

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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Special Announcement

CITES seeks assistance from importers of Madagascar timber

The CITES Secretariat has issued a Notification to Parties to CITES seeking assistance in preventing trade in threatened timber species from Madagascar.

ITTO has been cooperating with CITES in Madagascar and elsewhere through the ITTO-CITES Programme. CITES wishes the information in the links below to be disseminated as widely as possible.

<http://www.cites.org/eng/notif/2013/E-Notif-2013-039.pdf>

<http://www.cites.org/fra/notif/2013/F-Notif-2013-039.pdf>

<http://www.cites.org/esp/notif/2013/S-Notif-2013-039.pdf>

Delivery extending to three months times for major species

Over the past two weeks producers have not been able to secure any further price increases over and above the modest recent gains. Market demand is said to be stable with most interest from buyers focused on the favourite species for which supplies are limited.

Analysts suggest that, if and when demand does pick up, there could be a significant upwards pressure on prices for the most traded timbers. Already, for some sawn species delivery times are stretching to as much as three months from order to shipment.

So far there is no sign of the usual rush by European buyers in the August and September restocking period. This year, instead, demand is just steady and ‘unexciting’ but still gradually firming for continental European buyers. So far this year the market has been dull and unremarkable perhaps as a result of heavier than usual stocking prior to entry into force of the EUTR.

Middle East markets active but highly competitive

In some respects the Middle East markets continue to be more active. Prices for these markets have changed little from earlier in the year but contract negotiations with Middle East buyers are providing some spark to the dull market as competition in these markets is keen.

In South Africa buyers are currently switching purchases back to lower priced meranti from Malaysia as exporters have been able to undercut the prices for okoume. West African producers are reluctant to lower okoume price even though some have unsold stocks in South African specifications.

Swings in species preferences a challenge to producers

Producers report that buyers for the Chinese market are very active and that EU buyers have turned away from okan preferring azobe but sapele is attracting very strong demand in all markets, especially from Chinese and Vietnamese buyers. French demand for niangon has been sustained and this species is a favourite in this market.

India buyers are on the sidelines at the moment because of uncertainty over the Indian economy, exchange rate concerns and concerns over possible increases in import taxes.

Pressure now on supply countries to implement tracking to satisfy VPA

Most West and Central African countries are now actively working to complete the conditions in readiness for signing of the VPA with the EU.

For the time being it appears that buyers are being provided with sufficient documentary proof of legality from major producers to satisfy the due diligence requirements of the EUTR.

Forest Authorities across the region are taking strong action to locate and close down ‘informal’ forest mills and chain saw logging operations to eliminate the risk of any of this material entering the formal supply chain.

Cameroon acquires tracking software

The recent EU FLEGT newsletter (<http://www.euflegt.efi.int/portal/newsletter/>) says Cameroon’s progress in implementing its VPA with the EU was reviewed mid year by the Joint Implementation Committee (JIC) and attended by Minister of Forests and Wildlife Ngole Philip Ngwese and EU Ambassador to Cameroon..

The Ministry recently issued two legally binding decisions on the registration of private certification bodies and the accreditation of the corresponding standards and procedures.

National NGO, FODER, has developed an action plan to support the Ministry’s anti-corruption policies. The Ministry and FODER have jointly organised regional workshops for local forest administration staff on corruption and best practices to eliminate corrupt behaviour.

New software integrated into database

To advance the development of the country’s timber legality assurance system, the Ministry of Forests and Wildlife has acquired new data collection software and this has been fully integrated into the cartographic database service.

The software called “ArcGIS 10.1 Mapping software” was provided by the World Resources Institute (WRI) and will facilitate the collection of information required for the domestic monitoring of timber harvests, transportation and trade.

Civil society stakeholders have expressed concern that conversion timber from large-scale oil palm plantations under development might not be legal according to the legality definition in the VPA.

International Forum - Sustainable Development of the Wood Industry in the Congo Basin

A forum to foster dialogue between stakeholder groups in the timber value chain in the Congo Basin is scheduled to take place in Brazzaville, Republic of the Congo, on 21 and 22 October.

The aims of the forum are to support efforts to develop the timber sector and encourage more advanced processing of timber in the region. Themes for discussion are advanced wood processing, market outlooks, the EU FLEGT Action Plan and forest certification systems, and forest plantations.

The forum is being organised by the Food and Agriculture Organization of the United Nations (FAO), the EU FAO FLEGT Programme, the Association Technique Internationale des Bois Tropicaux (ATIBT), the International Tropical Timber Organization (ITTO) and

the Commission des Forêts d'Afrique Centrale (COMIFAC), under the auspices of the Ministry of Forestry and Sustainable Development of the Republic of the Congo.

For more information contact Executive Director, ITTO zemeka@itto.int or Olman Serrano and Marc Vandenhoute at FAO.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	215	155
Ayous/Obeche/Wawa	225	210	150
Azobe & Ekki	225	225	150
Belli	230	230	-
Bibolo/Dibétou	145	130	-
Iroko	255	220	220
Okoume (60% CI, 40% CE, 20% CS) (China only)	275	275	230
Moabi	295	285	-
Movingui	220	200	175
Niove	165	165	-
Okan	260	260	-
Padouk	315	300	230
Sapele	270	255	180
Sipo/Utile	310	290	165
Tali	295	295	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³	
Ayous FAS GMS		340
Bilinga FAS GMS		510
Okoumé FAS GMS		480
Sipo	Merchantable	270
	Std/Btr GMS	345
	FAS GMS	550
Padouk	FAS fixed sizes	-
	FAS scantlings	550
	FAS GMS	950
Sapele	FAS scantlings	900
	Strips	400
	FAS Spanish sizes	490
Iroko	FAS scantlings	515
	FAS GMS	570
	Scantlings	600
Khaya	Strips	445
	FAS GMS	440
	FAS fixed	470
Moabi	FAS GMS	550
	Scantlings	550
Movingui FAS GMS		400

Report from Ghana

Huge increase in water and electricity prices

Manufacturing and trading costs will increase as utility prices are set to increase by a huge margin. Charges for water are set to rise 52% and charges for electricity will jump a massive 79%.

These increased were announced by the Public Utility and Regulatory Commission (PURC), in Accra, which has been engaging stakeholders in discussions on tariff changes over the past few months.

Nana Yaa Gyantuah, the Director of Public Affairs at the PURC confirmed that tariffs "are definitely going up".

A previous tariff increment was put on hold because of a nationwide power load shedding exercise that plagued the country.

The increase in utility tariff is attributed to the high dependence on crude oil to generate power compared to gas. Unfortunately Ghana has not been able to access gas resources from the stalled West African Gas Pipeline project.

The last time utility rates were increased was in 2010 but still many in Ghana have condemned the rate increase saying it will be hard for the average Ghanaian family to absorb such an increase.

Helping the younger generation appreciate role of forests

A Senior Lecturer at the Kwame Nkrumah University of Science and Technology (KNUST), Dr Ernest Asare Abeney, has called on stakeholders in the forestry sector to partner civil society organisations to promote sustainable forest management practices in the country.

According to Dr. Abeney the destruction of Ghana's forests could be attributed to the lack of adequate education on forestry laws and policies because, he says, most Ghanaians were not aware of the impact of forestry on national wellbeing.

Speaking at a press briefing in Accra, Dr Abeney, said "since the forestry sector contributes substantially to the development of the country's economy there is the need for Ghanaians to be informed and educated to desist from negative practices that affect forests."

He also underscored the need for the Ghana Education Service to include forest protection in educational programmes to inform the younger generation on forest protection issues.

Boule Export prices

	Euro per m ³
Black Ofram	235
Black Ofram Kiln dry	300
Niangon	450
Niangon Kiln dry	580

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	150-165	170-185
Odum Grade A	169-174	178-188
Ceiba	115-133	138-150
Chenchen	100-108	111-128
Khaya/Mahogany (Veneer Qual.)	125-150	155-180
Sapele Grade A	146-155	161-185
Makore (Veneer Qual.) Grade A	133-138	141-166
Ofram	112-118	130-135

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	945
Asanfina	480	544
Ceiba	231	267
Dahoma	303↑	347↑
Edinam (mixed redwood)	345↓	539↑
Emeri	353	542↑
African mahogany (Ivorensis)	580	674↓
Makore	575	642↑
Niangon	540	606↑
Odum	592-	761↓
Sapele	567	649↓
Wawa 1C & Select	275	323

Export Rotary Veneer Prices

Rotary Veneer 1-2mm , FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (2mm)
Ceiba	289↓	320
Chenchen	320	358
Ogea	314↓	350
Essa	322	355
Ofram	320	357

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.32	0.80
Asanfina	1.20	0.88
Avodire	1.12	0.47↓
Chenchen	0.85	0.53↓
Mahogany	1.30	0.80
Makore	1.26	0.54
Odum	1.88	1.08↑

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	424	600	641
6mm	420	592	622
9mm	360	409	475
12mm	366	435	439
15mm	317↑	357↓	380↑
18mm	305	363	367

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

Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.60	15.50	18.80
Odum	10.00	11.20	12.40
Hyedua	14.08	14.00	18.45
Afrormosia	14.30	18.65	18.33

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

Report from Malaysia

Government and industry identify challenges in the timber sector

The plantation and commodity sector is a major income earner for Malaysia, having brought in RM 127.5 billion in 2012, or around 18% of all total exports.

The National Timber Industry Policy which was launched in 2009 envisioned yearly earnings of RM 53 billion (about US\$16.2 billion) by year 2020 from the timber sub-sector alone.

Recently representatives of the Ministry of Plantation Industries and Commodities, which is responsible for the timber industry in Malaysia, met with industry associations and representatives to discuss issues they faced.

The issues that are common to the various sub-sectors of the timber industry are the importance of foreign workers in the processing plants, the impact of the new minimum wage policy on competitiveness, the shortage of raw materials and increasing operational costs.

