in the field. Further fieldwork will be conducted in Pará state.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	182
Jatoba	107
Massaranduba	114
Miiracatiara	120
Angelim Vermelho	110
Mixed redwood and white woods	99

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	795
10mm WBP	648
15mm WBP	554
4mm MR	716
10mm MR	539
15mm MR	509

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	332
15mm MDF	481

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1279
Jatoba	1029
Massaranduba	741
Miiracatiara	731
Pine (KD)	223

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	353
12mm C/CC (WBP)	328
15mm C/CC (WBP)	318
18mm C/CC (WBP)	314

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,320
	Jatoba	1,520

Report from Peru

Madre de Dios has its first Technology Innovation Center.

The Minister of Production, Piero Ghezzi and Minister of Transport and Communications, José Gallardo, have inaugurated the first Technology Innovation Centre (CITE) located in Madre de Dios as part of the government's initiatives to drive diversification of the economy.

The centre aims to increase productivity in the agribusiness, aquaculture and forestry sectors. This will be achieved through delivering advanced technologies to lift productivity and enhance competitiveness. The Director of the centre is a forester, Abraham Cardozo.

Advances in consultations on forest regulations

Representatives of indigenous groups recently participated in a briefing on the regulations contained in the Forest and Wildlife Act. The first meeting was attended by over 80 delegates from various indigenous peoples.

The representatives were informed of the articles in the regulations that could directly affect the collective rights of indigenous peoples.

Further regional consultations are scheduled for Tarapoto, Satipo, Bagua, Chiclayo, Pucallpa, Puerto Maldonado and Huancayo.

To-date, 2,500 contributions from various organisations in the country have been received by the National Forest Service and Wildlife (SERFOR) for the development of the new Forest and Wildlife Law a process which began in 2012.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	439-508
Grade 2, Mexican market	388-423
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	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^3
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	433-474
Grade 2, Mexican market	342-381
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	369-426

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	162-189
Spanish Cedar	296-355
Marupa (simarouba)	133-145

Export Veneer Prices

Veneer FOB Callao port	US$ per m^3
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)		US$ per m^3
Copaiba, 2 faces sanded, B/C, 15mm		328-365
Virola, 2 faces sanded, B/C, 5.2mm		466-489
Cedar fissilis, 2 faces sanded.5.5mm		759-770
Lupuna, treated, 2 faces sanded, 5.2mm		373-399
Lupuna plywood	B/C 15mm	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 (excl. taxes)

Iquitos mills	US$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138⬆
Cumaru KD, S4S	Swedish market	897-1003⬇
	Asian market	1224-1254
Cumaru decking, AD, S4S E4S, US market		1187-1278
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

Log export tax to rise in 2015

Through a consultative process with stakeholders the Government has outlined a policy change with respect to certain species exported as logs or squares. Changes in the export tax targets two schedules for logs and one for squares with dimensions of 20.3 cm x 20.3 cm and greater. Beginning in 2015 taxes for Schedule A logs will be raised by 3% while for Schedule B logs the export tax will be raised by 2%. See below Schedules for logs and squares

Proposed Schedule A timbers

Species	Export Commission (%) – 2014	Export Commission (%) – 2015
Purpleheart	17	20
Locust(bastard)	17	20
Greenheart	17	20
RedCedar	17	20
Kabukalli	17	20
Washiba	17	20
Letterwood	17	20
Snakewood	17	20
Shibadan	17	20
Bulletwood	17	20
TonkaBean	17	20

Source: Guyana Forestry Commission

Proposed Schedule B timbers

Species	Export Commission (%) – 2014	Export Commission (%) – 2015
BrownSilverballi	15	17
KeritiSilverballi	15	17
Tatabu	15	17
Wamara	15	17
Mora	15	17
Itikiboroballi	15	17
Darina	15	17
Wallaba	15	17
Tauroniro	15	17
Fukadi	15	17
Hububalli	15	17
Dakamaballi	15	17
Burada	15	17
Limonaballi	15	17
Muneridan	15	17
Iteballi	15	17
CowWood	15	17
Simarupa	15	17

Source: Guyana Forestry Commission

It should be noted that special consideration will be given to local companies or entities exporting squares (products with dimensions of 20.3 cm x 20.3 cm and above) for engineering end-use applications. Also the restriction on the export of crabwood (Andiroba) and locust (Jatoba) logs remains in place.

Export Prices

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

Logs, FOB Georgetown	US$ price per m³		
	Std	Fair	Small
Greenheart	150	160	160
Purpleheart	200-391	170	150
Mora	-	-	-

Export Sawnwood Prices

Sawnwood, FOB Georgetown		US$ price. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	1,060	-
	Standard	-	700-1039
	Select	795-1060	-
	Sound	-	-
	Merchantable	-	
Purpleheart	Prime	-	-
	Standard	-	700-1,158
	Select	975-1080	-
	Sound	-	-
	Merchantable	-	
Mora	Prime	-	-
	Select	-	-
	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 m³
Baromalli	BB/CC	5.5mm	No export
		12mm	437-555
	Utility	5.5mm	No export
		12mm	No export

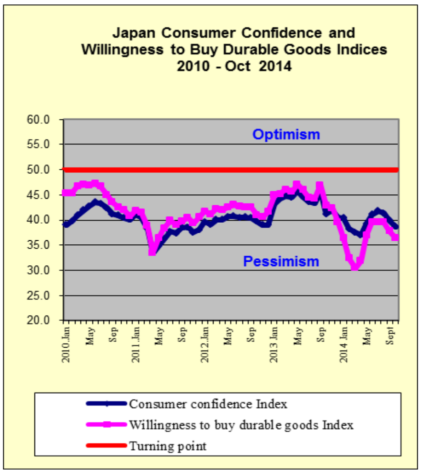
Report from Japan

Consumption tax increase postponed

The latest consumer confidence survey released by Japan's Cabinet Office shows the October index falling for a third straight month.

The overall Sentiment Index for households, which combines attitudes towards job and prospects for income growth, also fell in October to the lowest reading since April this year.

The weak data has resulted in the government deciding to postpone, for 18 months, the planned additional tax increase which would have brought the consumption tax to 10% in April 2015.



