

Tropical Timber Market Report

Volume 18 Number 8, 16th – 30th April 2014



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.

Contents

| | |
|------------------------------|----|
| Central/West Africa | 2 |
| Ghana | 2 |
| Malaysia | 4 |
| Indonesia | 4 |
| Myanmar | 5 |
| India | 6 |
| Brazil | 8 |
| Peru | 10 |
| Guyana | 11 |
| Japan | 12 |
| China | 17 |
| Europe | 20 |
| North America | 24 |
| Currencies and Abbreviations | 25 |
| Ocean Freight Index | 25 |

Top Story

Revival of tropical hardwood market promotion in Europe

A 'Sustainable Tropical Timber Coalition' (STTC) was launched in the European Union last year.

The aim of STTC 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 in legality and sustainability efforts."

For more see page 22

Headlines

| | <i>Page</i> |
|---|-------------|
| Delayed reimbursement of VAT hurting timber companies in Gabon | 2 |
| Fears that Korea may reintroduce anti-dumping duties on Malaysian plywood | 4 |
| Costs and shortage of assessors hindering SVLK implementation in Indonesia | 4 |
| Record prices paid for 500 year old Indian rosewood | 7 |
| Amazon native species for Brazilian plantations | 9 |
| Japanese business leaders urge agreement on TPP | 13 |
| Housing investment in China cools in first quarter | 18 |
| Thermally treated US hardwoods marketed as tropical hardwood substitute | 24 |

ITTO has a new bi-monthly e-newsletter "Tropical Forest News". It features highlighted news of ITTO project and activities as well as news from the tropical forest sector.

If interested please subscribe through the link below.

Subscribe to the Tropical Forest News e-newsletter (with live link to: <http://eepurl.com/PhNTH>)

Report from Central/West Africa

Producers anticipate firmer prices for 'redwoods'

Recent price rises for the most frequently demanded timbers have been consolidated as demand is now as firmer, a term that has not been used by producers in the region for several years.

Producers are convinced from current developments that demand will remain firm stretching into the third quarter of the year. Producers anticipate firmer prices for the premium red timbers.

Exporters in Cameroon are particularly well placed and order book positions are said to be extending into the last quarter of the year. The biggest problem faced by producers is finding sufficient logs to meet shipping schedules.

Cameroon log exports, limited to only secondary species, are reported very strong and this level of demand is supporting overall market prices.

Sapele millers fall behind on shipments

Demand for sapele sawnwood substantially higher than supply. Some producers say they are falling behind with deliveries and are still contracted to supply orders taken at previous lower prices.

As reported mid-month, the current higher demand is spread over several markets including some European countries and the USA. Demand in Asian and Middle East markets has been consistent over the past months and producers report good prospects in China, Vietnam and India.

South African market, once a star, unlikely to revive soon

The only disappointment is that West and Central African exporters have not yet been able to regain business in South Africa.

The IMF has said growth in South Africa continues to decelerate owing to sluggish private investment, weak consumer and investor confidence, tense mining sector relations and tight electricity supply, all of which are undermining growth prospects.

The IMF expects South Africa's economy to grow 2.3% in 2014 as exports grow but domestic consumption will add little to overall growth.

Delayed reimbursement of VAT hurting timber companies in Gabon

Producers in Gabon report that, in spite of government assurances, repayments of the *taxes sur la valeur ajoutée* (value added tax) are more than one year overdue and this is putting a considerable financial burden on timber exporters.

Mills under construction in Congo

Companies recently granted forest concessions in Congo Brazzaville are now establishing processing plants, a condition of the concession agreement. The concession agreement allows for limited log export during the mill construction phase and exporters of okoume logs are very busy.

Overall, export market prospects are expected to remain good and prices firm with likelihood of some further increase over the coming months for the most popular 'redwoods'.

Log Export Prices

| West African logs, FOB | € per m ³ | | |
|---|----------------------|------|------|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 220 | 220 | 155 |
| Ayous/Obeche/Wawa | 225 | 225↑ | 150 |
| Azobe & Ekki | 235 | 230 | 150 |
| Belli | 235↑ | 235↑ | - |
| Bibolo/Dibétou | 150 | 145 | - |
| Iroko | 280 | 265 | 235 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 340 | 340 | 260 |
| Moabi | 290 | 280 | - |
| Movingui | 220 | 220 | 180 |
| Niove | 160 | 155 | - |
| Okan | 270 | 270 | - |
| Padouk | 300 | 275 | 210 |
| Sapele | 295 | 295 | 190 |
| Sipo/Utile | 325 | 300 | 200 |
| Tali | 300 | 300 | - |

Sawnwood Export Prices

| West African sawnwood, FOB | € per m ³ |
|----------------------------|----------------------|
| Ayous FAS GMS | 345 |
| Bilinga FAS GMS | 520 |
| Okoumé FAS GMS | 480 |
| Merchantable | 270 |
| Std/Btr GMS | 350 |
| Sipo FAS GMS | 520 |
| FAS fixed sizes | 590 |
| FAS scantlings | 600 |
| Padouk FAS GMS | 800 |
| FAS scantlings | 820 |
| Strips | 450 |
| Sapele FAS Spanish sizes | 590↑ |
| FAS scantlings | 590↑ |
| Iroko FAS GMS | 590 |
| Scantlings | 630 |
| Strips | 440 |
| Khaya FAS GMS | 450 |
| FAS fixed | 470 |
| Moabi FAS GMS | 560 |
| Scantlings | 560 |
| Movingui FAS GMS | 420 |

Report from Ghana

Bold initiative to strengthen Ghana Forestry Commission

To improve oversight of the sector the Forestry Commission (FC) an eleven member committee has been tasked with recommending ways in which the FC can better ensure the it its functions in a credible, transparent and independent manner.

Inaugurating the committee, known as the Timber Validation Committee (TVC) the Minister for Lands and Natural Resources, Alhaji Inusah Fuseini, lamented the inadequate and weak laws that have been the root cause of illegal forestry operations in the country.

The Minister tasked the TVC with recommending additional measures to improve the verification and validation of licenses and for addressing complaints in ways that eliminate the risk of any outside interference or influence.

The committee is also responsible to come up with ways to inform consumers of their rights, obligations and understanding of the functioning of the Legality Assurance System (LAS).

Alhaji Fuseini called on stakeholders and the public to contribute to good governance in the forestry sector.

Tax hike on domestic sales by companies in the Free Trade Zone

Sales into Ghana's domestic market by companies enjoying the benefits of the Free Zone Enterprises (FZE) will now attract a 25% sales tax, up from the previous 8%.

Timber companies within the Free Zones will likely raise the prices of products for the local market when the higher tax rate is introduced. It is estimated that around 30% of the output of timber companies in the free zones are sold into the domestic market.

According to a statement from the tax policy unit of the Ministry of Finance this change is aimed at ensuring equity in the payment of taxes between FZEs and the local industry.

Power shortages soon to be a thing of the past

Mr. Kofi Ellis, Director, Planning and Business Development at the Volta River Authority (VRA), has said gas supplies from Nigeria have picked up from a low of 50 to around 100 mi. cubic feet per day, inching closer to the 120 mil. contracted. Mr. Ellis said he expects the power supply in Ghana to normalise by the end of April when all power plant maintenance has been completed.

Inflation above government target

Ghana's annual inflation rate reached a four-year high of 14.5 percent in March up from 14.0 percent in February largely because of increases in house prices and water and electricity rates. The latest rise has lifted the rate past target 9.5 percent (+/- 2 percent) set by the government for 2014.

Domestic Log Prices

| Ghana logs | US\$ per m ³ | |
|-------------------------------|-------------------------|----------|
| | Up to 80cm | 80cm+ |
| Wawa | 164-170▲ | 180-195▲ |
| Odum Grade A | 170-175 | 180-188 |
| Ceiba | 124-135▲ | 140-155▲ |
| Chenchen | 109-122 | 125-133 |
| Khaya/Mahogany (Veneer Qual.) | 145-160▲ | 166-185▲ |
| Sapele Grade A | 160-170▲ | 175-190▲ |
| Makore (Veneer Qual.) Grade A | 123-130▲ | 135-140▲ |
| Ofram | 120-127▲ | 130-140▲ |

Boule Export prices

| | Euro per m ³ |
|----------------------|-------------------------|
| Black Ofram | 250▲ |
| Black Ofram Kiln dry | 335▲ |
| Niangon | 519▲ |
| Niangon Kiln dry | 580▲ |

Export Sawnwood Prices

| Ghana Sawnwood, FOB | € per m ³ | |
|-----------------------------------|----------------------|------------|
| | Air-dried | Kiln-dried |
| FAS 25-100mm x 150mm up x 2.4m up | | |
| Afromosia | 855 | 945 |
| Asanfina | 480 | 564 |
| Ceiba | 230 | 295▼ |
| Dahoma | 263- | 352▲ |
| Edinam (mixed redwood) | 351 | 559▲ |
| Emeri | 380 | 550 |
| African mahogany (Ivorensis) | 593 | 681▲ |
| Makore | 580 | 650 |
| Niangon | 550 | 625 |
| Odum | 582 | 750▲ |
| Sapele | 567 | 693▲ |
| Wawa 1C & Select | 275 | 323 |

Export Rotary Veneer Prices

| Rotary Veneer 1-1.9mm , FOB | € per m ³ | |
|--------------------------------|----------------------|------------|
| | CORE (1-1.9 mm) | FACE (2mm) |
| Ceiba | 255 | 330 |
| Chenchen | 320 | 365▼ |
| Ogea | 334▲ | 340 |
| Essa | 344▲ | 355▲ |
| Ofram | 328▲ | 365▲ |

Export Sliced Veneer Prices

| Sliced Veneer, FOB | € per sq. m | |
|--------------------|-------------|---------|
| | Face | Backing |
| Afromosia | 1.32 | 0.47▼ |
| Asanfina | 1.20 | 0.59 |
| Avodire | 1.12 | 0.77▲ |
| Chenchen | 1.10▲ | 0.57▼ |
| Mahogany | 1.30 | 0.58▲ |
| Makore | 1.30 | 0.62▲ |
| Odum | 1.76 | 1.08 |

Export Plywood Prices

| Plywood, FOB | € per m ³ | | |
|--------------|----------------------|-------|----------|
| | Ceiba | Ofram | Asanfina |
| BB/CC | | | |
| 4mm | 446 | 600 | 641 |
| 6mm | 453▲ | 545▼ | 622 |
| 9mm | 360 | 423 | 490 |
| 12mm | 357 | 452▲ | 445 |
| 15mm | 325 | 380 | 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 | 13.00 | 15.70▲ | 18.80 |
| Odum | 11.90▲ | 12.20▲ | 12.52 |
| Hyedua | 14.10 | 14.00 | 18.45 |
| Afromosia | 14.30 | 18.65 | 18.55 |

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

Report from Malaysia

Exports picked up from start of 2014

The Malaysian Timber Industry Board (MTIB) released data on exports from January 2013 to January this year. Exports of sawnwood, fibreboard and particleboard picked up in the early part of the year while exports of plywood and mouldings remained flat throughout the year.

At the beginning of the third quarter sawnwood, fibreboard and particleboard exports fell away and January 2014 exports of these three products were well below levels a year earlier.

January 2014 wood product exports from Peninsular Malaysia totalled 145,971 cu.m out of which Port Klang, the closest port to Kuala Lumpur, handled the most at 87,851 cu.m (60% of all exports). Kuantan Port handled 9,352 cu.m; Pasier Gudang 15,770 cu.m; Tanjung Pelepas 10,180 cu.m and Penang 22,818 cu.m.

Malaysian imports of bamboo products six to eight times higher than exports

The MTIB is promoting the potential of bamboo in an effort to boost the bamboo industry in the country.

Malaysia's exports of bamboo products over past 10 years were valued at only RM 250,000 (approximately US\$ 75,000) while imports of bamboo products, mainly from China, Indonesia and Thailand, were six to eight times higher than exports.

According to the International Network for Bamboo and Rattan (INBAR), the international bamboo trade is worth around US\$18 billion a year and rising.

Malaysia has a 10 year action plan to develop the bamboo industry and intends to focus efforts on:

- Establishment of bamboo plantations and preservation of existing natural resource management.
- Human capital development.
- Development of downstream activities.
- Research and development.
- Marketing and promotion.

Fears that Korea may reintroduce anti-dumping duties on Malaysian plywood

Sarawak plywood exporters are worried that South Korean authorities may extend anti-dumping duties on imports of Malaysian plywood.