Online MYTLAS license applications

The timber industries in Malaysia have been working hard to meet the requirements of the recently introduced Malaysian Timber Legality assurance Scheme (MYTLAS). The Malaysian Timber Industry Board (MTIB) is supporting the efforts of industry and has a website to facilitate online applications for the MYTLAS license.

The MTIB website is designed to accommodate application for all categories of timber products. When the MYTLAS conditions have been satisfied a license is generated at the same time as the compulsory MTIB export license.

Although furniture exporters do not need an export license they can obtain the MYTLAS license on the MTIB website. The issuance of a MYTLAS license is subject to physical inspection of the furniture consignment by MTIB.

A copy of the MYTLAS brochure is available at this MTIB site:

http://www.mtib.gov.my/index.php?option=com_content&view=article&id=2142%3A brochure-mytlas-your-assurance-of-legal-timber-from-malaysia&catid=1%3A highlights&lang=en

Port facilities in Sabah to be upgraded

The government agency operating ports in Sabah, Sabah Ports Sdn Bhd, has announced plans to spend RM229 million (about US\$70 million) over the next two years to improve port infrastructure and equipment.

Sabah Ports plans to expand berthing facilities at Sandakan Port and the Sapangar Bay oil Terminal. After completion of the jetty extensions these two ports will have additional berthing facilities thus eliminating the risk of congestion.

Sabah Ports has also increased the fleet of container handling equipment at Sepangar Bay Container Port, Sandakan Port and Tawau Port. By the end of this year, Lahud Datu Port will also have additional transfer and yard equipment.

Moreover, Sabah Ports will acquire a new mobile harbour crane for Sandakan Port in addition to the existing crane to further improve the loading and discharging of containers. Meanwhile, ongoing studies by Sabah Ports will look at further improving port services in Sabah.

Sarawak minister calls for review of tax deductions

The Sarawak, Industrial Development Minister, Awang Tengah Ali Hasan, has appealed to the Federal government to introduce a double tax deduction on freight charges as the high freight charges for both inbound and outbound goods have always been seen as a burden to businesses in Sarawak.

The local newspaper, Borneo Post, reported the latest call was aimed at three categories of trade saying the double deductions should cover sales of products by all industries to Peninsular Malaysia and Sabah; purchases of raw materials from Peninsular Malaysia for manufacturing of products specifically for export and the transportation costs within the state of Sarawak.

The minister said double tax deductions would help local business compete on a level playing field with their counterparts in Peninsular Malaysia and ultimately make Sarawak products more competitive in world markets.

Malaysian industry to visit Vietnam wood Expo

The Malaysian Timber Council (MTC) is organising a Technology Study Mission to Vietnam on 23 – 27 September 2013.

The Mission aims to provide Malaysian wood product manufacturers with exposure to the latest developments in woodworking and wood processing technologies. The Mission will also provide opportunities for trade and joint ventures with Vietnamese companies.

The itinerary will include visits to the 10th Vietnam International Woodworking Industry Fair (Vietnamwood), which will be held at the Saigon Exhibition and Convention Center. In addition to the fair the Malaysia delegates will tour woodworking factories in the vicinity of Ho Chi Minh City to observe the application of advanced technology.

Learning from New Zealand's experience in plantation management

The Sarawak Timber Association (STA) is organising a trip to New Zealand for its members involved in tree plantations. STA general manager Dr. Peter Kho said New Zealand was chosen because it has the most extensive experience in industrial forest plantation establishment.

The New Zealand Forest Owners Association says members manage around two thirds of the country's 1.79 million ha. planted forests.

Dr. Kho told the Star newspaper, "We will be meeting industry players and will participate in field trips to the forest plantations to see how they manage the plantations". STA has collaborated with New Zealand experts for over 15 years, especially in training of tree fellers and forest managers.

Report from Indonesia

Long struggle culminates with VPA signing

Indonesia has moved a step closer to becoming one of the first suppliers of timber licensed as legal under the EU Forest Law Enforcement Governance and Trade Action Plan (FLEGT).

In a press release the European Timber Trade Federation (ETTF) said the Indonesian signing of a VPA is a big step toward FLEGT-licensed timber delivery. The press release goes on to say: "When available, this will satisfy the requirements of the EU Timber Regulation (EUTR) without additional due diligence risk assessment.

On Monday 30th September Indonesia's Forestry Minister Zulkifli Hasan and EU Environment Commissioner Janez Potočnik sign the country's FLEGT Voluntary Partnership Agreement (VPA).

This marked the culmination of six years' work, from the start of its VPA negotiations, to establish a watertight forestry and timber legality assurance framework that meets the parameters of the EU anti-illegal timber FLEGT initiative.

Central to the process has been the establishment of Indonesia's definition of illegal timber. It has also had to set up a legality assurance system (LAS), and associated licensing, auditing and monitoring mechanisms and organisations, with the input of as wide a range of stakeholders as possible.

Next Indonesia and the EU have to ratify the VPA, which covers a specific list of named timber and wood products, into their respective laws. Both must be then be finally assured that the LAS is up to the task, before the listed goods can enter the EU as FLEGT-licensed and, subsequently, automatically legal under the EUTR.

No definitive deadlines have been set, but the hope is that Indonesia will start issuing FLEGT licenses in 2014.

ETTF members also looked forward to the next stage – the delivery of Indonesian FLEGT-licensed timber. "That is of utmost importance to importers, given that it will provide them with a supply of timber considered legal under the EUTR without further due diligence," said Mr de Boer, Secretary General of the ETTF."

Private sector ready for forest restoration in Riau

A major pulp and paper company in Indonesia is about to begin work to restore a degraded peat forest in Sumatra.

Restorasi Ekosistem Riau (RER), a non-profit organization started by Asia Pacific Resources International Limited will conduct work to rehabilitate 20,000 hectares of land in the southeastern part of Riau's Kampar Peninsula.

RER secured an ecosystem restoration license from the Ministry of Forestry early this year.

For more on this story see:

<http://www.thejakartaglobe.com/news/april-prepares-new-forest-restoration-project-in-riau/>

Green-house gas emission technology transfer improved

The Tropical Forest Foundation has reported that Indonesia and Japan have agreed to ways to speed up the processing of deals through which Japanese companies can assist Indonesia reduce greenhouse emissions through improved technology and conservation schemes.

A joint crediting mechanism (JCM) has been agreed where by the two countries will cut out intermediaries in greenhouse-friendly technology transfer, investment, financing and capacity building.

Under the Kyoto Clean Development Mechanism protocol's the United Nations must approve any such investment but it has been found the UN process is too slow requiring a lengthy screening process.

Under the new agreement, the Japanese government will conduct feasibility studies to secure carbon emission reductions in Indonesia through renewable energy, forestry, energy conservation, agriculture, transportation, carbon storage and waste treatment.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
core logs	220-240
Sawlogs (Meranti)	235-260
Falcata logs	200-230
Rubberwood	100-120
Pine	140-160
Mahoni (plantation mahogany)	150-200

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	445-500
KD	-
AD 3x20x400cm	655-700
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	400-490
AD 2x20x400cm	520-580
AD 3x30x400cm	440-500

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	620-670
3mm	670-700
6mm	-

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	410-450
12mm	390-440
15mm	300-340

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB			US\$ per m ³
<i>Particleboard</i>	Export	9-18mm	-
		Domestic	9mm
	Domestic	12-15mm	-
		18mm	-
<i>MDF</i>	Export 12-18mm		660-690
	Domestic 12-18mm		550-600

Report from Myanmar

Teak sales quiet as Indian buyers remain on the sidelines

The overall impression in the market is that demand remains as sluggish as last month with no clear direction.

The Indian market is still reeling from the effects of the sharp depreciation of the rupee and this has un-nerved Indian buyers who are taking a wait and see stance even though the rupee has appreciated to 62 to a dollar in the past week.

The uncertainty in the trade over the impending log export ban coupled with the volatile rupee exchange rate is having a big impact on sentiment in the trade and will determine the level of shipments in the coming months.

Corporate governance principles MTE discussed

Timber Trade Journal of September 21 -27 mentioned an email Q&A with Union Minister for Environmental Conservation and Forestry (MOECAF) U Win Tun on the subject of the Myanmar Timber Enterprise (MTE) corporatisation.

Minister Win Tun explained that, at this point in time, it was envisaged that MTE will remain a 100% state-owned corporation and that there are no immediate plans to transform it into a public company.

Regarding 'Corporate Governance', the minister mentioned that the principles and guidelines as practised in OECD and non-OECD countries were being examined and that Myanmar needs more experience to adjust to internationally recognised corporate governance standards.

The minister indicated that instead of directly adopting principles and guidelines for corporate governance in OECD countries the situation in Myanmar would be assessed and appropriate principles would be adopted and people would be trained accordingly.

He further spoke on the need for 'ethical behaviour' amongst management but mentioned it would take time to convert this concept into a 'culture' in the MTE.

The indications are that MTE will be state-owned and the management and the Board of Directors would be personnel representing state interests, professionals and those that have in mind the welfare of the country.

Even though a restructuring was in the offing, the minister said, the present officers of the MTE would form the new

management but, as in a private company, they would be required to execute the function of MTE in a competent manner to create an atmosphere of efficient commercialisation.

Foreign investment in Myanmar

Myanmar introduced a revised foreign investment law in 2012 and the Mizzima News, quoting local media, reported that Myanmar attracted over US\$731 million in foreign investment during a single month bringing investment to the end of August to US\$43 billion since 1988.

For the year up to August, China has invested US\$14.2 billion, Hong Kong SAR US\$6.5 billion, South Korea US\$3 billion, Singapore US\$2.4 billion dollars, Malaysia US\$1.6 billion and Japan US\$274 million.

US\$150 million to address chronic power shortages

In related news, the World Bank is lending Myanmar almost US\$150 million to help alleviate the country's chronic power shortages.

In a press release the bank said “the World Bank Group and Myanmar reinforced their commitment to grow the economy, create jobs and reduce poverty through accelerated reforms and a focus on energy infrastructure development”.