Source: Cabinet Office, Japan

Trade deficit with China increases by 37 percent.

The trade between Japan and China in the first half of 2014 increased by 4.4% to US$168.4 billion, an increase from the double-digit declines seen in the same period in 2013.

However, the total level of trade was not as high as in the first half of 2012. Japan's exports to China in the first half of this year increased by 2.5% to US$78 billion and imports from China rose by 6.1% to US$90.4 billion.

While imports are recovering to almost the same level as those of the first half of 2012, the recovery of exports is sluggish which led to a record deficit of US$12.3 billion, up over 37% from the first half of 2013.

China's share of Japan's total international trade in the first half of 2014 remained much as in 2013 at around 20%. Amongst Japan's global trade partners, China regained its number one trade partner ranking having slipped into second place in 2013.

For more see:
https://www.jetro.go.jp/en/news/releases/20140822008-news

Business sentiment indicator remains firm

Orders for new machinery by Japanese manufacturers, a key indicator of private sector capital expenditure and a reflection of business sentiment, rose by almost 3% in September. This was the fourth consecutive monthly increase but the pace of increase slowed in September.

According to a Cabinet Office survey, the value of machinery orders received by 280 manufacturers operating in Japan, including orders from domestic and international companies, increased by 8.0% in September from the previous month. For more see: http://www.esri.cao.go.jp/en/stat/juchu/1409juchu-e.html

Private-sector machinery orders, excluding those for ships and those from power companies, increased a seasonally adjusted by 2.9% in September, and showed increase by 5.6% in July-September period. In the October-December period machinery orders are forecast to increase by 9%.

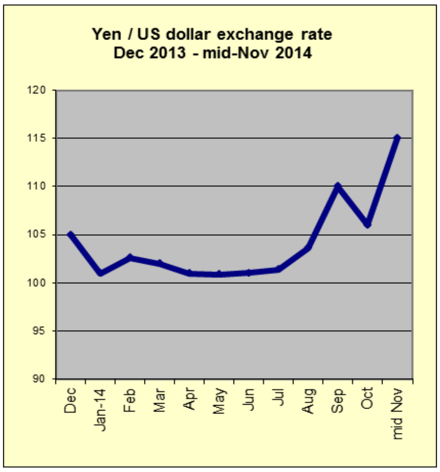
Yen slips to 115 to the dollar, exporters cheer

In response to the surprise announcement from the Bank of Japan (BoJ) that it would expand its monetary easing the yen fell sharply lower against the dollar and other major currencies in mid-November.

Just after the BoJ statement the dollar was at 113.85 to the yen close to the 114 seen as far back at 2007. Since the announcement from the Bank the yen has continued to weaken and on 10 November was at 115.40 to the US dollar.

While Japanese exporters will benefit from the weaker yen the impact on the trade deficit will be serious given the high fuel import bill. Renewed yen weakness prompted many Japanese exporters to reassess upwards their profit outlook for the year to end March.

However, smaller companies that rely on imported raw materials will now find business conditions even tougher.



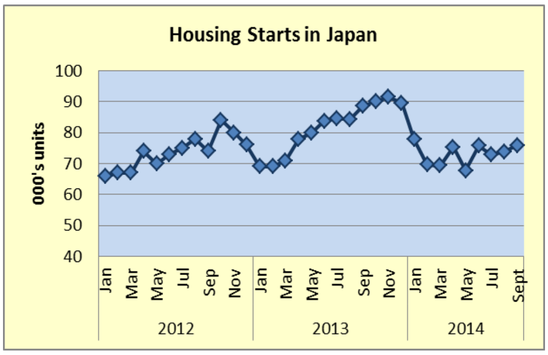
Government to consider quick action to revive home sales

In the period April to September (i.e. first half of fiscal 2014) housing starts reported by the Ministry of Land, Infrastructure, Transport and Tourism were down almost 12% from the same period a year earlier.

This has prompted the government to consider quick action to revive home sales and, through this, the prospects for the construction and building supply sectors which are major employers.

To stimulate the housing market two actions are being considered, bringing back the eco-point system and cutting interest rates on fixed rate mortgages.

Under the Eco-points programme those building new houses that meet energy-saving standards (or those renovating homes for energy saving) earn points which can be exchanged for consumer goods. It is likely that these issues will be included in the ruling party's manifesto as it prepares for a snap election.

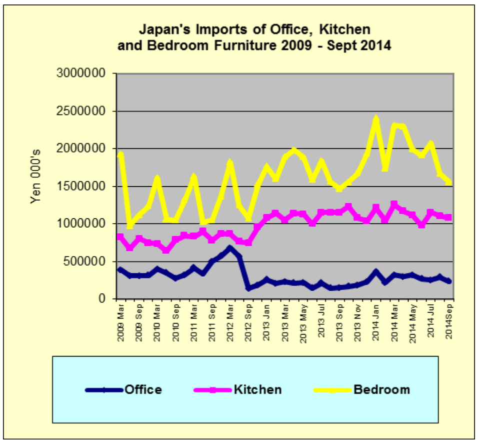


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Trends in office, kitchen and bedroom furniture imports

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

The weakening of furniture imports reinforces the view that consumer sentiment is negative and that the economy is yet to recover from the consumption tax increase in April.



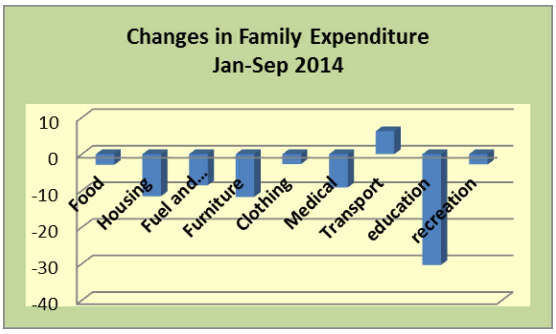
Source: Ministry of Finance, Japan

Households cut back on buying furniture

Between January and September Japanese households have reigned in personal consumption. The latest Family Income and Expenditure Survey reported by Japan's Statistics Bureau shows average monthly income per household stood at yen 421,809, down 6.0% in real terms from the previous year.

Surprisingly, expenditure on education was sharply down mainly as families cut back their children's extra-curricular activities. Expenditure on furniture was also down over 10%.