The current round of duties ended in February this year but now the Korean Trade Commission is conducting a review to determine if they should be reintroduced.

The duties on Malaysian plywood imports into South Korea which were imposed in March 2011 ranged from 5% to 38% depending on the supplier and applied to panels of 6mm and above.

The duties took a heavy toll on Sarawak's plywood exports to South Korea. In 2013, Sarawak exported 266,00 cu.m of plywood compared to the 331,600 cu.m in 2012. In 2010, before the duties were imposed, Sarawak exported around 530,000 cu. m of plywood to South Korea.

Forest Watch initiative for quick response to illegal activities

Transparency International Malaysia has launched a Forest Watch Initiative in Sarawak which allows for individuals or representatives of forest communities to report suspected illegal forest operations.

Forest Watch has established a website providing satellite imagery and a GIS capacity so areas where there is a suspicion of wrongdoing can be pinpointed.

Reports that are lodged with the system are examined by a task force comprising of officials from the Sarawak Forestry department, the Malaysian Anti-Corruption Commission, Institute of Foresters Malaysia, and Transparency International Malaysia and action is taken when necessary.

Report from Indonesia

Costs and shortage of assessors hindering SVLK implementation

At a recent gathering to discuss the implementation of Indonesia's timber legality assurance system (SVLK), Bibi Fatmawati of Yogya Indo Global exports said securing SVLK certification costs at least US\$2,000 and that this bars many smaller enterprises from applying for certification.

Costs are one issue said WWF Indonesia's director of policy and transformation, Budi Wardhana, but the lack of a standard cost structure for the certification is another hurdle. He said the charges for SVLK assessment vary widely with no clear rationale for the various price structures.

According to Budi, the low number of SVLK assessors is also a stumbling block for the government as it pushes ahead with SVLK.

Several analysts have said that Indonesian officials need to focus on developing consistent standards for the SVLK and FLEGT-VPA, on capacity building for local officials and businesses and on developing a complete chain of accountability.

Arguments for and against lifting log export ban

A group of wood product manufacturers is strongly opposed to the government's plan to resume log exports fearing this will result in a shortage of raw materials for local companies.

The chairman of the Indonesian Furniture and Handicraft Association (AMKRI – Assosiasi Mebel & Kerejina Indonesia) Soenoto said logs contributed about 40 percent of the total production cost so a shortage leading to higher log costs would push up production costs significantly. He stressed that at the end of 2011 the export of raw rattan was banned to support local companies and that this resulted in a sharp increase in exports of rattan products.

Data from Sucofindo, an independent surveyor in Indonesia, shows that between January and March this year rattan product exports grew by around 30 percent year-on-year to US\$48 million

Indonesia's log export ban followed the massive outflows of logs between 1998 and 2001 when the export tax was sharply reduced and the ban has helped domestic industry.

While the proposal to lift the log export ban has met opposition from several ministries concerned on the impact on domestic manufacturers discussions on the issue continue.

Industry minister Mohammad Suleman Hidayat, has revealed that timber companies in Papua are in favour of lifting the ban which, they say, is part of the reason why unemployment in the province is high.

Exhibition of top rate furniture from SVLK certified companies

Indonesia's Timber Legality Verification System (SVLK) is likely to boost exports of wood products to the European Union.

To promote the wider adoption of the SVLK an exhibition of furniture from SVLK certified companies was hosted by WWF Indonesia, the Indonesian Furniture Entrepreneurs Association (Asmindo), the Indonesia Furniture Designers Association (HDMI) and the EU.

As part of the exhibition, nine small and medium enterprises (SMEs) from Java displayed SVLK-certified products at the recent WWF SWICTH-ASIA booth at the International Furniture and Craft Fair Indonesia (IFFINA) in Jakarta.

WWF Indonesia and Asmindo have been helping furniture SMEs understand and secure SVLK certification through training and intensive interaction with furniture SMEs.

Dita Ramadhani, the trade and networking coordinator for WWF Indonesia, said WWF and Asmindo had selected the best businesses from their SME Switch-Asia Program participants for a special exhibition of furniture designs made from SVLK certified wood.

Domestic Log Prices

| Indonesia logs, domestic prices | US\$ per m ³ |
|---------------------------------|-------------------------|
| Plywood logs | |
| core logs | 210-240 |
| Sawlogs (Meranti) | 220-250 |
| Falcata logs | 180-230 |
| Rubberwood | 105-130 |
| Pine | 135-160 |
| Mahoni (plantation mahogany) | 140-180 |

Domestic Ex-mill Sawwood Prices

| Indonesia, construction material, domestic | US\$ per m ³ |
|--|-------------------------|
| Kampar (Ex-mill) | |
| AD 3x12-15x400cm | 400-440 |
| KD | - |
| AD 3x20x400cm | 590-630 |
| KD | - |
| Keruing (Ex-mill) | |
| AD 3x12-15x400cm | 360-400 |
| AD 2x20x400cm | 490-520 |
| AD 3x30x400cm | 415-440 |

Export Plywood Prices

| Indonesia ply MR BB/CC, export FOB | US\$ per m ³ |
|------------------------------------|-------------------------|
| 2.7mm | 640-680 |
| 3mm | 680-710 |
| 6mm | - |

Domestic Plywood Prices

| MR Plywood (Jakarta), domestic | US\$ per m ³ |
|--------------------------------|-------------------------|
| 9mm | 380-440 |
| 12mm | 355-400 |
| 15mm | 300-330 |

Export and Domestic Other Panel Prices

| Indonesia, Other Panels, FOB | US\$ per m ³ |
|------------------------------|-------------------------|
| <i>Particleboard</i> | |
| Export 9-18mm | 700-740 |
| Domestic 9mm | 980-1040 |
| 12-15mm | 600-630 |
| 18mm | 500-650 |
| <i>MDF</i> | |
| Export 12-18mm | 750-780 |
| Domestic 12-18mm | 430-530 |

Report from Myanmar

Aftermath of the log export ban

The export trade for Myanmar timbers became very quiet after the 31 March coming into force of the log export ban.

A substantial volume of logs purchased for export was not shipped before the deadline and remains in Yangon depots but the Myanmar Timber Enterprise (MTE) has yet to determine the exact unshipped volume.

Observers say that companies with huge volumes of unshipped logs are considering a petition to the authorities. The MTE is saying it began advising exporters to clear logs quickly once it became clear in October 2012 that the ban would be implemented.

Analysts point out that factors such as the weak Indian rupee, high stocks and congested log-yards in India and tight financing hindered prompt shipments to India, the main market for Myanmar logs. It was only in October 2013 that export shipment started to rise, peaking in March 2014. Export shipments of logs for the 2013-14 financial year were around 661,000 cubic metres of teak logs and 2,013,000 cubic metres of other hardwoods.

Analysts say around 50% of the years' teak logs and 46% of the total hardwood logs were shipped out in just the last quarter of the financial year (January to March).

As the regulations stand at present, unshipped logs will have to be processed locally after which products meeting the required level of processing could be exported.

Analysts anticipate lower log prices in upcoming auctions because of the large volumes that will be for sale. However, once the stock of unshipped logs are utilised prices will better reflect mill requirements for the domestic and international market. Looking ahead, the plan by MTE's to reduce annual log harvests will likely firm up log prices.

Illegal overland transport of timber

Overland transport of illegal harvested Tamalan (Dalbergia oliveri) increased during 2014 according to Myanmar Customs officials. In early April six trucks attempting to carry Tamalan logs to a neighbouring country were stopped.

Reports suggest that Tamalan is in great demand in China and can fetch prices up to Myanmar kyats 70,00,000 (roughly US\$7000) per ton.

According to Forestry Department officials and the Auditor General's office about 35,000 tons of illegal timber was seized during in the last 9 months of the fiscal year.

The high incidence of illegal logging of Tamalan and Padauk is raising concerns in Myanmar of the danger that these species may become endangered.

Investment from China nosedives

The local media has reported that China's investment in Myanmar fell sharply in 2013 to only US\$20 million or just 5% of the investment reported in 2012 and only 1% of the investment in the peak year of 2010.

Past log tender prices

The following regular items were sold by competitive bidding at the most recent sale (10 and 21 March 2014) at the Myanma Timber Enterprise (MTE) tender hall. Details of the end April auctions are not yet available.

Teak sales

The following grades were sold by competitive bidding on 10 and 21 March 2014 at the Myanma Timber Enterprise (MTE) tender hall.

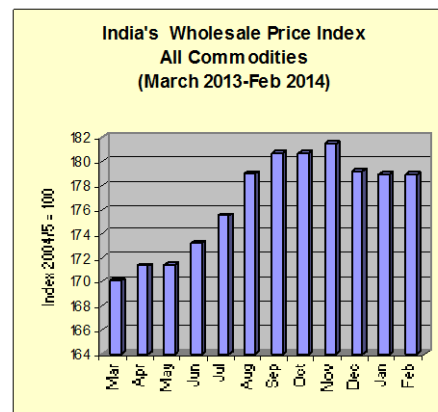
| Grade | Hoppus tons | Avg. US\$ /H. ton FOB |
|-------------------------|-------------|-----------------------|
| 4 th Quality | 10 | \$7,023 |
| Sawing Grade-1 | 14 | \$5,722 |
| Sawing Grade-2 | 33 | \$4,996 |
| Sawing Grade-4 | 148 | \$3,362 |
| Sawing Grade-5 | 30 | \$3,022 |
| Sawing Grade-6 | 89 | \$1,501 |
| Sawing Grade-7 | 95 | \$1,200 |

Wholesale Price Index rises stoking fears of further inflation

The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI). The official Wholesale Price Index for 'All Commodities' (Base: 2004-05 = 100) for March 2014 was up just under 1 point to 179.8.

On inflation a press release from the OEA says " The annual rate of inflation, based on monthly WPI, stood at 5.70% (provisional) for the month of March 2014 (over March 2013) as compared to 4.68% (provisional) for the previous month and 5.65% during the corresponding month of the previous year.

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



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

The March increase in the WPI was driven largely by rising food prices. The latest numbers have analysts concerned that the Reserve Bank of India (RBI) will delay lowering interest rates which, say industrialists, is holding back economic growth.

Data show that March fuel prices were up over 10% year on year and that prices for manufactured products also rose.

The RBI has increased interest rates every month since last September saying it is more concerned about inflation than short-term growth prospects.

El nino effect to impact Indian economy

Skymet, a private Indian company that provides weather forecast and analyses of weather related events on the Indian economy, has said there is very high probability that India will see below normal monsoon rains this year because of the currently developing El Nino in the Pacific Ocean.

The RBI has also warned that. if the El Nino does result in poor monsoon rains, agricultural yields will be lower than normal which could mean higher food prices.

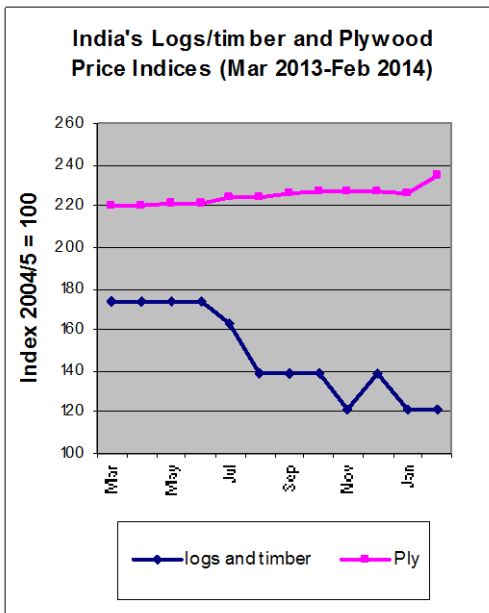
This would trigger higher inflation requiring the Bank to increase in interest rates even higher.

For more see: <http://www.skymet.net/reports.php> and (http://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=14842)

Timber and plywood wholesale price indices

In addition to data on the Wholesale Price Index for all commodities, the OEA reports wholesale price indices for a variety of wood products.

The Wholesale Price Indices for Logs/timber and Plywood are shown below. The March 2014 logs/timber index was virtually unchanged from February but the plywood index has moved up sharply.



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

Record prices paid for 500 year old rosewood

Many top rated international guitar manufacturers bid for the over 500-year-old rosewood on auction at the Indian Forest Department timber depot at Chaliyam. The Chaliyam timber depot has been the major supplier of rosewood for the international market as the wood is traded only in this state depot.

