# Tropical Timber Market Report

Volume 18 Number 22, 16th – 30th November 2014



## Contents



## Top Story

### Up-date on Australian Government's illegal logging laws

The Australian Department of Agriculture has published its fourth illegal logging up-date which provides the latest on developments with the Australian Government's illegal logging laws.

New due diligence requirements came into force Sunday, 30 November 2014.

The new requirements are a key element in the government's efforts to combat the trade in illegally logged timber.

See page 25

## Headlines

## Report from Central/West Africa

**Buyers beginning to look more closely at prices**

As noted in previous reports, international buyers are becoming more price conscious but, as yet, producers have not had to concede discounts and this is mainly because log availability is currently in balance with demand. Producers firmly believe the current forest resource base offers little scope for increased production.

FOB prices for logs and sawnwood have not changed over the past two weeks after the small upward adjustments earlier this month

**Hint of weakness in demand for Okoume**

Producers continue to be carefully watching for any sign of weakness in demand from China but, so far, trade levels are being maintained although some producers report a downward pressure on prices for okoume logs and sawnwood but say demand and prices for the 'redwoods' are very firm.

Demand in the EU for tropical timbers continues to be disappointing and compliance with the EUTR is increasing the cost of trading for both exporters and importers.

**Attracting investment key to growth in W. Africa**

The EU has committed 40 million euros to support two projects aimed at attracting private sector investment to ECOWAS member countries.

A joint statement from ECOWAS and the EU said "it was important to create jobs for the youths in order to ensure peace and prosperity in the region. Dependence on oil revenues cannot be sustained in view of volatile oil price so we need to ensure economic growth and jobs creation through 'Made in West Africa' focusing on quality and competitive pricing."

The president of the ECOWAS Commission said that the region needed to expand economic growth beyond the single digit levels currently achieved. To achieve this he said, "we need to promote investments, allow citizens of member countries to move freely, encourage the private sector and remove trade barriers."

**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

**2015 budget statement refers to forestry development plans**

In the 2015 budget statement the Minister of Finance, Mr. Seth E.Terkper, had the Following to say on Forestry:

- The continued implementation of the new Forest and Wildlife Policy, which will shift the focus from over-reliance on timber harvesting to conservation of biodiversity and watershed management, will provide long term benefits to all Ghanaians. The new policy also encourages reforestation and restoration of degraded landscapes

- Ecotourism will be promoted as part of efforts to diversify revenue sources within the forestry sector

- A national wood tracking system under the Voluntary Partnership Agreement between the Government of Ghana and the European Union will be strengthened as under this agreement Ghana is to put in place effective systems to verify the legality of all timber exports and to strengthen forest governance

- To improve forest protection additional resources will be provided to fund Forestry officers as Public Prosecutors.

For more see: http://www.mofep.gov.gh/budget-statements

The International Monetary Fund welcomed the 2015 budget which will reduce the fiscal deficit provide for sound management of government finances.

Mr. Joël Toujas-Bernaté, who led the recent IMF mission to Ghana said, "The budget includes some important measures to increase revenues, to eliminate distortive and inefficient energy subsidies and to contain growth in Ghana's comparatively high public wage bill.

At the same time, the budget allows for maintaining public investment above 5 percent of GDP as well as increasing social protection spending targeted at the most vulnerable.

The mission also welcomed the government's aim to implement structural reforms to underpin a sustained consolidation towards a fiscal deficit objective of 3.5 percent of GDP by 2017." See more at http://www.imf.org/external/np/sec/pr/2014/pr14532.htm

**EXIM Bank to boost exports**

Ghana is to setup an Export-Import (EXIM) Bank with the aim of transforming growth in Ghana's economy through expanded exports. This was specifically mentioned in the 2015 budget statement from the Ministry of Finance.

According to the Association of Ghana Industries (AGI), the statement is welcome news for the manufacturing and timber businesses. The Ghana cabinet has already approved the setting up of a Presidential Committee to oversee the establishment of the Ghana EXIM Bank.

**Businesses losing because of power crisis**

The recent unpredictable power supply is continually pushing the cost of doing business and is subjecting domestic consumers to live with the discomfort of the power outages and the effects on the prices of goods and services.

In another development and according to the 2015 budget statement, fiscal consolidation measures to be implemented include:

- imposition of 17.5% Special Petroleum Tax
- continuation of the freeze on employment and non-replacement of departing public sector employees in overstaffed areas
- strict implementation of the existing price adjustment mechanisms for utility and fuel prices.

Analysts see this as a serious contractionary fiscal policy targeting low growth and a reduced fiscal deficit for 2015.

**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 .38⬆ |
| Mahogany | 1.30 | 0.76⬆ |
| Makore | 1.30 | 0.47⬆ |
| Odum | 1.76 | 0.90⬆ |

**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 | 283 |
| Dahoma | 339 | 362 |
| Edinam (mixed redwood) | 392 | 524 |
| Emeri | 410 | 500 |
| African mahogany (Ivorensis) | 593 | 720 |
| Makore | 580 | 618 |
| Niangon | 615 | 683⬇ |
| Odum | 610 | 700 |
| Sapele | 610 | 796 |
| 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 |
| Afrormosia | 15.50 | 18.65 | 18.55 |

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

## Report from Malaysia

**Sarawak companies reaffirm commitment to good forest governance**

Representatives from KTS, Rimbunan Hijau, Samling, Shin Yang, Ta Ann and WTK, the largest timber companies in Sarawak recently signed a "Corporate Integrity Pledge" with the State Government as part of a move by the new Chief Minister to promote transparency and good governance.

Malaysian Anti-Corruption Commission deputy chief commissioner, Datuk Mustafar Ali, said "the landmark document is aimed at strengthening public and private sector commitment towards integrity and addressing corruption. The corporate integrity pledge is a self-regulatory document. Signatories have made a commitment to uphold anti-corruption principals."

The domestic media has reported that State Cabinet members would also sign the integrity pledge after government agencies, statutory bodies and the private sector had done so.

**Furniture largest contributor to export earnings**

The Latest export statistics released by the Malaysian Timber Industry Board showed Malaysia's exports of timber and wood products for the first eight months this year totalled RM13.52 billion (approx. US$ 4.0 billion).

Wooden furniture was the largest contributor to export earnings at RM4.13 billion (30% of total exports), plywood was second at RM3.42 billion (25% of the total), sawntimber third at RM1.64 billion (12%) and logs RM1.37 billion (10%).

The breakdown of export markets reconfirmed the importance of Asian markets as they accounted for 66% of all Malaysian timber and wood product exports. N. American markets accounted for 15%, Europe 11%, Oceania 5% and Africa 3%.

In terms of individual countries, Japan is the most important, importing 20% or RM 2.73 billion from Sarawak. The US accounted for 12%, India 9% and Taiwan P.o.C and Singapore accounted for around 5% each while the UK, China, Australia and South Korea around 4%.

Malaysian furniture manufacturers have made great strides in production but increased competition in international markets is a growing challenge.

Philip Yap, a Malaysian furniture designer who has been successfully in China for almost 10 years was interviewed for the Malaysian Timber Council's TIMBER MALAYSIA and asked, 'where do you see Malaysian furniture going in terms of design?'

In response Mr. Yap said, "For Malaysia, the OEM model which helped grow its furniture industry is both a blessing and a curse. It was a blessing at the beginning because it provided a good platform for our industry members to sell the products globally. But this easy marketing process has placed many Malaysian furniture manufacturers in a comfort zone, which is not conducive for nurturing creativity.

Design must be the cornerstone of the industry's next level of success. Without design, most Malaysian-made furniture will continue to be perceived as a base for low-end, promotional furniture and we will forever compete on price, against the likes of Vietnam and Indonesia.

Now, Myanmar has begun to open up and its hunger for investments, jobs and economic progress will ensure a steady pace of catching up with its more progressive ASEAN neighbours. It takes only a few years to train workers in a case goods furniture production."

For more see:
http://clientpreview.org/mtc/interviews/philip-yap-malaysian-furniture-designer-making-his-mark-in-china/

**Plywood tops the export list in Sabah**

The Statistics Department in Sabah released export figures for the first nine months this year showing Sabah exported timber and wood products totalling RM1,176 million (approx. US$347.9 million).

The main products exported were plywood (60% of total exports), sawnwood (25% of total), veneer (6.5%), laminated boards (5%) and mouldings (3%).

**Sabah plywood exports January to September 2014**

| Destination | Ringgit 2014 | Ringgit 2013 |
|---|---|---|
| Japan | 174,049,956 | 172,543,272 |
| Peninsular Malaysia | 121,981,649 | 118,423,914 |
| Korea, Rep. | 73,117,876 | 67,552,472 |
| USA | 65,774,741 | 79,371,722 |
| Mexico | 48,935,253 | 63,797,301 |
| Philippines | 55,771,723 | 52,290,125 |
| Thailand | 36,247,985 | 29,249,582 |
| Taiwan P.o.C | 31,195,924 | 37,084,511 |

Source: Statistics Dept. Sabah

**Logging slowed by rain but log prices have not risen**

Industry analysts are surprised that log prices have not risen despite a fall in log stocks due to the usually year-end wet season. At present trading volumes are being maintained so log stocks are falling.

Log traders report the following FOB export prices:
Meranti SQ US$ 260 – 285 per cu.m
Kapur SQ US$ 355 – 375 per cu.m
Keruing SQ US$ 350 – 370 per cu.m
Selangan Batu Regular US$ 475 – 495 per cu,m

## Report from Indonesia

**More on revoking certification requirements**

The government is considering exempting timber-processing industries, including furniture makers, from the requirement to secure legality certification, provided domestic timber is the raw material used.

The Secretary General in the Ministry of Trade, Gunaryo, said small and medium enterprises that use domestic timber and it should be the suppliers' duty to ensure the timber being sold satisfies the existing certification system. Gunaryo reiterated that certification should only be mandatory for timber producers and suppliers.

**Australian guidelines for Indonesian timber imports**

The Australian Government has agreed Country Specific Guidelines (CSG) to regulate the timber trade between Indonesia and Australia. These guidelines were endorsed by the Australian and Indonesian governments on 21 October 2014

Guidance is provided to Australian companies on procedures to follow when importing wood products from Indonesia.