See more at:
http://www.stat.go.jp/english/data/kakei/156.htm



Source: Statistics Bureau,

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

JLR text -

SGEC prepares mutual recognition with PEFC

SGEC (Sustainable Green Ecosystem Council) is the original forest certification system of Japan. It has been preparing to have mutual recognition with PEFC (Program for the Endorsement of Forest Certification Schemes), the world largest forest certification system.

SGEC has been making revised plan of SGEC's management and administration system and guideline for certification, which are necessary for mutual recognition. On October 16, it disclosed the content for public comment for 60 days. After this period, SGEC will apply for admission and hopes to start mutual recognition in 2016.

PEFC's chairmen will visit Tokyo in this month and will hold the forum to commemorate SEGC's participation to PEFC. PEFC approved forest certification system of the U.S.A., Canada and Russia. In Asia, Malaysia has already done mutual approval with PEFC then China started in January this year.

Indonesia will be approved in November. SGEC joined PEFC in last June as the first step for mutual recognition. SGEC started in 2003 so it has built up enough base for the system.

Ranking of wood based house builders

In 2013, housing companies enjoyed expanded demand before the consumption tax increase. In 2014, new housing starts are dropping and house builders are aggressively developing renovation orders of used houses and orders of non-residential buildings and rental multi-family units.

Hajime Kensetsu is the top builder with 11,265 with 45.8% growth then Sekisui House built 5,066 units, 19.8% increase. Its model of Shawood has high reputation. Touei Housing had 4,329, 10.3% increase.

For wood based units built for sale and multi dwelling complex like apartment, Hajime Kensetsu, Touei Housing and Polus Group had large growth while Iida Home and Tact Home declined in number.

August plywood supply

The demand has been dull and slow after May but the manufacturers adamantly stuck to firm prices by production curtailment so that the market had been holding steady through September.

In demand slow market, small manufacturers started selling with lower prices, which results in difference of on-hand inventories. Large manufacturers' inventories are getting close to one month so they are not able to hold up any longer and started accepting lower offers.

Total plywood supply in August was 460,300 cbms, 10.7% less than August last year and 11.6% less than July, which is the lowest monthly supply since October 2011. In particular, imported plywood decreased by about 40 M cbms compared to July and production curtailment by domestic plywood plants also influenced total supply.

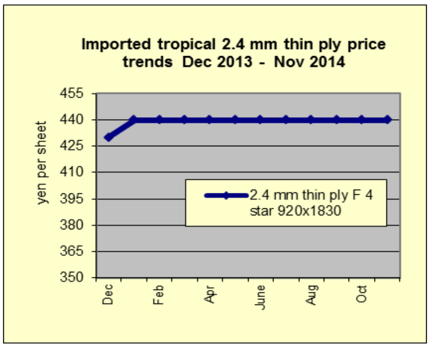
Total imports in August are 247,300 cbms, 13.4% less and 15% less. This is fourth straight months decline and the lowest level in three years. Average monthly arrivals for the first eight months are 302,200 cbms, 3.5% less than the same period of last year.

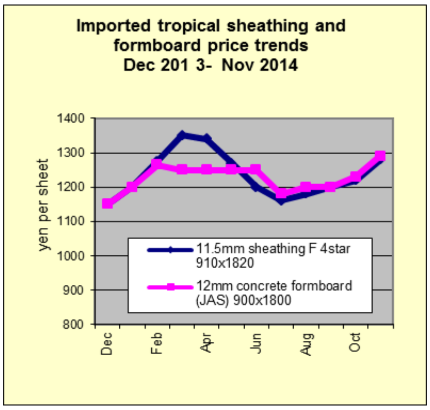
Malaysian supply had declined for four straight months and the August arrivals of 98,700 cbms are the lowest monthly arrivals in this year. This is the lowest since October 2011.Monthly average supply for the first eight months is 126,500 cbms, 10.2% less than the same period of last year.

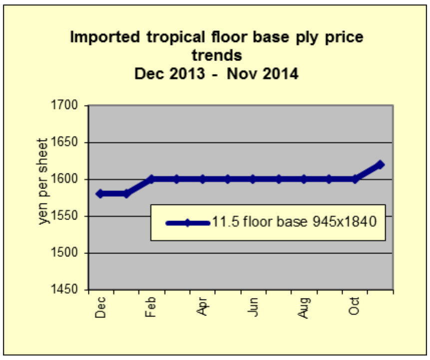
Indonesian supply also dropped by about 20 M cbms from July. 74,100 cbms are the lowest since September 2012 and this is 18.8% less than August last year and 20.7% less than July. Eight month average is 88,800 cbms, 1.5% less than the same period of last year.

China's supply of 54,700 cbms was 15.7% less and 14.8% less. Monthly average for eight months is 66,300 cbms, 1.2% less than the same period of last year.

The supply by three major sources for the first eight months is 5.5% less than last year. The importers estimate arrivals in September and October would be about 260-270,000 cbms.







South Sea (tropical) hardwood plywood market
Import volume of South Sea hardwood plywood seems to stay low though the year and the market finally shows sign of recovery in small degree.

Because of continuous increase of export prices by the suppliers, future purchases are limited. August arrivals were less than 250,000 cbms, the lowest in three years out of which Malaysian supply was less than 100,000 cbms.

Future contracts dropped considerably after June because of the gap between suppliers' export prices and depressed Japan market prices.

The market prices plunged since last May by dumping of the some importers then finally bottomed out in late June. The gap widened so that importers hardly commit future purchase in June through August without hope of market recovery.

ince late August the yen has started dropping against US dollar so the situation got further difficult.

As a result of decline of future purchase, import volume after September will be down to 260-270,000 cbms a month. October offers by the suppliers are US$5-01 up from September. Arrival cost of JAS 3x6 concrete forming panel for coating would cost over 1,400 yen per sheet FOB truck while the market prices now are 1,350 yen per sheet delivered.

