

Tropical Timber Market Report

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

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Top Story

Join ITTO's team of market correspondents

As part of a Japan-funded project that has just commenced, ITTO intends to expand its market information service (MIS) specifically to support promotion of the intra-African trade in wood products.

To achieve this we are seeking the services of correspondents resident in Nigeria, Algeria and South Africa. At a later date the service will be expanded to cover other African markets for African wood products.

Correspondents will deliver monthly reports to include market demand trends, relevant wood product prices and any changes in government regulations which could impact wood product trade flows.

Expressions of interest can be directed to ti@itto.int with the subject line 'MIS Africa'. Terms of reference and payment will be negotiated with shortlisted candidates.

Sipo makes a come-back

While sipo sawnwood prices are still soft due to poor demand, the fortunes of sapele have improved on the back of a modest improvement in interest from buyers.

However, interest in the other red timbers has collapsed for now so producers are cutting back on milling of the redwoods to avoid a build-up of stocks.

Buyers for the Chinese market are reported to have returned with steady purchases but of uninspiring volumes since the landed stocks in China are still above what the market can absorb.

The Chinese economy is set to grow at a slower pace than over the past few years so it will take time for a new baseline to be established for volumes required in the housing and construction markets in the country.

In response to the recent abrupt slowing in the economy analysts anticipate a wave of stimulus measures from the Chinese government which likely herald a period of volatility for West African exporters.

Tight supply underpins log prices

In contrast to the slight fluctuations in sawnwood prices log prices have hardly been affected in the first months of the year. While demand is soft in the Chinese market producers say buyers are not pressuring for price reductions in the realisation that availability is an issue.

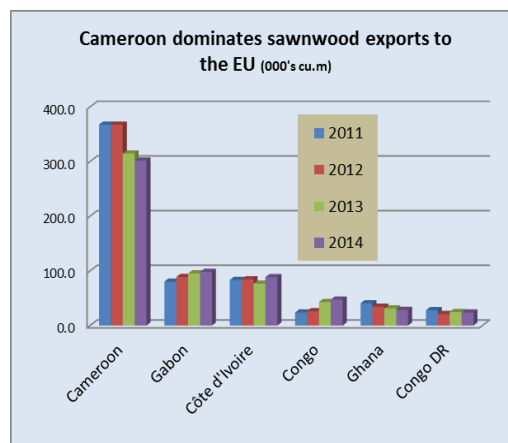
Forest authorities through-out West and Central African countries have strengthened control of harvest levels and this, along with news of the tight log supply situation in SE Asia, is serving to support log prices.

Middle East markets continue to be very price conscious and constantly looking for an opportunity to buy at the best price for their domestic market which remains healthy.

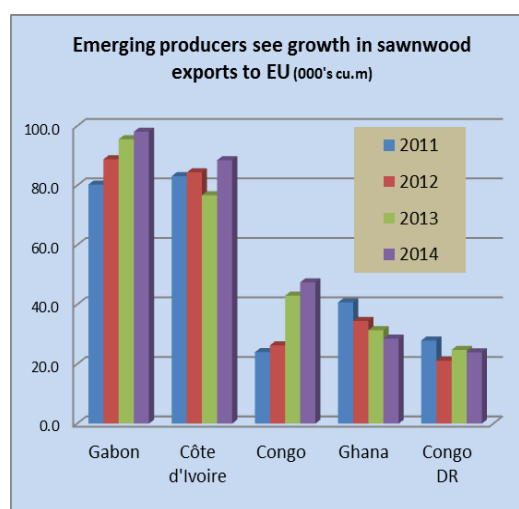
Sawnwood export snapshot

Cameroon is the major supplier of sawn West African hardwoods to the EU but between 2011 and 2014 has seen its market share drop by around 18%; Ghana too has seen sales to the EU decline over the same period.

In contrast some other West African producer countries, notably Gabon, Côte d'Ivoire and Republic of Congo have achieved a growth in sawnwood sales to Europe.



Data source: FII Ltd analysis of Eurostat



Data source: FII Ltd analysis of Eurostat

'Satisfying' due diligence' requirements

As countries in West and Central Africa negotiate VPAs with the EU trade is conducted based on meeting the 'due diligence' requirements of the EUTR. Producers are now becoming more confident that they can satisfy the documentary requirements of importers in the EU.

The annual FLEGT Week was held last month and around 300 stakeholders representing EU member states, civil society, private sector, NGOs and experts met in Brussels to discuss progress on key topics such as forest governance, private sector engagement, drivers of deforestation and tracking timber legality.

Participants contributed to setting new targets for the coming years, including the creation of synergies between FLEGT and other initiatives, and encouraging the private sector to participate in the debate on the legal and sustainable timber trade.

For an overview of the event see:
<http://www.fao.org/forestry/43070-08caf09a8e1523414a77c298a5d976964.pdf>
 and
<http://www.flegtweek.org/>

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	260	260	180
Azobe & Ekki	230	230	160
Belli	330	330	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	240	240	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	250	-
Padouk	300	275	210
Sapele	360	360	270
Sipo/Utile	380	380	255
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³	
Ayous FAS GMS	400	
Bilinga FAS GMS	500	
Okoumé FAS GMS	400	
Merchantable	225	
Std/Btr GMS	300	
Sipo FAS GMS	610	
FAS fixed sizes	610	
FAS scantlings	660	
Padouk FAS GMS	860↑	
FAS scantlings	920↑	
Strips	500	
Sapele FAS Spanish sizes	600	
FAS scantlings	600	
Iroko FAS GMS	610	
Scantlings	645	
Strips	440	
Khaya FAS GMS	450	
FAS fixed	470	
Moabi FAS GMS	610	
Scantlings	615	
Movingui FAS GMS	420	

Report from Ghana

Air dry sawnwood dominates January exports

The Timber Industry Development Division (TIDD) of the Ghana Forestry Commission has just released the January export data which reported wood product exports for the month amounted to 25,720 cubic metres valued at Euro 12.61 million.

Product	cu.m	%
Air dry sawnwood	10,287	40
Kiln dry sawnwood	3952	15.4
Poles	3933	15.3
Plywood (Overland)	3328	12.9
Billets	1804	7
Others	2,416	9.4
Total	25,720	100

Source TIDD, Ghana

Some 14 products were processed from 34 different species and were shipped by 99 exporters to 33 different countries.

Air and kiln dried sawnwood, poles, plywood (for the regional market) and billets were the top 5 products exported in January.

Compared to January 2014, the current export figures registered increases of 55% and 79% in volume and value respectively. But when compared to the previous month (December 2014) both the volume and values fell.

African and Asian markets accounted for 67% of the total volume exported in January and the TIDD says average prices edged up in January.

Success in degraded forest recovery

The Minister of Lands and Natural Resources, Mr. Nii Osah-Mills revealed that the Forestry Commission has reclaimed a total of 21,665 hectares of degraded forest land through the National Forest Plantation Development Programme (NFPDP).

In his speech the Minister said the NFPDP was created to restore the country's degraded forest landscape and that this effort had created about 2,200 jobs.

Non-food inflation surges

Ghana's annual consumer price inflation rose marginally to 16.6% in March up from 16.5% in February. Government data shows that the increase was mainly due to rising food costs for which inflation for March jumped over 7%. Inflation rates for non-food items (housing, water, electricity, gas and other fuels) increased over 20% in March.

As much of the inflationary pressure is due to the weakened currency the news that Ghana has begun implementing a three-year IMF programme which the Ministry of Finance says will stabilise the Cedi exchange rate and create a better commercial environment.

Boule Export prices

	Euro per m ³
Black Ofram	298
Black Ofram Kiln dry	395
Niangon	490
Niangon Kiln dry	501

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	290	400
Chenchen	320	355
Ogea	450	400
Essa	325	375
Ofram	350	500

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19	0.84
Asanfina	1.40	0.56
Avodire	1.15	0.29
Chenchen	1.10	0.51
Mahogany	1.30	1.03
Makore	2.15	0.85
Odum	1.76	1.20

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	945
Asanfina	492	564
Ceiba	240	270↓
Dahoma	360	395↓
Edinam (mixed redwood)	525	680
Emeri	450	520
African mahogany (Ivorenensis)	555	920↑
Makore	573	790↑
Niangon	560	580
Odum	660	800
Sapele	610	790
Wawa 1C & Select	300	348

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	485↑	510	641
6mm	400	535	615↓
9mm	393↑	460	510
12mm	360	440↓	450
15mm	450↑	399	374↓
18mm	322↑	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	10.00	12.10	11.70
Hyedua	14.00	14.93	18.45
Afromosia	15.50	18.65	18.55

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

Report from Malaysia

Authority to control timber trade transferred to State Governments

The Sabah State Legislative Assembly has enacted a new law strengthening monitoring and regulation of the trade in wood products set to come into force on 1 May this year. The driving force behind this is the issue of legality in the timber trade.

Ellron Angin, from the Chief Ministers office said this new law was one of the first after the Federal government transferred the authority to control timber imports and exports to the State Government.

The new law gives the Director of Forestry the power collect and maintain statistics on the timber trade, conduct research and investigations as well as monitor and control the trade.

The Director will have the power to issue licenses, certificates and approvals in respect of the timber industry,

to impose fees and charges. Under the new law timber exporters and importers must provide details of their trade to the Director of Forests.

Sarawak replaces 1958 Forest law

The Sarawak State Assembly has also strengthened its Forestry laws with the passing of the Forest Bill 2015. This law aims to enhance forest protection and incorporates tough penalties for illegal logging.

Awang Tengah Ali Hasan, Second Minister for Resource Planning and Environment, called for cooperation from the Forest Department, Sarawak Forestry Corporation, police, Malaysian Anti-Corruption Commission (MACC), Malaysian Maritime Enforcement Agency (MMEA) and the Customs Department to enable the law to be effectively enforced.

The Forests Bill, 2015 replaces the Forests Ordinance (Cap. 126) of 1958 and its various amendments.

Report from Indonesia

Easing SVLK for small companies criticised

Environmentalists have criticised the government's decision to ease the SVLK/TLAS requirements for small and medium furniture and craft manufacturers. But there is some confusion on what the government intends.

The Chairman of the Indonesia Rattan Furniture and Craft Association (AMKRI), Soenoto, said furniture and handicraft SMEs will be exempted from the SVLK but on the other hand, Widayati Soetrisno of the Indonesian Furniture Entrepreneurs Association (Asmindo), said that without the SVLK Indonesian furniture and craft exporters would face major challenges in international markets.

For more see:

<http://silk.dephut.go.id/index.php/article/vnews/129>

<http://silk.dephut.go.id/index.php/article/vnews/128>

Cultural change needed to secure forest

The Indonesian President has assured Norway that his government was as committed to improving environmental protection as the previous administration. Norway concluded an arrangement with the previous government pledging around US\$1 billion to help Indonesia protect its forests.

Indonesia imposed a temporary moratorium on forest clearing under the arrangement with Norway but progress on halting deforestation and on reigning in forest clearing has been slow.

The Norwegian and Indonesian governments have come to realise realistic targets must be set and that to achieve real progress "a cultural change" is needed in Indonesia to successfully curb deforestation.

Legal Timber Trade Centre proposed

Minister of Environment and Forestry, Siti Nurbaya Bakar, has indicated that she was in discussions with the Ministry of Commerce on the establishment of a trade centre specifically for timber which meets the requirements of the national timber legality assurance scheme, SVLK.

Rising production costs eat into exchange rate advantage

The steady depreciation of the rupiah against the US dollar and other major currencies is improving the international competitiveness of Indonesian manufacturers but rising labour costs, infrastructure weaknesses and inefficient ports has generated a feeling that the advantages from a weaker currency are being lost.

The chairman of the Wood and Rattan Furniture Association in East Java said its members have lost markets worth millions this year because European and US buyers switched to buying furniture from China and Vietnam.