The depot recently secured logs from one of the oldest rosewood trees in the Chethalayam range after it was uprooted in a storm.

The demand for Indian rosewood increased after Brazil banned the export of Brazilian rosewood. The brilliant hues of the timber and the density make it one of the best woods for musical instruments.

Imported teak prices

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

| | US\$ per cu.m C&F |
|--------------------------|-------------------|
| Tanzania teak, sawn | 350-885 |
| Côte d'Ivoire logs | 390-750 |
| PNG logs | 400-575 |
| El-Salvador logs | 340-695 |
| Guatemala logs | 400-550 |
| Nigeria squares | 370-450 |
| Ghana logs | 375-650 |
| Guyana logs | 300-450 |
| Benin logs | 340-650 |
| Benin sawn | 435-800 |
| Brazil squares | 360-680 |
| Brazil logs | 350-750 |
| Cameroon logs | 390-510 |
| Togo logs | 380-715 |
| Ecuador squares | 330-540 |
| Costa Rica logs | 355-700 |
| Panama logs | 360-550 |
| Sudan logs | 480-700 |
| Congo logs | 450-550 |
| Kenya logs | 390-600 |
| Thailand logs | 460-700 |
| Trinidad and Tobago logs | 420-680 |
| Uganda logs | 440-780 |
| Uganda Teak sawn | 680-800 |
| Laos logs | 300-605 |
| Malaysian teak logs | 325-525 |
| Nicaragua logs | 370-535 |
| Liberia logs | 350-460 |
| Colombia logs | 400-685 |

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

Prices for air dry sawnwood per cubic foot, ex-sawmill are shown below.

| Sawnwood,(Ex-mill) (AD) | Rs. per ft ³ |
|-------------------------|-------------------------|
| Merbau | 1550-1650 |
| Balau | 1650-1850 |
| Resak | 1200-1300 |
| Kapur | 1200-1250 |
| Kempas | 1100-1200 |
| Red Meranti | 875-975 |
| Radiata Pine (AD) | 550-650 |
| Whitewood | 600-650 |

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

Myanmar teak processed in India

Export demand continues to be good. Indian buyers of Myanmar teak imported as much as possible before the log export ban in Myanmar and therefore have high stocks.

Analysts report that domestic demand for teak products is weak and that prices for sawn teak remain un-changed.

| Sawnwood (Ex-mill) | Rs. per ft ³ |
|---------------------------|-------------------------|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 6000-15000 |
| Plantation Teak A grade | 5500-6000 |
| Plantation Teak B grade | 3500-4250 |
| Plantation Teak FAS grade | 3000-3500 |

Price variations depend mainly on length and cross section

Imported sawnwood prices

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

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

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

| Plywood, Ex-warehouse, (MR Quality) | Rs. per sq.ft |
|-------------------------------------|---------------|
| 4 mm | 34.00 |
| 6 mm | 46.00 |
| 9mm | 58.00 |
| 12 mm | 72.50 |
| 15 mm | 96.00 |
| 18 mm | 101.00 |

Domestic ex-warehouse prices for locally manufactured MR plywood

| Commercial Grade | Rs. per sq.ft | |
|------------------|---------------|----------|
| | Rubberwood | Hardwood |
| 4mm | Rs.18.00 | Rs.26.50 |
| 6mm | Rs.27.50 | Rs.34.00 |
| 9mm | Rs.34.50 | Rs.41.00 |
| 12mm | Rs.41.00 | Rs.50.00 |
| 15mm | Rs.50.40 | RS.61.00 |
| 19mm | RS.58.00 | Rs68.25 |
| 5mm Flexible ply | Rs.36.00 | |

Report from Brazil

Brazilian real slumps on Central Bank policy decision

While average prices for wood products in the domestic market in Brazilian real have not changed over the past month values in US dollars reflect fluctuation in exchange rates.

The average exchange rate in March was BRL 2.33 to the dollar while in March 2013 the rate was BRL 1.98 to the dollar.

On the 25th April Brazil's real fell sharply to 2.244 to the US dollar, the steepest decline since December last year. This dramatic fall was triggered by a decision by the Central Bank not to continue currency swaps which had supported the recent 5% strengthening of the real.

Diverging forecasts of growth prospects

Brazil's Central Bank's most recent index of economic activity shows that the economy grew 1.63% in February compared to February 2013. On this basis year-on-year growth would be 2.41 percent, up from the 2.3% reported based on January data.

See:

<https://www.bcb.gov.br/textonoticia.asp?codigo=3815&IDPAI=NEWS>

The IMF has said that it expects the Brazilian economy to continue its slow pace of growth in 2014 despite a boost it may get from hosting the World Cup. The IMF has forecast growth for the year at 1.8% compared to earlier estimates of 2.3%.

The IMF also lowered Brazil's 2015 growth forecast to 2.7% having forecast 2.8% at the beginning of the year.

Interest rates jump to 11 percent

Inflation, as measured by the consumer price index, ended up almost 1% at the end of March. Over the past 12 months cumulative rate of inflation was 6.15%. In response to the steep rise in inflation the Monetary Policy Committee of the Central Bank decided to increase the Selic rate to 11% per year.

See:

<https://www.bcb.gov.br/textonoticia.asp?codigo=3812&IDPAI=NEWS> and

<http://www.bcb.gov.br/htms/relinf/direita.asp?idioma=P&ano=2014&acaoAno=ABRIR&mes=03&acaoMes=ABRIR>

New Brazilian forestry sector association

The Brazilian Tree Industry (IBA or Indústria Brasileira de Árvores) is the newest association in the Brazilian forestry sector and is the result of a merger of three major associations; ABRAF (Brazilian Association of Forest Plantation Producers), BRACELPA (Brazilian Pulp and Paper Association) and ABIPA (Brazilian Association of Wood Panel Industry).

The term IBA, or more correctly Ibá, comes from the Tupi Guarani language Ybá, which means tree or fruit.

The new association will be formally launched in June 2014, during the environment week and will begin with a membership of 70 forestry sector companies.

The board of the association has been holding meetings in São Paulo to discuss guidelines and other strategic issues with the aim of building a new less conservative image than the previous associations.

Amazon native species for plantations

A native Amazon tree species, called cuiabano pine, guapuruvu or paricá (*Shizolobium amazonicum*), is gaining acceptance as a plantation timber in the state of Mato Grosso. This tree is said to have some advantages compared to eucalyptus which is commonly planted in Brazil.

Paricá grows for around seven years without producing side branches resulting in a knot free bole. In addition it is claimed that this timber yields as much as four times more per hectare than eucalyptus and produces high quality pulp and good light colour veneers.

Reports indicate that the timber is highly susceptible to insect and fungal attack and needs to be preservative treated if used in the solid form.

The timber industry has recognised the potential of this species because it is light, easy to work and has good technical characteristics making it suitable for a wide range of enduses.

Tropical wood product exports continue to slide

In March 2014, wood product exports (except pulp and paper) increased 9.7% in terms of value compared to March 2013, from US\$199.3 million to US\$218.6 million.

Pine sawnwood exports increased 44.6% in value in March 2014 compared to March 2013, from US\$12.1 million to US\$17.5 million. In terms of volume, exports rose 38%, from 54,700 cu.m to 75,500 cu.m over the same period.

In contrast, tropical sawnwood exports fell 29% in volume, from 31,900 cu.m in March 2013 to 22,600 cu.m in March 2014. In terms of value, exports dropped 15.3% from US\$15.7 million to US\$13.3 million, over the same period.

In March pine plywood exports increased almost 13% in value year on year, from US\$32.8 million to US\$37 million. Export volumes increased 14%, from 86,500 cu.m to 98,800 cu.m, during the same period. However, tropical plywood exports continue to fall and in March this year exports declined 11% from 4,500 cu.m last year to 4,000 cu.m this year.

Better results were posted for wooden furniture exports which increased from US\$35.7 million in March 2013 to US\$40.7 million in March this year, a 14% increase.

Projection of exports to traditional and new markets

Brazil's sawnwood exports to the United States increased from 70,000 cu.m in 2012 to 86,000 cu.m in 2013 reflecting a recovery of demand. Moreover, exports of pine plywood to the US also increased, from 40,000 cu.m in 2012 to 120,000 cu.m in 2013. For 2014 exports of plywood to the US are expected to be as high as 140,000 cu.m.

According to ABIMCI (the Brazilian Association of Mechanically Processed Timber Industry) Germany is now importing more from Brazil as the construction and housing markets are growing. January pine plywood exports to Germany totalled 11,106 cu.m and this increased to 15,092 cu.m in February.

ABIMCI notes that demand seems to be improving in Belgium, Italy and the United Kingdom.

The European market is seen as offering better prospects in 2014 as some European plywood producers have either closed or have, as in the case of Finland, reduced output due to raw material supply issues. These changes are opening new opportunities for Brazilian exporters in both traditional western markets and new markets in Eastern Europe.

Another region with opportunities for the Brazilian timber industry is South America. Forecasts from the IMF and others suggest the economies in countries such as Peru, Ecuador and Chile will grow in 2014 which will result in increased consumption of wood products.

SFB creates timber ID tool

The Amazon Cooperation Treaty Organization (ACTO) is developing an interactive tool with information on the commercial species in eight ACTO member countries based on a similar tool developed by the Brazilian Forest Service (SFB).

The tool that is being developed will be more comprehensive than the Brazilian ID tool as it will include genetic information and images of flowers, fruits, bark and standing trees. The SFB will undertake work on the description of species. SINCHI (Instituto Amazónico de Investigaciones Científicas) will perform DNA analysis and botanical identification of collected samples.

The objective of the development of this interactive tool is to provide information for environmental agencies, police officers and experts or researchers for the easy identification of a timber .

In Brazil, the tool is used by IBAMA (Brazilian Institute for Environment and Renewable Natural Resources) and by the Federal Police to identify whether timbers being transported or processed are species that can be legally harvested.

Domestic Log Prices

| | US\$ per m ³ |
|-------------------------------------|-------------------------|
| Brazilian logs, mill yard, domestic | |
| Ipê | 169 |
| Jatoba | 109 |
| Massaranduba | 120 |
| Muiracatiara | 122 |
| Angelim Vermelho | 114 |
| Mixed redwood and white woods | 108 |

Export Sawwood Prices

| Sawwood, Belem/Paranagua Ports, FOB | US\$ per m ³ |
|-------------------------------------|-------------------------|
| Ipe | 1294 |
| Jatoba | 1202 |
| Massaranduba | 707 |
| Muiracatiara | 726 |
| Pine (KD) | 228 |

Domestic Sawwood Prices

| Brazil sawwood, domestic (Green ex-mill) | US\$ per m ³ |
|--|-------------------------|
| Ipê | 856↓ |
| Jatoba | 534↓ |
| Massaranduba | 409↓ |
| Muiracatiara | 470↓ |
| Angelim Vermelho | 407↓ |
| Mixed red and white | 253↓ |
| Eucalyptus (AD) | 235↑ |
| Pine (AD) | 187↑ |
| Pine (KD) | 196 |

Export Plywood Prices

| Pine Plywood EU market, FOB | US\$ per m ³ |
|-----------------------------|-------------------------|
| 9mm C/CC (WBP) | 372 |
| 12mm C/CC (WBP) | 345 |
| 15mm C/CC (WBP) | 337 |
| 18mm C/CC (WBP) | 325 |

Domestic Plywood Prices (excl. taxes)

| | US\$ per m ³ |
|----------|-------------------------|
| Parica | 762↑ |
| 4mm WBP | 683.40↑ |
| 10mm WBP | 538.70↑ |
| 15mm WBP | 674.90↑ |
| 4mm MR | 532.20↑ |
| 10mm MR | 495.30↑ |
| 15mm MR | |

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

| Domestic ex-mill Prices | US\$ per m ³ |
|-------------------------|-------------------------|
| 15mm MDP | 326↑ |
| 15mm MDF | 512↑ |

Export Prices For Added Value Products

| FOB Belem/Paranagua Ports | US\$ per m ³ |
|---------------------------|-------------------------|
| Decking Boards | |
| Ipê | 2,330.00 |
| Jatoba | 1,550.00 |

Report from Peru

Analysing contributions to the Forestry and Wildlife regulations

As part of the approval process for the new Forestry and Wildlife Act, an intergovernmental group held a workshop to establish criteria for assessing the over 2,000 written contributions made by concerned groups and individuals.

The workshop was attended by representatives of regional governments, civil society, NGOs and international technical cooperation agencies.