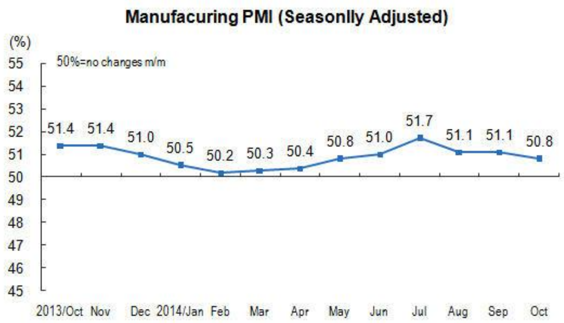
Although the prices are up by 20 yen per sheet compared to September, they are far from suppliers' offer prices. The supplies say to increase the offer prices further toward December so future purchase is getting more difficult.

Report from China

Manufacturing PMI only barely above negative threshold
China's manufacturing PMI, a measure of activity in the manufacturing sector and a leading indicator of the economy, fell to a five-month low in October.

Small companies continue to be hardest hit by the slowing domestic growth. In mid-year the government began a further round of support aimed at stimulating growth but the latest figures suggest more stimulus measures may be forthcoming.

The National Bureau of Statistics survey indicates that the October manufacturing purchasing managers index (PMI) was 50.8 percent, 0.3 percentage points lower than a month earlier. The index remained just above the key 50 level which separates expansion from contraction of manufacturing output.



Source: National Bureau of Statistics, China

Economic growth in China has not been strong this year being severely affected by the weak property market and the reigning in of credit growth. China's GDP fell to an annualized 7.3% in the third quarter from 7.5% in the second quarter and 7.7% for 2013.

In October, amongst the five sub-indices comprising the manufacturing PMI, the production index, new orders index and supplier delivery time index were above the 50 threshold, while the employed person index and main raw materials inventory index were below the threshold signaling pessimism.

Polluting factories closed in Beijing

It has been reported that Beijing has shut down 375 polluting factories this year as part of the capital's clean air action plan. Some 41 small scale furniture plants and 85 building material producers have ordered to cease business.

According to the Beijing Clean Air Action Plan (2013-2017), the city plans to close 300 polluting industrial plants in 2014. The city has closed 663 firms since the plan was unveiled in 2013. By the end of 2016, it will shut 1,200 companies in total.

The city administration has identified over 100 processes that create air pollutants and a further 50 out-of-date types of equipment that must be withdrawn from production lines. Beijing aims to cut the PM2.5 (airborne particles measuring less than 2.5 microns in diameter) by five percent every year from 2014.

Furniture industry in a small town trades internationally

Dazhe town in Pingyuan County now has 51 wood processing plants employing more than 4000 workers and with a turn-over of more than RMB600 million.

Imported timber from South America, Europe and Southeast Asia are transported to the town through Zhangzhou and Xiamen cities in Fujian Province. European style restaurant furniture, Korean bedroom furniture and Japanese office furniture are sold all over the world from this small town.

Factories in the town are successful as they have adopted a higher level automation throughout the production line from drying, milling to finishing.

Hundreds of containers are shipped monthly to America, Australia, Japan and Europe and output from these plants accounts for around 40% of the total industrial output of the town.

Forestry and industry mutually reinforcing

Up until 1998 the main focus of government policy was timber production in support of national economic development but 1998 saw catastrophic flooding blamed in part on deforestation so a new direction appeared in forest policy.

The experience over the past ten years has led analysts in China to conclude that 'ecological' forestry and the forest industry are mutually reinforcing. The rapid development of the forest products industry has not undermined the development of sound environmental policies for forestry in China.

The result of China's six continuous forest inventories, expansion of forest plantations and improved management have had a positive impact and at the same time the forest products industry has grown. For example, the rise in demand for wood-based panels has stimulated investment in poplar and eucalyptus plantations.

China's log output from 2003 to 2013 (million cu.m)

Year	Output mil. cu.m	% change
2003	47.59	
2004	51.97	9
2005	55.6	7
2006	66.12	19
2007	69.77	5
2008	81.08	16
2009	70.68	-13
2010	80.9	14
2011	81.46	0.7
2012	81.75	0.4
2013	84.38	3

Stimulated by the rapid development of forest products industry China's log output has been increasing over the past ten years, except for a decline of 13% in 2009, having expanded from 52 million cubic metres in 1983 to 84.3 million in 2013.

China's forest resource inventory results

Inventory period	Forest area mil.ha	Forest stocking volume Bil. cu.m	Forest cover (%)
(1984-1988)	125	9	13
(1989-1993)	134	10	14
(1994-1998)	159	11	16
(1999-2003)	175	12	18
(2004-2008)	195	14	20
(2009-2013)	208	15	22

Since the 3rd national inventory the forest area has increased to 208 million hectares, forest stock has grown to 6 billion cubic metres and forest cover has risen to 22%.

New world-class timber distribution centre

Within five years a new timber port for international cargoes will be built in Caofeidian, Wenfeng in Tangshan City, Hebei Province.

Location of Hebei Province

Source: Wikipedia

This port will be one of three equipped for timber fumigation and will service customers in Northern, Northeast, Northwest and Inner Mongolia.

It has been reported that a RMB1.17 billion has been invested in building a 30,000 tonne and two 50,000 tonne softwood berths, two 50,000 tonne of hardwood berths as well creating one of the biggest timber trading platforms in North China.

Currently, two 50,000 tonne berths are open to shipping and by the end of this year the terminal handling capacity is forecast to reach 5 million cubic metres per year.

Redwood market crash

According to timber traders in Dacheng County, Hebei China's redwood market is in crisis. Demand for redwood furniture has fallen sharply. Chinese consumers now have little interest in redwood furniture because prices are too high, because of this traders find they cannot move stocks.

In particular stocks of Myanmar padauk are very high. Traders say that it will be difficult to revive demand in the short term and are facing huge losses on the high priced stocks.

Importers of redwood paid very high prices when demand was booming last year but now they cannot recover the costs and are stuck with high levels of capital tied up in timber that is difficult to sell.

Chinese officials examine EU's timber trade policies and practices

The Chinese Academy of Forestry (CAF) and the State Forestry Administration (SFA) visited the EU as part of the EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance. The Chinese delegation met with government agencies, private sector associations and non-governmental organisations in Barcelona, Brussels and London.