He said the weak rupiah does not compensate for the overall loss of competitiveness. Manufacturers say the biggest problem is rising wages, the result of stronger union activity.

According to JP Morgan, because Indonesia's inflation is higher than in the countries with which it competes the rupiah's real trade-weighted exchange rate is 9.8 percent stronger than in mid-2014. Such a situation spells disaster for exporters.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	210-230
Sawlogs (Meranti)	135-150
Falcata logs	120-140
Rubberwood	115-1135
Pine	120-135
Mahoni (plantation mahogany)	130-145

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	500-600
KD	-
AD 3x20x400cm	590-630
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	520-710
AD 2x20x400cm	490-520
AD 3x30x400cm	415-440

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	500-550
3mm	570-620
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	420-450
12mm	390-420
15mm	340-360

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB		US\$ per m ³	
Particleboard	Export	9-18mm	710-735
	Domestic	9mm	700-750
		12-15mm	650-700
		18mm	590-620
MDF	Export	12-18mm	590-620
	Domestic	12-18mm	430-530

Report from Myanmar

Yunnan crackdown on illegal border trade

According to the Myanmar 'Eleven Media Group' which quoted private sector sources, the Yunnan provincial government has alerted the government in Myanmar of its operation targeting the illegal border trade. The effort will focus on the border areas in Honghe, Dehong, Wenshan and Xishuangbanna.

A Myanmar entrepreneur is quoted as saying "Myanmar will cooperate with the Yunnan government on the two-month crackdown in order to effectively control the region where illegal trade is rife and ensure the stability and sustainable development of the border region." The Muse-Namkham Border Trade Association has distributed a letter to many organisations which it was said, came from the Myanmar Consulate General in Kunming.

Analysts note strict action was taken against those involved in illegal trade on the Chinese side of the border and the tightening of inspections may impact legitimate trade across the border.

It has been estimated by Myanmar's Department of Commerce and Consumer Affairs that the China-Myanmar border trade exceeded US\$5 billion in the year to April 2015, up by nearly US\$2 billion from the previous year.

For more see: www.elevenmyanmar.com/business/china-crackdown-illegal-border-trade

Foreign banks open for business in Yangon

Under economic reforms that began in 2011, Myanmar granted nine foreign banks licenses to operate in the country on a provisional basis.

Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ and Singapore's Overseas Chinese Banking Corporation became the first to offer services in Myanmar following the approval of license applications last year.

The three banks are the first foreign banks to operate in the country for more than 50 years. For more see: www.irrawaddy.org

First tender of fiscal 2015/16

The Myanmar Timber Enterprise concluded its first tender of the new fiscal year on 24 April. This was the first tender for the new fiscal year 2015-16.

Prices secured are shown below. Log prices are expressed in hoppus tons (H.tons) and prices for ‘conversions’ and sawn teak (including hewn timber) are shown in cubic tons (C.tons). Average prices are in US Dollars. Bid prices for Sawn Grade SG-7 ranged from US\$510 to US\$1218.

Teak logs - Special open tender, Yangon

Grade	H.tons	Avg. US\$/H.ton
SG-5	40	2603
SG-7	870	870
Short Logs	3	1213

Note: Short logs measure 6 to 7 ft length. Girth 4ft & up.

Teak conversions - Open tender Yangon Sawmills

	Grade	C. tons	Avg. US\$/c.ton
Squares	Market	2	1,500
Posts	Market	47	1,550
Boards	Second	0.58	4,100
Scantlings	Second	36	1,469
Scantlings	Third	200	730

Hewn hardwoods - Open tender

Species	Grade	C.tons	Avg. US\$/c.ton
Tamalan Hewn	Market	410	2,593
Padauk Hewn	Market	233	1,738

Tamalan and padauk seem to be out of favour at present as reflected in the lower than usual prices. But it is noted that the grade offered was only ‘Market Quality’.

Open tender Ex-depot Yangon

Species	H.tons	Avg. US\$/ton
Pyinkadoe	382	\$519
Kanyin	212	\$237
Htaukkyant	22	\$407
Ingyin	316	\$285

Htaukkyant = Terminalia tomentosa
 Ingyin = Pentacme siamensis

The logs sold in the open tender for which prices are shown above were those remaining unshipped after the log export ban entered into force on 1 April 2014.

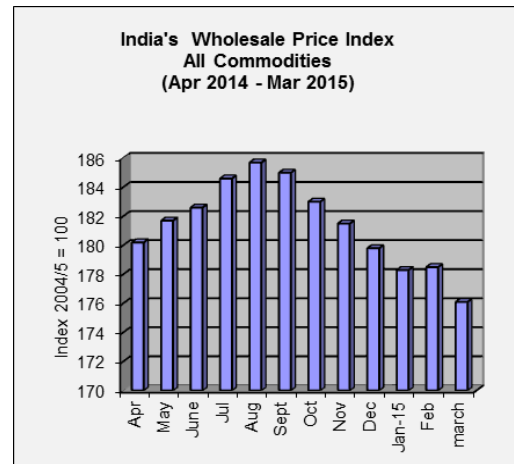
Welcome decline in inflation

The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for March rose by 0.02% to 176.1 from 175.8 in February.

The year on year annual rate of inflation, based on monthly WPI, stood at -2.33% (provisional) for March 2015 compared to -2.06 for February.

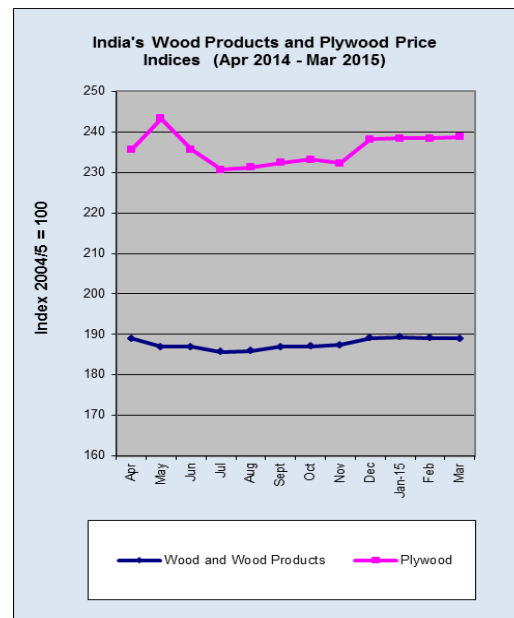
For more see: <http://eaindustry.nic.in/cmonthly.pdf>



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

Timber and plywood wholesale price indices

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



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

The March price index for wood and wood products declined slightly while the March index for plywood rose.

See http://eaindustry.nic.in/display_data.asp

Andhra Pradesh seeks removal of ban on red sanders felling

The Andhra Pradesh state government has approached the Ministry of Environment, Forests and Climate Change (MoEFCC) requesting the lifting of the ban on felling red sanders, a decision that has attracted strong criticism across India.

The state government is in financial difficulties so is proposing selling this rare and highly expensive wood in the international market.

Red sanders was placed on the endangered list by the Convention on International Trade in Endangered Species (CITES) in 1995 with the support of the Andhra Pradesh state government.

The state government says listing is no longer appropriate because of the healthy state of red sanders resources and as such there is no justification for its listing as an endangered species.

The state government says the timber is available in the Seshachalam forests in an area of about 5,500 sq km where there is an estimated 14 million red sanders trees.

The state government has estimated that the international market for red sanders is around 3,000 tonnes annually.

Some 3,500 tonnes of red sanders logs will be auctioned in May this year. The state government has secured exemption from CITES for the current round of auctions.

C&F prices for plantation teak

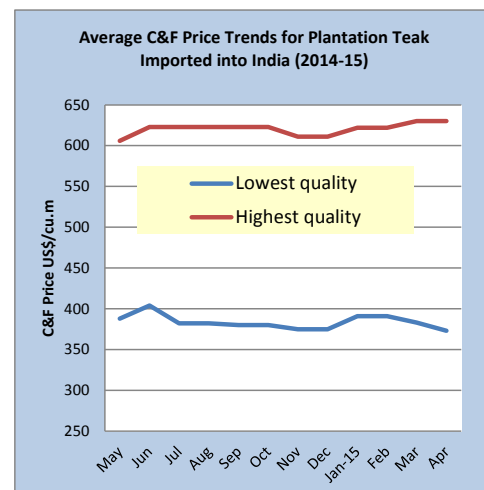
The flow of plantation teak imports is reported as satisfactory and demand levels in the Indian market remain unchanged.

Importers note an improvement in the volumes of larger sized logs becoming available from shippers and this is reflected in slightly higher top end prices.

A parcel of 445 cubic metres of plantation teak logs arrived last month from Vietnam at US\$515 per cubic metre C&F. Traders report a steady flow of plantation teak.

	US\$ per cu.m C&F
Belize logs	350-400
Benin logs	318-775
Benin sawn	530-872
Brazil logs	404-797
Brazil squares	370-680
Cameroon logs	365-510
Colombia logs	415-797
Congo logs	408-710
Costa Rica logs	455-840
Côte d'Ivoire logs	435-720
Ecuador squares	289-688
El-Salvador logs	377-712
Ghana logs	300-650
Guatemala logs	369-550
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	350-460
Malaysian teak logs	363-525
Nicaragua logs	350-596
Nigeria squares	333-450
Panama logs	372-750
PNG logs	400-575
Sudan logs	466-970
Tanzania teak, sawn	307-885
Thailand logs	460-700
Togo logs	388-715
Trinidad and Tobago logs	420-680
Uganda logs	408-959
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

Overall, prices remain firm despite a dip in merbau and balau prices over the past weeks.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1500-1650
Balau	1500-1600
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	900-950
Radiata pine AD	600-725
Whitewood	600-700

Price variations depend mainly on length and cross section

Myanmar teak arrivals

The volume of sawn teak imports from Myanmar is increasing and some price movements have been reported.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD) Export Grade F.E.Q.	8000-14000
Teak A grade	5500-6500
Teak B grade	4000-4250
Plantation Teak FAS grade	3000-3250

Price variations depend mainly on length and cross section

Imported 12% KD sawnwood prices

The market for imported US sawnwood is small in India but there is growing interest in US logs.

Data from the United States Department of Agriculture (USDA) show that US sawn hardwood and veneer exports to India reached US\$ 2.14 million in 2014.

Exports of US sawn hardwoods were valued at US\$1.6 million in 2014 a fall of around 24% year on year.

However exports of US hardwood veneers to India rose almost 20% to US\$ 1.5 million in 2014 while US hardwood log exports to India were valued at US\$ 2.25 million in the same year.

The American Hardwood Export Council (AHEC) plans to run grading and design seminars for Indian importers, manufacturers and specifiers in the second half of 2015.

According to the USDA the main species of sawnwood exported to India in 2014 were hickory, ash and white oak.

The prices below are per cu.ft ex-warehouse.

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

Beech veneer an alternative for gurjan

Plywood prices in India remain unchanged. The Indian housing sector remains very quiet with buyers complaining of high prices. The recent reduction of interest rates on home loans has had little impact and it is only in the new satellite cities where there are opportunities for wood product manufacturers.

Plywood manufacturers have found that beech is a suitable replacement for gurjan core, back and face veneer which is opening up new opportunities for overseas suppliers of beech.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	41.00
6mm	54.50
9mm	69.10
12mm	85.60
15mm	113.20
18mm	119.30

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.80	Rs.30.80
6mm	Rs.31.60	Rs.39.60
9mm	Rs.39.80	Rs.48.00
12mm	Rs.47.30	Rs.58.10
15mm	Rs.58.10	RS.71.00
19mm	RS.67.30	Rs.79.50
5mm Flexible ply	Rs.42.00	

March export performance

In March 2015, Brazilian exports of wood-based products (except pulp and paper) increased 29% in value compared to March 2014, from US\$218.6 million to US\$282.3 million.

Pine sawnwood exports increased 45% in value in March 2015 compared to March 2014, from US\$17.5 million to US\$25.4 million. In terms of volume, exports increased 43%, from 75,500 cu.m to 108,300 cu.m over the same period.