The CSG says, "This guideline has been prepared by the Australian Government and the Government of Indonesia. It is intended to assist businesses importing regulated timber products from Indonesia into Australia and in understanding the regulatory framework in Indonesia in order for them to carry out their due diligence obligations under the Illegal Logging Prohibition Amendment Regulation 2013, which supports the Illegal Logging Prohibition Act 2012.

In summary, to import legal timber from Indonesia Australian importers should:

- Ask whether your supplier(s) holds a SVLK Timber Legality Certificate.
- If yes, make sure you are provided with a V-Legal Document for every shipment from your supplier(s)."

The CSG, along with a quick reference guides, can be found at:
www.agriculture.gov.au/forestry/policies/illegal-logging/information-resources

Also see:
http://www.agriculture.gov.au/SiteCollectionDocuments/forestry/australias-forest-policies/illegal-logging/indonesia-country-specific-guideline.pdf

**New Regulation on non-timber products**

Environment and Forestry Minister, Siti Nurbaya, has said the government will issue new regulations on non-timber forest products aimed increasing the value of harvests other than wood.

She said the government is studying forestry issues one at a time and one immediate issue to be addressed is the speedy and transparent issuing of permits.

The minister noted Indonesia has a tremendous potential for quality non-wood forest products such as honey, fish and bamboo.

**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

**Privatisation of MTE**

At the 22nd Annual Meeting of the Forest Products Joint Venture Corporation (FPJVC) the Minister of Environmental Conservation and Forestry (MOECAF), Win Tun, said the Myanma Timber Enterprise (MTE) will eventually be privatised.

MTE was established in 1948 when the country gained independence.

A decision has already been made to lease many of the MTE mills to the private sector and the recent announcement on privatisation is an additional surprise. If privatisation goes ahead the question will be who will undertake harvesting in future.

Local observers point out that the authorities will need to consider whether MTE continues to undertake harvesting and supply the needs of the local industry by offering logs through competitive bidding or some other arrangement.

The government has decided that most of the State owned enterprises will be privatised eventually. The FPJVC is a joint venture corporation owned 45% by MTE, 10% by the Forest Department and 45% by private shareholders.

The Corporation is listed on the Myanmar Securities Exchange Centre, a possible forerunner of a Myanmar stock exchange.

**Sale of teak and hardwoods by MTE**
The Myanma Timber Enterprise (MTE) sold the following teak and hardwood logs and teak sawnwood by special open tender during November. In the table below the quantity of logs sold is expressed in tons (hoppus measure) while the quantity of sawnwood is defined in cubic tons.

**Sales of logs in the Tachileik area**
On 18 November MTE sold 14,476 hoppus tons of teak logs and 828 hoppus tons of hardwood logs by special tender at Tachileik (Eastern Shan State) on the Myanmar Thailand border.

| Species | Grade | H. tons | Avg. Price US$/ton |
|---|---|---|---|
| Teak logs | SG-7 | 14372 | $790 |
| Teak logs | SG-8 | 104 | $780 |
| Teak posts | - | 1 | $770 |
| Pyinkado logs | 2nd | 826 | $580 |
| Ingyin logs | 2nd | 2 | $270 |

The logs are sold on condition that they are processed within the country. The logs offered at the Tachileik sale were extracted over the past five years.

Analysts say that the distance between Yangon and Tachileik is about 1200 km and the distance from Mandalay to Tachileik is about 940 km which would result in transport costs estimated at between US$4-500 per ton which means most logs will be processed in Tachileik.

**Yangon open tender sales**
On 21 November 1,053 hoppus tons of teak logs were offered to buyers by MTE and 808 tons were sold,108 tons did not attract any bids the remaining and for 137 tons the price offered did not meet the reserve price.

In addition, hardwood logs were also offered for sale and the prices secured are shown below.

**Yangon open tender teak log sales**

| Grade | H. tons | Av. US$/h.ton |
|---|---|---|
| SG-7 | 573 | $1479 |
| SG-8 | 154 | $880 |
| SG-9 | 81 | $679 |

**Yangon open tender hardwood log sales**

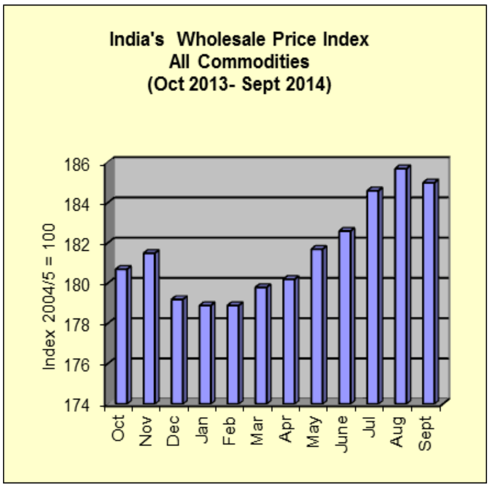
| Species | H. tons | Av. US$/h.ton |
|---|---|---|
| Pyinkado | 84 | $476 |
| Kayin | 574 | $347 |
| In | 224 | $282 |
| Ingyin | 30 | $276 |

**Foreign Investment in Myanmar**
According to a press release from the Directorate of Investment and Companies Administration foreign investment in Myanmar for the first 10 months of the year up until October stood at over US$50 billion, comprising investment from 29 companies in 11 countries.

South Korea and Singapore topped the list of countries that includes Britain, Hong Kong, Norway, China, Germany, Thailand, Brunei, Sri Lanka and Japan. In total, companies from 37 countries have invested in Myanmar to date.

## Report from India

**Wood product price index drops**
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).




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

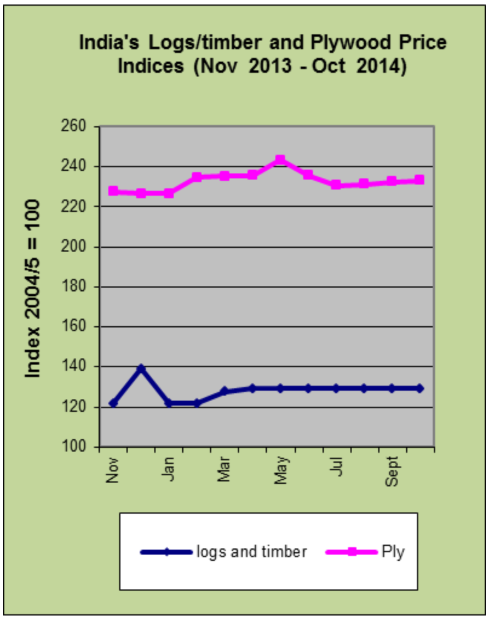
The official Wholesale Price Index for 'All Commodities' (Base: 2004-05 = 100) for the month of October 2014 declined by 0.6 percent to 183.9 (provisional) from 185 for the previous month.

The annual rate of inflation, based on the monthly WP, stood at 1.77% (provisional) for October 2014 (over September 2013) as compared to 2.38% (provisional) for September.

For more see: http://www.eaindustry.nic.in/cmonthly.pdf

#### Timber and plywood wholesale price indices

The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Logs/timber and Plywood are shown below.




The October index for the 'Wood and Wood Products' group rose by 0.1 percent to 186.3 (provisional) from 186.2 (provisional) in September due mainly to higher price of veneered particleboard.
See: http://eaindustry.nic.in/cmonthly.pdf

#### Revised notification on the sale of red sanders

In pursuance of authorisation given by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Director General of Foreign Trade, Government of India, the State Government of Andhra Prades has officially notified the sale of 4,160 metric tonnes of graded red sanders.

The timber for sale is stored in the Forest Department Depots in Kadapa, Bhakarapet, Tirupati, Udayagiri, Kanigiri, Adurupally and Venkatagiri.

The original sale, scheduled for October this year, had to be postponed due to court action which has now been concluded so the Director General of Foreign Trade has extended the authority to sell by (6) months, that is up to 30th April 2015.

Details of the court decision on the sale can be seen on the website of the Forest Department and will be shared through e-mail with the prospective bidders.

It is further certified in the tender notification that, as of the date of issuance, there was no order from any Court in India restraining the government of Andhra Pradesh from proceeding with the sale.

The government of Andhra Pradesh has announced that the red sanders wood will be sold by e-tender-cum-e-auction conducted by MSTC Ltd. from 24.11.2014 to 01.12.2014.

The terms and conditions of the sale, along with the details of log lots put up for sale can be seen at:
http://forest.ap.nic.in , http://www.mstcecommerce.com or http://www.mstcindia.co.in

#### Amended Forestry Bill may have new environment standards

A committee set up in August to review green laws and suggest amendments has submitted its report to the Ministry of Environment.

The report recommends many changes to the current laws and recommends making the whole process more transparent.

The panel proposed setting up a national laboratory for air and water quality and instituting an all India Environment Service. It is proposed that the new service would have a pool of officers to manage central and state pollution control boards and related monitoring and investigating bodies across the country.

Amendments to the current legislation may also be introduced by the government in the Forest (Amendment) Bill, 2012 which has been pending in the Rajya Sabha(Upper House of Parliament).

Prakash Javadekar, Minister of Environment and Forests said his ministry would expedite consultations with all stakeholders to ensure that the recommendations would enhance his ministry's efforts to "avoid undue delays and ensure transparency in clearances and implementation of projects".

#### Imported plantation teak

Prices for imported plantation teak reported below are unchanged from two weeks earlier.

**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 in the domestic market 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

**No pick-up in shipments of sawn teak from Myanmar**

Indian end-users of locally sawn Myanmar teak are still holding out against the major price increases being proposed by sawmillers. The news from Myanmar is that the authorities do not intend to change direction on the log export ban despite requests from buyers for a phased approach to the ban.

The pace of shipments of teak sawnwood from mills in Myanmar to India has not picked up as expected so some popular sizes are in short supply in the Indian market. However, local analysts expect this situation will be overcome as production in Myanmar increases.