Members of the delegation were able to see how a broad range of stakeholders in the EU address timber legality issues. They exchanged views directly with relevant government agencies and organisations on the EU's timber trade policy and practices and had the opportunity to discuss the challenges in promoting the trade in legal timber

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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
yuan/tonne		
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

Report from Europe

Bridging the tropical communication gap

An 80m ekki bridge made a fitting programme illustration for the international forum of the Association Technique Internationale des Bois Tropicaux (ATIBT) held in Amsterdam in early November.

The bridge uses wood from the certified Cameroon concessions of Dutch producer trader and construction specialist Wijma and now features in a YouTube video highlighting the sustainable credentials and technical strengths of tropical timber.
See: (www.youtube.com/watch?v=-ZA823Uwy_g)

The theme of the ATIBT conference itself was '*Strengthening Trust in Tropical Wood*'. This, said Director General Ralph Ridder, meant bridging the gap between persisting popular misconceptions about the tropical industry, notably its automatic association with deforestation, and the reality of latest developments in sustainable forest management, legality verification and industry monitoring and tracking.

It also required education of the market about tropical timber's technical potential, and how using sustainably produced material can combat deforestation by incentivizing forest maintenance.

"This means greater coordination across the sector, and, critically better communication, something we've been traditionally very poor at as an industry," Mr Ridder said. "We must get the facts and positive stories out to customers, specifiers and the media."

The good news, underlined by the two-day conference, was that the sector is getting better at telling its story and developing strategies and tools that make it more transparent and provide better, more accessible data about its operation, and particularly its environmental performance.

Pan-industry co-operation is growing

The forum also demonstrated that pan-industry co-operation is growing. The 150-strong audience was drawn from consumer and producer countries worldwide. Besides the private sector, there was also strong representation from government bodies, NGOs, monitoring organisations and initiatives such as REDD+ and FLEGT.

Mr Ridder also stressed the broad spread of donor bodies and other supporters backing the meeting. These included key sponsors the European Timber Trade Federation and IDH - the Sustainable Trade Initiative.

The latter is the Dutch body behind the Sustainable Tropical Timber Coalition (STTC), the international industry, NGO and government initiative focused on boosting European certified tropical timber sales.

The importance to producers of communicating the case for using tropical timber to consumer countries was stressed by Doplé Claude Soro of the Côte d'Ivoire Forestry Ministry.

"Forestry and timber are main foundations of our economy, so it's vital our commitment to sustainability is publicised," he said. "We're strengthening transparency and governance, with new anti-corruption guidelines, bans on exporting certain species, interdictions on logging above the 8^{th} parallel and our 20% 2020 target for increasing tree cover.

We're also aiming to complete our EU Forest Law Enforcement Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) negotiations by 2016. Working with customers, we need to communicate such initiatives to increase confidence in tropical timber. It's a priority if, as a developing country, we're to emerge onto the international market."

Pro-active measures to generate demand

Kees Rade, director general climate and environment at the Netherlands Ministry for Foreign Affairs, said that besides insisting that tropical timber producers supply sustainable, legal material, the industry must generate demand.

"Tropical timber is losing ground as consumer country companies, without all the facts, believe corporate social responsibility dictates they must substitute it with alternative materials," he said. "That's why the STTC and the Netherlands Green Deal, an alliance between the timber sector, NGOs, government, end users and retailers, were formed.

The goal is to educate consumers about sustainable tropical timber and help rebuild the market. It must be a dual strategy; increasing sustainable tropical timber production and sales."

IDH Programme Director Ted van der Put said that mounting pressure on tropical countries to convert forestland to other uses, notably growing plantation crops, made the task of supporting the international tropical timber market even more urgent.

"We must create a strong business case for sustainable tropical forest management and timber production because the case for conversion is huge," he said.

Key tools for this identified by the STTC were public and corporate procurement policy, and, Mr van der Put agreed, market education. "Fear of tropical timber still persists, from governments down," he said. "It's the biggest enemy, not just of the timber trade, but of the forest. If there's no demand as a result, forest conversion increases."

Targeting architects and designers

Various presenters highlighted the role architects can play in strengthening the tropical timber market. Not only could they increase use in construction, their work could also showcase tropical timber's aesthetic and technical possibilities more widely.

An architect, Machiel Spaan of Amsterdam-based M3H, was among the speakers and delegates visited one of his housing projects in the city, featuring untreated batibatra (Sucupira Amarela) cladding.

"Sustainability is a core focus of my profession, so you must engage us in dialogue about sustainable tropical timber production," he said. "We also need to know about carbon footprint and specific use benefits, and to be shown existing inspirational projects incorporating it."

UN FAO senior economist Adrian Whiteman suggested that fiscal measures could also boost the tropical timber business. Lowering VAT on certified sustainable material would be complex, while use of tariffs might be considered protectionist. "But tax breaks for companies to set up sustainable timber supply chains may be a viable option the industry could lobby for," he said.

VPA and EUTR: problems and progress

The forum also addressed problems and progress in implementation of the EU Timber Regulation (EUTR) and EU FLEGT VPA programme. Chris Beeko, timber validation director at the Ghana Forestry Commission, acknowledged his country had found the VPA process more complex than anticipated. "We thought it would take two years," he said. "But we had no example to follow and we've been trailing entirely new systems and tracking technologies. Compulsory involvement of a wide spread of stakeholders is also time consuming."

Mr Beeko would not commit to a date when Ghana, one of the front-runners with Indonesia in the programme, would be issuing FLEGT licences. But he said major progress had been made. "For example, with experience and use of new monitoring approaches and IT, we've cut time taken for VPA legality assessments from three weeks to two days," he said.

While issuing licences was a key goal, he added, it was also important to stress the value of the entire FLEGT process and what it has already achieved in signatory countries in terms of improving forestry practice, and increasing transparency and stakeholder engagement.

FLEGT needs to engage private sector

Francois Busson of the EU Development and Cooperation Directorate General agreed, but said there were still shortcomings in FLEGT implementation. "The private sector has to be more involved," he said. "They need to be engaged more in negotiations and given more technical assistance."

ATIBT echoed this view and FLEGT specialist Bérénice Castadot described its private sector engagement work with the UNIBOIS alliance of small to medium sized enterprises in Congo. This is an ongoing EU-FLEGT FAO backed project to help SMEs meet VPA requirements, which, said Ms Castadot, has potential to be applied elsewhere.