See: <http://www.worldbank.org/en/news/press-release/2013/02/05/World-Bank-Group-to-Support-Myanmar-8217-s-Plan-to-Improve-People-8217-s-Access-to-Electricity>

A recent delegation to Myanmar agreed to support a request for urgent upgrading of the electric power capacity and improvement of the telecommunications and banking sectors. The bank said a 106 megawatt plant will provide 5 percent of peak power demand for the entire country and 50 percent of peak demand in Mon state.

The press release says the Bank is providing Myanmar with US\$165 million in zero-interest loans for its priority needs. This is in addition to a US\$80 million grant for community driven development that will enable villagers to improve schools, clinics, roads and water supply.

The International Finance Corporation, member of the World Bank Group focused on private sector development in emerging markets, has invested US\$2 million in ACLEDA Bank Plc to help set up a new microfinance institution in Myanmar to provide loans to more than 200,000 people – mostly micro and small businesses run by women – by 2020.

Teak tender prices

The following prices were recorded for teak log sales during competitive bidding on 27th and 30th September during the MTE tender.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	6366
SG-1	22	4401
SG-2	179	3064
SG-4	142	2670
SG-5	85	2497
SG-6	119	2197
SG-7	147	1615

Report from India

Indian economy and Rupee back from the brink

In a remarkable short time the signs are that the recent uncertainty in the Indian economy have dissipated. The encouraging signs in overseas demand and in domestic consumption have brought cheer to an otherwise cheerless industry.

The abrupt depreciation of the rupee has been halted and the currency has clawed back from a historic low of 68.85 to the US dollar on August 28 to 62.30 to a dollar on September 23. Analysts expect the rupee to strengthen further to around Rs.60 to the dollar.

Double digit growth of exports and reduced imports has narrowed the trade deficit. Exports surged 13% in August 2013 compared to levels in August last year and exports of wood products registered an even higher year on year growth of 18% from April to July.



Source: Ministry of Commerce (Value in Rs. Crores, 1 Crore = 10 million)

The current account trade deficit narrowed to US\$10.9 billion in August from \$14.2 billion a year ago. There are plans to raise import duties on a range of non-essential items which will bring the deficit down further.

In other news, industrial output in July improved marginally by 2.6%, up from the 1.8% growth in June.

Few cities benefit from flow of overseas funds property market

Despite the steadying of the economy the real estate sector is still feeling the impact of the recent domestic crisis. Indians living and working overseas have taken advantage of the depreciated rupee to bring foreign exchange home and buy property. The flow of remittances has been high in recent weeks.

Analysts report that this new money has flowed to the real estate sector in just for of 26 major cities and has had the effect of pushing up prices. However, in the other 22 major urban areas home prices have declined and expectations are that it will take at least another six months for prices to correct.

According to the property research firm Liases Foras around 670 million square feet of housing stock is lying unsold. Demand has been hit by high inflation, increased costs of basic raw materials such as cement, steel, sand etc and also because of job cuts in several sectors which has undermined consumer confidence.

New building projects are not likely to begin any time soon especially as the festive season is just around the corner. Developers are now resorting to offering discounts and innovative payment structures to stimulate sales to reduce the unsold inventory.

Plantation teak imports

With the economic situation improving the pace of imports will eventually resume but traders remain cautious fearing further shocks. Analysts report there are sufficient teak in transit and at the ports to meet the immediate needs of industry.

Current C & F prices for imported plantation teak, Indian ports per cubic metre are shown below.

	US\$ per cu.m
Tanzania teak, logs	350-700
Côte d'Ivoire logs	450-750
PNG logs	400-575
El-Salvador logs	350-650
Guatemala logs	350-550
Nigeria squares	300-450
Ghana logs	300-650
Guyana logs	300-450
Benin logs	350-650
Benin sawn	700-800
Brazil squares	350-650
Colombia logs	350-750
Togo logs	350-525
Ecuador squares	300-540
Costa Rica logs	350-650
Panama logs	350-550
Sudan logs	370-700

Congo logs	450-550
Kenya logs	450-600
Thailand logs	350-450
Trinidad and Tobago logs	400-550
Uganda logs	450-650
Laos logs	300-450
Malaysian Teak logs	250-500
Nicaragua Teak logs	330-535

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

Domestic ex-sawmill prices for air dried sawnwood cut from imported logs

Prices per cubic foot are shown below.

Sawnwood,(Ex-mill) (AD)	Rs. per cu.ft
Merbau	1600-1650
Balau	1800-1900
Kapur	1200-1250
Red Meranti	900-950
Radiata Pine (AD)	
Whitewood	600-650
	600-650

Domestic prices for Myanmar teak processed in India

The effects of higher log landed costs are now reflected in prices being quoted for Myanmar logs sawn by Indian mills. Current prices are shown below.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	6000-14000
Plantation Teak A grade	5000-5500
Plantation Teak B grade	4000-4250
Plantation Teak FAS grade	3250-3500

Price variations depend mainly on length and cross section

Prices for imported sawnwood

Ex-warehouse prices for imported kiln dry (12% mc.) sawnwood per cu.ft are shown below.

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

Price variations depend mainly on length and cross section.

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	35.50
6 mm	52.00
12 mm	78.50
15 mm	93.00
18 mm	111.50

Domestic ex-warehouse prices for locally manufactured MR plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft
	Rubberwood Hardwood
4mm	Rs.18.00 Rs.27.50
6mm	Rs.27.50 Rs.37.50
8mm	Rs.34.50 Rs.41.50
12mm	Rs.41.00 Rs.49.00
19mm	RS.58.00 Rs.67.50
5mm Flexible ply	Rs.36.00

Report from Brazil

Interest rates raised to address inflation

Brazil's Consumer Price Index (IPCA) at 0.41% was up 0.24% in August after increasing 0.03% in July.

With the August result, the IPCA has increased 3.43% for the year to August. In the same period last year, the cumulative inflation for the year was 3.18%.

The average exchange rate in August 2013 was BRL 2.34 to the dollar while in the same month of the previous year was BRL 2.03 signaling a sharp depreciation of the Brazilian real against the US dollar.

Largely because inflation needs to be tamed a decision was taken to raise the interest rate (Selic) by 0.5% at the Central Bank meeting held at the end of August. This brings the interest rate to 9% per year. This was the fourth consecutive interest rate increase so far this year. Since April the rate has climbed from 7.25%, the lowest historical level, to 9%.

Concession bidding opens in Altamira National Forest

The Brazilian Forest Service (SFB) has recently concluded the bidding process for concession harvesting rights.

The latest areas offered include forest areas in the Altamira National Forest (FLONA). Bids remain open for around 740,000 hectares areas in the FLONAS of Amaná, Crepori, and Saracá Taquera in the state of Pará.

So far there are more than 1 million hectares of FLONAs in the Amazon are under forest concession management.

In addition to the production of timber whose origin can be traced forest concessions create jobs, investment and increase incomes for local administrations.

The Altamira FLONA has 360,000 hectares, divided into 4 forest management units that range from 39,000 and 113,000 hectares. In the bidding process companies are required to submit two different proposals, one technical and the price offer per cubic metre. Stumpage prices range from BRL 21 and 42 per cubic metre.

Furniture sector expects increased sales towards year end

Despite the slump in furniture sales in the second quarter of 2013 the Brazilian furniture industry anticipates that sales will begin to expand towards year end so that, overall 2013 sales could be up by 4%.

The furniture industry in Brazil faces many challenges such as high transaction costs, high inflation, high labour taxes and high logistics costs. An additional problem faced by the industry is skilled labour. Even when sales dip seasonally companies are reluctant to lay off their employees because they are highly skilled and it is difficult to find skilled and qualified manpower.

The furniture sector believes that there will be a seasonal increase in orders starting this month because the retail sector starts ordering furniture in anticipation of the end of year increase in demand. Normally a one or two percent rise in sales can be expected but the recent easing of credit restrictions could lift sales.

August export data has no surprises

In August wood products exports (except pulp and paper) fell 4.6% compared to values in August last year, that is from US\$ 213.2 million to US\$ 203.4 million.

Pine sawnwood exports increased 8.9% in value in August 2013 compared to August 2012, from US\$13.5 million to US\$14.7 million. In terms of volume, exports rose 5.5%, from 61,300 cu.m to 64,700 cu.m.

In contrast tropical sawnwood exports fell 6.3% in volume, from 28,500 cu.m in August 2012 to 26,700 cu.m in August 2013 representing a decline of 2.0% in value from US\$14.7 million to US\$ 14.4 million.

Pine plywood exports expanded 8.6% in value in August 2013 compared to August 2012, from US\$30.4 million to US\$33.0 million. In terms of volume, exports increased 11.4% from 82,200 cu.m to 91,600 cu.m.

Tropical plywood exports were disappointing falling 7.0% in volume, from 5,700 cu.m in August 2012 to 5,300 cu.m in August 2013. In value, tropical plywood exports fell 16%, from US\$3.7 million in August 2012 to US\$3.1 million in August 2013.

At the same time wooden furniture exports dropped from US\$47.7 million in August 2012 to US\$41.4 million in August 2013, a 13.2% decline.

Rio Grande do Sul State maintains leadership in furniture exports

In the first seven months of the year furniture exports grew substantially, fueling optimism for the remainder of this year and for next years' sales.

The state of Rio Grande do Sul still ranks first among the states that export furniture with over US\$111 million traded for the year to July. This represents about a 28% share of Brazilian furniture exports up to the end of July.

The major markets for Brazilian furniture are the United Kingdom, (US\$16.2), representing a 28.4% increase compared to the previous year. Other major markets included Uruguay (US\$14.4 million), Peru (US\$12.3 million), Chile (US\$11.3 million) and the United States (US\$7.8 million).

In an increasingly competitive market, Brazilian furniture manufacturers have demonstrated their entrepreneurial talent to overcome domestic constraints such as high labour taxes and high logistical costs. The weakening of the real has contributed to the success of exporters.