**Prices for domestically milled Myanmar teak**

| Sawnwood (Ex-mill) | Rs. per $ft^3$ |
|---|---|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 8000-18000 |
| Plantation Teak A grade | 6000-6500 |
| Plantation Teak B grade | 4250-4750 |
| Plantation Teak FAS grade | 3500-3750 |

Price variations depend mainly on length and cross section

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

Demand in India for imported hardwoods remains steady and prices are unchanged from two weeks earlier.

| 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 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 | |

## Report from Brazil

**ABIMCI suggestions for boosting competitiveness**

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) has presented specific recommendations to the Ministry of Development, Industry and Foreign Trade (MDIC) in order to promote the development of the timber industries in Brazil.

ABIMCI advocates the inclusion of sawnwood into the REINTEGRA regime (Special Regime for Return of Tax Values for Exporting Companies); the ABIMCI document submitted to MDIC shows production and export data and the positive impact tax relief would have on maintaining competitiveness.

Also, ABIMCI is encouraging the Brazilian government to negotiate inclusion of more Brazilian timber products within the United States Generalized System of Preferences (GSP), which would eliminate import duties that, in the case of pine plywood, is 8%.

Another measures suggested by ABIMCI is the need to promote greater domestic use of timber in house building, stimulating domestic consumption of wood products as well as tax incentives to increase the area of planted forests. According to ABIMCI, the wood based industries accounted for 35% of Brazil's fiscal surplus in 2012.

**Economy snapshot**

Brazil’s Consumer Price Index (IPCA) moved up 0.42% in October after the increase of 0.57% in September. Year on year the October 2014 figure represented a decline. For the 12 months ending October 2014 inflation as measured by the IPCA stood at 6.59%, marginally down year on year.

The Monetary Policy Committee (COPOM) of the Brazilian Central Bank increased the prime interest rate (Selic) from the equivalent of 11% to 11.25% annual rate.

**October exports firmly in positive territory**

In October 2014, exports of all wood products (pulp and paper not included) increased 21% in value compared to October 2013, that is from US$228.4 million to US$276.0 million.

Pine sawnwood exports increased significantly (45%) in value in October 2014 compared to October 2013, from US$15.8 million to US$22.9 million. In terms of volume, pine sawnwood exports rose 44.5%, from 68,100 cu.m to 98,400 cu.m over the same period.

In October tropical sawnwood exports were up 23.4% in volume, from 27,400 cu.m in October 2013 to 33,800 cu.m. and export values increased 19.0% from US$15.8 million to US$18.8 million.

Pine plywood exports expanded close to 13% in value in October 2014 in comparison with October 2013, from US$37.7 million to US$42.5 million but export volumes increased by only 3.2%, from 109,100 cu.m to 112,600 cu.m,

In a similar trend, tropical plywood exports increased 4.5% in volume, from 4,400 cu.m in October 2013 to 4,600 cu.m in October 2014 (still low compared to level of exports in the past 10 years). In terms of value, tropical plywood export earnings remained the same at US$2.7 million.

Brazil’s exports of wooden furniture increased from US$44.3 million in October 2013 to US$50.6 million this October, a 14.2% rise.

**International buyers to visit furniture industry in southern Brazil**

The furniture cluster of Santa Catarina state, in southern Brazil, will host a visit by a group of buyers from Colombia and Argentina in December 2014.

The International Business Center of Santa Catarina Industries Federation (FIESC) sent a business mission to Colombia in October this year and the Federation will soon host a return visit of a group of buyers to visit furniture companies in São Bento do Sul, Santa Catarina.

The group of buyers from Argentina will also be visiting São Bento do Sul´s solid wood furniture manufacturers and will also visit other furniture clusters in Rio Negrinho and Mafra municipalities.

The group from the Argentines has indicated it wishes to learn about sector training programmes as well as the administration and management models applied to the sector.

**Interzum plans feature on Brazilian furniture sector**

Brazil is Germany’s largest trading partner in South America according to reports from Interzum, the largest furniture industry fair. Brazil is the seventh largest furniture producer.

The Interzum international fair takes place every two years in Germany and the next event will be in May 2015 and the organisers are preparing to feature the growth in Brazil’s furniture sector.

Brazilian furniture is attracting the attention of importers in Europe as it contains a high proportion of recycled material and participation in the 2015 fair is expected to yield substantial sales.

**Domestic Sawnwood Prices**

| Brazil sawnwood, domestic (Green ex-mill) | US$ per m$^3$ |
|---|---|
| Ipé | 919⬆ |
| Jatoba | 504⬇ |
| Massaranduba | 431⬆ |
| Muiracatiara | 475⬆ |
| Angelim Vermelho | 412⬆ |
| Mixed red and white | 275⬆ |
| | |
| Eucalyptus (AD) | 249⬆ |
| Pine (AD) | 177⬇ |
| Pine (KD) | 196⬇ |

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US$ per m$^3$ |
|---|---|
| Ipê | 186⬆ |
| Jatoba | 109⬆ |
| Massaranduba | 114 |
| Miiracatiara | 114⬇ |
| Angelim Vermelho | 109⬇ |
| Mixed redwood and white woods | 99 |

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

| Parica | US$ per m$^3$ |
|---|---|
| 4mm WBP | 733⬇ |
| 10mm WBP | 596⬇ |
| 15mm WBP | 511⬇ |
| 4mm MR | 661⬇ |
| 10mm MR | 496⬇ |
| 15mm MR | 469⬇ |

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 | 313⬇ |
| 15mm MDF | 456 |

**Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US$ per m$^3$ |
|---|---|
| Ipe | 1283⬆ |
| Jatoba | 1007⬇ |
| Massaranduba | 752⬆ |
| Miiracatiara | 737⬆ |
| Pine (KD) | 224⬆ |

**Export Plywood Prices**

| Pine Plywood EU market, FOB | US$ per m$^3$ |
|---|---|
| 9mm C/CC (WBP) | 354⬆ |
| 12mm C/CC (WBP) | 329⬆ |
| 15mm C/CC (WBP) | 323⬆ |
| 18mm C/CC (WBP) | 315⬆ |

**Export Prices For Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per m$^3$ |
|---|---|---|
| Decking Boards | Ipê | 2,292⬇ |
| | Jatoba | 1,505⬇ |

## Report from Peru

### Success with door exports

The Peru Exporters Association (Adex) has reported that, between January and September, exports of wooden doors and frames were worth US $746,400 a six-fold increase over the same period last year. Panama is the main market for the wooden doors and frames accounting for over 90% of shipments from Peru rose due to massive investments in both public and private construction in Panama.

Panama's President, Juan Carlos Varela, is forging ahead with plans to renovate the city of Columbus to address basic sanitation and housing. Nationwide the investment in housing continues representing a great opportunity for Peruvian exporters.

China is the main supplier of wooden doors and frames to Panama but consumers in Panama say it is the quality of Peruvian products that set them apart.

In the first three quarters of the year Peruvian doors and frames were also exported to Italy the US and Chile.

**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 | 168-192⬆ |
| Spanish Cedar | 296-355 |
| Marupa (simarouba) | 142-154⬆ |

**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 | 912-1045⬆ |
| | 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

**Guyana's 'rosewood' attracting Asian buyers**

Guyana's export trade began very quietly at the beginning of the year and in January there were no exports of the main commercial logs; greenheart, purpleheart and mora.

However, at the same time wamara (*Swartzia leiocalycina*) logs made headway on the export market, particularly in Asia, securing favorable prices ranging from US$125 to US$140 per cubic metre FOB. Prices have since increased to as much as US$200-US$220 per cubic metre FOB.

Wamara, *Swartzia spp. (S. benthamiana, S. leiocalycina)* is distributed in Southern Mexico, Central America and northern South America. Besides being called wamara, the international name often used is Guyanese rosewood.

Wamara can used for both interior and exterior furniture, but is also commonly used in Guyana for doors, flooring, window frames, turnery, tool handles, joinery and a variety of other uses.

Due to Guyana's selective harvesting practices a sustainable supply of this timber species is assured. This wood species is not listed in any CITES Appendices or on the IUCN Red List of Threatened Species.

Wamara is especially popular for Inlays, fine furniture and cabinetry, parquet flooring, turnings, and other small specialty items. This species already performs well within the Asian market and should do well in the European and Middle Eastern market.

**Export Prices**

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

| Logs, FOB Georgetown | US$ price per $m^3$ | | |
|---|---|---|---|
| | Std | Fair | Small |
| Greenheart | 130 | 130 | - |
| Purpleheart | 170 | 170 | - |
| Mora | 150-160 | 140 | 130 |

**Export Sawnwood Prices**

| Sawnwood, FOB Georgetown | | US$ price. per $m^3$ | |
|---|---|---|---|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | - | - |
| | Standard | - | 650-975 |
| | Select | 575-1060 | - |
| | Sound | - | - |
| | Merchantable | - | |
| Purpleheart | Prime | - | - |
| | Standard | - | 750-1,166 |
| | Select | 1008 | - |
| | Sound | - | - |
| | Merchantable | - | |
| Mora | Prime | - | - |
| | Select | 500 | - |
| | Sound | - | - |
| | Merchantable | 500 | - |

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

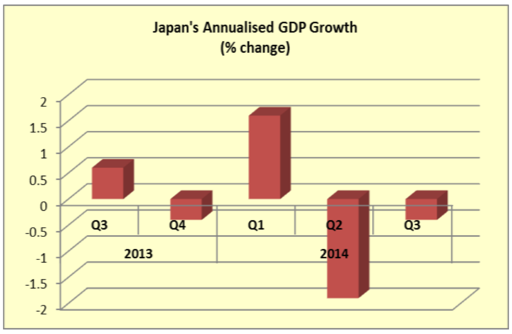
**Export Plywood Prices**

| Plywood, FOB Georgetown Port | | | US$ Avg unit val. per $m^3$ |
|---|---|---|---|
| Baromalli | BB/CC | 5.5mm | No export |
| | | 12mm | 450-584 |
| | Utility | 5.5mm | No export |
| | | 12mm | No export |

## Report from Japan

**Back in recession**

Japan's GDP contracted 0.40 percent in the third quarter of 2014 tipping the country back into recession.




Source: Cabinet Office, Japan

**Dire short-term economic prospects**

The Japanese Cabinet Office has released its assessment of the current state of the Japanese economy which claims that, despite clear weakness in private consumption, the economy is on a recovery path.