The new Forestry and Wildlife Law contains 459 articles and was submitted for review and public comment in September last year and there was a huge response from stakeholders.

To facilitate assessment of the comments and suggestions the submissions were categorised into those related to wildlife, forest management and indigenous and rural communities.

The intergovernmental group was led by the General Directorate of Forestry and Wildlife, Ministry of Agriculture and Irrigation and involved the Ministries of Environment, Foreign Trade and Tourism, Culture, Production, Economy and Finance, the Presidency of the Council of Ministers.

Also included was the agency for the Supervision of Forest Resources and Wildlife (OSINFOR), the Interregional Amazon Council Amazon (representing regional governments and appointed by the National Assembly of Regional Governments) and the Centre for National Planning. Assessment of the many submissions will take a considerable time.

Agrobanco exceeded placements during the first quarter of 2014

Agrobanco has reported that its loans nationwide reached US\$350 million during the first quarter of this year, exceeding initial projections. The president of the organization, Hugo Wiener, noted that this is very good news for the agriculture and forestry sectors.

Wiener said that during 2013 approximately 50,000 agricultural and timber sector enterprises benefitted from Agrobanco credit and long-term finance.

The highest percentage of loans in 2013 were to finance production of agricultural crops, forestry, timber processing and agribusiness.

Export Sawwood Prices

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

| | US\$ per m ³ |
|---|-------------------------|
| Peru Sawwood, FOB Callao Port (cont.) | |
| Virola 1-2" thick, length 6'-12' KD | |
| Grade 1, Mexican market | 431-496 |
| Grade 2, Mexican market | 372-415 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 841-865 |
| Asian market | 866-939 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 509-549 |
| Dominican Republic | 592-611 |
| Marupa (simarouba) 1", 6-11 length Asian market | 444-495▲ |

| | US\$ per m ³ |
|--|-------------------------|
| Peru Sawwood, FOB Iquitos | |
| 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 Sawwood Prices

| | US\$ per m ³ |
|------------------------|-------------------------|
| Peru sawwood, domestic | |
| Mahogany | 867-911 |
| Virola | 152-177▲ |
| Spanish Cedar | 296-355 |
| Marupa (simarouba) | 110-121 |

Export Veneer Prices

| | US\$ per m ³ |
|------------------------|-------------------------|
| Veneer FOB Callao port | |
| Lupuna 3/Btr 2.5mm | 207-239 |
| Lupuna 2/Btr 4.2mm | 212-222 |
| Lupuna 3/Btr 1.5mm | 211-221 |

Export Plywood Prices

| | US\$ per m ³ |
|--|-------------------------|
| Peru plywood, FOB Callao (Mexican Market) | |
| Copaiba, 2 faces sanded, B/C, 15x4x8mm | 328-365 |
| Virola, 2 faces sanded, B/C, 5.2x4x8mm | 466-489 |
| Cedar fissilis, 2 faces sanded 4x8x5.5mm | 759-770 |
| Lupuna, treated, 2 faces sanded, 5.2x4x8mm | 373-399 |
| Lupuna plywood | |
| B/C 15x4x8mm | 407-439 |
| B/C 9x4x8mm | 366-385 |
| B/C 12x4x8mm | 350-360 |
| B/C 8x4x15mm | 424-446 |
| C/C 4x8x4mm | 389-425 |
| Lupuna plywood B/C 8x4x4mm Central Am. | 370-393 |

Domestic Plywood Prices

| | US\$ per m ³ |
|--|-------------------------|
| Lupuna Plywood BB/CC, domestic (Iquitos mills) | |
| 122 x 244 x 4mm | 467 |
| 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

| | US\$ per m ³ |
|------------------------------|-------------------------|
| Peru, Domestic Particleboard | |
| 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

| | US\$ per m ³ |
|--|-------------------------|
| Peru, FOB strips for parquet | |
| Cabreuva/estoraque KD12% S4S, Asian market | 1293-1351 |
| Cumaru KD, S4S Swedish market | 897-1025 |
| Asian market | 1255-1345 |
| Cumaru decking, AD, S4S E4S, US market | 1215-1311 |
| Pumaquiro KD # 1, C&B, Mexican market | 464-534 |
| Quinilla KD, S4S 2x10x62cm, Asian market | 493-519 |
| 2x13x75cm, Asian market | 732-815 |

Report from Guyana

Top three timbers dominate export trade

During the period reviewed there were no shipments of greenheart logs but purpleheart logs were exported and at moderately attractive prices. Standard Sawmills quality purpleheart logs were priced at US\$300 per cubic metre FOB.

Mora logs were sold for a fair price to international buyers with mora Standard Sawmill quality logs fetching US\$150 per cubic metre FOB. Fair Sawmill quality mora attracted an FOB price of US\$140 while Small Sawmill quality mora logs were traded at US\$130 per cubic metre FOB.

Wamara (*Swartzia leiocalycina*) logs continue to be in demand and the latest shipments went at prices ranging from US\$120 to US\$170 per cubic metre FOB. Guyana's logs continue to attract buyers mainly in the Asian markets.

Greenheart sawnwood demand firms

Sawnwood exports were encouraging and made a useful contribution to total export earnings during the period reviewed. Undressed greenheart (Prime) continues to maintain a price of US\$1,057 per cubic metre FOB.

The FOB price for Undressed greenheart (Select) remained stable at US\$1,060 per cubic metre. The top-end FOB price for Undressed greenheart (Sound) moved from US\$594 to US\$763 per cubic metre. This quality of greenheart is in demand in Europe, the Middle East and North America.

During the period reviewed Undressed purpleheart FOB prices moved from US\$1,080 to US\$1,100 per cubic metre for shipments to markets in the Caribbean and New Zealand.

Undressed mora (Select) sawnwood recorded a significant price increase, climbing as high as US\$785 per cubic metre FOB while for Sound quality prices were around US\$509 per cubic metre

In contrast to the price gains mentioned above during the period reviewed Dressed greenheart sawnwood FOB prices fell US\$1,102 to US\$996 per cubic metre, the Caribbean remains the main market for this product.

Similarly Dressed purpleheart FOB prices eased from US\$1,102 to US\$ 1,060 per cubic metre

Recently plywood prices have also eased from US\$578 to US\$470 per cubic metre FOB with the demand coming mainly from buyers for the Central American markets

Greenheart piles (Select category) secured a noteworthy price on the export market and earned as much as US\$ 531 per cubic metre FOB in the North American market.

Wallaba poles FOB prices remained unchanged at US\$833 per cubic metre in the Caribbean market. However, Splitwood (shingles) prices were maintained at US\$1,045 per cubic metre, up from the previous shipment prices.

Harnessing local building contractors to promote LUS use

As part of an effort to raise public awareness of the wide range of timbers available the FPDMC has published a guide that groups the lesser used species into categories based on their properties compared to the more commonly used timbers.

As an example the guide mentions that black kakaralli can be a substitute for greenheart in many applications , morabukea for ora, futui for silverballi whilst darina can be substituted for locust. The species guide is proving very popular with local builders and furniture makers.

Homeowners in Guyana have expressed satisfaction with the performance of tonka bean and darina, both LUS, for flooring as well as with the performance of korokororo, another LUS, for ceiling panels and itikiboroballi and kurokai for wall panels.

In Guyana consumers often seek assistance and guidance on suitable timbers from building contractors and as such these specialists are in a position to perform an important role in promoting the use of a wider range of timbers.

Carpenters and building contractors are now being encouraged to familiarise themselves on the LUS timbers that are available.

Export Log Prices

| Logs, FOB Georgetown | SQ - US \$ Avg unit value per m ³ | | |
|----------------------|--|------|-------|
| | Std | Fair | Small |
| Greenheart* | - | - | - |
| Purpleheart | 300 | - | - |
| Mora | 150 | 140 | 130 |

*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 Plywood Prices

| Plywood, FOB Georgetown Port | | US\$ Avg unit val. per m ³ | |
|------------------------------|-------|---------------------------------------|-----------|
| Baromalli | BB/CC | 5.5mm | No export |
| | | 12mm | 467-470 |
| Utility | | 5.5mm | No export |
| | | 12mm | No export |

Export Sawwood Prices

| Sawwood, FOB Georgetown | | \$ Avg unit val. per m ³ | |
|-------------------------|--------------|-------------------------------------|-----------|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | 1,057 | - |
| | Standard | - | 640-996 |
| | Select | 594-1,060 | - |
| | Sound | 699-763 | - |
| | Merchantable | - | - |
| Purpleheart | Prime | - | - |
| | Standard | - | 721-1,060 |
| | Select | 912-1,100 | - |
| | Sound | - | - |
| | Merchantable | - | - |
| Mora | Prime | - | - |
| | Select | 594-785 | - |
| | Sound | 350-509 | - |
| | Merchantable | - | - |

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

Report from Japan

Tax reform could spur growth

Japan’s Ministry of Economy, Trade and Industry (METI) has suggested that GDP could grow by an additional forecast that yen 7 trillion if corporate tax rates are cut by 10 percent from the current level of around 35 percent.

One of the measures being considered by the government is an overhaul of company taxes to spur growth but the idea of a reduction in corporate tax is being resisted by the Ministry of Finance and some members of a tax review panel.

After surveying some 1,000 leading companies METI reported that a 10% cut in corporate taxes would improve competitiveness in the domestic market and would lead to greater earnings and investment. This may attract back to Japan some companies which relocated production overseas.

In contrast, says the METI report, if business taxes are unchanged then domestic and international sales are likely to fall.

In Japan the corporate tax comprises both national and local taxes and, at around 35%, exceeds equivalent taxes in China by 10%; by 11% in South Korea and a massive 18% in Singapore.

Japanese economy on a moderate recovery path

Japan’s Cabinet Office has released its April assessment of the state of the economy and is confident the economy is, in their words “on a moderate recovery path, while some weak movements are seen lately due to a reaction after a last-minute rise in demand before a consumption tax increase.”

In summary the press release from the Cabinet Office notes:

Private consumption exhibited weakness, a reaction after the last-minute rise in demand before the 1 April consumption tax increase.

Business investment is picking up.

Exports are flat.

Industrial production is almost flat, a reaction after the rise in demand before a consumption tax increase.

Corporate profits are improving and enterprises judge current business conditions to be broadly improving but firms are cautious about the immediate future.

The employment situation is improving steadily.

Consumer prices are rising moderately.

The press release says, although weakness in the economy will remain in the short term as consumers adjust to the tax increase, the economy is expected to recover as the effect gradually lessens.

However, the slowing of overseas demand is still a downside risk to the Japanese economy.

One of the major problems facing the government is energy. According to data provided by the Ministry of Finance, Japan's trade deficit has quadrupled since April 2012 as imports have increased 17% but exports only grew by 11%.

The main reason for the increasing trade deficit is because Japan now needs to import almost all of its energy requirements. After the Fukushima nuclear disaster in March 2011 the Japanese government ordered a shutdown of almost all nuclear plants in the country pending safety inspections to new tighter rules.

Business leaders urge agreement on TPP

Despite continuing negotiations even while the leaders of the US and Japan were meeting no agreement was reached on the Trans-pacific Partnership (TPP) largely because of disagreement over the issue of market access for agricultural products and automobiles.

The TPP is strongly supported by businesses on both sides of the Pacific and the U.S. Chamber of Commerce, the Japanese Business Federation (Keidanren), the U.S.-Japan Business Council (USJBC) and Japan-U.S. Business Council issued a press statement urging agreement.

The press release notes; "The U.S. and Japan stand to gain substantially from the establishment of high standard rules in areas such as intellectual property protection,

investment, SOEs, digital commerce, regulatory coherence and transparency.

Concluding a strong TPP agreement requires the long-term vision and commitment of both governments to prioritize 21st Century strategic economic interests that support trade and investment expansion, job creation, and innovation. It is important for political leaders in both countries to focus on the broader economic interests.

Ultimately, this will increase U.S. and Japanese economic growth, integrate the two economies further, and solidify the strategic alliance at a critical time."