Calls for increased automation to improve productivity

Sawnwood products prices are currently high in the international market since the international economic crisis in 2008.

The favorable moment in the international scenario has motivated the timber sector, which is searching for solutions to increase productivity.

As international demand for sawnwood is beginning to grow the timber industry in Brazil has begun to look at ways to improve productivity so as to be more competitive.

In mid September the Federation of Industries of Parana State in partnership with the Brazilian Association for Mechanically Processed Timber brought millers together to discuss measures to increase productivity.

The main conclusion from the meeting was that further mechanisation is essential if productivity is to be raised. It was agreed that the timber industries are too labour intensive at a time when it is very difficult to find skilled manpower.

Recently the level of mechanisation has increased but automation is still something new which, the meeting decided, must be addressed. Participants at the meeting appreciated the quality of information exchanged during the discussions considering this fundamental to address production constraints.

Price movements

The average price of timber products in BRL did not show variation from the previous fortnight.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	154
Jatoba	103
Guariuba	82
Mescla (white virola)	86

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1275
Cambara KD	750
Asian Market (green)	
Guariuba	383
Angelim pedra	900
Mandioqueira	302
Pine (AD)	220

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green)	
<i>Northern Mills</i> (ex-mill)	
Ipê	797
Jatoba	565
<i>Southern Mills</i> (ex-mill)	
Eucalyptus (AD)	226
Pine (KD) 1st grade	200

Export Veneer Prices

	US\$ per m ³
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	341
Pine Veneer (C/D)	240

Domestic Veneer Prices

	US\$ per m ³	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	244	199

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	470
White Virola (Caribbean market)	
4mm BB/CC (MR)	665
12mm BB/CC (MR)	480

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	371
15mm C/CC (WBP)	343
18mm C/CC (WBP)	339

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	
White Virola 4mm	796
White Virola 15mm	580

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	422
<i>Domestic Prices</i> , Ex-mill Southern Region	
Blockboard White Virola faced 15mm	499
Particleboard 15mm	324

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	1,010
Ipê	2,640

Report from Peru

APEC Ministers discuss role of forests in improving quality of life

The second APEC Ministerial Forestry Forum was recently held in Peru. The main theme of this meeting was how forests can contribute more to an improved quality of life.

The 21 APEC countries possess 53% of the world's tropical forests and are responsible for 80% of international forest products. The APEC meeting was held just after the government passed into law forestry and wildlife regulations to regulate the use of forest resources

China ready to support reforestation in Peru

Media reports are saying China has expressed a willingness to contribute resources and cooperate with Peru in projects related to reforestation and sustainable management of forests.

Zhang Yongli of China's State Forest Administration said that this is possible because there is a memorandum of understanding between the two countries which includes bilateral cooperation in regard to the sustainable management of forests, wildlife protection and biodiversity conservation.

Only 12% of potential commercial forests currently utilised

Erik Fischer, chairman of Wood and Timber Industry ADEX, said that the country has 17 million hectares of forest suitable for commercial forestry but of this less than 2 million hectares are in production.

He said further that of the 600 plus concessions that have been offered or granted only 80 are operating effectively.

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
Pumaquirol 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	428-487
Grade 2, Mexican market	358-404
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	811-893
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	584-598 ↑
Marupa (simarouba) 1", 6-11 length Asian market	421-482p

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	429-467
Grade 2, Mexican market	332-377
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	349-398

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	867-911
Virola	92-134
Spanish Cedar	277-321
Marupa (simarouba)	99-110

Export Veneer Prices

Veneer FOB Callao port	US\$ per m ³
Lupuna 3/Btr 2.5mm	198-223
Lupuna 2/Btr 4.2mm	212-222
Lupuna 3/Btr 1.5mm	211-221

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	423-439p
Cedar fissilis, 2 faces sanded 4x8x5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	363-385
Lupuna plywood B/C 15x4x8mm	393-419 ↑
B/C 9x4x8mm	366-385 ↑
B/C 12x4x8mm	350-360 ↓
B/C 8x4x15mm	416-439
C/C 4x8x4mm	389-425
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

Domestic Plywood Prices

Lupuna Plywood BB/CC, domestic (Iquitos mills)	US\$ per m ³
122 x 244 x 4mm	444
122 x 244 x 6mm	397
122 x 244 x 8mm	415
122 x 244 x 12mm	399
(Pucallpa mills)	
122 x 244 x 4mm	463
122 x 244 x 6mm	439
122 x 244 x 8mm	430
122 x 244 x 12mm	429

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	1287-1388
Cumaru KD, S4S Swedish market	866-981
Asian market	1289-1350
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquirol KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Report from Guyana

Sawnwood alone providing export earnings

There were no exports of the main commercial species in the period under review. However the wamara (*Swartzia leiocalycina*) logs made an impact on the export market attracting favourable prices as much as US\$160 per cubic metre in Asian markets.

Sawnwood exports continued and both Undressed (rough sawn) Dressed categories were traded. Undressed sawn greenheart attracted an average price of US\$954 per cubic metre FOB for prime category.

On the other hand the select category Undressed sawn greenheart secured a top end price of US\$1,835 per cubic metre FOB, while merchantable quality prices held firm at

US\$679 per cubic metre FOB during the period reviewed. The major markets for sawn greenheart were the Caribbean, Europe and North America.

Undressed purpleheart (select) maintained firm FOB prices of US\$1,272 per cubic metre. The main markets for this species and quality were the Caribbean and Oceania (New Zealand).

Undressed mora (select) also secured fair market prices of US\$595 per cubic metre FOB.

Exports of Dressed sawnwood were encouraging and earnings made a positive contribution to total export earnings.

Dressed greenheart top end FOB prices fell compared to the previous period from US\$ 1,450 to US\$ 1,124 per cubic metre. Similarly Dressed purpleheart also had a drop in export prices from US\$ 1,290 to US\$ 1,124 per cubic metre during this period. The major market remains firm with the Caribbean being the leading market for this product category.

During this period under review there was no export of plywood. Exports of greenheart piles made a significant contribution to export earnings and FOB prices were as high as US\$734 per cubic metre for select quality and US\$600 for sound category.

Update on VPA implementation

With the 2nd Negotiation session between Guyana and the European Union having been completed on July, 18 in Brussels, Belgium, expectations are still high with an eventual completion in September 2015.

Five members of the NTWG were able to participate in a meeting at Chatham House and presented their views on issues such as the indigenous peoples perspectives on FLEGT and how the private sector expects to benefit from the VPA.

Funding for the various activities to move the VPA forward are still being sought. FAO continues to support the process and has made much of the initial works completed possible.

The EU has published a Call for Proposals on FLEGT and related activities. This is aimed at reaching mainly Civil Society and Private sector groups. The Department for International Development DFID has expressed an interest in providing funding for various aspects of the VPA process. In spite of these funding challenges, Guyana is still moving ahead with the FLEGT process.

Tracking basis to Guyana’s national legality assurance system

A national Legality Assurance System (LAS) is one of the prerequisites of a FLEGT Voluntary Partnership Agreement. Central to the LAS are measures to monitor and control the supply chain. To achieve this the Guyana Forestry Commission has developed a Wood Tracking System (WTS) details of which can be found at:

http://www.forestry.gov.gy/Downloads/Guyana_Wood_Tracking_System.pdf

The Guyana Forestry Commission document says “WTS links closely to the Guyana Legality Definition (GLD) and is designed to meet specific requirements of that standard. Accordingly, the explicit indicators of the GLD are referenced in footnotes in this document.

The traceability of wood products from export to forest will be maintained under the WTS. The monitoring of wood flows requires the identification of critical control points at different locations within the supply chain as well as the monitoring of stages and processes that affect the state of the asset as it moves through the chain.

The first control point will be the source of timber and the allocation of logging rights followed by data gathering through pre-harvest inventory. Essentially, the latter will involve mapping standing trees and gathering specific metrics data such as species, size and quality as well as determining tree location.

Official GFC tags with unique numbers are affixed to both the stump and the log. The process follows throughout the forest and processing operations, monitoring timber as it transforms and flows through the supply chain and reconciling data gathered at each of the individual control points.

The GFC gathers information at all the supply chain control points, processes the data gathered and automatically reconciles it with data gathered at previous control points, identifying any errors or anomalies that are found in the data.”

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	No export	No export	No export
Purpleheart	No export	No export	No export
Mora	No export	No export	No export

*Small SQ is used for piling in the USA and EU. Price depends on length. In the case of no price indication, there is no reported export during the period under review.

Export Sawnwood Prices

Sawnwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	954	-
	Standard	-	640-1,124
	Select	594-1835	
	Sound	No export	
	Merchantable	679	
Purpleheart	Prime	-	-
	Standard	-	721-1,124
	Select	1,272	
	Sound	-	
	Merchantable	-	
Mora	Prime	-	
	Select	500-595	
	Sound	-	
	Merchantable	-	

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

Export Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	-
Utility		5.5mm	-
		12mm	-

Report from Japan

Be prepared for zero growth in 2014

The Chief Economist at the Japan Center for Economic Research (JCER), Nobuyasu Atago is warning of a likely slow down in Japan's growth in 2014. For his presentation see: <http://www.JCER.or.jp/eng/pdf/sa155-eng2.pdf>

The JCER economist says in a press release that GDP grew by an annualized rate of 2.6% during the April–June period, continuing positive growth from the previous quarter.

This suggests that the Japanese economy is recovering well, but these figures do not fully reflect the effects of the supplementary budget for fiscal 2012 (April 2012 to March 2013) or the last-minute demand in housing construction prompted by the impending consumption tax hike in April next year.

Although these factors will continue to push up growth in the July–September quarter and beyond, what happens after the consumption tax rate increases in fiscal 2014 remains to be seen.

JCER is forecasting that the Japanese economy will continue to expand at an annual rate of over 3% in the immediate term, and will achieve 2.7% growth in fiscal 2013, owing to recovering external demand, the boost received from the fiscal 2012 supplementary budget and last-minute demand before the consumption tax increase scheduled for April next year.