Specifically the assessment says:

- Private consumption appears to have paused.
- Business investment has shown some weakness recently.
- Exports are flat.
- Industrial production is declining.
- Corporate profits appear to be levelling out except for large export manufacturers.
- Company views on current business conditions shows a small improvement in large manufacturers, but all remain cautious overall.

- The employment situation shows a trend toward improvement but the job offers to applicant ratio appears to be pausing.
- Consumer prices are flat.

On short-term prospects the Cabinet Office says," although weakness remains for the time being, the economy is expected to recover, supported by the effects of the policies, while employment and income situation show a trend toward improvement.

However, attention should be given to the downside risks of the Japanese economy such as declining consumer sentiment and a slowing of overseas economies."

For more see: http://www5.cao.go.jp/keizai3/getsurei-e/2014nov.html

### OECD downgrade

The OECD has downgraded Japan's growth forecasts for 2014 and 2015 to take account of the fact that the economy is back in recession.

The Japanese economy is now forecast to grow only 0.4% in fiscal 2014 and could achieve 0.8% the following year. The OECD notes "In Japan, economic activity declined after the April consumption tax increase, with soft private domestic demand offsetting stronger public investment and improved export growth,"

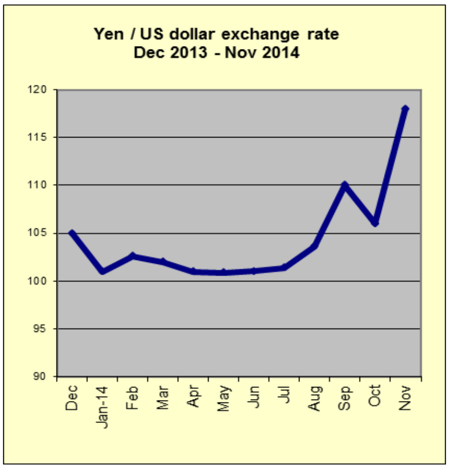
In a somber warning the OECD said slow growth in wages and the expected slowing of the global economy are risks to growth prospects in Japan.

See: http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-outlook-volume-2014-issue-2_eco_outlook-v2014-2-en#page1

### Yen at 7 year low

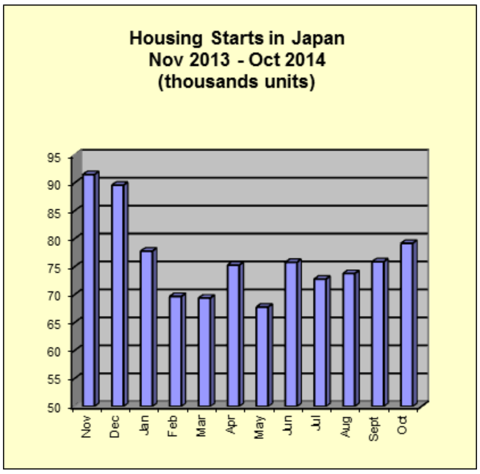
The US dollar strengthened to a seven-year high of 117.9 yen after the Bank of Japan lowered it inflation projections. Over the space of a month the yen has declined almost 5% against the US dollar.

The weaker Japanese currency is of growing concern to South Korea as it sees Japanese exporters securing a big advantage in international markets and there is talk of efforts being made in South Korea to push down the dollar:won exchange rate.




### October housing starts deliver a surprise

The latest housing data from the Ministry of Land, Infrastructure, Transport and Tourism shows that the pace of decline in housing starts slowed in October.




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

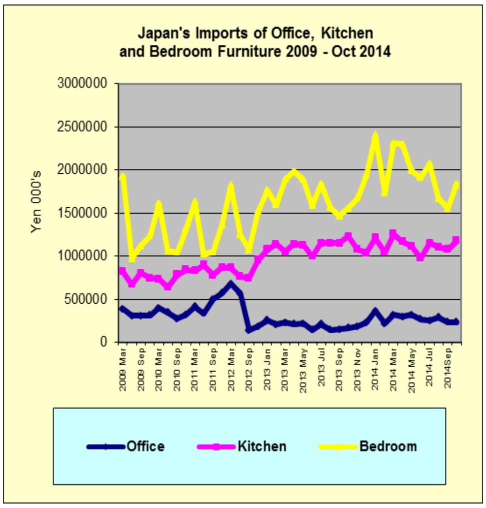
Year-on-year October housing starts fell 12% following the 14% drop in September. The unexpected improvement signaled the slowest pace of decline in four months.

Taking the October figures into account, the prospects for annual housing starts rose to just over 900,000 compared to the forecast of 880,000 based on trends up to September.

Looking ahead to the end of the year, construction activity is likely to expand as orders placed with the largest construction companies in October rose almost 16%.

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

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




Source: Ministry of Finance, Japan

**Office furniture imports (HS 9403.30)**

October office furniture imports were almost unchanged from a month earlier. China remains the main supplier but at 48.5% of all office furniture imports China's share of imports fell around 10%.

The other main suppliers in October were Portugal, Italy and Poland which together accounted for 29% of imports in October. The biggest loser in October was Indonesia which saw exports of office furniture to Japan fall around 20%.

**October 2014 office furniture imports**

| | Imports. Oct 2014 Unit 1,000 Yen |
|---|---|
| S. Korea | - |
| China | 113484 |
| Taiwan P.o.C | 14038 |
| Hong Kong | - |
| Vietnam | - |
| Thailand | - |
| Singapore | - |
| Malaysia | 9475 |
| Philippines | - |
| Indonesia | 9988 |
| Sweden | - |
| Denmark | 4334 |
| UK | - |
| Netherlands | - |
| Belgium | 5371 |
| France | - |
| Germany | 4069 |
| Switzerland | 1136 |
| Portugal | 22532 |
| Italy | 21862 |
| Poland | 23268 |
| Lithuania | 2254 |
| Czech Rep. | 908 |
| Slovakia | 1138 |
| Canada | - |
| USA | 1644 |
| Mexico | - |
| Australia | - |
| Total | 235501 |

Source: Ministry of Finance, Japan

**Kitchen furniture imports (HS 9403.40)**

Japan's October imports of kitchen furniture jumped 9.5% with the top suppliers all marking gains. The number one supplier remained Vietnam which provided 48.7% of all imports of kitchen furniture in October, a slight rise on the performance in September.

The other main suppliers were Philippines and China ( each at around 16% of October imports) and Indonesia which managed to hold onto its share of imports.

**October 2014 kitchen furniture imports**

| Source | Imports. Oct 2014 Unit 1,000 Yen |
|---|---|
| S. Korea | 289 |
| China | 195624 |
| Taiwan P.o.C | 3015 |
| Vietnam | 573990 |
| Thailand | 10752 |
| Malaysia | 13215 |
| Philippines | 190750 |
| Indonesia | 160193 |
| India | - |
| Sweden | - |
| Denmark | - |
| UK | 355 |
| France | - |
| Germany | 19171 |
| Portugal | - |
| Italy | 1048 |
| Poland | - |
| Austria | - |
| Romania | 1339 |
| Turkey | - |
| Lithuania | - |
| Canada | 3235 |
| USA | 5522 |
| Total | 1178498 |

Source: Ministry of Finance, Japan

**Bedroom furniture imports (HS 9403.50)**

Japan's imports of bedroom furniture jumped 18% in October reversing the almost 7% decline a month earlier. The big winners in October were China, the number one supplier up 25%, Vietnam up 17% and Malaysia up 22%.

Suppliers in Asia accounted for a massive 96% of Japan's bedroom furniture imports in October with the top three being complemented by supplies for Malaysia, Thailand, Taiwan P.o.C Indonesia and Philippines.

The pattern of supply has not changed throughout the year signalling the competitiveness of Asian furniture markers in a market that is very price conscious.

**October 2014 Bedroom furniture imports**

| Source | Imports ,Oct 2014 Unit 1,000 Yen |
|---|---|
| S. Korea | 661 |
| China | 1023558 |
| Taiwan P.o.C | 38843 |
| Vietnam | 552663 |
| Thailand | 67009 |
| Singapore | - |
| Malaysia | 72471 |
| Philippines | 2892 |
| Indonesia | 22270 |
| Kazakhstan | - |
| Sweden | - |
| Denmark | 4862 |
| UK | - |
| France | 272 |
| Germany | 551 |
| Switzerland | - |
| Spain | - |
| Italy | 5732 |
| Poland | 18913 |
| Austria | 1391 |
| Romania | - |
| Turkey | - |
| Latvia | 355 |
| Lithuania | 7876 |
| Croatia | - |
| Bosnia and Herzegovina | 614 |
| Slovakia | 2508 |
| USA | 16440 |
| Brazil | - |
| Australia | - |
| New Zealand | - |
| Total | 1839881 |

Source: Ministry of Finance, Japan

**Trade news from the Japan Lumber Reports (JLR)**

*The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to extract and reproduce news on the Japanese market.*

*The JLR requires that ITTO reproduces newsworthy text exactly as it appears in their publication.*

For the JLR report please see:
http://www.n-mokuzai.com/modules/general/index.php?id=7

**South Sea (tropical) logs**

Log production has been fairly well before rainy season starts. Weather in Sabah and Sarawak, Malaysia has not shown any sign of rainy season yet but spotty heavy rains are seen locally.

However, majority of produced logs are low grade MLH and very little quality logs for Japan market. Log importers manage to gather second choice logs before rain starts. Log suppliers are asking higher prices but FOB prices are unchanged at this moment.

Sarawak meranti regular prices are $280-295 per cbm FOB, meranti small are $245-260 and super small are $230. They are all same as October prices.

Sabah's yellow serayah regular prices are also flat at $260-265. India continues high level purchase steadily but in October, India had some festivals and log purchase temporarily slowed down so that the prices of low grade logs for India softened momentarily but that is nothing to do with log prices for Japan.

Log inventories in China are increasing due to slow down of the economy and it has been reducing purchase of North American and New Zealand logs and finally it started slowing down purchase of South Sea logs.

Taiwan P.o.C, which export South Sea hardwood lumber for China, will be affected by weak China market and reduce log purchase. Taiwan uses quality logs like Japan so weakening Taiwan log purchase may impact log export FOB prices.