See: <https://www.uschamber.com/press-release/joint-statement-tpp-us-chamber-commerce-us-japan-business-council-keidanren-and-japan>

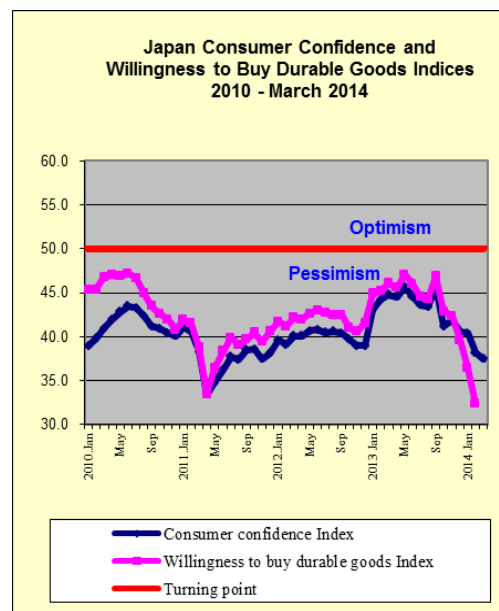
Consumer confidence down for fourth month

Japan's Cabinet Office has released the results of the March 2014 consumer confidence survey and reports the consumer confidence index fell to 37.5 in March, down from the 38.3 in February and the fourth month of consecutive decline.

For the Cabinet Office consumer confidence survey data see: <http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html#data>

The latest survey was conducted on March 15th, 2014 around two weeks before the consumption tax was raised. The survey covered 8,400 households and the response rate was 67.5%.

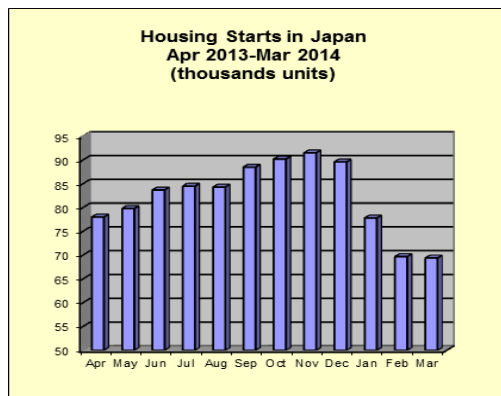
The survey assess sentiment in several categories and the recorded perceptions were as follows; Overall livelihood: 35.0 (down 1.0 from previous month), Income growth: 38.2 (down 0.1 from previous month), Employment:45.9 (down 0.9 from previous month) and Willingness to buy durable goods:30.8 (down 2.0 from previous month).



Source: Cabinet Office, Japan

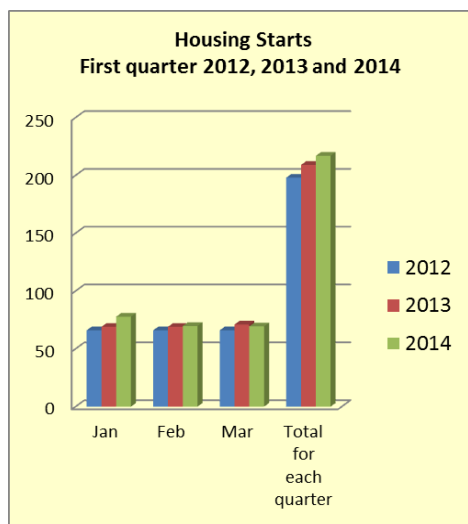
Japan housing starts

The latest figures from Japan’s Ministry of Land, Infrastructure and Transport shows that first quarter 2014 housing starts fell to 69,400 marking three consecutive months of decline. The first quarter figures came as no surprise to analysts who had factored in the impact of the rise in consumption tax on investment in housing.



Data source: Min. Land, Infrastructure Transport and Tourism

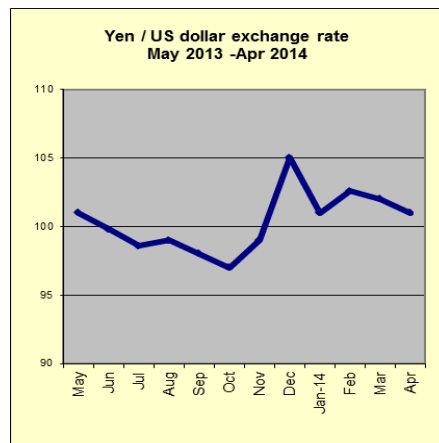
While the consistent decline in housing starts from December 2013 appears to signal a weakening in demand, a quarter on quarter comparison with 2012 and 2013 shows that the performance of the housing market in 2014 was actually an improvement as illustrated in the following graphic.



Data source: Min. Land, Infrastructure Transport and Tourism

Yen surge short lived

In mid-April the yen strengthened slightly against the dollar rising to yen 98 to the dollar but subsequently weakened and stood at yen 102.50 during the latter part of the month.



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>

Imported South Sea hardwood plywood market

Plywood suppliers in South Sea countries are becoming bullish again. Indonesian suppliers propose sizable price increase like about \$30 per cbm after harvest tax hike since March with strong currency of Rupiah and high log prices.

Japanese buyers are now trying to buy more from Malaysian suppliers but in Sarawak in Malaysia, log prices are high and once Indonesian prices are up, Malaysian suppliers are likely to follow suit.

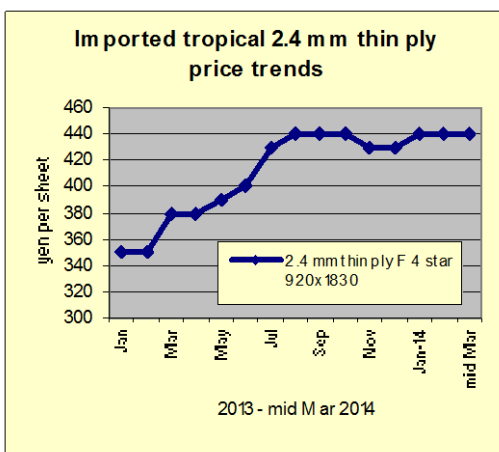
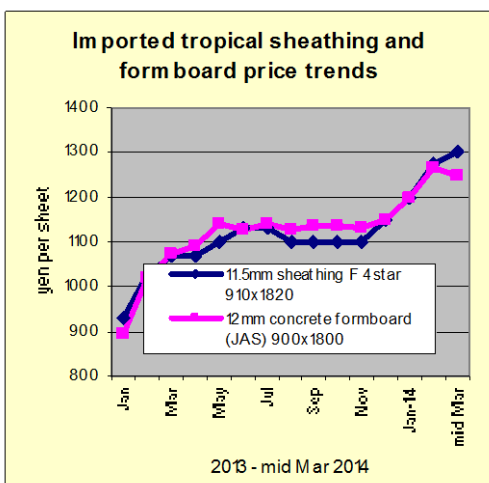
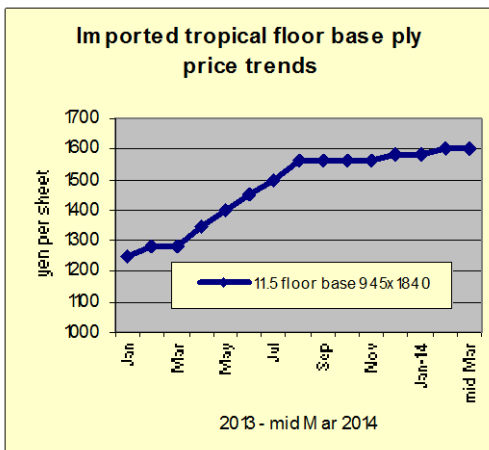
Because of log supply shortage, plywood mills’ production in Malaysia had been slow and delayed until March and mills carry heavy order balance then log production started recovering and mills’ order balance is now about a month or a month and half, which is normal.

Future purchases declined since last February as market future is hard to see with consumption tax increase since April, which helped reduce mills’ order balance. Hot market in Japan simmered down since late February and now the market is quiet.

Port inventories are not little but the market prices remain unchanged. Importers carry order balance with current market prices and supplying mills are facing higher log prices so both have no room to reduce the prices.

Importers comment that if May prices would be higher, they need to accept April offers. Present market prices of JAS coated concrete forming panel of 3x6 in Tokyo market are about 1,350 yen per sheet delivered, unchanged from March.

Price trends for Japanese imports of Indonesian and Malaysian plywood



Export log prices are firm

In Sarawak, rainy season was over much earlier than usual years and dry weather has been lasting for last two month so that river water level dropped and log towing and barging become difficult from interior mountain log yard to log loading ports.

Log inventories at loading ports are down and the suppliers are bullish and the log prices stay up high. Even low grade log prices are up.

Low grade meranti prices for India are \$270 per cbm FOB, \$5-10 higher than March. April proposals for Japan are also up by \$5-10 at about \$300 on meranti regular and \$255 on small meranti, \$235 on super small meranti.

In Sabah, after some dry weather, rain started again and log harvest is hindered but hauling logs from the bush to the ports in Sabah is mainly by trucks so transportation is not as bad as Sarawak.

Weather in PNG recovered but heavy rain started in the Solomon Islands, which flooded the rivers and carried away bridges. Chinese purchase in PNG is brisk to supplement shortage of the supply from the Solomon Islands so that the log prices are very firm. Even calophyllum for lumber is high in price so there has not been any arrival into Japan for some time now. Taun is less costly but the level stays up high and hard to buy.

Oshika establishes Indonesian subsidiary

Oshika Corporation (Tokyo), a major adhesive manufacturer for wood products, announced to establish joint venture company in Indonesia for marketing of adhesive. With this, Oshika will have adhesive manufacturing and marketing companies both in China and Indonesia.

Oshika targets overseas sales of three billion yen in five years. Newly established company is Oshika Indonesia, which is joint venture with Indonesian adhesive manufacturer, P.T.Polychemie Asia Pacific Permai. Oshika has 80% share and Polychemie has 20% share.

Oshika established back in 1995 Poly-Oshika for manufacturing adhesive with 50/50 investment with Polychemie and it has been producing adhesives at its Bogor plant and the products are marketed through Polychemie.

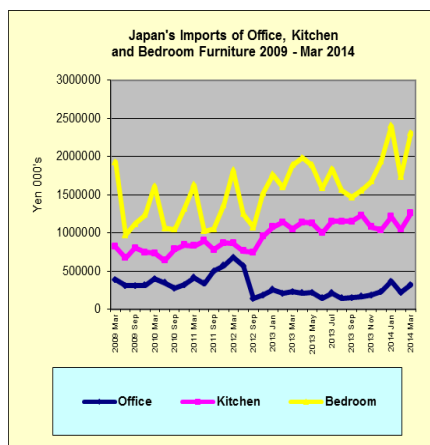
Now newly established company will market the products not only in Indonesia but for other markets like Vietnam and Thailand. Indonesian market of adhesive is for laminated lumber and free board of rubber wood and merkusii pine.

Oshika established adhesive manufacturing company jointly with Chinese company in 2003 then to expand the market, it established adhesive marketing company in Dalian, China.

Trends in office, kitchen and bedroom furniture imports

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

Japanese imports of furniture exhibited a cyclical trend between 2009 and 2012. However, from 2012 bedroom furniture imports began to increase and have continued upwards since.



Source: Ministry of Finance, Japan

March furniture imports rose after the sharp fall in February as Japanese furniture companies prepared for the last minute purchases by consumers wishing to avoid paying the higher consumption tax of 8% from 1 April 2014.

Office furniture imports (HS 9403.30)

March 2014 imports of office furniture into Japan rose sharply from yen 217 mil. In February to yen 318 mil., an increase of 46% month on month.

March 2014 office furniture imports

| | Imports Mar 2014 Unit 1,000 Yen |
|--------------|------------------------------------|
| S. Korea | - |
| China | 137603 |
| Taiwan P.o.C | 3477 |
| Vietnam | 5688 |
| Thailand | 9159 |
| Malaysia | 3796 |
| Indonesia | 16369 |
| Sweden | - |
| Denmark | 6124 |
| UK | - |
| Netherlands | 2858 |
| France | - |
| Germany | 16901 |
| Portugal | 15773 |
| Italy | 29143 |
| Poland | 45712 |
| Lithuania | 3484 |
| Slovakia | 3599 |
| Canada | 951 |
| USA | 14628 |
| Mexico | 2230 |
| Australia | 400 |
| Total | 317895 |

Source: Ministry of Finance, Japan

The three main suppliers accounted for 69% of all office furniture imports in March 2014. Of interest was the entry of Vietnam as a small supplier of office furniture. Vietnam is better known as a supplier of kitchen and bedroom furniture to Japan but it could be that shipments of office furniture will expand.

In March Japan's imports of office furniture from the EU increased to around 35% of total office furniture imports significantly up on levels in February.

Kitchen furniture imports (HS 9403.40)

The downward trend in imports of kitchen furniture extended from February to March. Japan's kitchen furniture imports in March were 27% less than a month earlier.