However, JCER says “it expects growth to slow to around 0.2% in fiscal 2014 as the rebound from factors the supplementary budget and last minute purchases by consumers slows resulting in almost zero growth.

The international economy, so crucial for Japanese exports, is expected to continue its steady recovery. This recovery will be led by the United States and there are also indications that the slump in Europe has bottomed out.

In China, on the other hand, there is an increasing risk of an economic downturn. The Chinese government is concerned about the risk of a bubble caused by the shadow banking system and their priority is now to bring an inflated money supply down.

But it is Japanese domestic demand that will play the most important role in determining national economic developments from now on.

The JCER expects an increase and recovery in capital spending and corporate earnings should improve thanks to a weaker yen. This will lift profits for listed companies.

There should also be a considerable increase in consumption and investment in housing as a result of last-minute demand before the consumption tax rate goes up.

This surge in demand will lift consumption's contributions to real GDP growth for fiscal 2013 by 0.5% and housing investments by 0.2%. The fiscal 2012 supplementary budget will also contribute a boost of around 0.6%.

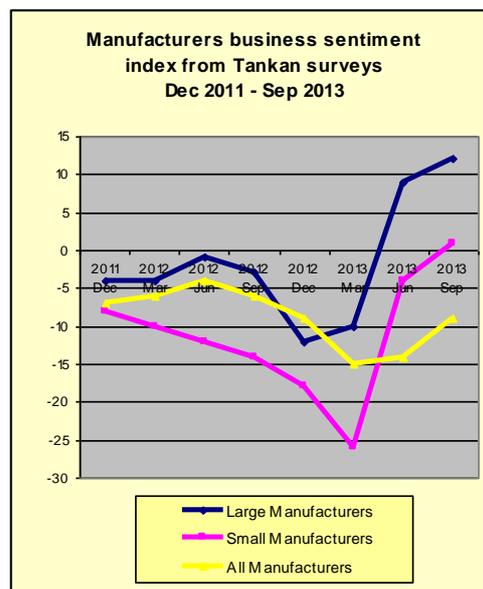
However, a rebound in fiscal 2014 will shrink real growth by around 1% for consumption and housing investment; the rebound from the effects of the supplementary budget will shrink growth by a further 0.3%.

Temporary employment now makes up a large proportion of the job market, and wage increases are harder to achieve. These factors mean that household budgets are tight and there is little cash to spare. If real disposable income or actual net assets shrink as a result of the consumption tax rate increase or higher prices, there is a possibility that the negative impact on consumption will be more severe than anticipated.

In the currency markets, JCER expects the tendency toward a slightly cheaper yen to continue. Japan will continue its program of qualitative and quantitative easing, while in the United States the third round of quantitative easing (QE3) will be reduced in size in the near future, perhaps as early as this year. The gap between US and Japanese interest rates is likely to widen. Based on this, exports should continue their modest increase.”

Business sentiment in large manufacturers provides support for consumption tax increase

The Bank of Japan quarterly survey of business sentiment (Tankan) was released on 1 October and has provided the government with the confidence to proceed with plans to raise the consumption tax in Japan.



The key index which is closely watched the that of sentiment amongst major manufacturers. In the latest survey this index rose to +12 from plus 4 in the June

survey. This result was much better than economists had expected and was the third consecutive quarter of improvement.

The survey showed that large manufacturers were scaling back investment plans to the surprise of analysts who attribute the caution on the part of manufacturers to rising energy costs.

All nuclear reactors in Japan are now shut down meaning Japan has to import all fuel for power generation at a time when the yen has weakened thus pushing up the import bill.

Sentiment amongst small manufacturers remains firmly pessimistic but some are reading the change in index from -14 to -9 as a sign of moderating skepticism.

Growing trade deficit with China

The Japan External Trade Organization (JETRO) has reported that, in US dollar terms, Japan's trade with China dropped 10.8% to US\$147.3 billion in the first half of 2013, marking the first drop in four years on a first half-year basis since 2009.

In the same period imports from China fell by 6.1% to US\$85.8 billion, marking the first drop since 2009.

Japan's balance of trade was in deficit by over US\$24.4 billion, an increase of 1.4 times over the same period last year setting a new record on a first half-year basis.

Also, Japan's global first half exports fell 12.6% in US dollar terms to US\$358.1 billion year on year. The decline in exports to China was the major reason for the overall drop in exports.

Outlook for the second half 2013

The Chinese government is now emphasising its structural reform over economic growth and Jetro considers the Chinese government is unlikely to implement large-scale stimulus measures to boost domestic demand. Further, Jetro says China's slowing industrial production and consumption are forecast to continue so Japan's exports to China are likely to decline.

In spite of the stable demand for smart phones and signs of recovery in the Japanese economy, imports from China will likely see only a small improvement because of weakened price competitiveness in raw materials and intermediate goods due to the weak yen. Overall, says Jetro, the Japan-China trade for 2013 is likely to fall for the second consecutive year.

For the full Jetro report see:
<https://www.jetro.go.jp/en/news/releases/20130820558-news>

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>

Plywood supply for the first half of this year

Total supply of plywood of both domestic and import for the first six months of this year was 3,271,500 cbms, 9.6% more than the same period of last year. Domestic supply was 9.6% more and imports were 9.6% more. Monthly average was 317,900 cbms, 27,900 cbms more than the average in 2012.

In Malaysia, log supply shortage was serious from the beginning of the year and the export FOB prices soared then at the same time, the yen got weaker, which pushed sales prices in Japan considerably. An anticipation of future high prices stimulated active speculative purchases.

Monthly average of Malaysian plywood was 147,900 cbms, about 20,000 cbms more than 2012. However, since last spring, the anticipated demand pickup did not materialise.

The arrivals for March and April were more than 340 M cbms, which resulted in more than two weeks waiting for unloading of cargoes in Japan. This led to reduction of future purchase. Port inventories are expected to drop in coming months so that the supply and demand should balance out.

In domestic supply, softwood plywood production was 1,266,300 cbms, 11.6% more. The monthly average was 211,000 cbms, about 22,000 cbms more than 2012. Also the shipment was 1,296,500 cbms, 22.2% more than 2012.

Average monthly inventory was 128,200 cbms, which is about 80 M cbms less than monthly average of 208,400 cbms in 2012.

South Sea (Tropical) logs

In Malaysia, log prices are seesawing between suppliers and buyers. Log production is recovering after recovery of weather and vacation season but the demand is active by purchase of local plywood mills and India so that supply and demand is balancing.

Some log suppliers are bullish and others are bearish. Sarawak meranti regular prices are \$280-290 per cbm FOB, unchanged from August. Small meranti prices are \$250 and super small are \$220.

They are all flat from August. Sabah kapur regular prices are firm at \$370 due to tight supply of quality logs.

Considering coming rainy season since November, Japanese buyers wish to have reduced log prices now while logging season lasts but compared to India, purchase volume by Japan is too small to take initiative in price negotiations.

India continues buying necessary volume although they are reluctant to buy high price logs because of weakening of their currency rupee. If India strengthens log purchase, FOB prices would surely go up.

Meanwhile, Japanese plywood mills strongly resist paying higher log prices.

South Sea hardwood plywood demand in Japan has been slightly recovering since last month. Log prices in Japan in late August were about 10,000 yen per koku CIF on Sarawak meranti regular, 400-500 yen up from early July. Due to weak yen, future prices would be much higher.

Marked differences in furniture import trends

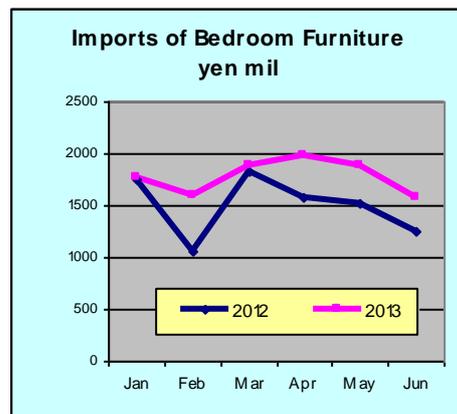
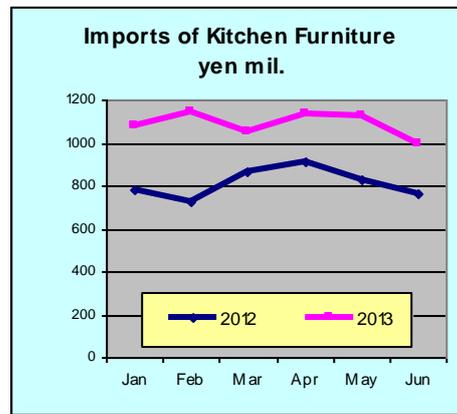
The following three graphics illustrate the trends in Japan’s imports of office, kitchen and bedroom furniture in the first half of 2012 and 2013.

Overall furniture imports in the first half of 2013 were higher than in the same period in 2012 but there are marked differences in the trend for various categories of furniture.

While 2013 imports of kitchen and bedroom furniture are significantly higher than in the same period in 2012 the level of imports of office furniture has not increased.

The low level of office furniture is a reflection of business activity and investment especially for the small and medium sized companies. In 2012 many small business folded and confidence has not returned to this sub sector.

Small companies are not benefiting from the mere ‘sentiment’ that the Japanese economy is improving, they are finding that sentiment is not translating into significant new business and as a result are not investing in manufacturing plant or office furniture



In contrast imports of kitchen and bedroom furniture in the first half of 2013 are well above that in the same period in 2012.

The driving force behind the growth in kitchen and bedroom furniture has been the expansion in housing starts, pre-consumption tax hike purchases and purchases that were put on hold particularly after the devastating earthquake and tsunami.