Tropical sawnwood exports increased almost 38% in volume, from 22,600 cu.m in March 2014 to 31,100 cu.m in March 2015 while the value of exports increased 24% from US\$13.3 million to US\$ 16.5 million, over the same period.

Pine plywood exports jumped 26.5% in value in March 2015 in comparison with March 2014 from US\$37.0 million to US\$ 46.8 million. The volume increased 28.9%, from 98,800 cu.m to 127,400 cu.m, during the same period.

Reflecting the growing interest in international markets it is no surprise that tropical plywood exports increased almost 138% in volume, from 4,000 cu.m in March 2014 to 9,500 cu.m in March 2015 and the value increased from US\$2.3 million in March 2014 to US\$4.7 million in March this year.

Exports of wooden furniture have started to recover with March exports totalling US\$46 million up from US\$41 million in March 2014.

Turning back to international markets

Brazil is currently facing economic difficulties, investment rates have fallen and the construction and building sectors are in decline which negatively impacts demand for wood products. Because of this domestic millers and manufacturers are directing efforts to international markets.

Ten years ago a significant number of domestic timber companies abandoned the international market as they could not compete due high production costs and an unfavourable exchange rate. During this period the timber industry directed output to the domestic market which was expanding, driven primarily by the construction sector.

Now the situation is different, domestic demand for wood products is shrinking and the appreciation of US Dollar against the Brazilian currency favors exports. As a result many timber companies are turning back to international markets.

However, Brazilian exporters face some challenges as in many international market sectors competitors secured a firm footing when Brazilian exporters withdrew.

The challenges facing Brazilian exporters include: pricing as most commodity prices have fallen (ii) exchange rate volatility (iii) the increase in number of shippers to international market and (iv) domestic inflation which continues to push up production costs.

Inflation close to record high

Brazil's Consumer Price Index (IPCA) recorded a 1.3% increase in March 2015 after rising 1.22% in February 2015. This is the highest monthly rate since February 2003 when it topped 1.6%. Over the twelve months to March the IPCA climbed over 8%.

The march figure is well above the government's target ceiling and the government is striving to keep consumer price growth at no more than 4.5% (+ - 2%) for the year.

The average exchange rate in March 2015 was BRL 3.14/US\$ significantly down on the BRL 2.33/US\$ twelve months ago and the March figure represents a sharp depreciation of the Brazilian currency against the US Dollar.

At its last meeting the Monetary Policy Committee (COPOM) of the Brazilian Central Bank (BCB), set interest rates at 12.75% per year but analysts expect a further hike at the next meeting.

2016 Forest concession plan open for public comment

The Brazilian Forest Service (SFB) has made available the 2016 Annual Plan for Forest Concessions (PAOF) for public consultation. The PAOF is prepared annually in order to plan allocations of forest concessions.

The PAOF 2016 covers ten concession areas totalling 2.6 million hectares. Entrepreneurs can secure access to public forests for sustainable logging through these forest concessions.

Comments and suggestions can be made any individual or agency up until May 8th. Suggestions and comments received will be evaluated before the final document is published in late July, 2015.

Interventions in flood forests

Flood forests are some of the most vulnerable ecosystems in the world and flood forests extend over a wide area in the Amazon but here less than 2% of this ecosystem is total protected.

In Brazil, the proximity of flood forests to navigable waters and urban areas creates great pressure on this ecosystem. The Belém municipality (Pará state) has some protected areas but it has been estimated that 70% of this forest type has been disturbed due to illegal cutting and clearing.

The Flood Forests Anthropization Index (FFAI) aims to preserve these threatened areas through intervention but lacks the resources to adequately tackle the problem.

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	741↓
Jatoba	396↓
Massaranduba	341↓
Muiracatiara	374↓
Angelim Vermelho	323↓
Mixed red and white	202V
Eucalyptus (AD)	198↓
Pine (AD)	139↓
Pine (KD)	156↓

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	148↓
Jatoba	85↓
Massaranduba	89↓
Muiracatiara	93↓
Angelim Vermelho	86↓
Mixed redwood and white woods	75↓

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	564↓
10mm WBP	453↓
15mm WBP	394↓
4mm MR	510↓
10mm MR	383↓
15mm MR	362↓

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

	US\$ per m ³
<i>Domestic ex-mill Prices</i>	
15mm MDP Particleboard	242↓
15mm MDF	49↓

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1319
Jatoba	1005
Massaranduba	756
Muiracatiara	708
Pine (KD)	228

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	368
12mm C/CC (WBP)	339
15mm C/CC (WBP)	338
18mm C/CC (WBP)	325

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,362
Jatoba	1,545

Report from Peru

Spanish particleboard – a strong presence in the Peruvian market

The consumption of Spanish particleboard in the Peruvian market more than doubled in the first quarter of this year due largely to the efforts of the Martin Peru Group.

The Spanish share of Peruvian particleboard imports grew to around 20% in the first quarter, up 11% on first quarter in 2014.

High preference wood products

According to a study by the Institute of Higher Education Private Construction Technology (Capeco), 65% of home owners in Lima chose wood products (floors, doors, windows, furniture, etc.) over other materials for their homes.

The executive director of the Center for Technological Innovation Wood (CITEmadera), Jessica Moscoso, said that the Lima housing market absorbed 29,000 new homes in 2014.

Gustavo Delgado a specialist at CITEmadera, said the market for wood products, whether domestic or imported, will continue to grow if the housing market maintains its upward growth.

He noted that imports of furniture and wood products were worth more than US\$865 million in 2014.

Tenth Annual MegaFlorestais

The Ministry of Agriculture and Irrigation (MINAGRI) through the National Forest and Wildlife Service (SERFOR) with participation of the US based Initiative for the Rights and Resources (<http://www.rightsandresources.org/>) hosted the Tenth Annual MegaFlorestais in mid-April bringing leaders from forestry agencies in countries with a large forest cover. Participants were from Russia, Brazil, Cameroon, Canada, China, United States, Democratic Republic of Congo, Indonesia and Mexico.

The objective of the meeting was to promote an exchange of skills in forest management and industry, promote the role of public forest agencies and strengthen skills to assume leadership in promoting the contribution of forestry to social and economic development.

The topic of the meeting was "Combating Deforestation and Promoting the Contribution of Forestry to the Green Economy", with a focus on the importance of forest resources, trade and government policies, among others.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
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

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	457-532
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	623-653
Marupa (simarouba) 1", 6-11 length Asian market	456-506

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	442-514
Grade 2, Mexican market	392-429
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	173-198
Spanish Cedar	299-362
Marupa (simarouba)	151-168

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 m ³
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	922-1058
Asian market	1123-1142
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

Wrapping up talks with EU on forest law enforcement mechanism

As part of its Forest Policy implementation the Government of Guyana wrapped up talks with the European Union on the Voluntary Partnership Agreement (VPA). Guyana is committed to signing a VPA with the EU in the latter part of 2016.

The VPA is a key element of the EU's Forest Law and Enforcement Governance and Trade (FLEGT) Action Plan and the Guyana government is convinced a VPA would facilitate increased market access for Guyana's timber into the lucrative EU market.

The FLEGT VPA process also provides an opportunity for Guyana to further strengthen and mainstream its consultation and engagement process to enhance forest governance, improve legal compliance and build in-country capacity for community engagement in forest policy development and implementation.

The EU and Guyana successfully concluded the third negotiation session on 16 April. Guyana was represented at this session by the National Technical Working Group (NTWG) – a multi-stakeholder group comprising representatives of the Private Sector, indigenous bodies and Government agencies selected through a participatory process.

At this negotiation session, the parties committed to maintaining the momentum to reach an agreement that considers the views of all relevant stakeholders. The parties also committed to further promoting the identification of synergies amongst FLEGT; Reduction of Emissions from Deforestation and Degradation (REDD+); and the Low Carbon Development Strategy (LCDS) processes.

Additionally, the parties agreed to continue examining the framework under which these initiatives can be further integrated and be mutually supportive.

Both parties acknowledged the progress that has been made since the last negotiation session and during this session, including the revision of the joint roadmap. The next negotiation session would be held in Brussels in November 2015

First quarter jump in export earnings

Earnings from wood product exports increase during the first quarter of this year to US\$12.3 million compared to the US\$8.2 million in the same period last year.

Sawnwood exports in the first quarter 2015 amounted to US\$ 4.9 million as compared to US\$4.2 million in the first quarter last year 2014, an which reflects an increase of 16%.

Exports of processed roundwood (piling, transmission poles and posts) as well as charcoal contributed to the overall increase in export earnings.

In contrast to the improvement in export earnings detailed above, plywood exports fell in the first quarter, dropping to US\$200,000 compared to the US\$400,000 in 2014.

Guyana's exports of roofing shingles contributed just US\$300,000 to first quarter 2015 earnings compared to the US\$400,000 sold in the same period in 2014.

The main export destinations during the first quarter include Europe, Middle East, North America, Oceania and other South American countries. Guyana's Forest Products Development and Marketing Council continues to encourage downstream processing of high value wood products.

Export prices

There were exports of greenheart, purpleheart and mora logs in the period reported.

Logs, FOB Georgetown		US\$ price per m ³		
		Std	Fair	Small
Greenheart		150	130	-
Purpleheart		200-315	170-240	150
Mora		110	110	110

Export Sawwood Prices

Sawwood, FOB Georgetown		US\$ price. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	954	-
	Standard	-	650-1102
	Select	590-950	-
	Sound	735-784	-
	Merchantable	-	-
Purpleheart	Prime	700-1295	-
	Standard	-	700-1102
	Select	850-1102	-
	Sound	-	-
	Merchantable	650	-
Mora	Prime	-	-
	Select	595	-
	Sound	450	-
	Merchantable	-	-

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

Export plywood prices

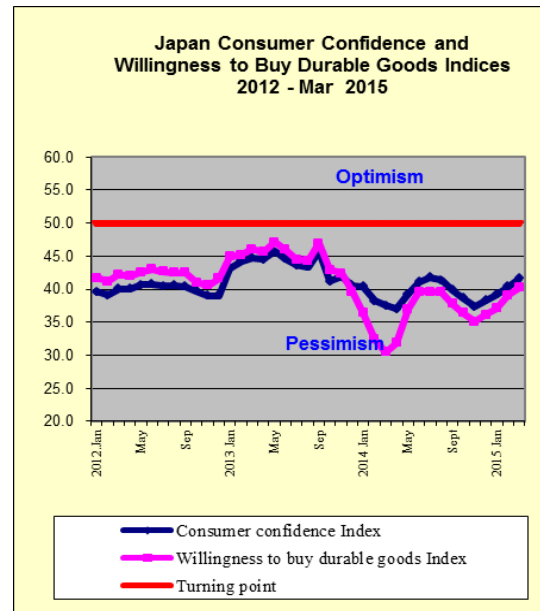
Plywood, FOB Georgetown Port			US\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	No export
		12mm	450-584
	Utility	5.5mm	No export
		12mm	No export

Report from Japan

Consumer Confidence beats expectations

Japan's consumer confidence index was higher in March marking four consecutive improvements. The overall index rose to 41.7 (highest since December 2013) from 40.9 in February slightly better than analysts had expected.

The livelihood index improved by 0.4 points to 38.8 and the willingness to buy durable goods index was 40.6 in March, up from 39.8 in February. There were similar improvements in the employment and income growth prospect indices.



Source: Cabinet Office, Japan

Residency no longer required for establishing Japanese subsidiary

Japan's Ministry of Justice has abolished the requirement that at least one representative director must have residency in Japan in order to register a Japanese subsidiary of a foreign company.

This enables Japanese subsidiaries to be set up by foreigners and therefore makes it easier for foreign companies to start businesses in Japan.

See the JETRO website:

<http://www.jetro.go.jp/en/invest/newsroom/announcements/2015/20150414163.html>

Trade surplus

Japan posted its first trade surplus in nearly three years in March as exports of cars and electronics rose sharply on the back of the weak yen and the import bill fell as oil prices hover at very low levels.