Weather in PNG and Solomon Islands continues unstable. It is reported that South Sea log inventories are 1,200 M cbms, about four months. Meantime, India started buying logs in PNG and Solomon Islands after log export ban by Myanmar.

**South Sea (tropical) hardwood plywood market**

Import volume of concrete forming hardwood panel from South Sea countries seems to stay low through the year. The market prices in Japan finally started inching up but because of higher FOB offers by the suppliers, the Japanese importers are unable to commit future cargoes.

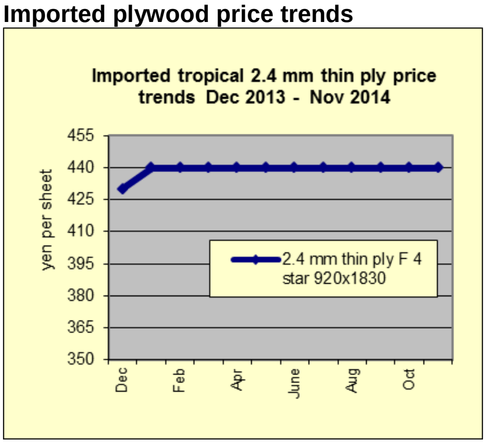
August arrivals were less than 250,000 cbms, the three years low and Malaysian supply was also low with less than 100,000cbms.

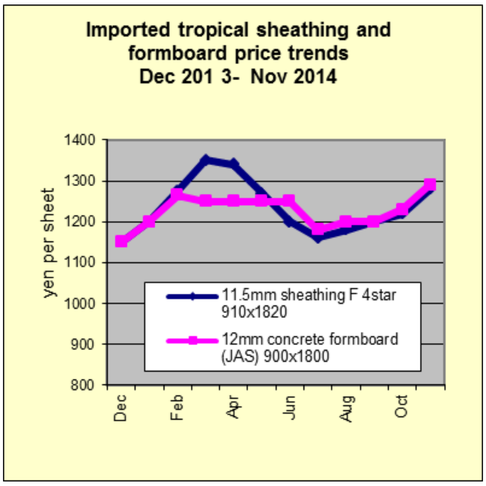
Since the purchase of futures declined after May, arrival volume continues stay low but the market in Japan stayed depressed through August so that gap between suppliers' prices and market prices stayed wide. On top of the gap, the yen suddenly started depreciating since late August.

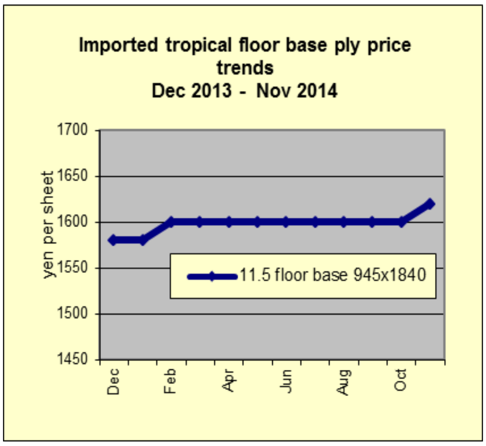
Therefore, the monthly arrivals for the fourth quarter seems to be about 260-270,000 cbms. FOB offers by the suppliers for October was US$5-10 up while the yen is further dropping way over 110 yen.

The suppliers suggest further increase of FOB prices for coming months so the market in Japan has started reacting slowly but the gap may widen further as speed of price recovery is slow while the cost increase is much faster with higher FOB and weak yen.

**Imported plywood price trends**




**Shinyei expand sales of plywood with domestic species**

Shinyei Plywood manufacturing Co., Ltd. (Minamata, Kyushu) has been expanding sales of concrete forming plywood made out of local species. The product is named 'Chisan coat'.

The product was first made in spring of last year. Monthly sales have been around 10,000 to 15,000 sheets a month then recently monthly sales soared to 40-50,000 sheets because of limited supply of imported South Sea hardwood plywood and its high prices.

Chisancoat is five plied 12 mm thick panel. Face, back and center veneer is local cypress and second and fourth layer are North American Douglas fir veneer. It is marked with domestic species and legal wood.

Shinyei has been developing coated concrete forming plywood since early days and the product has the same durability as South Sea hardwood plywood. The mill is expanding production facility of Chisancoat, which will complete in December then the production will increase by 30%.

**Seihoku increases sales of softwood concrete forming panel**

Seihoku and Seihoku Plywood (Tokyo) has been trying to develop the market of softwood coated concrete forming panel 'Seihokucoat'. In October, the sales seem to be about 140,000-150,000 sheets.

It is also developing plywood covered with polypropylene (pp) sheet, softwood plywood floor base and new particleboard product.

Since last July, it has been reducing the production by 15% through October but the production of Seihokucoat increased. July production was 140,000 sheets then 100,000 sheets in August and September.

The sales were about 70-80,000 sheets a month before but October sales were almost 150,000sheets because of climbing cost of imported South Sea hardwood plywood and the future cost seems to continue going up with higher FOB prices and weakening yen.

This is a good chance for softwood plywood to develop the market share. The product has been used for many construction sites and proved it is as good as the imported hardwood plywood. This concrete forming panel can be used three times, same as hardwood plywood.

PP covered plywood is a bit high in cost compared to coated sheet but it has high heat and abrasion resistance so the performance is good enough to compete with coated panel.

Meanwhile, shipments of softwood floor base have been steady with 50-60,000 sheets a month. Seihoku has been proposing new products and ask the comment with four or five floor manufacturers to improve the quality.

### Full scale experiment of CLT buildings

Japan CLT (cross laminated timber) Association will do a full scale experiment of five and three stories CLT buildings in February of 2015 at E Defense (Hyogo Earthquake Engineering Research Center) with working group of vibration platform test supported by the Ministry of Land, Infrastructure and Transport.

The Association considers next two years are important period to make up CLT's construction standard so that it sets up various working groups (WG).

According to the Association, six units of actual CLT buildings will be completed by the end of this year so that the Association tries to collect every possible data from those units.

Grand design WG will come up with necessary measures and strategy to establish building standard by year 2016. It held the first meeting on October 15. Standard specification WG will make up standard specifications before public notice of standard specification is made. Sound proof WG will make actual test of sound proof performance of floor to clarify performance by different specifications.

Fire proof WG will try to get fire proof certificate for one and two hours. Full scale model experiment WG will do measurement of actual test on vibration platform at E Defense in 2015. Other WGs are manufacturing and processing WG, joinery WG and public relations WG.

### First Mid Ply Wall system building in Japan

Five stories wooden special elderly nursing home will be built in Tokyo in 2015 with newly developed Mid Ply Wall system. This will be the largest wooden building in Japan. Mid Ply Wall system was developed in Canada in 1998. It uses standard dimension lumber for 2x4 homes.

In standard 2x4 house, panel of structural plywood or OSB is attached on both sides of dimension lumber. In Mid PlyWall system, dimension lumber is attached on both sides of panel.

In 2x4 building, narrow side of lumber (2 inch side of 2x4 lumber) is nailed to the panel but in this Mid Ply Wall system, wide side of lumber (4 inch side of 2x4 lumber) is nailed to the panel so that panel is nailed from both sides and load bearing strength is doubled.

### CS Lumber sets up CAD center in Vietnam

C.S.Lumber (Chiba prefecture), a large 2x4 panel manufacturer and precutting processor for post and beam construction, sets up CAD input center in Vietnam and will accept eight Vietnamese trainees next year to expand supply of 2x4 panel.

Labor shortage is serious in Japan and wages are inflating so it decided to use inexpensive Vietnamese labor. In October 2013, it established local subsidiary, CSL CAD Vietnam near Ho chi min in Vietnam. It sent one instructor to train six local Vietnamese workers as 2x4 CAD operator.

Compared to traditional post and beam construction precutting, which has many outsourcing CAD and CAM input, precutting of 2x4 construction is way behind and hard to find outsourcing outfit and experienced operator so the company has to train its own operators. It selected Vietnam where abundant inexpensive labor is available. It will train eight visiting trainees as framer.

## Report from China

### October house prices slide further

In the latest survey of house price movements by China's National Bureau of Statistics of the 70 medium and large-sized cities for which data is available home sales fell in all but one city where prices were unchanged. Compared to levels in September prices for second-hand homes fell in most cities for which data is available.

The table below illustrates the magnitude of change month on month, year on year and from the base year 2010 (index 100)

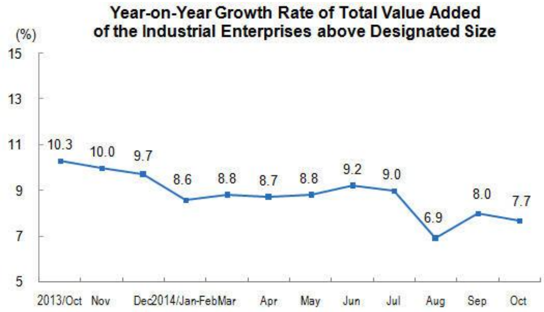
**October house price indices**

| City | M/M | Y/Y | Since 2010 |
|---|---|---|---|
| Beijing | 98.9 | 98.7 | 118.1 |
| Tianjin | 99.3 | 98.4 | 109.1 |
| Shijiazhuang | 99.4 | 97.9 | 116.3 |
| Taiyuan | 99.5 | 97.6 | 111.4 |
| Hohhot | 99.1 | 98 | 111 |
| Shenyang | 98.7 | 94.7 | 112.9 |
| Dalian | 98.7 | 97 | 112.9 |
| Changchun | 99.4 | 98.3 | 110.2 |
| Harbin | 98.8 | 98 | 110.7 |
| Shanghai | 99.4 | 98 | 116.6 |
| Nanjing | 99.6 | 99.1 | 110.7 |
| Hangzhou | 99.6 | 91.3 | 92.9 |

Source: National Bureau of Statistics, China

### Industrial output steady despite slowing domestic consumption

In October this year the growth in value added by those industrial enterprises surveyed by the National Bureau of Statistics increased by 7.7% year-on-year but was 0.3% lower than that in September. Between January and October this year the overall growth in value added by industrial enterprises grew by 8.4 percent.




Source: National Bureau of Statistics, China

In terms of sectors value added in mining and quarrying increased 4.7%, manufacturing increased 8.5% and that of production and distribution of electricity, gas and water was up by 2.9% year-on-year.