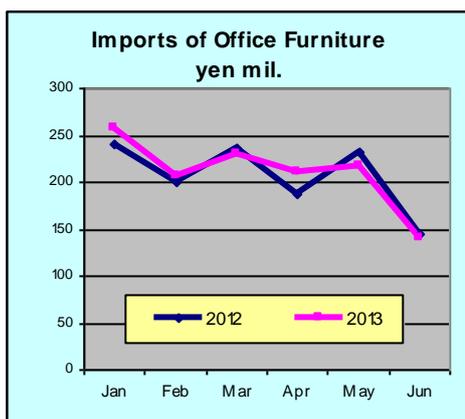
Report from China

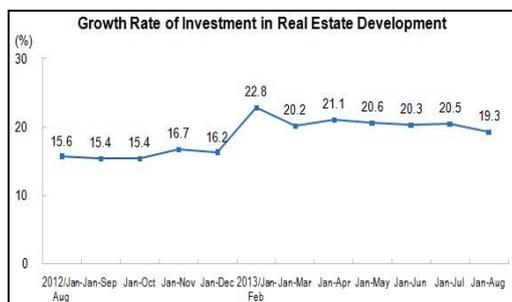
Steady expansion in real estate investment

China’s National Statistics Office has released recent data on the real estate sector. See: www.stats.gov.cn/english/pressrelease/t20130910_402926102.htm

Investment in real estate development in the first eight months of 2013 was up by 19.3 percent year-on-year, but the pace of investment slowed in August (-1.2% from July).

Investment in residential buildings was up by 19.2 percent, accounting for 69% of all real estate development investment.

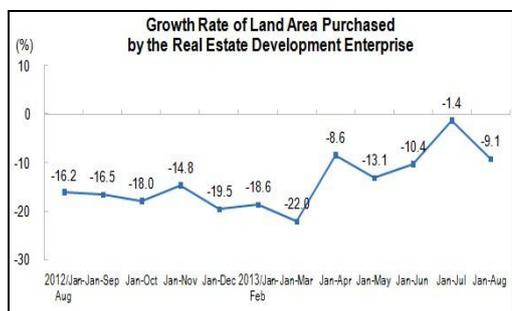




Source: National Bureau of Statistics of China

In the first eight months of this year real estate investment in the eastern region stood at 2,949.8 billion yuan, up by 17.4% year-on-year; the central region rate of growth was up by 19.4% while in the western region investment was up 24.3%.

The floor space under construction by the real estate development enterprises in the first eight months stood at 5,855 million square metres, up by 14.4 percent year-on-year. In the first eight months of this year the land area purchased by the real estate development enterprises fell 9% year-on-year.



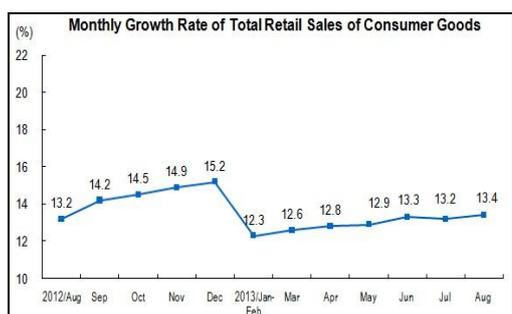
Source: National Bureau of Statistics of China

August sales of consumer goods rise in August

As a reflection of the improved economic outlook, August retail sales of consumer goods reached 1,888.6 billion yuan, up by around 12 percent.

Of the total, retail sales of consumer goods from industrial enterprises increased 11.5 percent. From January to August total retail sales of consumer goods reached 14,816.4 billion yuan, up by 12.8 percent year-on-year.

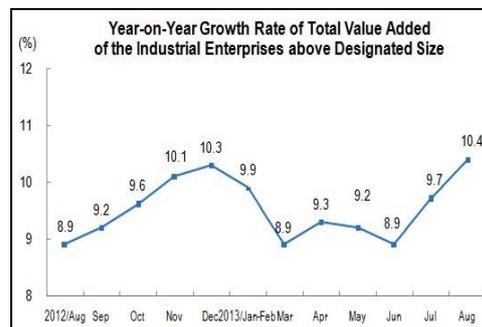
See: http://www.stats.gov.cn/english/pressrelease/t20130910_402926091.htm



Source: National Bureau of Statistics of China

Industrial production accelerates

In August 2013, the total value added by surveyed industrial enterprises was up by 10.4 percent year-on-year, 0.7 percentage point higher than that in last month. In the first eight months of this year the total value added by industrial enterprises was up by 9.5 percent compared to a year ago.



Source: National Bureau of Statistics of China

Analysis of added value by various categories of enterprises showed that in August, the year-on-year growth of the state-owned enterprises and state holding enterprises increased 9.5 percent; growth in collective enterprises increased 2.9 percent; joint-stock enterprise growth increased 11.7 percent and growth in enterprises funded by foreign investors or investors from Hong Kong, Macao and Taiwan province increased 8.7 percent.

Yuan in league of major traded currencies

The Chinese yuan is now one of the top 10 traded currencies according to a recent report from the Bank for International Settlements (BIS), a big jump from the 17th ranking in 2010.

A press release from the BIS says the US dollar remained the dominant currency of trade accounting for over 80% of all trades in April 2013 when the survey was conducted. See: <http://www.bis.org/press/p130905.htm>

The euro was the second most traded currency, but its share fell to 33% in April 2013 from 39% in April 2010.

The turnover of the Japanese yen increased significantly between the 2010 and 2013 surveys as did that of several emerging market currencies. The Mexican peso and Chinese renminbi entered the list of the top 10 most traded currencies in the recent survey.

The press release says, “The yuan is not yet fully convertible but Beijing has been gradually loosening controls. It has started allowing companies to settle international transactions in yuan, signed currency swap deals with Pakistan, Thailand South Korea and others and has worked with financial centres such as London and Hong Kong to develop international hubs for offshore trading of the currency.”

US ready to impose massive duties on Chinese plywood

The United States issued its final determination regarding countervailing (CVD) and antidumping duties (AD) against hardwood plywood manufactured in China and imported into the United States.

The US Commerce Department's earlier investigation resulted in imposed a preliminary CVD rate of 22.63% and a preliminary AD rate of 22.14%. Under US trade law, preliminary duties can only be collected for an interim period. As a result the preliminary CVD rate expired on July 12, 2013.

The preliminary AD rate of 22.14% currently remains in effect, but is expected to be increased to the level of the final AD rate of 59.46% and to stay in place until October 30, 2013, approximately the time that the ITC issues their Injury Ruling.

The US International Trade Administration in the Department of Commerce said its investigation had determined that plywood manufactured in China and exported to the US was sold below cost because of the substantial subsidies Chinese manufactures received from the Chinese government.

If this determination is approved at an Injury Ruling it will affect trade in almost US\$700 million worth of timber exports to the US from China. The US Commerce Department final determination can be found at:

<http://ia.ita.doc.gov/download/factsheets/factsheet-hardwood-plywood-china-ad-cvd-final-091713.pdf>

Urbanisation to create opportunities in China's wooden door market

Chinese analysts have determined that China's wooden door market will evolve because government and corporate policies are set to change.

Looking ahead analysts suggest that in the next 20 years urbanisation will be the driving force of development in China's wooden door industry as there could be up to 200 million people moving into urban areas and all will require housing. For these people their lifestyle and demands will change and this will create opportunities for the wooden door industry.

It is expected that most urban expansion will be centred on the second and third sized categories of cities providing new opportunities for leading brands in the wooden door industry.

In China the distinct South-North market structure is changing. Currently, the distribution pattern of China's wooden door enterprises reflects the old north south divide. In southern China, major companies are found in Guangdong, Fujiang, Jiangsu and Zhejiang Provinces, while in northern China, wooden door companies are distributed in Beijing, Tianjin, Hebei and Henan.

However, over the ten next years analysts predict that the current distribution will break down and companies will extend operations into other parts of China. As the market expands it is likely that healthy companies in other sectors will see the opportunities and will enter the wooden door market.

The companies most likely to respond to the new opportunities will be those having upstream resource, high productivity and marketing and competitive skills providing the foundation for them to become leading brands in the wooden door market.

Domestic consumers brace for increased flooring prices

The Chinese domestic market can expect to see a slight increase in multi-layer wood flooring prices during the final quarter of this year because manufacturers have to pay more for raw materials.

For example, prices of wooden flooring made from Southeast Asian teak and rosewood have increased by yuan 80 per sq.m in recent months while wooden floors made from yuan pan dou (Cylindodiscus spp.) and pan long yan (Pometis spp.) have also increased by 40 Yuan per sq.m.

Prices for flooring from the top ten brands including Da Zi Ran and Bei Ya Ke have recently increased by over 60 yuan per sq.m. Another reason for the likely price increase in multi-layered flooring prices is that prices of other flooring have been rising.

Price for the 8mm and 12mm laminated floors increase up until early 2013 and then eased but began increasing again in June when prices jumped by 5%. Prices of the most popular brands such as Shengxiang and BeiYa Ke have moved up even higher than the average 5%.

Consumers in Russian Far-East enjoy Chinese furniture

Chinese made furniture is very popular in Russia due to its quality and affordable price. In the first six months of this year exports by manufacturers in Sui Fen Fen City grew to US\$142 million, a massive increase compared to levels in 2012.

Sui Fen He in Hei Long Jiang Province



Source: Wikipedia

Sui Fen He in Hei Long Jiang Province borders Russia and most of the trade with Russia crosses the boarder in Sui Fen He.

Some 24 percent of China's imported timber and 40% of Russia's exported wood products pass through Sui Fen He making it an important distribution centre for China's timber imports.

In recent years the Far East of Russia has developed fast which has driven up demand for furniture but there has been little grow in furniture production on the Russian side of the border and this is providing the opportunity for Chinese companies to increase exports.

Chinese made furniture is considered good quality in Russia and this, along with competitive pricing, has enabled Chinese enterprises to take a large share of the Russian market in furniture, flooring and other wood products.

In the first six months of 2013, although the international export remained weak, exports from companies in Sui Fen He increased by 9% year on year and accounted for 23% of all exports from Hei Long Jiang's Province.