While the trade numbers are encouraging corporate investments, manufacturing output and consumer sentiment remain weak due to subdued domestic demand.

Adding to an already gloomy picture is the prospect of a steady fall in consumption in China and the tepid recovery of demand in the EU. But the trade surplus is expected to grow while oil prices are low which is a boost for the government as it struggles to drag the economy out of deflation.

Investments in ASEAN countries rising fast

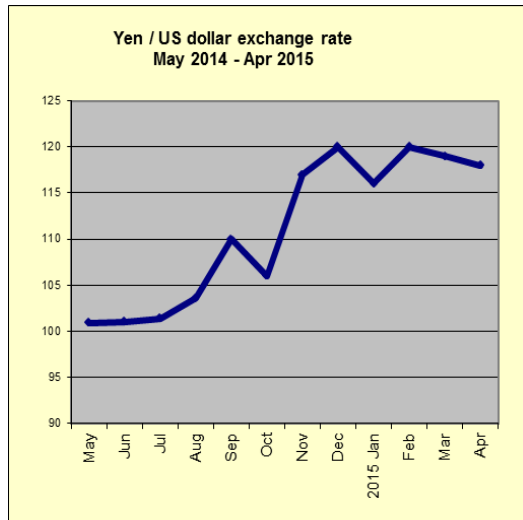
Japan External Trade Organization (JETRO), an independent government agency, recently released its Global Trade and Investment Report showing that Japan's direct overseas investment grew by 10.4% to a record US\$135 billion in 2013, the most recent year for which JETRO is able to report.

Japanese investment in China in 2013 fell 32% to US\$9.1 billion while investment in ASEAN countries expanded 120% to US\$23.6 billion.

Yen weakness a risk to Korean exports

Despite a slight strengthening of the yen during the second half of April, yen weakness relative to the Korean won is creating added pressure for the Bank of Korea to lower interest rates even further to effect a weakening of the won.

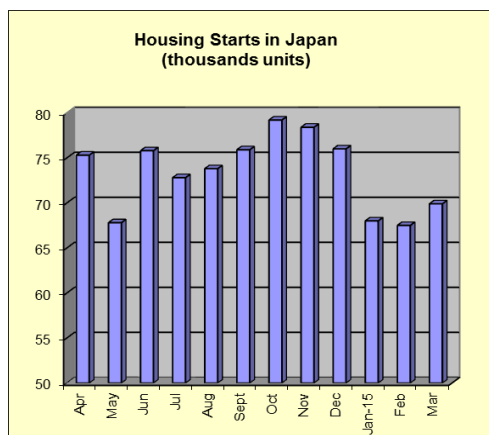
A recent S. Korea research report suggests the country’s exports may slip as much as 9% year on year if the won remains at current levels against the yen.



March housing starts much better than expected

The latest housing start tally from Japan’s Ministry of Land, Infrastructure and Transport shows starts rising unexpectedly in March. The consensus amongst analysts prior to the release of the figures for March was that the downward trend would continue. The reality is that housing starts grew 0.7 percent year on year in March in sharp contrast to the almost 2% decline that was forecast.

News from builders is equally as encouraging as they saw orders increase at a faster pace (8%), better than the mere 1% rise reported in February.

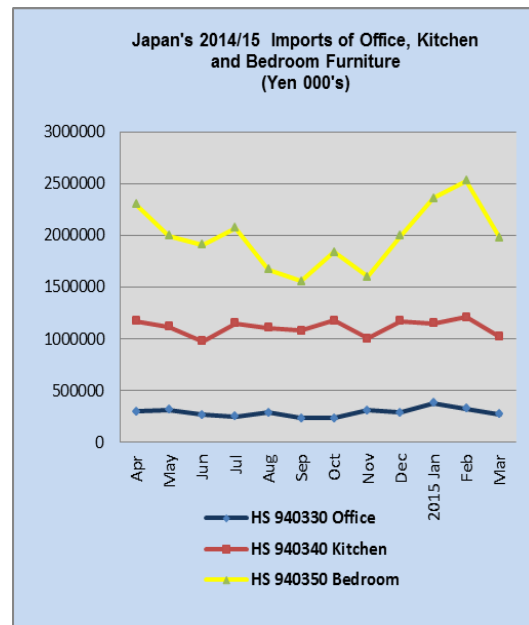


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan’s furniture imports

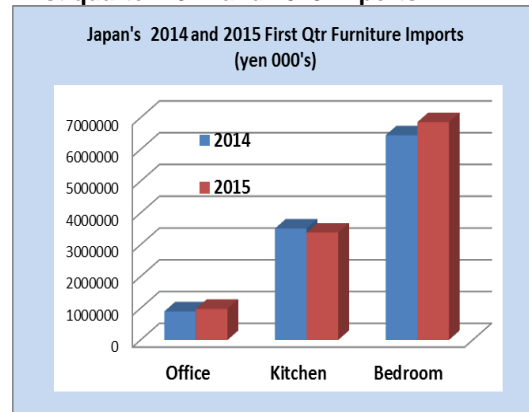
After the positive start to the new year, Japan’s imports of office, kitchen and bedroom furniture underwent a correction in March. Office furniture imports fell almost 17%, kitchen furniture imports in March were down 16% and bedroom furniture imports fell 22%.

However, despite the weak March 2015 data, first quarter imports of office and bedroom furniture were higher than in the same period in 2014. In contrast Kitchen furniture imports in the first quarter 2015 were below those in the same period last year compared



Data source: Ministry of Finance, Japan

First quarter 2014 and 2015 imports



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The top four suppliers office furniture China, Portugal, Poland and Italy maintained their dominance of the market in Japan accounting for over 70% of all office furniture imports.

The decline in March imports of office furniture hit suppliers in China where a 47% fall in supply was reported by the Ministry of Finance. On the other hand imports from Portugal increased.

Poland, the third ranked supplier saw Japan's imports fall while imports from Italy were virtually unchanged from a month earlier

The only tropical countries supplying office furniture to Japan in March were Malaysia and Indonesia which together accounted for just over 5% of March 2015 imports by Japan.

Exporters of office furniture in the EU have a sizeable slice of the Japanese market and in March accounted for 56% of all imports of this category of furniture.

Office furniture imports

Source	Imports, Mar 2015 Unit 1,000 Yen
S. Korea	1676
China	81909
Taiwan P.o.C	16533
Vietnam	-
Malaysia	8179
Indonesia	6903
Sweden	364
Denmark	225
UK	1056
Netherlands	246
France	1481
Germany	20433
Switzerland	-
Portugal	69388
Italy	22566
Poland	23450
Austria	1558
Turkey	-
Lithuania	5549
Czech Rep.	238
Slovakia	5799
Canada	-
USA	4885
Total	272438

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

March 2015 imports of kitchen furniture dipped 16% with Vietnam and Indonesia seeing a reduced share of total kitchen furniture imports. Remarkably, imports of kitchen furniture from Philippines surged lifting the country to the second ranked supplier from fourth position in February this year.

The combined supply of kitchen furniture from tropical countries accounted for around 75% of all imports of this category of furniture but the top suppliers remain Vietnam, Philippines and China

Kitchen furniture imports

Source	Imports, Mar 2015 Unit 1,000 Yen
China	226197
Taiwan P.o.C	1019
Vietnam	354121
Thailand	37810
Malaysia	18178
Philippines	238456
Indonesia	115023
Sweden	-
Denmark	-
UK	-
France	722
Germany	11968
Italy	1489
Austria	1467
Romania	635
Canada	6596
USA	6009
Total	1019690

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Exporters in tropical SE Asian countries (45%) and China (43%) account for almost a bedroom furniture imports by Japan. The overall 22% drop in bedroom furniture imports in March was accounted for mainly by the 23% decline in imports from China.

Vietnam, the number two supplier, managed to maintain trade at February levels as did the number four supplier, Poland. In contrast bedroom furniture exporters in Thailand shipped 10% more than in February.

Bedroom furniture manufacturers in the EU sustained the approximate 10% share of Japan's imports of bedroom furniture but in March US shippers almost tripled exports to Japan.

Bedroom furniture imports

Source	Imports, Feb 2015 Unit 1,000 Yen
S. Korea	285
China	844935
Taiwan P.o.C	33599
Vietnam	732591
Thailand	91323
Malaysia	54831
Indonesia	505
Sweden	48749
Denmark	-

UK	2153
France	-
France	4409
Germany	314
Spain	448
Italy	15654
Poland	62922
AUSTRIA	-
Romania	31461
LATVIA	-
Lithuania	3518
Croatia	422
Bosnia and Herzegovina	388
Slovakia	13041
USA	31772
Total	1973320

Data 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 reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

Japan's SGEC seeks PEFC recognition

Sustainable Green Ecosystem Council (SGEC), which runs Japanese original forest certificate system, applied the request to have mutual approval system to international forest approval system, PEFC.

At the request, SGEC revised terms of the management and guideline to forest certificate and COC certificate to make the new system. This will be applied since April 1, 2015 and examination for certificate will be based on this new system since October 1, 2015.

In the new system, as material of risk evaluation (DDS), legality certificate based on the guideline of the Forestry Agency is newly instituted. If it is admitted that the risk is minimal, logs produced from forest other than SGEC certified forest can be handled same as logs from SEGEC managed forest.

Once the mutual approval is agreed, logs from examined and approved forest are permitted to use both SGEC and PEFC logo mark but SGEC logo mark cannot be used for foreign products even if it is certified by PEFC. It will be 2016 at the earliest when mutual recognition is approved.

Wood use for public buildings increases

The Ministry of Agriculture, Forestry and Fisheries disclosed result of wood use for public buildings in fiscal

2013 based on the Wood Use Promotion for Public Building law.

According to the result, wooden buildings the government put up were 24 units, 42.9% less than 2012 with total floor space of 5,689 square meters, 26.5% less. Buildings, which wood used for interior, were 161 units, 37.6% less. Number of wooden buildings decreased but total wood use increased to 6,695 cubic meters, 53.8% more.

The law to promote wood use for public buildings was enacted in October 2010. This says low buildings the government builds should be basically wooden building and wood use is recommended for interior finishing for non-wood buildings.

Radiata pine log and lumber import in 2014

Import of New Zealand radiata pine logs in 2014 was 528,600 cbms, 10.4% less than 2013.

Import of Chilean radiata pine lumber was 259,600 cbms, 16.5% more. The demand was active in the first half but slowed down in the second half of the year.

In 2014, after Orvis, the largest radiata pine log manufacturer, closed down its Himeji sawmill, orders rushed to remaining sawmills so that log consumption by radiata pine sawmills increased in the first half then fever faded in the second half.

Demand on Chilean radiata pine lumber was steady through the year but it slowed down toward December then the cost was being pushed up by high C&F prices with weakening yen and passing higher cost onto consumers delayed.

China becomes the top buyer of radiata pine logs from New Zealand but the steady growing import volume finally peaked off and last year's volume was 11,500,000 cbms. China takes about 70% share of New Zealand log export.

Domestic softwood plywood market is weak

March is book closing month so that manufacturers, wholesalers and trading firms tried to move their inventories so that the price kept softening through a month.

For example, market prices of 12 mm 3x6 panel was 800 yen in the middle of February then they have dropped down to 760 yen per sheet delivered by middle of March and the prices in the second half of March were weaker yet, which are below breakeven prices for plywood manufacturers so they decided not to accept any low offer and set new prices since April to restore the market.

However, total inventories are on the rise with 239,600 cbms, 0.7% less than the same month a year ago and 1.2% more than January, about 30,000 cbms more than end of February. February production was 213,700 cbms with shipment of 178,500 cbms, 19.2% and 17.4% down.