In October, the year-on-year growth in added value by state-owned enterprises and state holding enterprises increased 5.5%, added value by collective enterprises fell 1.6%, joint-stock enterprise added value rose 9.1% while foreign company value added increased 5.7%

See:
http://www.stats.gov.cn/english/PressRelease/201411/t20141113_637326.html.

### Programme to promote foreign trade and investment

The China National Forest Products Corporation (cnfpc-en.cfgc.cn/g1929.aspx), through the China Forestry Industry Association, has launched a programme to promote foreign trade and investment.

The China National Forest Products Corporation (CFPC) was established in July 1979 and is now an enterprise directly under the control of State Forestry Administration,

CFPC is a non-profit organisation comprising enterprises, institutions and individuals which engage in international investment, cooperation and wood products trade.

The purpose of the new programme is to support overseas investment and cooperation to promote the orderly and healthy development of forest products trade. Some 127 members have expressed interest in taking part in the international investment and trade promotion programme.

The new International Investment and Trade Promotion Programme will focus on boosting an "out-going" strategy to accelerate the pace of China's forestry development.

- It will coordinate the establishment of an overseas forestry investment strategy building on regional cooperation and alliances

- It will strengthen timber import coordination mechanisms

- It will assist enterprises secure sustainable timber resources raw materials.

- It will improve China's image of a responsible great country and play important role in international wood products trade negotiation.

### China-Vietnam border entry point

Dongxing, in Guangxi Zhuang Autonomous Region is one of the main entry points on the China-Vietnam border and is well placed to take advantages of the ASEAN free trade agreement.

**Guangxi Zhuang Autonomous Region**

Source: http://en.wikipedia.org/wiki/Guangxi

The Dongxing entry point plays an important role as the bridgehead for the China- Southeast trade as it provides access to Cambodia, Laos as well as Vietnam. In this respect it is different from the Ruili entry point in Yunnan Province.

In May of this year trade with China through the major ports in Vietnam were disrupted so many manufacturers in Vietnam shipped wood products to China through Dongxing.

Traders in China began to import timber through Dongxing in 1992 and by 1998 the timber trade was booming. Currently, there an estimated 800 ‘redwood’ product enterprises with a turnover of RMB100 million in the area. Of this total some 200-300 redwood furniture plants are in the industrial zone in Dongxing.

### Increased MDF exports from Guangxi Wuzhou City

MDF produced in Wuzhou City of Guangxi Zhuang Autonomous Region is popular in international markets, especially in Iran where demand has increased recently.

According to statistics from China Customs, MDF exports through Wuzhou City were 16,200 tons worth US$41.86 million up to October, a year-on-year growth of 16 times in volume. The private enterprises in Wuzhou City accounted for more than 80% of exports.

**Furniture exports through Chongqing City down 40%**
Exports of furniture from manufacturers in Chongqing City were badly affected by weak international demand this year. It has been reported that the total value of furniture exports between January to October was RMB4.29 billion yuan, a year on year decline of 40%.

Local experts say part of the reason for the decline was a decision on the part of manufacturers to pull out of exports as profits from the export business were low due to rising raw material costs and to the rapidly rising labour costs in China.

To lift profit margins local analysts suggest enterprises must change in terms of management, design, production methods and quality control. They advise furniture enterprises in Chongqing City to speed up product innovation and adopt a much higher degree of automation.

In terms of marketing enterprises have been advised to develop brand awareness and diversify their international markets.

**Thai/China cooperation on bonded zone for ASEAN products**
Recently the chairman of a Thai agency for promoting Thai SME exports lead a delegation to Dongyang City in Zhejiang Province to investigate the investment environment.

Following the visit a strategic cooperation agreement between local government of Dongyang City and the Thai agency was signed under which the two entities will establish a timber cross-border e-commerce trading platform.

Investments will be made in a wood processing and trading centre in the bonded zone in Dongyang City to serve as a gateway for products from ASEAN countries. More than 33 hectares of land will be occupied in the first phase and on completion the investment is expected to yield an annual turnover of RMB50 billion.

**Bamboo products of Jiangxi Province back on US market**
In 2005, after detecting harmful pests including *Callidium villosulum* in imported bamboo products, the US banned imports of bamboo products from China.

American experts were invited to China to examine treatment facilities and from 2013 the US government lifted the ban and allowed the import of bamboo products from China on condition that China's bamboo wood products meet the US legislated sanitary requirements.

The Jiangxi Inspection and Quarantine Bureau seized the opportunity provided by the lifting of the US import ban to assist Chinese enterprises re-enter the US market.

Production and processing of bamboo products in Jiangxi Province developed from small scale, simple production lines to the now advanced assembly line for bamboo flooring and furniture. The value of bamboo product exports from Jiangxi Province in 2013 reached US$146 million.

**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

### Slowdown in European wood flooring market

After showing signs of recovery in the first half of 2014, the market for wood flooring in Europe slowed in the second half of the year. Competition from substitute products continues to intensify. Political tensions and economic slowdown in Russia have undermined export demand.

These were the main conclusion of a meeting of the Directors of the European Wood Flooring Federation (FEP) on 30 September 2014.

The FEP market review covers the member countries of the FEP which includes all the main European consuming countries with the exception of the UK.

The following summarises wood flooring demand in each FEP member country during the first nine months of 2014:

Austria: The market declined by an estimated 3% compared to the same period last year.

Belgium, Denmark and Norway: the market has remained stable compared to the same period in 2013.

Finland: sales are down by between 5% and 7% mainly due to reduced demand in Russia, the major export market.

France: sales are down between 10% and 12% this year. The trend forecast is also negative. Consumer confidence remains low.

Germany: the positive development of the first 4 to 5 months of 2014 has not continued. Demand in June, July and August was declining. Industry statistics indicate that wood flooring sales in the first 8 months of 2014 are down nearly 2% compared to the same period in 2013.

Italy: wood flooring consumption remains very low, down 20% in 2014 compared to the same period in 2013. Wood is also losing share. Consumption of ceramics has also fallen this year but at a slower rate than for wood flooring. Market expectations are subdued.

Netherlands: slow recovery of the economy offers some potential for future improvement in demand. However the market currently suffers from over-supply as the decline in domestic sales in recent years has not been matched by closure of manufacturing facilities. Producers have been trying to develop export opportunities but face stiff competition, particularly as the economy remains fragile in neighbouring European countries.

Spain: the market is stable but at a very low level. High levels of unemployment continue to severely depress consumer confidence. Spain's government is due to cut both corporate and income taxes early in 2015 in an attempt to strengthen the economy and bolster the prospects of the ruling centre-right Popular party in elections due next year. This may lift consumption in 2015, at least in the short-term.

Sweden: wood flooring consumption has increased around 3% in 2014. House building is picking up, especially construction of single-family homes.

Switzerland: After significant growth in recent years, the market is now weakening. Demand is falling for both mosaic and 3-strip products. Wood flooring is losing share to luxury vinyl tiles.

### Tarkett sales suffer from European and CIS downturn

Many of these same trends are apparent in the latest financial reports of Tarkett, the France-based company which is one of the world's largest wood-based flooring manufacturers.

Tarkett generated net consolidated revenues of €2,516m in 2013, 9.5% up on the previous year and a record for the company.

However, the company's high exposure to the European and CIS markets has meant it has struggled to maintain growth in 2014. Tarkett net sales reached €731.2m in the third quarter of 2014, a reduction of -3.3% compared to the same period in 2013.

Tarkett's sales have continued to rise slowly in Scandinavia, Central Europe and Middle East as well as in Spain and Italy. However, sales in France have been badly affected by the contraction in public spending and the overall weakness of its economy.

This has led to the closure of Tarkett's Marty wood flooring plant in France, which experienced severe financial difficulties despite industrial, sales and marketing investments made. Tarkett's sales to Russia and other parts of the CIS have also fallen by around 10% this year.

Tarkett sells close to 500 million square meters of flooring each year, and operates around 30 manufacturing sites around the world including in Western and Eastern Europe, Russia, North America, Brazil, and China. Wood and laminate flooring account for around 10% of Tarkett's sales

Wood and laminate flooring products are destined primarily for Europe and North American markets, mainly residential renovation projects and, to a lesser extent, commercial applications such as retail, hospitality, offices and indoor sports facilities. In line with broader industry trends, Tarkett has shifted from manufacturing plank to engineered multi-layer wood products.

Most of the wood used by Tarkett comes from Europe. Tarkett has been restructuring its' European wood business to improve efficiency and reduce costs, for example by transferring manufacturing capacity from Scandinavia to Eastern Europe, which is closer to the source of raw materials and offers lower labour and other costs.

**UNILIN shifts flooring manufacturing from Malaysia to Eastern Europe**

A recent development at UNILIN highlights the value placed on proximity to the consumer in Europe's flooring industry. UNILIN is one of Europe's largest wood and laminate flooring companies manufacturing under the Quick-Step and Pergo brands.

Through a multi-million dollar investment, UNILIN has boosted production capacity of engineered wood floors at its' Magnum Parket plant at Vyskov in the Czech Republic by 59% to produce 1.3 million square metres a year.

The investment means that UNILIN will no longer need to import engineered wood floors from its production plant in Malaysia to supply the European market.

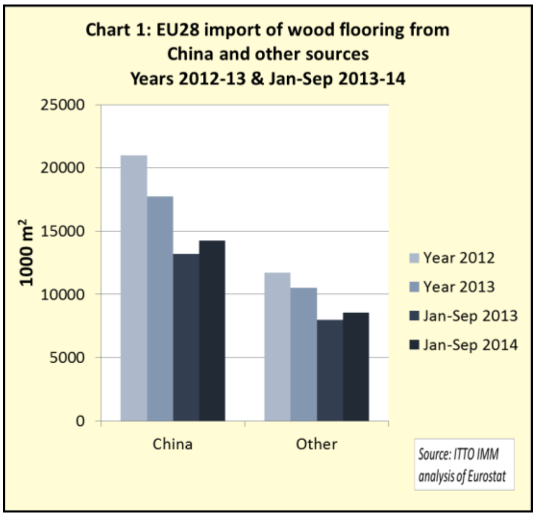
The stated aim of the project is to offer shorter European supply lines and to progress corporate sustainability objectives.