The big losers were China, down yen 50 mil., Indonesia, down 30% and Poland, the fifth ranked supplier in February shipped nothing to Japan in March.

The top three suppliers Vietnam (33%), Indonesia (24%) and Philippines (16%) accounted for 73% of all kitchen furniture imports in March. China's rank in terms of value of imports for March fell to fourth place, down from the number one spot in February.

Of the EU suppliers of kitchen furniture to Japan Germany, once again, shipped a significant value of kitchen furniture in March and this was valued at yen 57 mil.

March 2014 kitchen furniture imports

| | Imports Mar 2014 Unit 1,000 Yen |
|--------------|------------------------------------|
| S. Korea | 2972 |
| China | 213637 |
| Taiwan P.o.C | 3149 |
| Vietnam | 410594 |
| Thailand | 4967 |
| Malaysia | 31866 |
| Philippines | 202204 |
| Indonesia | 299895 |
| Denmark | 1161 |
| UK | - |
| France | - |
| Germany | 57409 |
| Italy | 11124 |
| Austria | 1910 |
| Romania | 1013 |
| Lithuania | 1810 |
| Canada | 5159 |
| USA | 7187 |
| Total | 1256057 |

Source: Ministry of Finance, Japan

Bedroom furniture imports (HS 9403.50)

Japan’s bedroom furniture imports increased throughout 2013 and reached a record high in January 2014. February 2014 imports fell but March 2014 imports rose by around 34% to yen 2,311mil.

Most of the March increase can be explained by the 60% rise in bedroom furniture from China as well as the 30% increase in imports from Vietnam. The top three suppliers in January, February and now March remain China, Vietnam and Malaysia.

Other winners in March were shippers in Thailand (up around 30%), Indonesia (+25%) and Italy which, although only shipping yen 22 mil. Saw March imports by Japan rise fivefold.

Italy and Poland dominated shipments of bedroom furniture to Japan during March but, overall, EU suppliers account for less than 5% of total bedroom furniture imports

March 2014 Bedroom furniture imports

| | Imports Mar 2014 Unit 1,000 Yen |
|------------------------|------------------------------------|
| S. Korea | - |
| China | 1193568 |
| Taiwan P.o.C | 20940 |
| Vietnam | 645144 |
| Thailand | 124740 |
| Singapore | - |
| Malaysia | 154961 |
| Philippines | - |
| Indonesia | 52294 |
| Kazakhstan | 253 |
| Sweden | 2069 |
| Denmark | 4615 |
| UK | 665 |
| France | 1008 |
| Germany | - |
| Spain | 2657 |
| Italy | 21783 |
| Poland | 21489 |
| Austria | 221 |
| Romania | 8072 |
| Turkey | - |
| Lithuania | 8437 |
| Bosnia and Herzegovina | 5838 |
| Slovakia | 9971 |
| USA | 30591 |
| Brazil | 1509 |
| Total | 2310825 |

Source: Ministry of Finance, Japan

Report from China

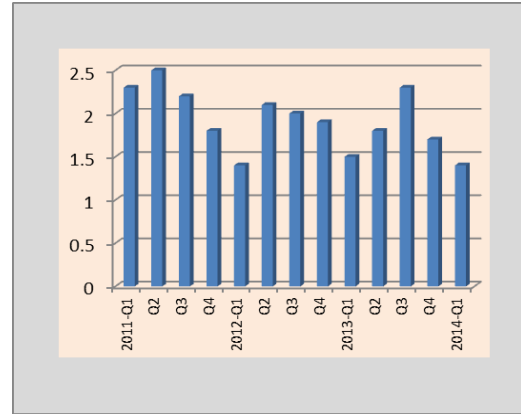
GDP growth slows but still solid

The pace of China’s economic growth lost some steam in the first quarter creating additional challenges for the government as it tries to implement reforms.

Data from the National Bureau of Statistics show that the Chinese economy expanded at an annualised rate of 7.4% in the first quarter, compared to the same period last year.

See:

http://www.stats.gov.cn/english/PressRelease/201404/t20140417_540773.html



Source: National Bureau of Statistics, China

The 7.4% GDP growth was just short of the government’s target of 7.5% but, in contrast to recent growth rates (7.8% in each of the past two years and almost 10% in 2010 and 2011), there seems a danger that growth could slow further especially as the housing market has cooled and there are signs of pessimism in the manufacturing sector. Fortunately, retail sales are still solid but not overly strong.

The question is not if, but when will the government introduce stimulus measures over and above the recent support for small and medium sized companies and extra funding of infrastructure and social housing projects.

Industry cautiously optimistic on short-term prospects

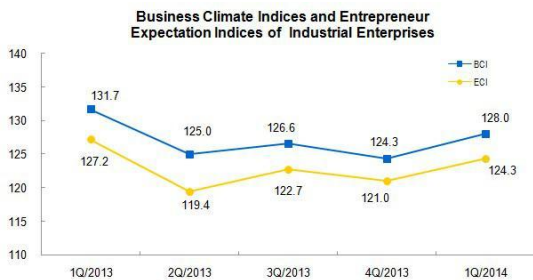
Chinese industrialists polled for the update of the business climate index (BCI) were more optimistic in the latest survey such that the BCI in the first quarter was 128.0 an increase of 3.7 points quarter-on-quarter.

The press release from the National Bureau of Statistics says that, while prospects are improving, the survey showed industrialists were more cautious of the short term and this was reflected in a weaker result for the current state of businesses (index 122.5, down 6.1 points quarter-on-quarter).

For more see:

http://www.stats.gov.cn/english/PressRelease/201404/t20140416_540338.html

In terms of enterprise size, the quarter on quarter BCI for large enterprises was 132.5 (down 11 points), for medium sized enterprises the BCI was 129.4 (up 3.5 points) and for small-sized enterprises the BCI was 121.0 (up 5.3 points).



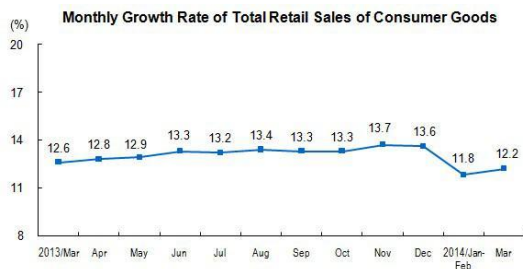
Source: National Bureau of Statistics, China

Online retails sales jump 50% in first quarter

In March 2014, total retail sales of consumer goods in China amounted to yuan 1,980.1 billion , an increase of just over 12.2 percent year-on-year (nominal growth).

From January to March total retail sales of consumer goods was yuan 6,208.1 billion up by 12.0 percent year-on-year of which online retail sales increased by over 50 percent to yuan 81.5 billion.

For more see: http://www.stats.gov.cn/english/PressRelease/201404/t20140416_540318.html



Source: National Bureau of Statistics, China

Housing investment cools in first quarter

The National Bureau of Statistics has released details of real estate developments in the first quarter of 2014.

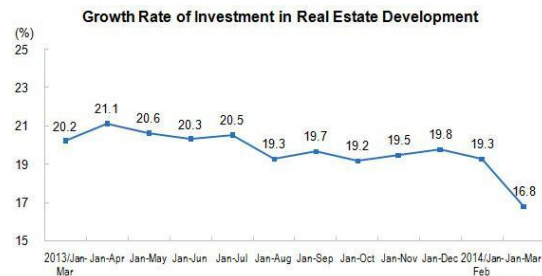
See: http://www.stats.gov.cn/english/PressRelease/201404/t20140416_540312.html

Total investment in real estate development in the first three months of 2014 was yuan 1,533.9 billion, a nominal increase of 17 percent year-on-year (or close to 16 percent when price factors are taken into account). The first quarter figures represent a 2.5 percent decline in investment compared to the previous quarter.

Of the total, investment in residential buildings fell by 2.5 percent and accounted for 68.7 percent of all real estate investment.

Nationwide, home sales for the first quarter fell almost 8 percent year on year and across the country developers are finding it increasingly difficult to sell properties and have resorted to offering big discounts, a far cry from 2013 when house prices rose 26.6%.

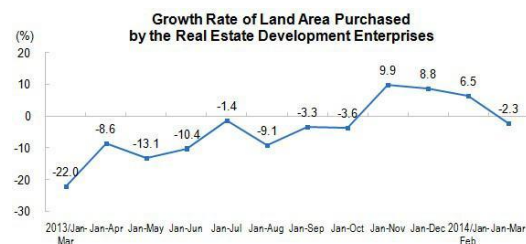
The central government is trying to slow the growth in credit and loans for house purchases and housing developments. In the first quarter credit growth was at its lowest for over a decade.



Source: National Bureau of Statistics, China

Land purchases for real estate development also down

In the first three months of this year land purchased by the real estate development enterprises fell 2.3 percent year-on-year. The full quarter figures were pulled down by a sharp decline in land purchases in the final month of the quarter. In March the national real estate climate index was 96.4 down half a point from February.



Source: National Bureau of Statistics, China

Explosive demand for Hongmu drives policies on control and management

Hongmu, or ‘redwoods’ have a long history of use in China. During the Ming Dynasty the when the emperor visited foreign countries he often carried Hongmu furniture as gifts.

In the Qing Dynasty Hongmu furniture and wooden utensils were highly prestigious and, through foreign influence baroque and rococo style furniture appeared. In China today Hongmu furniture is considered as providing comfort and dignity as well as prestige.

The market for Hongmu products grew steadily between 2001 to 2007 but from 2008 demand ‘erupted’ and Chinese importers began sourcing a variety of

'redwoods' from around the world. As supplies of Hongmu are declining prices are expected to rise sharply.

The top Hongmu distribution centres in China are in the Dajiang, Guanglan, Shaxi, Xinhui and Dachong cities in Guangdong Province; Guangxi Pingxiang City, Hebei Xianghe and Dacheng cities; Jiangsu Changshu and Suzhou cities; Zhejiang Dongyang City; as well as Fujian Xianyou.

Indicative prices for 'redwoods' are shown below. Prices in yuan per tonne.

| Hongmu Logs | 2001 | 2007/8 | 2013 |
|-----------------|---------|---------|-----------|
| Hainan rosewood | 0.3mil. | 2mil. | 15-30mil. |
| Yellow rosewood | 30,000 | 200,000 | 3-5mil. |
| Red sandalwood | 60,000 | 800,000 | 0.8-2mil. |
| | | 50- | 160- |
| Padauk | 10,000 | 80,000 | 250,000 |
| | | 20- | 100- |
| Siam rosewood | 15,000 | 30,000 | 500,000 |

Redwood control and management policies

According to China's National Standard (GB/T18107-2000) 'redwoods' (Hongmu in China) refers to the heartwood of *Pterocarpus* spp., *Dalbergia* spp., *Millettia* spp., and *Cassia* spp., whose density, texture and colour meet the requirements defined in the National Hongmu Standard. Currently 33 species, 8 genus, 5 families are listed in the standard and these are found mainly in tropical areas.

At present the scope of the Hongmu Standard is being discussed some people are advocating no change, others suggest adding species to the current list while others suggest removing some species from the list.

According to Mr. Zhang Yu, of the Plants, Endangered Species Import and Export Management Office which is also the CITES Management Authority in China, 7 species are listed in CITES Appendixes *Dalbergia nigra*, *D. cochinchinensis*, *D. louvelii*, *D. granadillo*, *D. retusa*, *D. stevensonii*, *Pterocarpus santalinus*. With another 3 species, domestic species *D. odorifera*, *D. fusca*, *P. indicus* being listed as protected.

The following redwood logs can be imported into China provided a CITES license is obtained:

- D. nigra
- D. cochinchinensis
- D. granadillo
- D. louvelii
- P. santalinus
- D. retusa
- D. stevensonii

The Chinese government has policies in place to control and manage Hongmu imports as outlined below:

The National Endangered Species Import and Export Management Office have, after consulting with the General Administration of Customs, developed mechanisms for strengthening the management of endangered timber species imports.

To contribute to the control of 'redwood' imports the General Administration of Customs issued a circular in 2013 'Issues for Strengthening the Control over the Import of Endangered Timber'. This requires Customs Officers to vigorously inspect and control imports.

In addition, the Chinese government has increased publicity, training and guidance for the consumers on Hongmu issues.

China National Forest Product Industry Association and its Hongmu sub-Committee also provides training and advice to importers and consumers.

Timber price indices

The following indices are prepared by the Ministry of Commerce and the China Timber and Wood Products Distribution Association and published in a Chinese magazine, "China Timber and Wood Products".