The market prices are 760 yen per sheet on 12 mm 3x6 panel, 40 yen down from February. Imported plywood market is holding flat. The movement has been in slump since last December then cost of arriving cargoes is above the market prices so the importers are hard to sell, waiting for the market prices moving up.

On supply side in Malaysia, the suppliers continue bullish because of log shortage so the importers are unable to buy futures. With slow movement, port inventories in Japan are high with sporadic delay of unloading ships. February arrivals were 263,000 cbms, 11.7% less than January and 10.4% less than February last year.

This is decrease of 35,000 cbms from January. Future monthly arrivals are estimated about 260-280,000 cbms. Post and beam construction seminar in Shanghai.

Seminar in Shanghai for Chinese builders

The Japan Wood Export Promotion Association held seminar titled ‘Technical seminar for Japanese wood use’ on March 17 at Wood Structure Research Center of Shanghai Construction Institute. About 80 Chinese engineers, designers and persons concerned attended the seminar with actual construction lesson.

At the assembly lesson, experienced persons from Ehime prefecture explained outline of post and beam construction then showed how to construct.

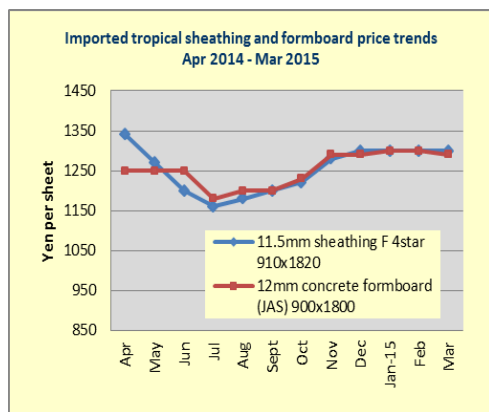
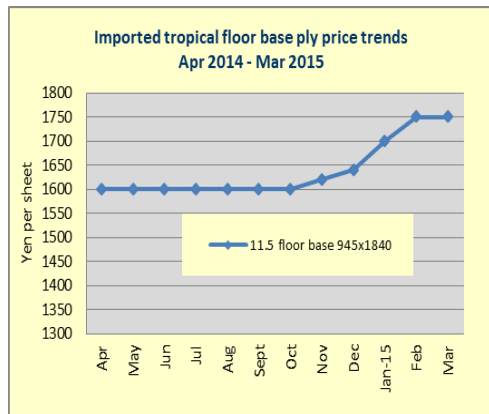
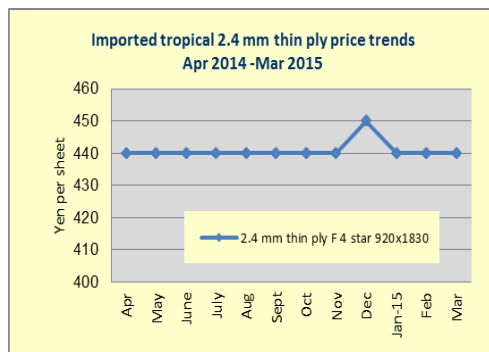
At the seminar, middle- rise large wooden buildings in the world and Japan and strength of Japanese wooden buildings with earthquake resistance performance are explained.

Also quake resistant design, calculation of allowable stress, history of quake proof design and Japanese Housing Performance Indication Standards are explained. For quake strength, it is explained with numerical expression that wooden unit and reinforced concrete unit have different, peculiar vibration.

Outline of post and beam construction and difference of load stress on 2x4 construction and prefabricated unit, flow from design to actual construction and advantage and disadvantage of post and beam construction are explained.

For export of post and beam unit, preassembled unit is shipped by container to China so that it is unnecessary to have experienced carpenters in China but it is necessary technical guidance and Chinese norm and standards need to be changed.

Actual assembly lesson took about one hour by using the model exhibited in Shanghai in last August. There were many questions as to structure of joining and type of wood used, which showed high interest to wooden buildings.



Report from China

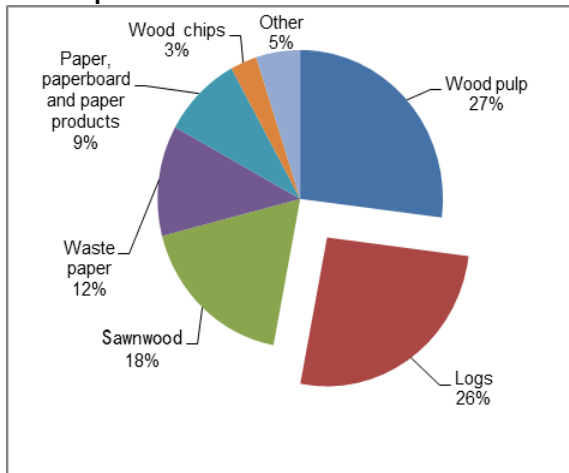
Wood products trade at all-time high

According to the latest statistics from the State Forestry Administration, the value of China’s 2014 international trade in wood products rose 8.4% to US\$140 billion. While this was a record high the rate of growth in trade fell by around 1% compared to 2013.

Of the total, the value of imports rose 16% to US\$67.8 billion and the value of exports also grew by 16% to US\$72.2.

Wood pulp, logs, sawnwood, waste paper, paper, paperboard and paper products and wood chips imports dominated the trade accounting for 95% of the value of wooden product imports in 2014.

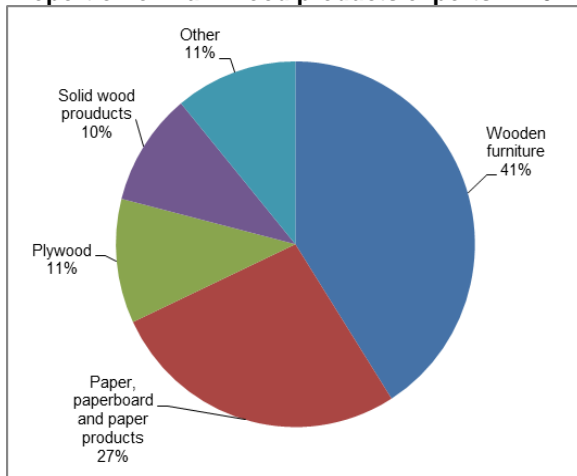
2014 imports



Source: China Customs

The value of wooden furniture, paper, paperboard and paper products, plywood and other wood products exports accounted for 89% of the value of all wood products exports in 2014.

Proportion of main wood products exports in 2014

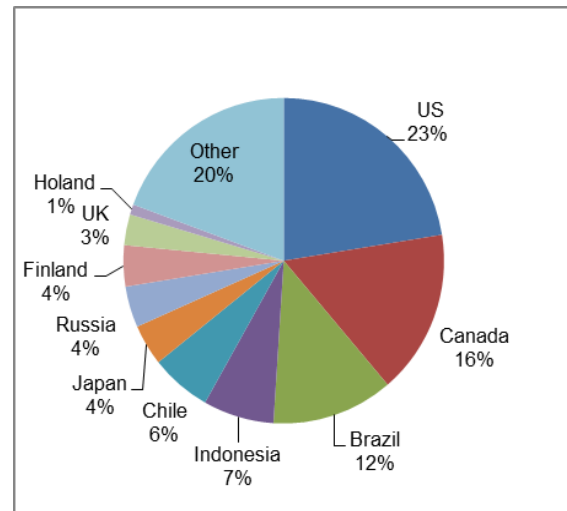


Source: China Customs

Wood pulp imports in 2014

Wood pulp remained the leading imported wood product in 2014. Wood pulp imports were 17.96 million tonnes valued at US\$12.1 billion, up 6.6% in volume and 6.1% in value from 2013.

China mainly imported wood pulp from the US (23%), Canada (16%) and Brazil (12%). The top 10 suppliers are shown below.



Source: China Customs

Wood chip imports in 2014

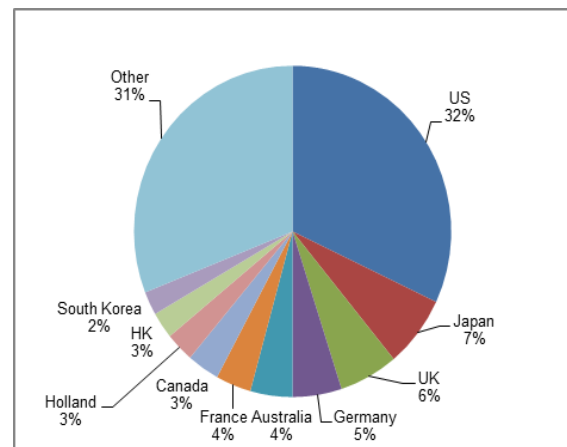
Wood chips imports in 2014 were 8.86 million tonnes valued at US\$1.54 billion, down 6% in tonnage and down 22% in value from 2013.

China imported wood chips mainly from Vietnam (45%), Australia (24%), Indonesia (14%) and Thailand (12%). 95% of China's wood chips imports were from these four supply countries.

Wooden furniture exports in 2014

The value of wooden furniture exports in 2014 rose 14% to US\$22.1 billion, accounting for 41% of the national total value of forest product exports and continued to be the number one export wood product.

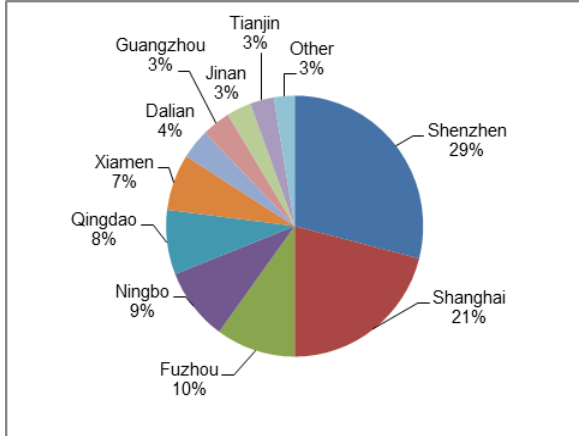
The main export markets were the USA (32%), Japan (7%), UK (6%) and Germany (5%). The top 10 markets for China's wooden furniture exports are shown below.



Source: China Customs

The main ports handling wooden furniture exports were Shenzhen (29%), Shanghai (21%), Fuzhou (10%), Ningbo (9%), Qingdao (8%) and Xiamen (7%).

The top 10 major ports handling wooden furniture



Source: China Customs

Plywood exports in 2014

Plywood exports continued to climb in 2014 and reached 13.22 million cu.m valued at US\$5.8 billion, up 29% in volume and 15% in value from 2013.

The main export markets were the USA (13%), Japan (6%), the UK (6%), South Korea (5%), the United Arab Emirates (5%), Philippines (5%) and Saudi Arabia (5%).

The average FOB unit price for China’s export plywood to the US and Europe increased in 2014 as more decorative plywood was shipped however, the average FOB unit price for China’s plywood exported to Japan, UAE and Saudi Arabia fell.