The private sector and particularly SMEs also need greater support satisfying the requirements of the EUTR, according to speakers and delegates. Reporting on her EUTR impact study in Congo Brazzaville, consultant Caroline Duhesme said a key issue for timber suppliers was inconsistency of due diligence approaches taken by European companies. "There's still a lack of understanding of the regulatory framework in the EU trade, so suppliers face a huge variety of requests for information, and details that aren't required under the EUTR," she said.

Le Commerce du Bois director Eric Boilley agreed that more central EUTR guidance and support was required by EU operator companies. "In particular they need the EU itself to provide information on relevant producer country forestry legislation."

New approaches based on new technologies

Other presentations focused on new tools and technologies that could ultimately assist implementation of FLEGT VPAs, the EUTR and other market legality requirements, and also aid compliance.

Robbie Weich of Tradelink explained Sisflora2, the new tracking system developed by Brazil's environment agency IBAMA with Pará environment secretariat SEMA. Set for launch next year, this involves embedding radio frequency ID chips in the tree so logs can be tracked to the sawmill. "This will combat the practice of loggers reusing documents issued against previous timber consignments," he said. "And the technology could be readily used in other regions."

The World Resources Institute (WRI) gave latest news on its two new online systems for combating deforestation and aiding timber legality and sustainability verification; Global Forest Watch (GFW) and the Forest Transparency Initiative (FTI).

Launched in February, GFW (www.globalforestwatch.org) is being developed in association with Google, with UN and US, UK and Norwegian national government backing. Using satellite imaging, it maps and monitors forest area worldwide, identifying impacts of timber concessions, fires and land conversion. Monthly global forest coverage reports go down to a resolution of 500m (soon to be 250m) and annual reports to 30m.

"This data can be invaluable in combating illegal logging, but also supporting buyers' due diligence illegality risk assessment," said WRI Africa senior manager Matthew Steil, "The aim is to survey at ever lower resolutions more frequently for even more precise real time monitoring."

Currently a pilot project focused on the Republic of Congo (Brazzaville), the FTI pools data from national timber sector legislation, to forestry and timber company legality and sustainability verification, and even tax records.

This is cross referenced with relevant information from other sources worldwide, including NGOs, GFW, and market legality requirement administrators and enforcement agencies, such as EUTR Competent Authorities, creating a "powerful tool for supporting legality assurance systems".

"It will identify companies operating legally and according to recognized social and environmental norms and those that aren't," said Mr Steil. The aim, he added, is for FTI to extend to the DRC in the next nine months, then further afield, dependent on funding.

Timber DNA database

The ATIBT also announced its project to create a timber DNA database for central African producer members. The concept is being developed in association with DNA-tracking specialists Double Helix, and Germany's Thünen Institute.

The goal is to provide incontrovertible evidence that timber originates from a specific source, with the database logging genetic reference information on principal commercially traded species from ATIBT members' certified concessions.

"Utilising cutting edge genetics to determine legality will support members' long-term access to markets with increasingly strict legality and other procurement requirements, like the US and Europe," said Mr Ridder. "It could also potentially secure a price premium for their timber."

Double Helix estimates the cost of building DNA reference data for 10 species across 10 300,000ha concessions at US$3 million. "The project is at an early stage, but we're now actively seeking donors," said Mr Ridder.

On ATIBT's wider mission to strengthen trust in tropical timber, Mr Ridder and his team said goals included expanding membership, possibly establishing offices in Africa, and increasing collaboration with other bodies in the sector worldwide.

Having recruited public relations expert Tullia Baldassarri last year, and relaunched its website and newsletter, it also plans to step up communications. As a basis for this it is now undertaking a survey of consumer perceptions of tropical timber, starting in France, with the aim of rolling it out to other countries.

For more see; http://www.atibt.org/amsterdam-2014-en/4585925316

Report from North America

Indonesia, Ecuador and Malaysia see plywood market weaken

US imports of hardwood plywood fell by 11% in August to 236,507 cu.m. Year-to-date imports were only slightly higher (+5%) than in August last year.

The main decline was in imports from China and Canada. The US imported 134,320 cu.m. of hardwood plywood from China in August, down 22% from July. However, imports from China remain higher than last year and during the antidumping investigation.

Russian shipments of hardwood plywood grew by 17% in August to 27,021 cu.m. Year-to-date imports from Russia were 25% higher compared to the same time last year.

Hardwood plywood imports from Indonesia, Ecuador and Malaysia increased as well, but year-to-date imports from all three countries were lower than in August 2013.

US imports of hardwood plywood (cubic metres)

	Jan-Aug 2014	% change
Total imports	1,951,596	5%
China	935,768	15%
Indonesia	342,541	-10%
Ecuador	188,492	-23%
Canada	118,644	0%
Russia	157,997	25%
Malaysia	99,076	-42%
Other	109,078	26%

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

Hardwood moulding imports from China rise

US imports of hardwood moulding fell by 11% in August following the high import levels earlier in the summer. Imports were worth USUS$17.7 million in August.

US imports of hardwood moulding (US$)

	Jan-Aug 2014	% change
Total imports	125,463,696	7%
Brazil	33,024,283	6%
China	40,045,986	9%
Malaysia	8,853,723	16%
Canada	11,191,132	61%
Other	32,348,572	-15%

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

China was the only major supplier that increased hardwood moulding shipments to the US in August. Imports from China grew by 6% to US$6.9 million from the previous month.

Brazil's hardwood moulding shipments to the US were worth US$5.0 million in August, down 4% from July. Imports from Malaysia and Canada fell by about one third, but year-to-date imports remain higher than in 2013.

Indonesia expands assembled flooring shipments to US

Hardwood flooring imports increased in August, while imports of assembled flooring panels declined from the previous month.

Year on year, imports of hardwood flooring increased by 13% to US$3.6 million in August. Indonesia was the largest source of imports at US$716,846. August imports from Malaysia declined by 5% to US$532,166 compared to last year.

China's shipments of hardwood flooring were worth US$596,265 in August, down 18% from July. However, year-to-date imports from China were 33% higher than in August 2013.