UNILIN's capacity in Malaysia will be reoriented to supply markets in Asia, US, Latin America and Australia.

UNILIN claim the shift in production will greatly decrease the company's carbon footprint. UNILIN also note it is committed to producing 100% PEFC certified product. Most of the wood used for manufacture of UNILIN's flooring products derives from temperate regions and PEFC certified material is readily available from Europe's domestic forests.

**Slow rise in EU imports of solid wood flooring**

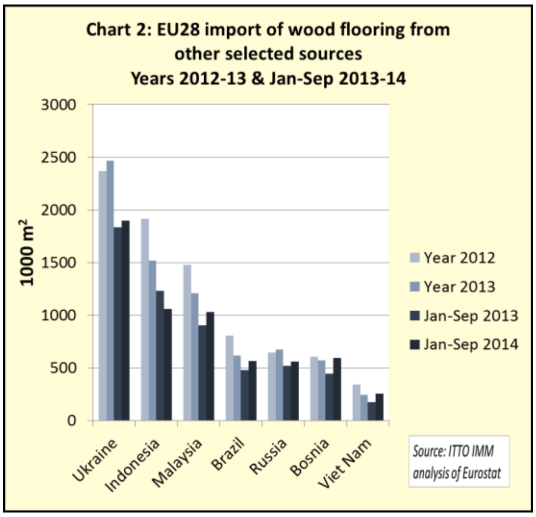
Imports of 'real wood' flooring from outside the EU supply around 22% of total consumption throughout the region. After declining in 2013, imports have been rising again this year (Chart 1).

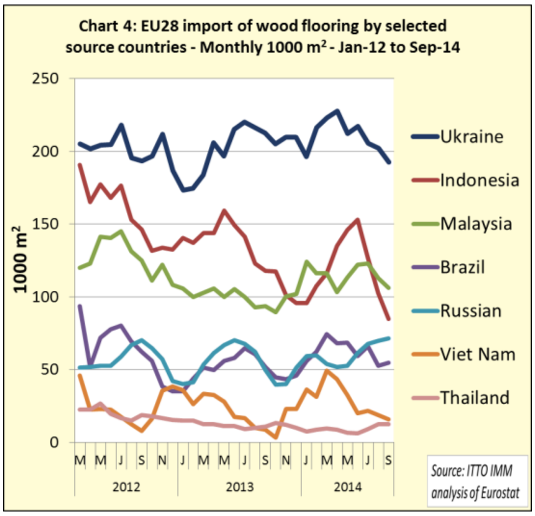



In the first nine months of 2014, the EU imported 22.86 million m2 of real wood flooring, 7.8% up on the same period in 2013.

Imports from China were 14.26 million m2 in the first nine months of 2014, 8% more than in the same period the previous year.

Imports have also risen from Ukraine, Malaysia, Brazil, Russia, Bosnia and Vietnam this year. Imports from Indonesia and Thailand have continued to decline (Chart 2).

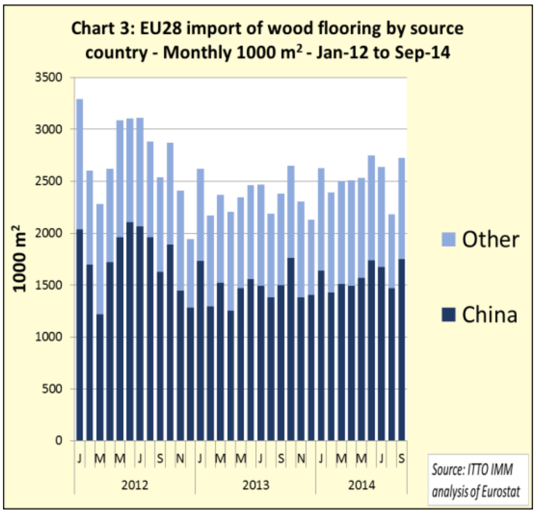



Monthly data indicates a gradual rising trend in EU wood flooring imports from China between the start of 2013 and June 2014 (Chart 3).

A sharp fall in imports during August this year was followed by a strong rebound in September. Monthly imports of wood flooring from Ukraine, Malaysia, Brazil, and Russia have been fairly stable over the last 2 years (Chart 4).

Imports from Indonesia have been more volatile and generally declining. Imports from Thailand have also been sliding during this period.




**Construction growth boosts UK flooring demand**

In the absence of a large domestic wood floor manufacturing sector, the UK is a large consumer of imported wood flooring. UK consumption trends in 2014 have been more positive than in other parts of Europe, driven by strong activity in the construction sector and rising consumer confidence.

The latest Construction Trade Survey undertaken by the UK Construction Production Association (CPA) reports that construction activity increased again in the third quarter of 2014, the sixth consecutive rise in activity.

Although private housing output slowed, this was offset by growth in all other sectors. Construction firms also reported increases in forward looking indicators such as orders and enquiries suggesting that activity will continue to rise throughout 2015.

Drawing on the results of regular surveys and analysis of longer term demand trends the CPA forecasts that the UK construction sector will grow 4.8% in 2014 and 5.3% in 2015. Sectors particularly relevant to the flooring industry are expected to perform very well. Private housing starts are expected to grow 18% in 2014 and 10% in 2015.

The private housing sector's rapid growth since early 2013 has been sustained by consistent levels of demand, the general UK economy's return to health and government policies. For example, the UK government's "Help to Buy" scheme allows private buyers to secure a mortgage with just a 5% deposit.

The private commercial sector, the largest component of UK construction, is set to increase 3.7% in 2014 and 6.1% in 2015. This sector is expected to benefit from a pickup in consumer spending and business investment and drive growth in each year up to 2018.

The CPA expects new offices construction will expand by 10% in 2014 and 8% in 2015, followed by 7% in 2016. The retail sector remains exposed to the long-term trend away from the high street to internet shopping, and previous peak output levels are unlikely before 2018.

Nevertheless, new large developments should still support growth in the retail sector of 8% from 2015.

Austerity in the previous three years has meant that public sector construction has severely hindered overall construction recovery.

However the low point of public sector investment in construction seems to have passed. Increased funding for schools and hospitals is expected to lead to public sector construction growth averaging 2.6% per year between 2015 and 2018.

**Growth in UK flooring demand slower than other economic sectors**

A new report by Verdict, an independent market research company, also highlights that prospects are improving in the UK floor coverings market. Verdict notes that UK consumers are more confident about their finances, housing transactions are growing quickly and pent-up demand is being released.

However, Verdict also caution that the rate of growth in the flooring sector will likely be much slower than in other areas of the UK economy.

Verdict predict that the UK floor coverings market will increase by just 1.7% as homeowners prioritise other sectors due to floor coverings' more hardwearing nature. Verdict forecast that from 2014 to 2019, total demand for floor coverings in the UK will grow by 15.1%.

Verdict suggest that a large share of this growth in demand will be in kitchen floors and will involve a wide mix of materials. This is partly because more homeowners will want to develop a room which they had deferred during the downturn. It is also because of life-style changes in the UK.

The kitchen has become the hub of today's home, the place where the family gathers and spends more time in each day. There is a move to "open plan living" in which different functional zones in the home are defined not by walls but by different surface materials including tiles, laminates, carpets and real wood flooring.

Another trend identified by Verdict in UK flooring and furnishing sales is a significant shift from traditional retail outlets to on-line retailers. However, rather than seeing this as a threat, forward-looking retailers are exploiting the trend.

According to Gillian Drakeford, UK country manager of IKEA, the furniture giant now views online as a compliment to stores. "Customers are visiting the store and using the layouts to get ideas but perhaps going home and placing the order online.

Going online is not killing the stores – it makes us more accessible, which grows the brand" she says.

IKEA's sales figures suggest that the strategy is working. Overall UK sales of IKEA jumped by 11% to £1.4bn in the year to 31 August and footfall at IKEA stores is also increasing, rising by 5%. During the same period, IKEA UK's online sales increased by a quarter and now make up 10% of sales.

**UK Flooring Show highlights challenge to wood**

Signs of mounting confidence in the UK's flooring sector were apparent at the 52nd edition of The Flooring Show, the UK's longest-established and only national flooring event held in Harrogate from 21-23 September.

After a few years of marking time, largely due to overall economic conditions, this year's show reported significant growth. Over 150 exhibiting brands were present covering some 3,500 square metres of exhibition space across four halls, up from 120 brands and 3,000 square metres respectively in 2013.

While the increase in numbers is encouraging for the flooring sector generally, the composition of exhibitors and show publicity highlighted the mounting challenge to wood from substitute materials. Wood products manufacturers and suppliers were in a minority at the show while there was a very strong showing from manufacturers of carpets and tiles.

A large proportion of wood-based flooring on display consisted of laminated products. Exhibitors were showing a wide range of new laminate flooring designs "inspired by natural wood", with a strong focus on oak, worn wood and distressed patterns.

The range of new flooring products based on reconstituted wood-fibre also continues to expand. UK-based Interfloor was exhibiting the Nadura range, manufactured by Meister in Germany, which it claimed is a "completely new category of flooring made using wood powder technology".

The range replicates slate, sandstone, metallic and wood effects and is designed to be hard wearing, with a lifetime residential warranty, slip resistant and easy to clean.

Suppliers of real wood flooring were represented at the show by Mohawk, a global player that offers hardwood flooring alongside a wide variety of other floor types, and BGP Trading, a leading Italian company in the wooden flooring market.

BGP were exhibiting their top luxury "100% Made in Italy" collection of engineered hardwood flooring products.

There was a strong focus on oak in this collection, although the company can also supply high end engineered products faced with tropical species including teak, doussie and iroko.

### European laminated flooring producers ponder new-season fashions

According to the Association of European Producers of Laminate Flooring (EPLF), manufacturers are responding to three big European furnishing trends in preparation for the 2015 laminate flooring season.

These trends are identified as "Shabby Chic", "Vintage" and "Scandinavian Style". EPLF suggest these trends will dominate at Domotex 2015, Europe's leading flooring show to be held in Hanover 17 to 20 January.