Average FOB unit prices for export plywood

Destination	2014 US\$/cu.m	2013 US\$/cu.m	Change % 2013-14
US	764	733	4.2
Japan	498	527	-5.5
The UK	489	458	6.8
South Korea	390	361	8
UAE	367	387	-5.2
Philippines	429	392	9.4
Saudi Arabia	309	353	-12.5

Source: China Customs

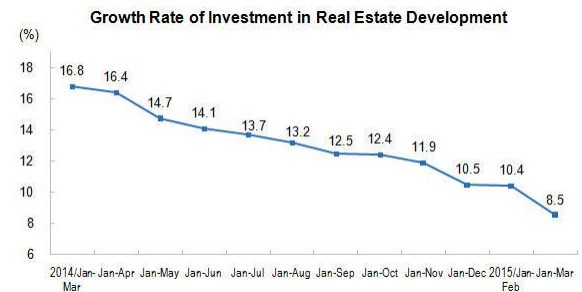
Main ports shipping plywood in 2014

	2014 000's cu.m	2013 000's cu.m	Change % 2013-14	Proportion % in 2014
Total	1322	1026	29	
Shandong	556	484	15	42
Jiangsu	327	281	16	25
Guangdong	63	56	13	4.8
Guangxi	61	57	7	4.6
Zhejiang	41	43	-5	3
Jilin	27	24	13	2
Anhui	19	18	5	1.4
Liaoning	18	14	29	1.3
Shanghai	13	13	0	1
Hebei	10	11	-9	0.8
Subtotal	1135	1001		

Source: China Customs

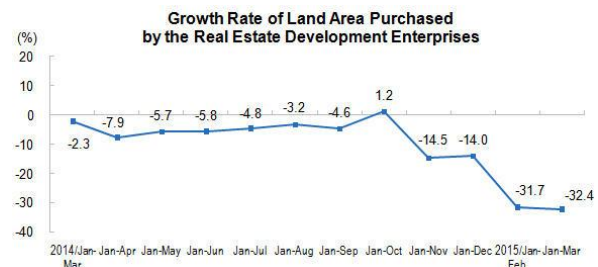
Real estate sales in the First quarter 2015

The National Bureau of Statistics has released its assessment of the housing sector in the first quarter saying total investment during the quarter increased by 9.5% year-on-year despite the fall in the first two months of this year. Investment in residential buildings was up by 5.9 percent year on year but this represented a slowing of the pace of investment from the first quarter 2014.



Source: National Bureau of Statistics, China

In the first three months land purchased for real estate development continued to trend down, falling a massive 32% compared to the first quarter a year ago.



Source: National Bureau of Statistics, China

Homeowners to benefit from changes in down payment requirements

In March the pace of decline in overall house prices as reflected in the Housing Price index accelerated to -6.1 from the -5.7% in February.

Home prices in China have been falling for the past eight months mainly due to an over-supply of units.

To stimulate demand the government set a lower limit on minimum down payments for people wishing to buy a second home reversing the policy introduced some years ago to cool the demand for homes as an investment.

Price indices for new residential buildings

Major cities	m-on-m	yr-on-yr
Beijing	100.3	96.3
Tianjin	100.1	95.9
Shijiazhuang	100.3	95.3
Taiyuan	100.2	94.7
Hohhot	99.8	92.7
Shenyang	99.8	90.3
Dalian	99.7	91.5
Changchun	99.9	94.5
Harbin	99.7	94.4
Shanghai	100	95

Source: National Bureau of Statistics, China

In a move seen as aimed at stimulating the housing market the People's Bank of China has lower the reserve levels that banks must hold which will make it cheaper and possibly easier to obtain housing loans.

China's economy is now the biggest in Asia having overtaken Japan and the slowing of the Chinese economy poses risks for its trading partners especially those in Asia which have come to rely on trade with China to support domestic growth.

Guangzhou Yuzhu International Timber Market Wholesale Prices

Logs

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

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

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

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

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7300
Zebrano	Grade A	12000-15000
Walnut	Grade A	9500-10000
Sapelli	Grade A	7500-7900
Okoume	Grade A	4200-4500
Padauk	Grade A	14500-17000
Mahogany	Grade A	6500-7000
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

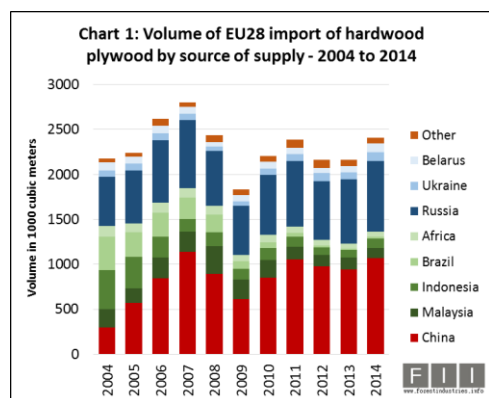
EU plywood imports highest since financial crises

EU28 imports of plywood increased 12% to 3.7 million cu.m in 2014, the highest level since before the financial crises. Import value also increased 12% to €1.35 billion. The rise was driven mainly by improved consumption in several European markets, notably the UK.

Another key factor was an increase in supply of Russian birch plywood combined with a sharp fall in the value of the Russian rouble on foreign exchange markets which increased competitiveness of imported Russian product.

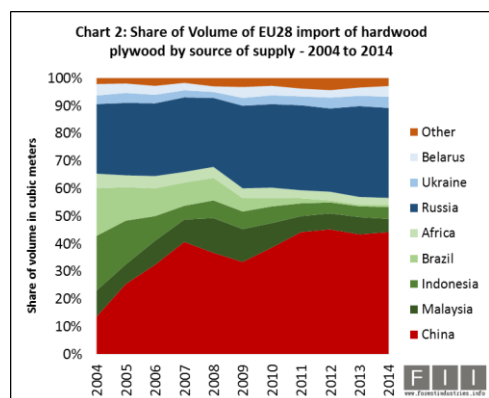
Another notable feature of the European plywood market in 2014 were signs that rising concern for the environmental and technical performance of plywood is having a more a significant impact on trade.

In 2014, the EU imported 2.4 million cu.m of hardwood plywood with value of €986 million, up 11% and 13% respectively compared to the previous year. EU imports of this commodity were at their highest level since 2008 (Chart 1).



Compared to previous years, in 2014 the EU market for hardwood plywood was less volatile and changes in supply sources and overall market share were relatively minor (Chart 2). EU28 imports of hardwood plywood from China increased 14% to 1.07 million cu.m in 2014.

However China's share of total EU28 imports increased only slightly from 43% in 2013 to 44% in 2014. Imports from Russia increased 10% to 785,000 cu.m in 2014 and Russia's share of total imports remained stable at 33%.



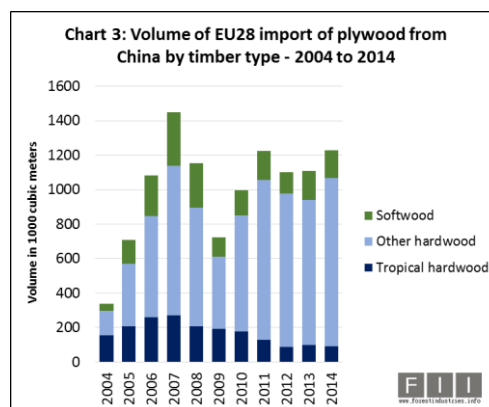
Share of EU28 imports of hardwood plywood from tropical countries fell from 14% in 2013 to 12% in 2014. The decline in share was mainly due to a 15% fall in imports from Malaysia to 115,000 cu.m in 2014.

Imports from African countries also declined by 3% to 59,000 cu.m. In terms of tropical hardwood market share, these declines in imports were only partly offset by increases from Indonesia (+24% to 105,000 cu.m) and Brazil (+61% to 20,000 cu.m).

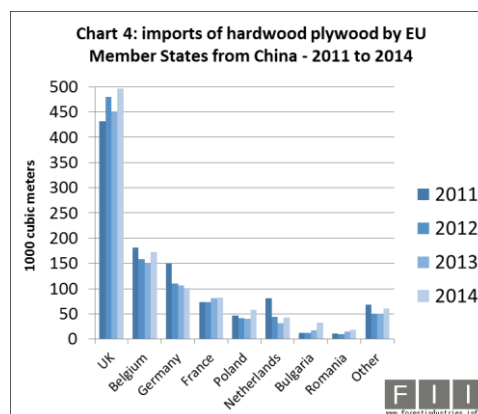
Sharp increase in imports of Chinese MLH plywood

The increase in EU28 imports of Chinese plywood in 2014 was driven mainly by rising demand for plywood faced with "other hardwood". Most consists of Mixed Light Hardwood (MLH) plywood faced with eucalyptus and poplar, with a smaller amount of birch, other temperate hardwood and lesser known tropical species.

EU imports of Chinese softwood plywood and plywood identified as faced with tropical hardwood continued to decline last year (Chart 3).



During 2014, there were significant gains in imports of Chinese hardwood plywood into the UK, Belgium, Poland, Netherlands, Bulgaria and Romania. Imports into Germany declined while imports to France were stable (Chart 4).



EU imports of MLH plywood from China benefited from the relatively stable supply situation during 2014 with delivery times into Europe of no more than around 4 to 5 weeks.

The decline in imports into Germany is partly due to the recent practice by German customs to record some plywood imports from China as LVL thereby pushing them into a higher tax bracket.

Speculation that implementation of EU Timber Regulation (EUTR) might lead to loss of market share for Chinese plywood in the EU has yet to be realised. It was assumed that obtaining reliable legality documentation might be difficult for Chinese plywood due to complex supply chains and dependence on imported face veneers.

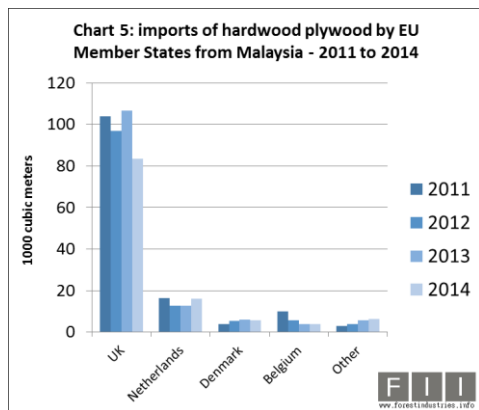
Rather than shifting to alternative supply countries in response to EUTR, EU operators have increased purchases of Chinese plywood faced with plantation grown domestic hardwoods perceived to be lower risk.

Decline in UK imports of Malaysian plywood

The fall in EU trade in Malaysian plywood was driven by a large decrease in imports by the UK, by far the largest European market for this commodity (Chart 5).

Imports by the Netherlands, the second largest market, increased slightly while imports by other EU countries were relatively stable.

The decline in UK imports may be partly explained by Malaysia losing GSP preferential tariff status from 1 January 2014. This led to a sharp increase in UK imports from Malaysia in the closing months of 2013 followed by a slowdown in 2014.

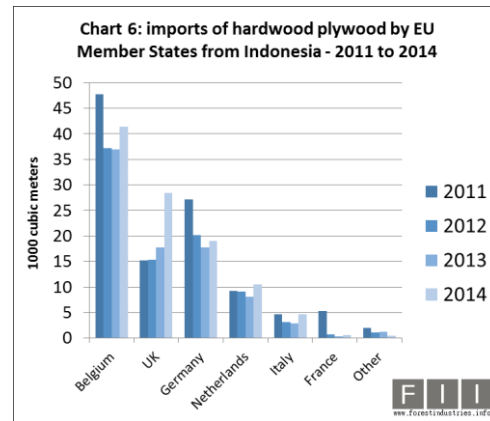


Imports from Malaysia also clearly lost competitiveness relative to China and Indonesia in the UK market last year. Malaysian plywood prices were tending to rise in 2014 on the back of higher prices for logs and other materials.

The trend is also supply related. In 2014, Malaysian suppliers were focusing more on other more buoyant markets, such as in North America and the Middle East.

Indonesian market share gets a boost

After several years of decline, imports of Indonesian hardwood plywood increased into all five of the leading EU markets – Belgium, the UK, Germany, Netherlands and Italy (Chart 6). Imports into the UK increased particularly rapidly, by 60%, and the country overtook Germany to become Europe’s second largest market for Indonesian plywood.



The increase in UK imports can only be partly explained by the strong recovery in the UK construction sector. The increase is particularly significant for a market not traditionally known for its’ willingness to pay higher prices for better quality product.

For many years, Indonesian plywood was squeezed out of the UK market by lower priced plywood from China, Malaysia and Russia, and by other panel products.

The rise in UK imports in 2014 comes despite Indonesian plywood prices remaining relatively firm in 2014 and also against the background of a substantial weakening in the value of the GBP relative to the US\$.

One factor that has certainly helped boost UK and wider EU imports from Indonesia in 2014 was the resumption of regular break bulk services in response to volatile container freight rates.