US imports of hardwood flooring

Hdwd Flooring	Jan-Aug 2014	% change
Total imports	21,242,791	8%
Malaysia	4,139,034	14%
Indonesia	8,029,433	-47%
China	3,491,721	33%
Canada	773,443	41%
Other	4,809,160	72%

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

Total assembled flooring imports declined by 10% in August to US$11.2 million, but year-to-date imports were higher than last year. China remains the leading source of imports, but imports from that country fell in August and year-to-date imports were 12% lower than in August 2013.

US imports of assembled flooring

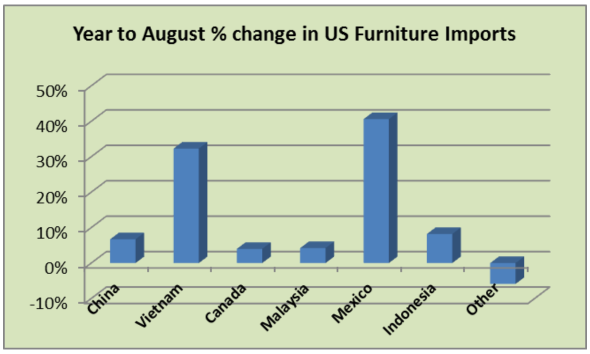
Assembled Flooring	Jan-Aug 2014	% change
Total imports	77,952,670	6%
China	46,607,389	-12%
Canada	15,970,505	16%
Indonesia	3,021,213	49%
Brazil	4,550,844	-36%
Other	7,802,719	100%

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

Assembled flooring imports from Indonesia declined in August, but were almost 50% higher year-to-date. Canadian shipments were up in August, while imports from Brazil declined.

Vietnam grabs higher furniture market share

Wooden furniture imports declined in August marking the first fall since March. US imports were worth US$1.25 billion in August, down 3% from July. Year-to-date imports were 9% higher than in August 2013.



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

Furniture imports from China fell by 8% to US$573 million and imports from most other major suppliers also declined. Vietnam was the only major supplier to the US which say an increase in shipments in August. Wooden furniture imports from Vietnam grew by 3% to US$218.8 million in August.

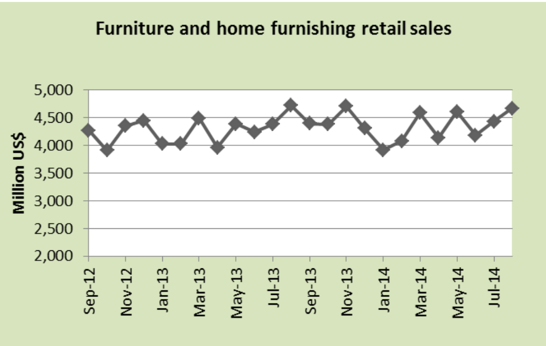
Furniture imports from Italy and India continue to increase following substantial growth in July. Poland shipped less furniture to the US in August, but Poland's share in total US wooden furniture imports has increased substantially in the last two years.

Imports of wooden seats (upholstered and non-upholstered) and office furniture declined in August, while imports of wooden bedroom and kitchen furniture grew.

US Furniture retail sales up

US furniture retail sales were up in August, despite the decline in furniture imports. Retail sales at furniture stores in the US increased by 5% in August according to the Census Bureau. However, sales were slightly lower (-1%) than in August 2013.

US monthly retail sales, furniture and home furnishing stores



Source: Census Bureau

GDP and unemployment data positive

The latest US economic data is positive, which should support growth in demand. The latest estimate of GDP growth in the second quarter of 2014 was 4.6%, some 0.4 percent higher than the previous estimate released by the US Department of Commerce.

Unemployment in the US fell to 5.9% in September according to the US Department of Labor. Employment increased in professional and business services, retail trade, and health care.

Wood products lead growth in US manufacturing

Economic activity in the US manufacturing sector continued to grow in September according to the Institute for Supply Management. Companies noted some labour shortages and concern about geopolitical conflicts abroad.

The strongest growth in the manufacturing sector was in the wood products industry. Furniture manufacturing also expanded in September.

Consumers expect higher incomes

The recent positive economic news in the US is reflected in higher consumer confidence. Consumer confidence improved by 2.5% from August according to the Thomson Reuters/University of Michigan index.

Most households expect higher incomes in the year ahead. Job growth is also expected, but consumers believe the improvement will continue to be moderate.

Home builders' confidence up across the country

Builders' confidence in the market for newly built single-family homes increased for the fourth consecutive month in September. The National Association of Home Builders reported that home builders' confidence rose in all regions of the country. Confidence is higher than any time since 2005.

Fall in multi-family housing starts in August

Multi-family housing construction fell by almost one third in August. As a result, overall housing starts decreased by 14% to 956,000 units in August (seasonally adjusted annual rate). Single-family housing starts declined by 2.4% to 643,000 units. Single-family starts remain higher than at the same time last year.

The number of building permits also decreased in August, mainly due to lower multi-family permits. Permits for single-family construction were almost unchanged at 626,000 units at a seasonally adjusted annual rate. The number of building permits issued is an indicator of future building activity.

Buying homes as Investment loose shine

Sales of existing homes declined by 1.8% in August. The decline was due to fewer investors buying homes, according to the National Association of Realtors. Individual investors accounted for 12% of total sales, down from 16% last month.

The association expects better conditions for first-time home buyers. The supply of homes on the market is growing and the growth in prices may slow. The share of first-time buyers in total homes sales was 29% in August.

Growth in office and commercial construction

Non-residential construction spending decreased slightly in August at a seasonally adjusted annual rate. Private construction declined by 1.4% and public spending by 1.1%.

However, the drop in public spending was mainly in educational buildings. Public construction of office and commercial buildings grew significantly by 11% and 8%, respectively.

The American Institute of Architects reports a positive outlook for the coming months. However, 76% of architecture firms had major projects delayed or cancelled for financing or economic reasons. The majority of delayed projects were non-residential.

Decline in Canadian housing starts

Canadian housing starts declined by 3.3% on August to 196,000 at a seasonally adjusted annual rate. Both single and multi-family starts decreased. The number of residential building permits grew by almost 20% compared to the same time last year. The growth was mainly in permits for multi-family construction.