Guangzhou Yuzhu International Timber Market

Logs		Yuan/cu.m
Lauan	Diameter 60 cm ⁺	2000-2200
Kapur	Diameter 80 cm ⁺	3100-3200
Merbau	Diameter 100 cm ⁺	5200-5400
Teak	Diameter 30-60 cm	6500-13000
Wenge		4300-4800
Red Oak (France)	Diameter 30 cm ⁺	2500-2600
Purpleheart	Diameter 60 cm ⁺	3500-3600
Rosewood		3700-4200
Sawnwood		Yuan/cu.m
Maple	Grade A	7500-9500
Walnut (USA)	FAS 2 inches	14000-16000
Cherry (USA)	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Teak (plantation)	Grade A	9600

Shanghai Furen Forest Products Wholesale Market

Logs		Yuan/tonne
Red sandalwood (India)	All grade	1-2 mil.
Rengas (Vietnam and Nepal)	All grade	7000-8800
Granadillo (Mexico)	All grade	7500-8000
Sawnwood		Yuan/cu.m
Okoume (Africa)	grade A	4300-4700
Sapelli (Africa)	grade A	5800-6300
Beech (Europe)	grade A	4500-4800
Red Oak (North America)	2 inches FAS	7000-7300
Cherry (North America)	2 inches	9800-10500
Maple (North America)	2 inches	8700-8900
Merbau (Indonesia)	All grade	8500-13500

Hangzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	4 m 30 cm	3200-4800
Larch	4 m 30 cm 30 cm	1800-2900
Linden	4 m 30 cm	2400-3500
Sawnwood		Yuan/cu.m
Beech (Europe)	All grades	2800-5000
Black walnut (N. America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (N. America)	All grades	3500-5000
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-12000
Plywood		Yuan/sheet
Red beech	3mm	50-75
Black walnut	3mm	60-102
Teak	3mm	70-148

Wenzhou Timber Trading Market

Logs		Yuan/cu.m
Ash	2 m 30-30 (cm)	1300
Chinese fir	4 m 30-18 (cm)	1500
Wenge	all grades	4500-5100
Teak (Plantation)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelle	all grades	3200-3700
Plywood		Price yuan/sheet
Red beech	4' x 8' x 3 mm	40-80
Black walnut	4' x 8' x 3 mm	40-85
Teak	4' x 8' x 3 mm	45-110

Shandong De Zhou Timber Market

Logs	Length	Diameter	Yuan/ cu.m
Larch	4m	18-22 cm	1230
	4m	24-28 cm	1250
	4m	30 cm	1450
	6m	18-22 cm	1280
	6m	24-28 cm	1300
	6m	30 cm	1500
White Pine	4m	24-28 cm	1320
	4m	30 cm	1400
	6m	24-28 cm	1350
Korean Pime	6m	30 cm	1400
	4m+		1700
Mongolian	6m+		1750
	4m	30 cm	1380
Scots Pine	4m	36 cm	1500
	6m	30 cm	1420
	6m	36 cm	1600

Report from Europe

Hardwood markets face challenges from EUTR and weak economy

The Timber Trades Journal (TTJ) has published a "Special Focus" on the UK and wider European market for tropical hardwoods. The Editorial highlights challenges for the tropical wood industry in the region, noting underlying weakness of the European economy and commenting that hardwood is "generally the last timber to benefit from an upturn".

It notes also that "by general consensus, the tropical sector has also faced the biggest challenge coming to terms with

the EU Timber Regulation (EUTR). The often complex supply chains and lower levels of forestry governance in tropical countries clearly make satisfying EUTR due diligence risk assessment tougher.”

The TTJ explains that EUTR-related environmental campaigns and media attention in Europe have so far focused heavily on tropical wood, notably the recent BBC Panorama programme which targeted okoume log imports into France, and an on-going investigation of German imports of wenge logs from the Democratic Republic of Congo.

In addition to direct action by the likes of Greenpeace, TTJ reports that due diligence actions by timber importers is leading some to avoid tropical sources to minimise the risk of potential future action.

The UK Timber Trade Federation (TTF) has stressed that the trade’s primary goal is to work with tropical suppliers to raise legality levels and avoid their exclusion from the EU. However, TTF surveys of members indicate that some tropical suppliers are already being “weeded out”.

Comments from some of the large European buyers and distributors interviewed for the TTJ suggest that this “weeding out” process is advancing rapidly.

Representatives of large retailers and builders merchants, including John Lewis, IKEA, Marks and Spencers, and Travis Perkins, all emphasised their firm commitment to third party certification, preferably FSC, of tropical wood.

Comments by Jez Cutler, Environment Manager of Travis Perkins, are typical: “our default position for tropical wood and wood products is FSC or PEFC certified. We understand these schemes are invested in them”.

Some European buyers “demand almost the impossible”

This “default position” is challenged in the same issue of TTJ by Sheam Satkuru-Granzella of the Malaysian Timber Council (MTC).

Satkuru-Granzella observes that to date the EU FLEGT VPA process has been explicitly targeted at tropical countries and suggests: “this has inadvertently created the perception that the EUTR is implicitly targeted principally towards tropical countries which are not yet ready to supply FLEGT-Licensed timber.

That also helps create the impression that those countries run a higher risk of illegality, an unfounded notion that has caused some purchasers in the EU to demand almost the impossible from tropical timber supplying countries, in terms of depth and detail of chain of custody and other information.”

Satkuru-Granzella suggests that while those countries that have engaged in VPA negotiations are redoubling their efforts to shake off this market misconception and to meet the highest standards of legality assurance “some large

competing suppliers to the EU, which have not joined the VPA process, go virtually unregulated”.

As far as Malaysia is concerned, “we will continue to raise awareness of the Malaysian Timber Legality Assurance System, or MYTLAS, which has been operational now for six months”, said Satkuru-Granzella.

EU importers see opportunities for tropical hardwood

However, not all European importers interviewed by TTJ focused only on forest certification and the perceived “risks” of dealing in tropical hardwood.

The TTJ editorial concludes that “as our survey of leading timber providers and buyers shows, they still want to sell and use tropical hardwood”.

Several importers interviewed by TTJ expressed positive views about long-term opportunities for tropical wood in the European market. There was particular emphasis on opportunities for renewed marketing of lesser-known species of tropical wood and tropical plantation-grown timbers in the wake of EUTR.

As noted by TTJ, “the dynamics of the tropical timber sector are changing. As emerging markets develop an appetite for the material, availability of established species is tightening.

In conjunction, demand is rising for timber that is legally and environmentally verified. As a result, suppliers say their customers will have to be persuaded to accept less familiar varieties – and many are already devoting increasing efforts to the persuasion process.”

TTJ provides details of the lesser known species and marketing strategies of a range of European companies now very actively engaged in efforts to boost demand for alternative tropical hardwoods.

Products mentioned include: kapur decking; tiana as a utility redwood alternative to sapele; plantation-grown Asian acacia to provide a stable light-weight option for joinery applications; movingui as a substitute for iroko; basrolocus from Suriname and guariuba from Brazil, both for cladding; bilinga from the Congo Republic for decking; nemesu for cladding; and Brazilian angelim and cupiuba and West African opepe and tali, variously targeted at cladding, decking and marine applications.

TTJ also makes reference to the government-backed Initiative for Sustainable Trade (IDH) in the Netherlands, a consortium of FSC and 6 Dutch importers which has selected 10 to 15 lesser known tropical timber species from a long-list of 100 provided by partner companies.

The IDH list includes South American, Asian, and African species which are now undergoing performance testing. The intention is that developing demand for these species will help improve returns on certified forest operations in the tropics.

The vast majority of these new products are being offered FSC or PEFC certified to overcome prejudices against tropical hardwoods. Importers and agents interviewed acknowledge that, despite certification, developing demand for these alternatives remains challenging.

This is due to the conservatism of manufacturers and specifiers, many of which prefer to stick to old favourites like sapele, iroko and meranti, an attitude which sits uncomfortably with their demand for green certification.

Nevertheless, there is optimism that these various obstacles can be overcome. Many of those interviewed by TTJ stressed the need for marketing to place less emphasis on the species name and more on technical performance in specific applications.

As one importer notes, it's important to encourage the building trade to "focus on performance and suitability, leaving timber suppliers to suggest the best species available to make the most of what the forest has to offer."

Overall, the TTJ feature suggests that the days of large volumes of relatively low value tropical hardwood being sold as a commodity for use in utility joinery applications in Europe are well and truly over. But that's not to say there isn't a significant long-term role for tropical hardwoods in the European market.

In the words of Chris Cox of UK hardwood importer Timbmet, the tropical timber market in Europe "will be a smaller market, but with more high value and with an increased focus on certified and engineered products to squeeze more value out of the legally available resource."

Launch of Sustainable Tropical Timber Coalition

The EU Sustainable Tropical Timber Coalition (STTC) will launch on 6 November 2013 in Amsterdam. STTC is being convened by the Dutch Ministry of Economic Affairs and IDH, the Dutch sustainable trade initiative.

Industry partners will include the European Timber Trade Federation and the Association Technique Internationale des Bois Tropicaux (ATIBT). FSC and PEFC are also partners. The Project Director is Hans Stout, former CEO of Precious Woods.

The EU STTC has set a target for the sustainable management of up to 10 million hectares of tropical forest by 2015. The STTC will contribute to this aim by making the business case for certification more attractive for concession holders.

According to STTC, the aim is "to accelerate demand for certified or licensed timber from sustainably managed tropical forests to the tipping point of 30% and to put a halt to declining use of tropical timber in front running countries in the EU, through creating momentum between legality and sustainability efforts".

According to STTC's advance publicity for the launch event: "despite large-scale efforts, such as 20 years of

certification, 10 years of FLEGT and new legislations on illegal timber trade, deforestation is still happening at an alarming rate.

Over the past 20 years only 6% of tropical forests are certified and 290 million hectares of forests have been destroyed and converted to non-forest uses. Of the certified forests over 90% is in the northern hemisphere.

Tropical timber is a high risk product and there is an urgent need for action. The EU market can influence forest management in the tropics if private, public and civil society players join forces".