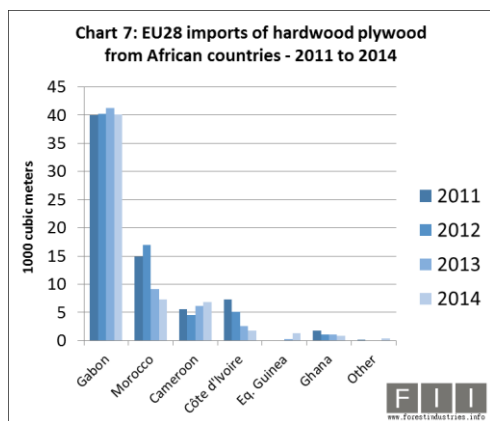
Indonesian plywood may also be benefitting from rising awareness of the V-Legal/SVLK system, particularly now that EUTR is forcing plywood importers to look more closely at the legality of product.

Implementation of the Construction Product Regulation, which extended mandatory requirements for CE Marking of construction products throughout the EU, is also increasing importers focus on species content and other quality aspects of plywood.

Slow French market and new tariffs hit African plywood

Trends in EU imports of hardwood plywood from African countries varied widely in 2014 (Chart 7). Imports from Gabon, by far the largest African supply country, declined 3% to 40,000 cu.m.

A significant proportion of this product is FSC certified derived from large European-owned operations in Gabon.



Demand was impeded by slow recovery in France, traditionally the main European market for okoume plywood. EU imports in 2014 were also disrupted by occasional strikes by customs officials at Libreville port in Gabon.

Like Malaysia, Gabon's GSP status changed from 1 January 2014 leading to imposition of a 7% tariff on EU imports of hardwood plywood from Gabon.

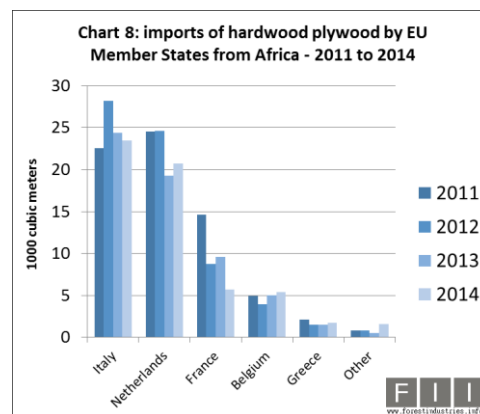
However, under pressure from EU-based plywood manufacturers, Gabon's exports of hardwood veneers to the EU were exempt from the increase in duty. The overall effect of the new tariff regime is to favour EU-based over Gabon-based manufacturers.

EU imports of hardwood plywood from Morocco declined sharply in 2014, continuing the downward trend of the previous year.

Log export restrictions by Gabon and other countries in the Congo region have meant that Moroccan manufacturers now have limited access to logs. EU imports of plywood from Cameroon have climbed in the last two years, but were still limited at only 7000 cu.m in 2014. EU imports from Ivory Coast and Ghana were negligible in 2014.

The majority of all African hardwood plywood imported into the EU is now destined for just two countries – Italy and the Netherlands – with smaller volumes destined for France, Belgium and Greece (Chart 8). European consumption of okoume plywood has been in long term decline, particularly in France, formerly the leading market. Imports into France were down 40% in 2014 at only 6000 cu.m.

However imports into Italy were relatively stable, while there were small gains in imports by the Netherlands, Belgium and Greece.



Both EU manufacturers and importers reported slightly better demand for okoume plywood in 2014 than in the previous year. This was driven by slow improvements in the construction sector in the Netherlands and Belgium and by rising boat-building activity in Italy. Sales of okoume plywood – generally sold in euros unlike Asian plywood sold in US\$ – also benefitted from the weak euro exchange rate during 2014.

Another advantage is relatively short delivery time. Lead times for standard dimensions may be under 2 weeks. A growing share of supply and demand for okoume plywood in the EU market is FSC certified.

With extremely tight margins in the industry, okoume plywood manufacturers were trying to push through price increases in 2014, but struggled in the face of weak European consumption and intense competition from alternative products.

However, in early 2015 the market situation has been sufficiently favourable to allow manufacturers and distributors to push through limited price increases, particularly for FSC certified products.

Weak rouble boosts EU imports from Russia

Total EU imports of Russian birch plywood increased 10% to 785,000 cu.m in 2014.

Unlike other imported hardwood plywood, which is sold into a limited range of Western European countries, the market for Russian birch products is widely distributed across the continent (Chart 9).

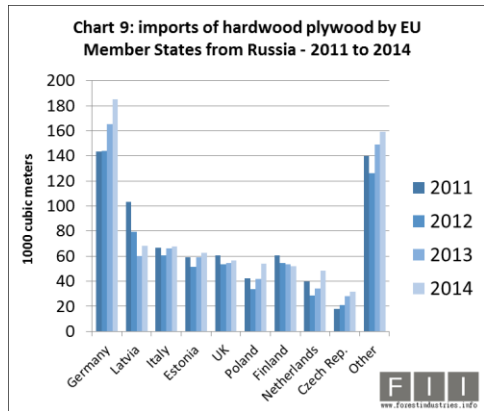
In 2014, there was a particularly sharp increase in imports of Russian birch plywood into Germany, the largest market, and also gains in imports into Latvia, Italy, Estonia, the UK, Poland, Netherlands and the Czech Republic.

Of larger markets, only Finland imported a lower volume of Russian plywood in 2014. Finland has been mired in recession for the last three years and has a large domestic birch plywood industry.

The price competitiveness of Russian birch plywood increased dramatically in the second half of 2014 due to the sharp fall in the value of the Russian rouble – which

plunged 40% against the euro and 50% against the US\$ between July and December 2014. Supplies of Russian birch plywood were also readily available.

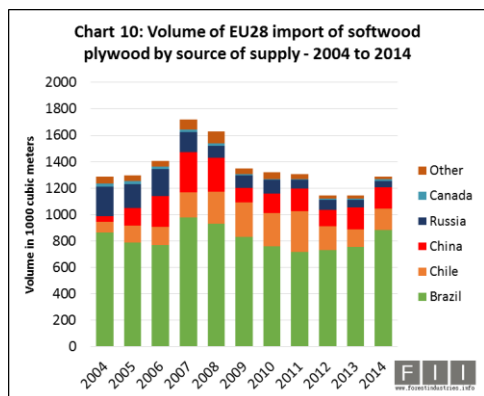
In the last quarter 2014, lead times between ordering and delivery into the EU were no more than around 4 weeks on average. There was particularly good availability of filmed plywood grades as domestic demand for this product in Russia has been weakening.



The dramatic fall in Russian birch plywood prices forced domestic European manufacturers of this commodity to reduce prices to boost market share. In an effort to stem the flow of cheap product into the European market, Russian and European birch plywood manufacturers are now working hard to develop markets in other parts of the world, notably in the United States, South Korea, Egypt, and Turkey.

Increased EU imports of softwood plywood

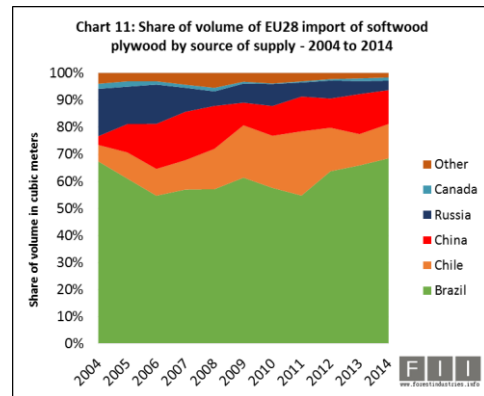
EU imports of softwood plywood were 1.3 million cu.m with value of €365 million in 2014, up 13% and 9% respectively compared to the previous year (Chart 10).



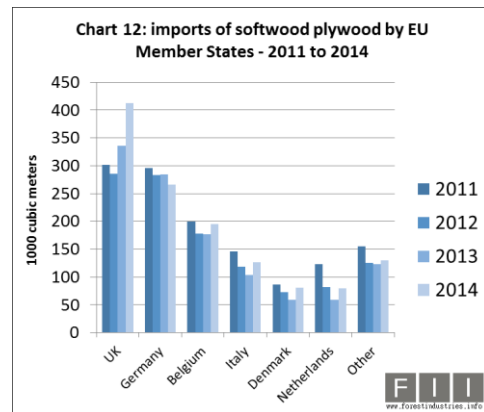
Imports from Brazil increased 17% to 883,000 cu.m in 2014. Brazil's share of total imports increased from 66% in 2013 to 68% in 2014, continuing an upward trend in share that began in 2011 (Chart 11). Imports from Chile also increased 23% to 163,000 cu.m in 2014, recovering from a decline in 2013.

Between 2013 and 2014 Chile's share of total EU imports increased from 12% to 13%. However imports of softwood plywood from China declined 5% to 162,000

cu.m in 2014. China's share of EU imports fell from 15% to 13% during the year.



Much of the gain in EU imports was due to improving market conditions in the UK. However imports also increased into Belgium, Italy, Denmark and the Netherlands in 2014. Imports into Germany were weaker in 2014 (Chart 12).



In the first half of 2014, Brazilian exporters were constantly pushing their European buyers to pay higher prices following appreciation of the Brazilian real exchange rate against the dollar and with strong demand in other export markets. Exporters also needed to cover higher log, energy and wage costs.

These pressures eased in the second half of 2014 as the Brazilian real once again depreciated against the dollar, GBP and the euro.

There has also been sustained downturn in the Brazilian domestic market. Nevertheless, export demand for Brazilian softwood plywood has remained good in North America, Asia and Oceania.

Chinese plywood target of EUTR enforcement activities

Earlier this year, the UK government published a report on EUTR enforcement measures targeting importers of Chinese plywood. The report was prepared by the National Measurements Office (NMO), the UK government agency responsible for EUTR.

The report states that the focus on Chinese plywood is not due to concerns about illegal harvesting in China. Instead it is due to the perceived risks of China's high dependence on imports and the complexity of supply chains for plywood in China.

The NMO report summarises EUTR enforcement action taken against 16 companies importing Chinese plywood into the UK. All the importing companies involved are small-to-medium enterprises (SMEs). Together they were responsible for no more than 10% of the plywood imported from China into the UK in the last year.

The action specifically excludes companies that have already demonstrated due diligence to the satisfaction of NMO. The latter includes the whole of the UK's large-scale timber retail sector which accounts for by far the largest share of plywood imported into the UK.

NMO observes that "the Chinese forestry system and exploitation of domestic forests tend to represent a minor risk due to strong legislation and governance as well as a low risk to the species harvested (poplar, eucalyptus) for plywood manufacturing".

However, NMO also states "a range of independent background studies have indicated that timber imported into China is likely to be done so illegally and therefore is unlikely to comply with the due diligence requirements of the EUTR".

The NMO report highlights the challenges of due diligence in a long and complex supply chain.

In the countries of origin for both the core and the face veneers there can be a number of forests/plantations and a number of harvesters supplying the constituent parts. In turn there are a number of different suppliers to the peeling mills and manufacturers.

The supply chain is further complicated as many UK importers employ an agent to do most of their sourcing and purchasing. These agents are in turn using companies that source timber from other agents, resulting in a complicated supply chain.

Species wrongly identified in Chinese plywood

As part of the enforcement action, the NMO performed microscopic analysis on plywood purchased from the importers to ascertain species content. Of the 13 purchases tested so far, 9 products did not match the declaration supplied by each company regarding the species contained within the plywood.

In the 13 tested products, there were four cases in which face veneers were wrongly identified (including sapele misidentified as lotofa, ozigo misidentified as eucalyptus, bintangor misidentified as eucalyptus, and palaquium misidentified as bintangor).

There were 8 cases in which the core veneer was wrongly identified. All of these were described as either pure

poplar or eucalyptus but in fact contained other species (including kedongdong, pine, kasai, elm, pulai, red meranti, and medang).