EPLF notes that originality, clarity of style and naturalness are in demand in interior design in Europe. Members of EPLF are using advanced printing and finishing techniques to exploit these trends. More defined printing with a strong three-dimensional effect aims to provide "true-to-nature" grain patterns, "a more authentic look and touch" and "more vibrant colours".

However, the wood effects in laminate this year will be "presented in an overall calmer and more reserved way than in previous years" and "cracks and knots on the surface are rather less pronounced".

EPLF suggest that oak decors continue to dominate the international range of laminates. However, other premium and natural design wood decors such as wych elm, ash, spruce, larch, walnut and pine are increasingly finding favour amongst buyers.

With regard to colour, wood effects currently have a tendency towards the lighter natural tones: greige, light beige, cream, warm light grey shades, or even matt white.

EPLF also state that the current trend for open space living is driving demand for the "wood flooring look", particularly for extra-long and extra-wide plank formats which create the impression of generously-sized rooms.

The variety of colours and textures of authentic wood decors can be used to good effect to divide up space. European manufacturers are also exploiting modern interest in mixed materials by combining the classic wood look with stone finish decors in a single laminated product.

Laminate flooring manufacturers are also increasing the range of applications for their products through development of an increasingly wide range of surface types. These include moisture-repellent surfaces for use in kitchens and bathrooms and highly non-slip surfaces for use in entrance and work areas.

### European legal judgement sets precedent for CE-Marking

A recent judgement by the European Court of Justice (ECJ) has dealt a blow to Germany's continuing insistence on application of national standards for construction products, including flooring, in breach of EU rules for free flow of goods throughout the continent.

On 16 October, the ECJ ruled that through the use of what are known as Bauregellisten (Building Rules lists), the Federal Republic of Germany had impeded market access for construction products already carrying CE conformity marking. The action was brought against Germany by the European Commission.

The ECJ judgement refers only to a limited range of construction products covered by certain harmonised European standards (hEN) - in this case doors, gates and thermal insulation products. However, it sets a precedent for resolution of numerous similar complaints from manufacturers and importers relating to German treatment of a wide range of construction products covered by other harmonised standards.

The European flooring industry has taken a very close interest in the judgement. Associations like the EPLF have long argued that Germany has created a barrier to internal EU trade by insisting that CE-Marked flooring products must also meet national technical approvals and the Ü mark of conformity managed by the Deutsches Institut für Bautechnik (DIBt).

In practice, all wood flooring products placed on the EU market are already required to meet stringent performance and environmental requirements. CE-Marking in accordance to the hEN14342 standard for wood flooring has been mandatory throughout the EU since July 2013 when the Construction Products Regulation (CPR) replaced the Construction Products Directive (CPD).

The hEN14342 standard covers the following flooring products: solid wood flooring; engineered wood flooring; multi-layer engineered wood flooring; bamboo flooring; and engineered bamboo flooring. The standard includes minimum requirements for moisture content, reaction to fire, pentachlorophenol content, formaldehyde emissions, breaking strength, slipperiness, thermal conductivity and biological durability.

The exact procedures (the so-called Attestation of Conformance or "AoC" level) to demonstrate conformance to the various hEN standards varies. In most instances it requires the services of a "European Notified Body" which is a third-party body recognised as competent to carry out the conformity assessment tasks laid down in the standard.

Wood flooring is defined as AoC-level 4 in hEN 14342. This means that a manufacturer must have documented conformity to an internal production control system and must perform an initial type testing. Manufacturers requiring CE Marking at AoC-level 4 must contact a European Notified Body which will then test a sample of the product and issue a test report and (if a positive outcome) award a certificate.

Having signed the EC "Declaration of Conformity", the manufacturer may then affix the "CE Mark" to product.

The judgement against Germany should reinforce the general principle that conformance to CE Marking based on harmonised European standards such as hEN14342 should ensure free access to all EU Markets.

Although individual Member States are mandated to establish national performance and environmental standards for construction products, this is only on condition that national standards do not impede the free movement of CE-Marked products.

## Up-date on Australian Government's illegal logging laws

The Australian Department of Agriculture has disseminated its fourth Illegal Logging E-Update to provide an update on developments with the Australian Government's illegal logging laws. The text of the notification follows.

**The new due diligence requirements commence on Sunday**

The new due diligence requirements will commence Sunday, 30 November 2014. From this date, processors of domestically grown raw logs and importers of regulated timber products will need to manage the risk that the timber products they are dealing with have been illegally logged.

The new requirements are a key element in the government's efforts to combat the devastating trade in illegally logged timber. The department's website (agriculture.gov.au/illegallogging) contains a range of information to help importers and processors understand and comply with the new requirements.

**18 month transition period**

The department recognises that it will take time for some businesses to adjust to the new due diligence requirements.

For the first 18 months after 30 November 2014, the department's focus will be on helping affected businesses to comply with the requirements. During this period, we will not be seeking to 'catch out' people who are trying to do the right thing.

**New guidance material - Answering the illegal logging community protection question**

From 30 November 2014, importers of regulated timber products will need to make a declaration to the Australian Customs and Border Protection Service about their compliance with the due diligence requirements. This declaration is in the form of a new community protection question answered as part of the import declaration process.

The department has developed a new fact sheet providing guidance on answering the question which can be found at: Answering the illegal logging community protection question.

**Addition of Chain of Custody Schemes to the approved timber legality frameworks**

In mid-November 2014, the illegal logging regulations were amended to add the Forestry Stewardship Council (FSC) and the Programme for the Endorsement of Forestry Certification (PEFC) chain of custody schemes to the timber legality frameworks recognised under the illegal logging laws.

This adds to the existing schemes recognised under the regulations (ie the FSC and PEFC forest management certification schemes and the European Union's Forest Law Enforcement Governance and Trade licensing scheme), and will provide businesses with a wide range of schemes to satisfy their due diligence obligations.

**Recording of recent illegal logging webinar presentations**

In collaboration with Forest and Wood Products Association (FWPA), the department recently delivered a series of webinars outlining the Australian Government's illegal logging laws. These sessions focused on what is expected of businesses under the new due diligence requirements, potential tools for satisfying these requirements and where businesses can go for further information. Two of these sessions were recorded (one for importers and processors and another for customs brokers) and are now available on the FWPA website.

**New NSW State Specific Guideline**

The department has recently published the New South Wales State Specific Guideline. This guideline will help Australian processors better understand the legal frameworks in place in New South Wales and simplify their due diligence requirements.

There are now five State Specific Guidelines and six Country Specific guidelines, allowing importers and processors to use the optional process under Step 2 of the due diligence requirements.

**Further information**

You can also access additional information by:

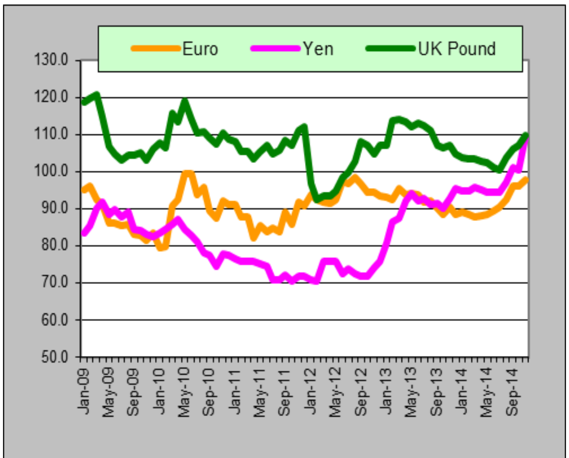
- Reading the information provided on the 'Frequently Asked Questions' and further information and resources webpages.
- Emailing the department with a question related to the illegal logging laws. The department will consider questions and get back to you with a detailed response within 10 working days.
- Calling the department during business hours (8.30 am to 5.30 pm) on 1800 657 313 or if outside of Australia +61 2 6272 3933.

## US Dollar Exchange Rates

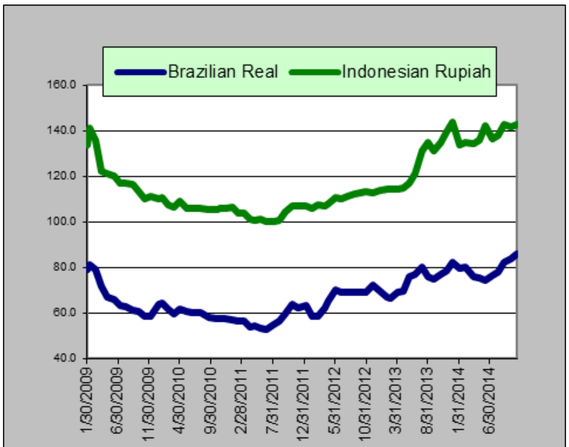
**As of 25th November 2014**

| | | |
|---|---|---|
| Brazil | Real | 2.5301 |
| CFA countries | CFA Franc | 525.82 |
| China | Yuan | 6.1379 |
| EU | Euro | 0.8016 |
| India | Rupee | 61.85 |
| Indonesia | Rupiah | 12,143 |
| Japan | Yen | 117.9 |
| Malaysia | Ringgit | 3.3425 |
| Peru | New Sol | 2.9155 |
| UK | Pound | 0.6366 |
| South Korea | Won | 1110.30 |

**Exchange rate index (Dec 2003=100)**



Jan 2009 to Nov 2014



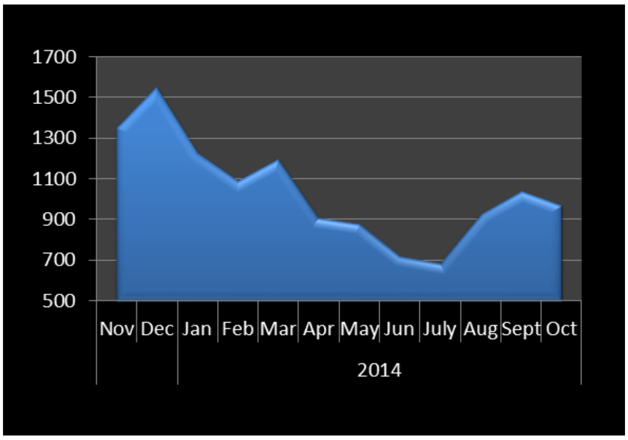
Jan 2009 to Nov 2014

## 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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