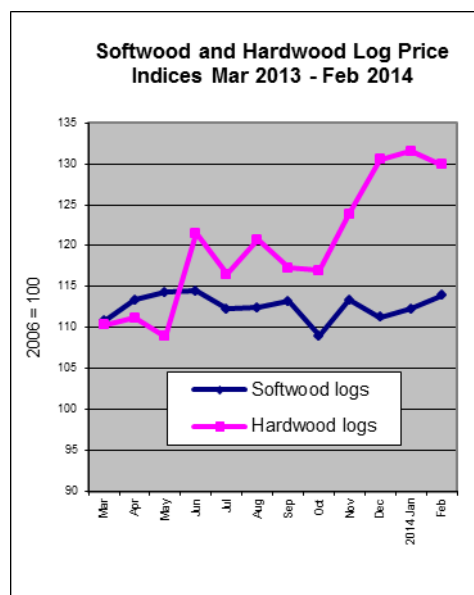
For full details see:

<http://www.cnwood.org/default.htm>

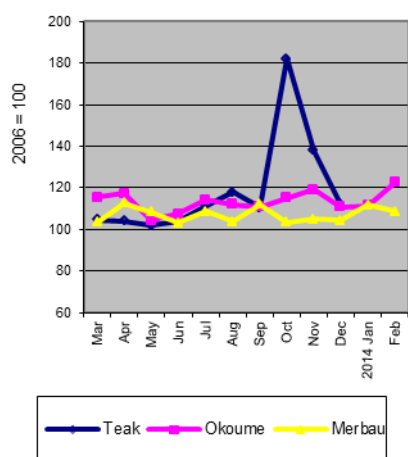
and

<http://tfzs.mofcom.gov.cn/article/buwg/redht/201305/20130500128380.shtml>.

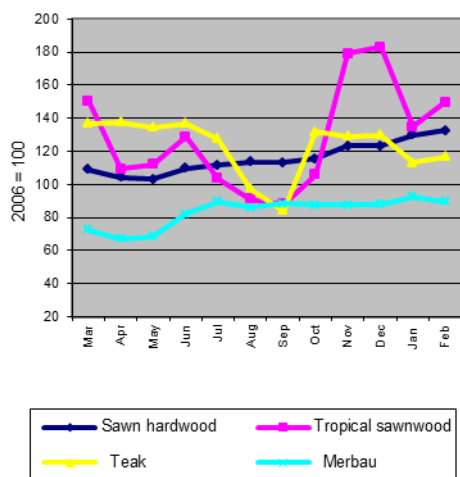
These price indices provided are calculated based on the CIF price.



**Tropical Log Price Indices
Mar 2013 - Feb 2014**



**Tropical Sawnwood Price Indices
Mar 2013 - Feb 2014**



Report from Europe

European demand improves but still concentrated on sapele

European demand for tropical sawn hardwood has been firmer in 2014 than during the previous year, particularly for sapele which is now very strongly favoured.

Demand has developed particularly well in the UK, although there are also signs of improvement in the Netherlands and Belgium while demand in Germany and France is stable.

The strong demand for sapele combined with limited supply and long lead times is also filtering through into rising demand for alternatives, notably sipo which is also now experiencing price rises.

Demand for framire and iroko have also improved this year, particularly in the UK.

While the European market has improved, European trading companies involved in direct sales to other parts of the world, report generally stronger demand in the US and Asia.

As a result availability of favoured species to European buyers remains restricted. Availability of African sawn hardwood also continues to be constrained by political problems in Central African Republic, shipping delays at Douala port in Cameroon, and reduced overall production capacity following the economic crises.

Lead times for forward shipments of sapele into Europe may be up to six months. Asian and South American sawn hardwoods are generally more readily available with significantly shorter lead times.

Lack of supply is not only a challenge for tropical hardwood. European buyers are also struggling to obtain adequate volumes of American hardwoods, particularly of favoured species like white oak and walnut. This is due to the combined effects of strong domestic and Asian demand and log supply problems during the recent long harsh winter.

This has compounded longer-term supply problems associated with reduced production and trucking capacity and lack of access to qualified loggers in the US.

Lack of availability of US hardwoods is providing new opportunities for tropical woods to boost share in certain applications, for example ayous and wawa to replace American tulipwood in moulding applications.

German tropical timber importers concerned about availability

The German trade journal EUWID reports rising concern in Germany about lack of availability of tropical hardwoods. EUWID draws on comments by Stephan Buhrich, Chairman of Overseas Trade section of GD Holz, at the German association's Trade Day held in Bremen on 21 March.

The report suggests that there has been "satisfactory to good" demand for wood products in Germany since the start of 2014. However in the case of imported products the main concern this year has been "problems and restrictions on the procurement side".

Buhrich reported that "supplies available to European buyers are severely restricted, especially in Africa" and that this is "primarily attributable to the further increase in buying competition from Chinese companies".

Buhrich also suggested that the FLEGT programme and EU Timber Regulation are now restricting procurement possibilities for European companies in Africa. Buhrich said the VPA process has contributed to further harvesting restrictions in supplier countries while EUTR has created uncertainty over the reliability of legality documentation issued by some African governments.

This problem has been particularly pronounced in Germany following the German authorities' seizure in August last year of a consignment of wenge logs from the Democratic Republic of Congo due to alleged discrepancies in the legal documentation.

According to EUWID, this consignment has yet to be released as the importing company is still waiting for a document from the DRC promised in November last year that will apparently confirm the legality of the delivery.

Buhrich said that these issues have resulted in noticeably longer delivery times and price hikes for African hardwood. However, Buhrich also noted that procurement from South America is less problematic and FSC-certified goods are available there in greater volumes.

Timber availability in Indonesia and Malaysia is also sufficient, particularly as the Indonesian SVLK and Malaysian MTCS/PEFC certification systems facilitate EUTR conformance by importers.

Positive response to EUTR in the UK

While the German trade still has concerns about EUTR implementation and the enforcement activities of the German authorities, signs are that the UK trade is more favourably disposed towards the legislation.

Drawing on interviews with a range of UK importers, regulators and other interested parties, the TTJ recently published a review of the impact of EUTR in the UK. The TTJ Editorial concludes:

"A year on, and the UK trade seems to have measured up well in implementing the EU Timber Regulation (EUTR). After initial concerns over the legislation imposing new administrative burdens, our vox pop of traders and EUTR auditors indicates that the vast part of the industry has managed its introduction well. Most 'operators' (firms which first place timber on the EU market) say that they were, in fact, already undertaking the supplier risk assessment the Regulation requires, and it has been more a question of aligning existing procedures.

TTJ also praises the "sensitive and business savvy" approach of the National Measurement Office (NMO), the UK EUTR enforcement agency, noting that: *"It has not gone in all guns blazing, with the primary goal of getting prosecutions under its belt. It has found some companies undertaking insufficient due diligence, but dealt with this without dragging them to court. But its principal focus to date has been to work closely with businesses to establish a benchmark for illegality risk assessment due diligence, and to build up its understanding and intelligence of the industry".*

While the editorial praises the steps taken in the UK, traders interviewed by TTJ highlight the considerable positive steps taken by producers to demonstrate legality. Chris Cox of Timbmet notes that: *"Indonesian and Malaysian exporters are now mostly complying with the Malaysian Timber Legality Assurance System and VLegal*

documentation, while OLB and remaining Timber Legality & Traceability Verification exports from Africa give some degree of legality assurance."

Even where third party verification isn't available, Cox comments that existing legal documentation systems in producer countries may be perfectly adequate: *"Our most contentious imports as First Placers were from Cote d'Ivoire. After a due diligence visit to key suppliers last June, we concluded that the systems underpinning legality in place were surprisingly robust.*

While exports from Cote d'Ivoire are almost certainly not sustainable at current levels, they are legal according to current legislation. Forest legislation in Cote d'Ivoire (over 40 years old and out of sync with reality) is under review and the country is also now engaged with the FLEGT process".

However another TTJ interviewee, Paul-Emmanuel Huet of Rougier, a company which has invested heavily in FSC certification, was disappointed that EUTR may not go far enough. Heut comments:

"Nearly a year after the EUTR came into force our European customers are increasingly interested in third-party certified products. But despite this there are some regrettable post-EUTR issues. Many European importers of African timber don't yet instinctively supply third-party certified timber, when it is available at little or no extra cost. Due diligence without third-party certification is often based on documents from suppliers, offering some guarantees but covering only part of the relevant legislation in the producing country".

Huet is concerned that third party certificates like FSC may be losing out to alternative methods of legality verification. To offset this, he suggests FSC and similar certificates should be recognised as guarantees of legality in EUTR in the same way as FLEGT licences will be.

He notes *"instead of supplying products certified from well-managed forests (FSC), some importers also now lean towards legality-labelled products (OLB from Bureau Veritas, TLTV from SGS, VLC from the Rainforest Alliance). Such products usually meet EUTR requirements. However, certification from well-managed forests goes well beyond certification of legality, providing far more guarantees on social and environmental issues through the entire chain of custody".*

The overwhelming impression from the TTJ review is that EUTR implementation in the UK has been reasonably straight-forward and painless due primarily to the long history of due diligence by both UK importers and their suppliers. However, Michael Kearney of the NMO introduces a sting into the tail of his interview with TTJ.

He notes that *"as we haven't seen any dramatic action so far, there may be a degree of complacency building, but we're now refocusing on high-risk areas. With the knowledge we've gathered and the NMO's existing*

enforcement expertise, we're now equipped to take on a case and ensure an outcome which will send a strong message that the EUTR is going to be robustly enforced."

Significant improvement in Rougier sales and profitability

The French-owned tropical timber specialist Rougier report a positive turnaround in business in their 2013 financial report issued in early April. Overall Rougier's operating margin came to +3.6% of revenues in the second half of 2013 compared to a deficit of 6.8% for the first half of 2013.

According to Rougier, these encouraging developments are linked to: turnaround measures implemented at Rougier's operation in Gabon; gradual improvements in logistics and industrial competitiveness at Rougier's Cameroon and Congo operations; a gradual upturn in sales volumes; the steady increase in prices; and ongoing efforts to ensure the best geographical breakdown of sales.

Rougier suggest that the significant turnaround during the final months of 2013 points to a better level of business in 2014, buoyed by current improvements in the economic environment.

Positive signs for European joinery sector at Fensterbau

A very high turnout at Fensterbau, Europe's most important show for the windows, doors and facades sector held in Nuremberg Germany at the end of March, suggests that the European joinery industry may be regaining some of its former strength.

The show, which is held every two years alongside the Holz-Handwerk wood machinery exhibition, hosted 1320 exhibitors in 17 halls and attracted over 108,000 trade visitors, 10% more than at the previous event in 2012. The exhibition promotes innovation in the European window and door industry and is an important showcase for modern high quality joinery products.

Europe's windows and doors sector has been transformed in recent years through innovation to improve life-in-use and energy efficiency. A wide range of manufacturing types were on display including wood, aluminium, u-PVC and combination metal-wood systems.

The vast majority of wood windows comprised engineered and laminate materials with very little solid timber now being used. Central European wood window manufacturers are now willing to pay the higher prices required for engineered wood due to the need for greater strength and stability.

This has become increasingly important as manufacturers now offer long-life guarantees. The strong focus on energy efficiency also means that a large proportion of new windows are now triple glazed.

Most of the wood on display at the show was softwood but hardwood had an important presence for higher-end products.

Some meranti and sapele was being used for window frames, although manufacturers at the show suggested there was a general trend away from tropical hardwoods due to continuing concerns about supply and legality and other environmental issues.

Of hardwood species, American white oak was particularly favoured for its consistent colour and grain and availability in longer lengths than most alternatives.

European and American hardwood suppliers are now looking at opportunities to increase share of the windows market by encouraging use of thermally modified species.

However use of heat-treated temperate hardwoods still seems to be at the R&D stage in this sector and only a small number of products were on display at the show, mainly in European beech and poplar.

Revival of tropical hardwood market promotion in Europe

The EU Sustainable Tropical Timber Coalition (STTC) was launched in November last year. Since then it has acquired new members to expand the network of private, public and civil society players committed to promoting European demand for certified and FLEGT licensed timber products. It has also constituted several working groups which are developing and coordinating a communications and technical program.