Because of supply-chain complexity and the lack of accurate data on the actual level of risk associated with different species and supply sources, NMO does not claim to show that any of the timber in the plywood traded by the 16 UK importers is from an illegal source.

The report states that "the species that are found may still be covered by the felling licenses, phytosanitary certificates and third-party verification certificates".

The detailed results of the species analysis suggests no systematic attempt to misrepresent one particular species for another. Instead it indicates a random process due to species mixing and inadequate control in a complex supply chain.

Having considered the evidence in more detail, NMO concludes that "the overall risk is low in relation to the possibility of illegal logging in the supply chain".

Proof unnecessary to prosecute under the EUTR

The NMO report also highlights a key feature of the EUTR. Prosecution of EU operators does not require the EU authorities to establish a credible chain of evidence to show that timber is illegal.

The importer has a responsibility to demonstrate due diligence in line with the risk management system specified in the EUTR.

This includes documented steps to identify and mitigate any risk that timber is from an illegal source before placing the product on the EU market. The importer can be prosecuted simply for failing to demonstrate to the EU authorities that the risk management system is in place.

The 16 UK importers targeted for enforcement action were requested to supply details of the due diligence system for the Chinese plywood that they place on the market in the EU.

The report notes that "14 of the 16 companies submitted due diligence systems that were insufficient when compared to Article 6 of the European Timber Regulation (EUTR) No. 995/2010 that outlines an Operators obligation to implement a due diligence system".

According to NMO, "the common thread running through these failures was a lack of narrative explaining how the combination of document gathering, risk assessment and mitigation (where necessary) enable the company to reach a conclusion of negligible risk that the timber in the product was sourced illegally".

The failure to accurately identify species in product declarations "further indicated the unreliability of the supply chain of these products".

The NMO also commented that the "unreliability of paperwork was ubiquitous, indicating that this is a clear area for concern in due diligence procedures".

Following visits to the companies, NMO decided to take no further action in relation to 4 companies. However 7 companies were issued with a warning letter and 5 companies were issued with a notice of remedial action.

The NMO also noted that it continues to investigate the UK companies and that further sanctions will be applied if companies fail to take necessary remedial action.

Implications for UK trade in Chinese plywood

The long-term implications of the NMO report are very significant for the future of the EU trade in plywood manufactured in China.

The report shows the determination of the NMO to ensure that the due diligence system specified in the EUTR is applied rigorously.

UK plywood importers are on notice that they must accurately identify the exact species used both for face and core veneers despite the complexity of the supply chain and even if the underlying risks of illegal origin are small. NMO also insist in the report that operators should always assess the paperwork themselves and record their own risk determination.

They cannot take certificates and other documents issued by their overseas suppliers at face value and must assess the broader governance environment in the region of supply. Nor can they rely on the assessments of their agents, certifiers or other third parties.

NMO quotes one company that suspended all supplies from one country as they didn't feel they could achieve negligible risk without investing more time and money.

The boycotting by an importer in the EU of wood products from a developing country due the importers lack of resources to undertake risk assessment hardly seems a positive outcome for EUTR.

Risk assessment implies a much more rigorous approach on the part of importers to supply chain management. The downside is that this means higher transaction costs for the EU trade have to be absorbed by the supply chain.

More positively, the strong focus on species content and transparency in supply chains is an opportunity to improve the quality and reputation of Chinese plywood in the EU market.

NMO conclude their report: "given there is a high overall level of non-compliance in this particular area of the timber trade, it is recommended that a similar project is conducted during the next financial year, targeting other companies, in order to monitor the progress of this sector of the industry".

Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

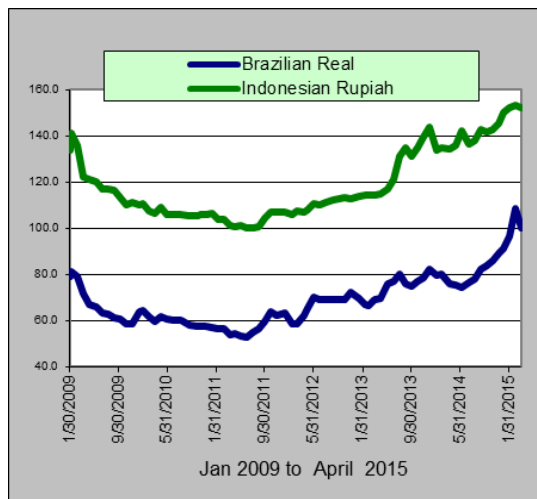
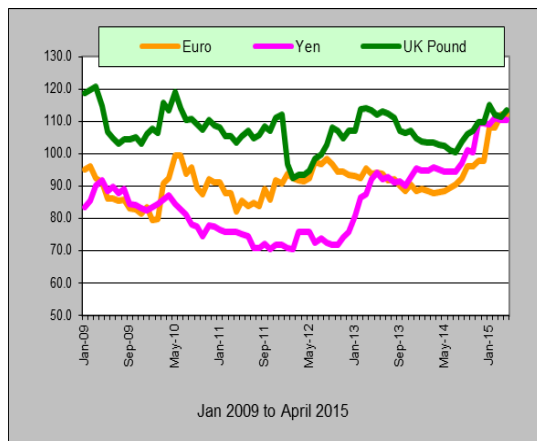
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 25th April 2015

Brazil	Real	2.9521
CFA countries	CFA Franc	606.02
China	Yuan	6.1935
EU	Euro	0.9197
India	Rupee	63.759
Indonesia	Rupiah	12952
Japan	Yen	118.98
Malaysia	Ringgit	3.5709
Peru	New Sol	3.1354
UK	Pound	0.6584
South Korea	Won	1076.39

Exchange rate index (Dec 2003=100)

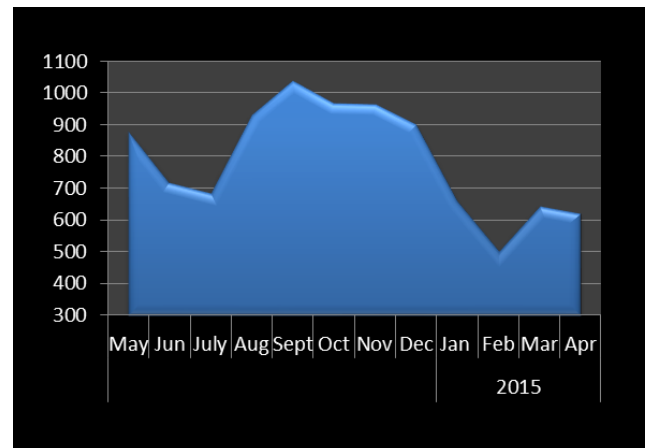


Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR, WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
May 2014 – April 2015

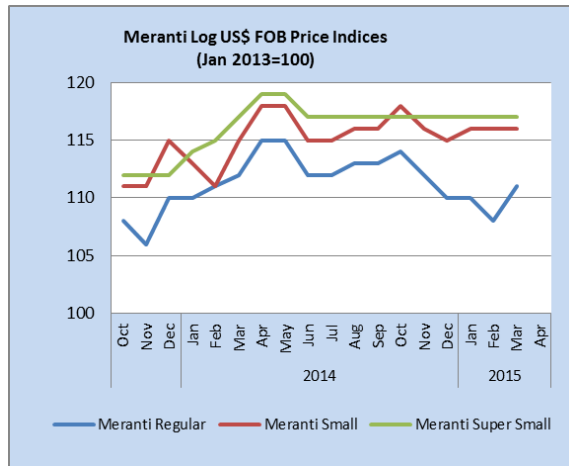


Data source: Open Financial Data Project

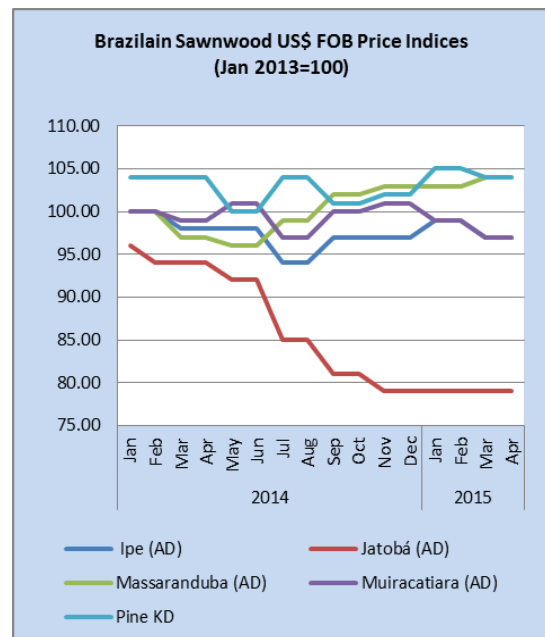
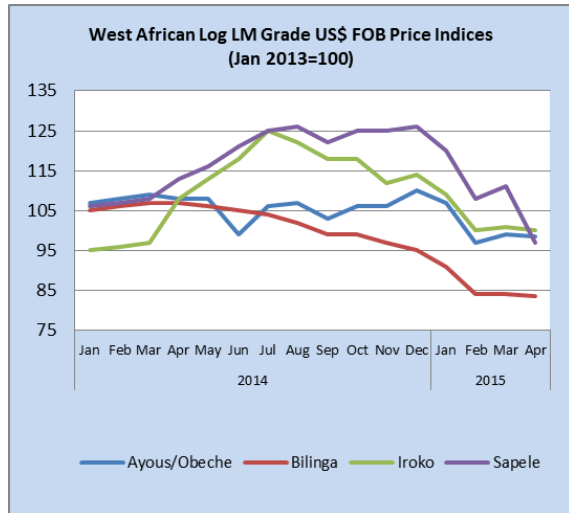
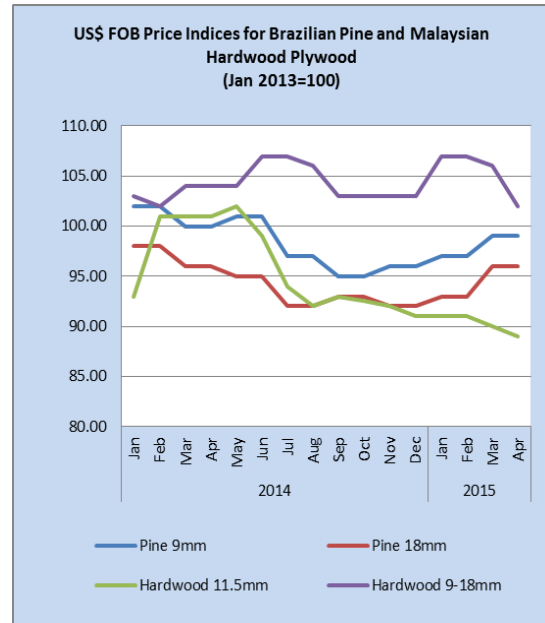
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

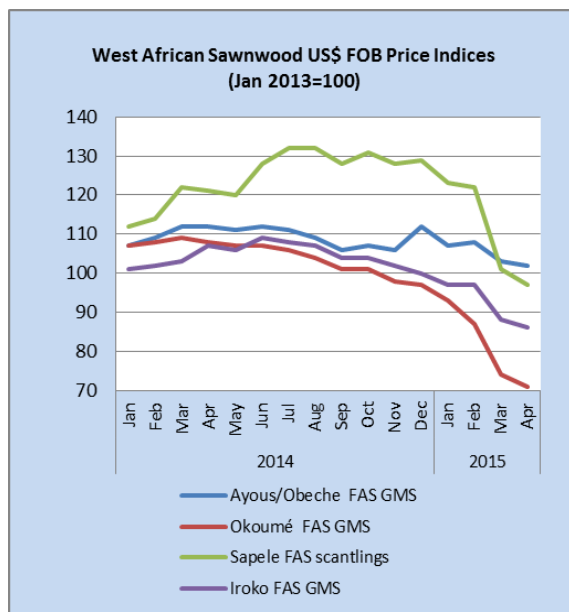
The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá mainly for the Chinese market.



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