Growth in residential construction will be strongest in Alberta in 2014, according to the Canadian Housing and Mortgage Corporation. In 2015, housing starts are predicted to increase in Quebec, British Columbia and Manitoba due to improving economic conditions.

China's market share of Canadian hardwood flooring imports increasses

Canada has extensive hardwood flooring manufacturing, with most production facilities in the provinces of Quebec and Ontario. As in the US, domestic manufacturing has been increasingly replaced by flooring imports.

In 2013, hardwood flooring imports were worth US$219 million. The main sources of imports are China and the US.

Much of Canada's production is solid hardwood flooring, while engineered (multi-layer) wood flooring is mostly imported from Asia. Engineered wood flooring imports from China almost tripled in the last five years. In 2009 imports were worth US$6.3 million, increasing to US$18.7 million by 2013.

Canadian imports from Indonesia grew from US$8.9 million in 2009 to US$14.2 million in 2013. Europe is the third-largest source of engineered wood flooring, but the growth in imports from Europe has been slow compared to China and Indonesia.

Canadian imports of engineered wood flooring are likely to continue growing in the coming years. The product has only relatively recently gained recognition and acceptance in the market in both Canada and the US.

Developers of multi-family housing, the most common type of residential construction in Canadian cities, increasingly use engineered flooring due to its lower cost compared to solid hardwood flooring.

Engineered wood flooring is also becoming popular for DIY renovations, although the less costly laminate flooring still dominates this market.

Canadian media has recently focused on how Chinese flooring imports threaten Canadian hardwood flooring manufacturing. Manufacturing plants have closed, while other producers have started trading flooring from China under Canadian-sounding brand names.

One of the largest news networks in Canada, Global News, reported on illegally cut timber from Russia, processed in China and exported to Canada. Unlike the US, Canada does not have a law like the Lacey Act that prohibits the import and sale of illegally cut timber.

The media reporting also focused on the export of hardwood logs from Canada for processing in China and the possibility of higher formaldehyde emissions from flooring made in China (see following story).

High levels of formaldehyde in some wood flooring from China

The Canadian news network, Global News, reported in October that six out of eight samples of Chinese-made composite wood flooring had higher formaldehyde emissions than allowed under California standards and proposed US federal regulation.

The testing of the wood flooring samples was carried out by the Hardwood Plywood and Veneer Association, which represents North American manufacturers and about 90% of all hardwood plywood and hardwood veneer produced in the US and Canada.

While the US is introducing new strict regulation for formaldehyde emissions from wood products, Canada does not have similar regulation.

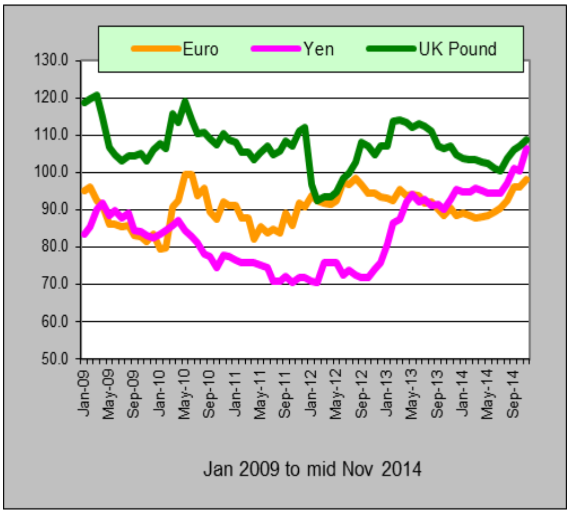
Canada has a voluntary agreement between government and industry to limit formaldehyde. The agreement was reached in 1986 and emission limits are higher than in Europe and California.

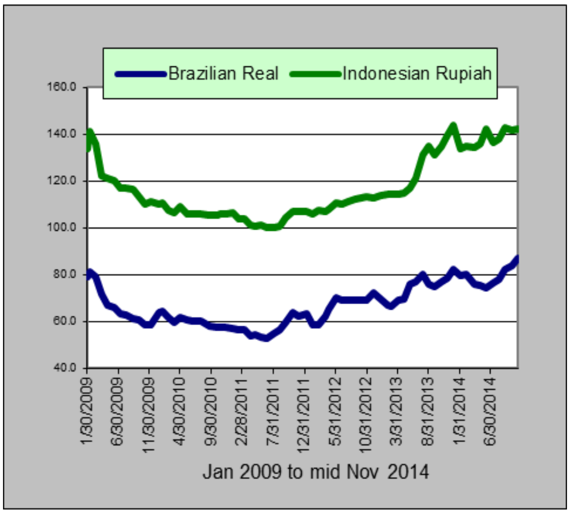
US Dollar Exchange Rates

As of 10th November 2014

Brazil	Real	2.5526
CFA countries	CFA Franc	527.47
China	Yuan	6.1207
EU	Euro	0.8051
India	Rupee	61.49
Indonesia	Rupiah	12,165
Japan	Yen	114.86
Malaysia	Ringgit	3.3482
Peru	New Sol	2.93
UK	Pound	0.6312
South Korea	Won	1090.60

Exchange rate index (Dec 2003=100)



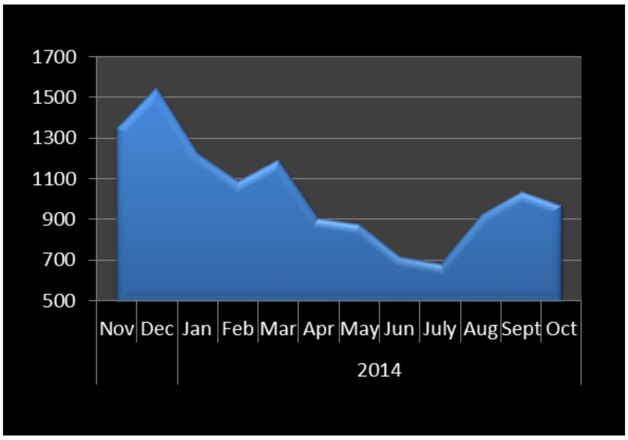


Abbreviations and Equivalences

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
November 2013 – October 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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