STTC has a target to contribute to the achievement of sustainable management of up to 10 million hectares of tropical forest by 2015 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 in legality and sustainability efforts.*"

The organisations constituting STTC are categorised into 3 groups:

- "Partners" provide financial support and are committed to engagement with participants and contributing to working groups. Partners include: the Netherlands Ministry of Economic Affairs; IDH, an agency jointly funded by the Dutch, Swiss and Danish Governments which brings together public and private partners in pursuit of sustainable trade; ICLEI, an association of local government organisations promoting sustainability; the European Timber Trade Federation; and FSC Europe.
- "Participants" are trading and procuring organisations committed to preparing and implementing an action plan to increase the market share of FLEGT-licensed and sustainably produced tropical timber. It is early days so the

list of participants is still short and narrowly focused – particularly in the Netherlands and Spain - but it contains some big names in the retailing and importing sectors and numbers are rising.

- "Supporters" are other organisations supporting the objectives of STTC and that contribute through information exchange such as ITTO, ATIBT, and PEFC.

The European STTC now has four working groups:

- "Promotion and communication" which is tackling the decrease of tropical timber on the European market.
- "Legality and sustainability" which is considering issues surrounding tropical forest certification and communication about the difference between legality and sustainability.
- "Business encounters" which is organizing trade and other business-to-business events where buyers and suppliers can meet.
- "Technical" which is considering issues such as the introduction of Lesser Known Timber Species (LKTS) on to the European market, life cycle analysis, and due diligence.

Discussion at initial meetings has highlighted the need to focus on communication of technical qualities of tropical hardwood as well as the legality and sustainability issues.

The need to build on existing communication tools has also been emphasised, for example the new technical procurement guide for African species now being developed by ATIBT and the database of lesser known wood species (LKWS) properties and applications now being developed by FSC in the Netherlands and Denmark.

A key principle in support of LKWS will be to encourage procurement agencies in Europe to specify on the basis of timber technical properties rather than known species names.

STTC now plans to set up meetings between relevant national government authorities in the EU to co-ordinate efforts in support of STTC goals. Efforts are also being made to facilitate business encounters in the most important EU countries for tropical timber in Europe (identified as the UK, Netherlands, Denmark, Germany, Belgium, France, Italy, and Spain) and to adjust communication programs depending on issues specific to each.

Business encounters will focus first of all on a few big events notably BAU and Interzum in Germany, Carrefour du Bois in France and the Timber Expo in the UK. A large general European STTC meeting is also proposed, likely to be held in January 2015.

Focus on domestic hardwood promotion in France and Belgium

The theme of this year's "Rencontres Filière Bois" in the Belgian city of Namur was the development of new sales outlets for European hardwood products.

The conference was the ninth in a series of wood industry networking events held in conjunction with the Bois & Habitat trade show in March. The show itself attracted around 20,000 visitors and 360 exhibitors including architects, engineers, timber framed home builders and material suppliers.

The focus on hardwood at the conference is due to the emerging forest problem in Europe where large areas of under-utilised hardwood forests are combined with areas where softwood is over-utilised.

At the conference, the French Technical association FCBA outlined a programme part-funded by the French government to research the structural properties of French hardwoods including oak, beech, ash, chestnut and poplar. These species are also being tested for their performance after thermal modification.

FCBA also reported on their participation in a wider European programme to develop structural projects for European hardwoods including cross-laminated timber and hardwood glulam. Research will include tests to optimise gluing techniques for engineered hardwood, and examining the potential for hybrid CLT panels combining softwood and hardwood.

Report from North America

Further declines in tropical sawnwood imports

US sawn hardwood imports in February expanded to 89,414 cu.m, up 43% from the previous month but the increase was entirely in temperate sawnwood. Tropical sawnwood imports declined by 2% to 17,030 cu.m in February. Year-to-date tropical imports are 9% higher than in February 2013.

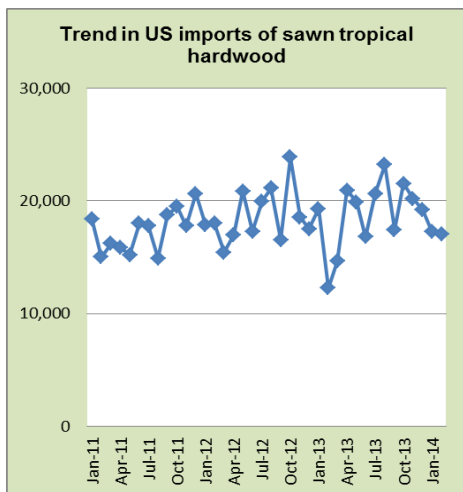
Several countries increased tropical sawnwood shipments to the US market in February, including Malaysia, Congo/Brazzaville, Ghana and Cote d'Ivoire.

In terms of species, imports of sapelli, acajou d'Afrique, keruing, jatoba and padauk grew, while imports of all other major tropical hardwood species declined.

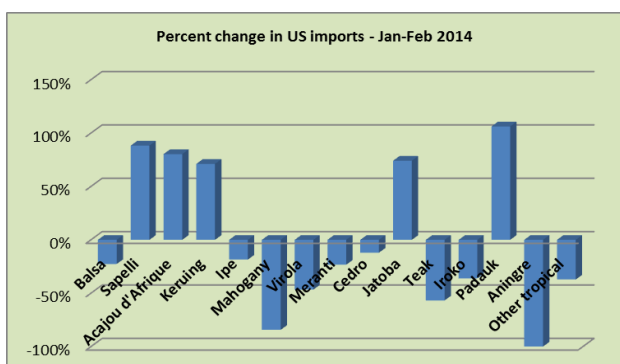
Malaysian shipments of keruing and red meranti grew in February to 1,794 cu.m and 381 cu.m, respectively.

Congo/Brazzaville increased its exports of sapelli (2,336 cu.m) to the US. Imports of mahogany (*Khaya ivorensis*) from Ghana almost tripled in February to 934 cu.m.

Tropical sawnwood imports from Brazil in February were 2,421 cu.m, down 24% from January. Ipe shipments declined by 21% to 1,930 cu.m, and US imports of virola and other tropical species also decreased in February.



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Canadian imports of Brazilian sawnwood drop

Canadian imports of tropical sawn hardwood were US\$1.86 million in February, a drop of 11% from the previous month.

However, to-date 2014 imports are much higher (+40%) compared to the same time last year.

The main decline was in imports from Brazil. February imports from Brazil were only worth US\$66,583, a drop of 84% from January.

Tropical sawnwood imports from Ecuador rose to US\$416,600, up 57% from January. Cameroon, Congo (Zaire), Ghana and Bolivia also increased their sawnwood exports to the US market.

Imports of mahogany expanded to US\$ 141,215 and for virola, imbuia and balsa the combined value of imports to Canada totalled US\$456,381. Canadian sapelli sawnwood imports declined in February.

Thermally treated US hardwoods marketed as tropical hardwood substitute

The American Hardwood Export Council (AHEC) aims to expand the market and application of American hardwood species through thermal treatment.

Thermal treatment improves dimensional stability and improves resistance to decay. Applications for thermally

treated US hardwoods include decking, patios, siding (cladding), outdoor furniture and interior uses in moist areas such as bathrooms.

AHEC's promotional campaign specifically targets tropical hardwood markets and emphasises sustainability of supply and good forest management in the US. AHEC also offers data for most commercial hardwood species for companies to prepare Environmental Product Declarations (EPDs).

The lower cost of many US species such as ash, red oak, tulipwood and soft maple, is an additional selling feature. AHEC promoted thermally modified hardwoods at the Dubai WoodShow in April, predicting growing demand in the Middle East in residential and hospitality projects.

Green initiatives and legislation have increased the use of wood in construction, according to the Dubai WoodShow organizers. Supplies of thermally modified American hardwoods are currently limited, but AHEC hopes that with growing demand more producers will adopt the technology.

Middle East markets attract US hardwood shippers

US exports of hardwood sawnwood and veneer to the Middle East and North Africa were worth US\$90.5 million in 2013, up 5% from 2012. The value of sawn hardwood increased by 3% and the volume grew by 1% from the previous year.

US sawn hardwood export volumes to the region are 80% more than five years ago, mainly due to growing demand from Pakistan and Turkey. Saudi Arabia, the UAE and Egypt are also important markets for US hardwoods.

Chemically modified wood products advance in US market

The market for both thermally and chemically modified wood products is largest in Europe, but manufacturers are becoming more active in the US market. Kebony, a Norwegian producer of wood products modified with furfuryl alcohol, has recently announced a new distributor for New York City.

Kebony treats softwood (pine from the US, New Zealand or Europe) with furfuryl alcohol and markets the product for enduses where tropical hardwoods are typically used, such as boardwalks, decking, patios and exterior siding as well as doors and window frames.

According to the promotional material from Accsys Technologies, which licenses Accoya production, demand for acetylated wood is growing because supplies of tropical timber are limited or even declining, while global timber demand is growing.

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

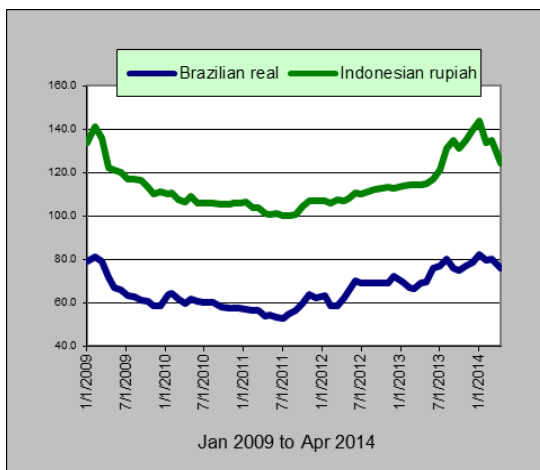
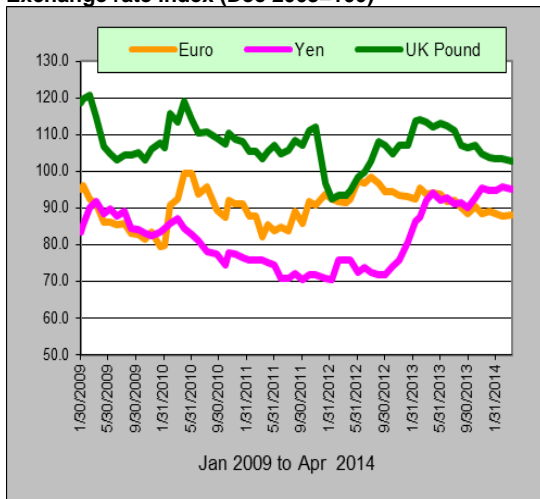
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Main US Dollar Exchange Rates

As of 25th April 2014

| | | |
|---------------|-----------|---------|
| Brazil | Real | 2.2236 |
| CFA countries | CFA Franc | 473.24 |
| China | Yuan | 6.2377 |
| EU | Euro | 0.7240 |
| India | Rupee | 60.545 |
| Indonesia | Rupiah | 11420 |
| Japan | Yen | 102.42 |
| Malaysia | Ringgit | 3.2467 |
| Peru | New Sol | 2.7725 |
| UK | Pound | 0.5956 |
| South Korea | Won | 1038.60 |

Exchange rate index (Dec 2003=100)

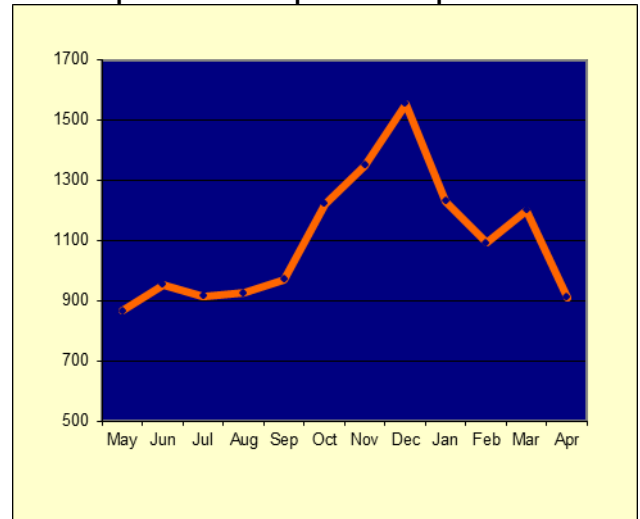


Abbreviations and Equivalences

| | |
|------------|---|
| Arrows | Price has moved up or down |
| BB/CC etc | quality of face and back veneer |
| BF, MBF | Board foot, 1000 board foot |
| Boule | bundled boards from a single log |
| 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 April 2013 – Apr 2014



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.

To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

http://www.itto.int/en/mis_registration/