Private sector companies, local authorities and national governments are eligible to join STTC. Each participant defines an individual commitment and an action plan. Members of the STTC will benefit from co-funded technical support services, communication and PR, and a platform for aligning efforts.

The launch event will bring together the companies, trade organizations, NGO's, and national and local government representatives from across Europe participating in the coalition. The event will feature speakers from the timber world and trade and general press are encouraged to attend.

For more information about STTC contact Marieke Abcouwer, IDH Program Manager Tropical Timber, at abcouwer@idhsustainabletrade.com. For more information about the launch event, email events@eusttc.com.

Study confirms EU wood consumption has negligible impact on deforestation

The European Commission has just released a report entitled "Comprehensive analysis of the impact of EU consumption on deforestation". The implications of the report for EU policy in relation to tropical forests and the wider forest products sector could be profound.

Underlying the report seems to be a realisation that, despite years of political dialogue and funding of programs targeting deforestation, the problem remains profound.

The report takes a good hard look at just how much, and in what ways, European consumption of resources is contributing to deforestation. By doing so, it aims to ensure development of policy and legislative measures that might actually make a difference.

The report is a serious piece of work, prepared with the support of the European Environment Council, the European Parliament, and the European Economic and Social Committee (although the EC is careful to point out that it is an independent study not necessarily representing their views).

The report is particularly significant because it considers, in exhaustive detail, the impact on deforestation of EU

consumption of all products and services, not just those derived directly from forest management. It therefore captures, and puts into context, the large role of commercial cash crops in driving deforestation.

The report uses the concept of “embodied deforestation” to link deforestation to consumption. Essentially it quantifies the area of deforestation associated with the production of any good, commodity or service.

The report combines a detailed review of data on the scale and location of deforestation with an analysis of the various drivers of deforestation around the world. It then determines the volume and direction of trade flows of all commodities linked to the deforestation process.

For all relevant traded commodities, the report considers both the direct (e.g. conversion of forest into agricultural land) and indirect impacts (e.g. pollution from mining activities leading to forest degradation and later forest conversion).

Working through the numbers, the report ends up attributing 200,000 hectares of total global deforestation of 232 million hectares between 1990 and 2008 to the EU's imports of wood products.

This compares to 8.7 million hectares attributed to EU imports of agricultural cash crops and livestock products. The report also shows that worldwide only 33% of deforestation embodied in crops and only 8% of deforestation embodied in livestock products enters international markets.

The report confirms forcibly something that many people in the wood industry have long suspected, that policy measures in consuming countries targeting only the wood trade - whatever their merits in improving environmental and social performance in other areas - can play little or no role to prevent or slow deforestation.

Measures targeting consumption of agricultural commodities, which have long been neglected, would be more effective. But even here the value of trade-based measures in isolation is constrained by the fact that a majority of product remains within the country of origin.

At the very least, the report might discourage European policy makers and environmentalists from presenting EUTR, forest certification and legality verification as a necessary and effective response to deforestation.

Instead, they might be encouraged to present such mechanisms for what they are, as a demonstration of innovation and leadership by the wood industry with useful lessons that urgently need to be applied to other industrial sectors.

The report "The impact of EU consumption on deforestation" funded by the European Commission is at:

<http://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf>

Report from North America

More sawn hardwood from Brazil and Africa in July

Total sawn hardwood imports grew to 56,340 cu.m. in July. The growth in tropical sawnwood imports was stronger than for temperate species.

Tropical sawnwood imports were 20,636 cu.m., up 23% from June. The additional volumes came primarily from Brazil and Africa (Congo, Cameroon and Ghana).

US imports of sawn tropical hardwood (cu.m)

	May-13	Jun-13	Jul-13	Percent change
Total Imports	19,889	16,822	20,636	23%
Ecuador	3,853	3,767	3,948	5%
Brazil	3,958	1,913	3,767	97%
Cameroon	3,121	1,620	2,474	53%
Malaysia	1,923	2,354	2,001	-15%
Congo (Braz)	1,065	259	1,212	368%
Peru	722	1,795	209	-88%
Indonesia	662	932	714	-23%
Ghana	722	570	1,205	111%
Cote d'Ivoire	655	441	1,043	137%
Other	3,208	3,171	4,063	28%

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

Ipe imports from Brazil doubled from the previous month to 2,539 cu.m. in July. Total Brazilian shipments to the US were 3,767 (+16% year-to-date).

Imports from Cameroon were 2,474 cu.m. in July (-7% year-to-date), with much of the increase in sapeli imports (1,181 cu.m.). Congo/Brazzaville shipments recovered from the low volumes in June to 1,212 cu.m. (-24% year-to-date).

Hardwood imports from Ghana more than doubled from June to 1,205 cu.m. (-4% year-to-date). The growth was in exports of acajou d’Afrique, reaching 954 cu.m. in July.

US imports of sawn tropical hardwoods

Balsa imports from Ecuador increased slightly to 3,984 cu.m., but year-to-date imports remain 19% below 2012 volumes. Tropical hardwood imports from Peru fell again in July to just 209 cu.m. (+39% year-to-date).

Malaysian shipments declined to 2,001 cu.m. in July (+5% year-to-date). Imports from Indonesia were 714 cu.m. (-23% year-to-date).

US imports of sawn tropical hardwood species (cu.m)

				Percent
	May-13	Jun-13	Jul-13	change
Balsa	19,889	16,822	20,636	23%
Sapelli	3,800	4,012	4,261	6%
Acajou	2,410	1,135	2,247	98%
Keruing	3,140	1,389	2,586	86%
Ipe	1,710	1,902	1,829	-4%
Mahogany	2,542	1,538	2,622	70%
Virola	1,374	953	1,955	105%
Meranti	914	1,420	177	-88%
Cedro	431	809	604	-25%
Jatoba	766	796	906	14%
Teak	366	143	580	306%
Iroko	553	589	774	31%
Padauk	3	31	61	97%
Aningre	54	90	31	-66%
Other	1,826	2,015	1,932	-4%
Total	39,778	33,644	41,201	22%

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

Antidumping and countervailing duties on Chinese plywood

The US Department of Commerce announced its final determination of antidumping duties and countervailing duties on plywood from China on September 17. The investigations looked at dumping of hardwood and other decorative plywood at less than fair value and whether China’s government provided subsidies to plywood producers.

More than 100 plywood companies were assigned an antidumping rate between 55.76% and 62.55%. All other companies received a rate of 121.65%.

In the countervailing duty investigation, three companies will not need to pay duties. Fifteen companies were assigned a countervailing rate of 27.16% for their failure to respond to the Department of Commerce; all other producers and exporters were assigned a rate of 13.58%.

The US International Trade Commission held a hearing regarding injury of American plywood producers on September 19. A decision on injury determination is expected for late October. If the commission finds no injury, the antidumping and countervailing duties will be cancelled.

American Alliance for Hardwood Plywood condemns high duties on Chinese plywood

The American Alliance for Hardwood Plywood, representing US distributors, importers and manufacturers, predicts job losses in the cabinet industry as a result of the antidumping and countervailing duties on plywood from China.

In the short-term, the high duties create higher cost and supply uncertainty for US buyers and users of Chinese plywood.

The Alliance also criticized that the Department of Commerce used Bulgaria for market comparison with China in its determination and not an Asian country.

AHEC presents American Hardwood Environmental Profiles

The American Hardwood Export Council (AHEC) has developed “American Hardwood Environmental Profiles” (AHEP) to promote the legality and environmental sustainability of US hardwoods in export markets.

AHEP is based on Life Cycle Assessment data and legality data. The data contained in AHEP allows manufacturers who use hardwood sawnwood from the US to prepare formal Environmental Product Declarations (EPD) for their finished products. In the legality reporting portion, AHEP follows the EU Timber Regulation.

AHEPs will be available for 19 hardwood species, which represent 95% of total US hardwood production. Individual US hardwood companies will be able to adjust data for each specific consignment and customer location quickly and at low cost with a software tool.

The following information is included in the AHEP: US supplier, product description, quantity of wood, commercial and scientific species name, place of harvest, and documents demonstrating negligible risk of illegal harvest, access to information on the sustainability of the species, and quantitative data on the environmental impacts.

The data follows the EN 15804 standard for environmental assessment of construction materials in the EU (such as Global Warming Potential, Acidification potential, and Eutrophication potential). AHEC had previously commissioned work to develop EPDs for hardwood sawnwood. But as an intermediary product sawnwood mostly does not require full EPDs.

The environmental impact data contained in AHEP allows manufacturers of flooring, furniture etc. to prepare EPDs for their finished products.

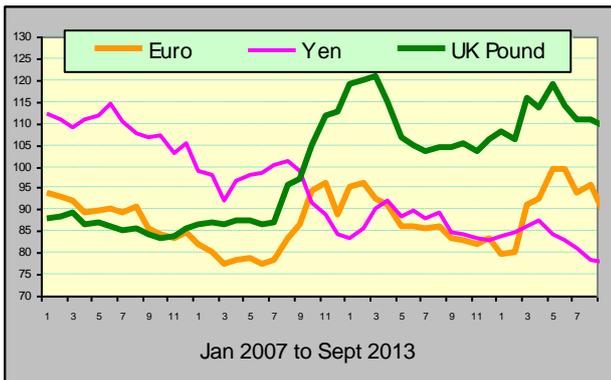
Disclaimer: Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

Main US Dollar Exchange Rates

As of 26th September 2013

Brazil	Real	2.231
CFA countries	CFA Franc	485.75
China	Yuan	6.1204
EU	Euro	0.7393
India	Rupee	62.4350
Indonesia	Rupiah	11457
Japan	Yen	98.44
Malaysia	Ringgit	3.2192
Peru	New Sol	2.7525
UK	Pound	0.6219
South Korea	Won	1077.80

Exchange rates 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
CI, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
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
TEU	20 foot container equivalent

Ocean Freight Index

Baltic Supramax Index 2012 – September 2013



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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