

Tropical Timber Market Report

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Top Story

US housing market recovery well underway

Recovery of the US housing market is well underway with unsold inventories dropping, home prices rising and new starts increasing.

The preliminary total for existing home sales in 2012 was 4.65 million, the highest since 2007.

Sales of existing homes declined in December, but they were 13% above sales in December 2011 at a seasonally adjusted rate.

Building permit data remains positive. The total number of permits issued in 2012 was 813,400, 30% above 2011. The number of permits issued is an indicator of future building activity.

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Report from Central/West Africa

Quiet market conditions but prices firming for some timbers

Producers report that, while overall demand from European buyers remains subdued, in recent weeks there has been renewed interest in sawn iroko and other sawn hardwoods such that prices have firmed for a few species.

As anticipated, demand for sapele has increased and prices are beginning to move higher.

Padouk, is in favour again and prices have firmed significantly. Padouk sawnwood, when freshly cut, is a very bright red but over time when exposed to sunlight the colour changes to a warm brown.

Padouks can be confused with rosewoods to which they are related but, as a general rule, padouk is coarser and has a less decorative figure. Indian buyers are now more active than in past months and this is helping to keep prices stable.

Log exporters anticipate renewed interest from China

Log export prices are largely unchanged even though availability is an issue. If, as expected, buyers for the Chinese market become more active in the next month or two there will be some upward pressure on prices because of a limited supply of logs.

Any increase in demand for okoume logs will have an impact on prices as supply is now much tighter than in recent years. Okoume suppliers in Congo Brazzaville have logs but an export quota system is strictly enforced so the volumes available are limited.

SMEs struggle with EUTR documentation

European buyers are carefully watching the implementation of the EUTR and exporters are struggling to provide EU importers with sufficient documentation on their supply chain detailing every movement of logs from forest to mill and from mill to port.

Meeting importers documentation requirements is a heavy burden on small size exporters as they have difficulty in setting up in-company tracking procedures to satisfy importers.

Export prospects encouraging

Millers report they are keeping production in line with current order levels but are encouraged by the rising number of firm enquiries that are circulating.

Despite the increase in enquiries, producers are not increasing output preferring instead to hold output at modest levels to ensure price stability.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	215↑	215↑	155↑
Ayous/Obeche/Wawa	215↓	210↑	150↑
Azobe & Ekki	205	205	130↓
Belli	220↑	220↑	-
Bibolo/Dibétou	145	130	-
Iroko	270	220↓	215↓
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	280	280	190
Movingui	185	155	150
Niove	165	165	-
Okan	300	300↑	-
Padouk	340	320	235
Sapele	270	255	175↑
Sipo/Utile	320	290↓	175↑
Tali	275↓	275↓	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	330
Bilinga FAS GMS	515
Okoumé FAS GMS	470
Merchantable	290
Std/Btr GMS	345
Sipo FAS GMS	545↓
FAS fixed sizes	-
FAS scantlings	490↓
Padouk FAS GMS	850↓
FAS scantlings	840
Strips	340
Sapele FAS Spanish sizes	480
FAS scantlings	505
Iroko FAS GMS	560
Scantlings	590
Strips	420
Khaya FAS GMS	430
FAS fixed	465
Moabi FAS GMS	550
Scantlings	550
Movingui FAS GMS	400

Report from Ghana

FC drafts policy to rein in illegal wood in domestic market

The Forestry Commission (FC) of Ghana and Tropenbos International Ghana are jointly working together to draft a policy that will ensure a supply of legal timber to the domestic market.

This joint effort is the result of long consultations between stakeholders, including the Ministry of Land and Natural Resources, aimed at finding a viable and lasting solution to the flow of illegally harvested wood products to the domestic market.

The policy is looking to eliminate illegal chainsaw operations while at the same time ensuring an adequate supply of timber to the domestic market.

A key principle of the policy draft is a framework to improve the supply of legal timber to meet annual domestic demand of more than 600,000 cu.m. It is envisaged that existing local mills will supply at least 40% of the demand in the domestic market.

Access to resources through appropriate administrative and legal arrangements will be provided to artisanal mill owners. The policy will also provide for the introduction of a wood-tracking system for the domestic market.

Takoradi Port development to benefit exporters

The port at Takoradi was the first port to be built in Ghana and is now the second largest in the country. The port has, for decades, handled Ghana's traditional exports which include timber and wood products.

The volume of traffic through Takoradi Port has grown in recent years as much of the oil drilling and exploration equipment comes into the port and there has been an expansion of outgoing shipments such that the port has become increasingly congested.

To address the problem of congestion at the port the Ghana Ports and Harbours Authority (GPHA) has entered into an agreement with the China Harbour Engineering Company (CHEC) for work on a first phase of a US\$150 mil. Takoradi Port infrastructure development project.

Currently, Takoradi Port has seven berths – four multipurpose and one each specifically for manganese, bauxite and oil. Draughts range from nine to 10 metres. The port has a covered storage area of 140,000 square metres, 250,000 square metres of open storage space and container-holding capacity of 5,000 TEUs.

Takoradi Port handled 53,041 TEUs (twenty-foot equivalent unit) in 2010 up 9% from 47,828 TEUs in 2009. In coming container traffic amounted to 24,127 TEUs and outgoing traffic amounted to 28,914 TEUs.

Vessel movements jumped 33.6% to 1,277 in 2010 from 956 the previous year. Vessel turnaround time in 2010 averaged 2.1 days, down from 3.3 days in 2006.

Total cargo traffic rose 19% to 4.01m tons in 2010, up from 3.37m tons in 2009. Imports totalled 1.72m tons and exports 2.29m tons in 2010 up from 1.26m tons and 2.11m tons respectively in 2009.

The first phase of the port infrastructure development project has already started with the demolition of old structures; dredging of existing berths; construction and extension of breakwaters; building of new berths for bulk cargo such as bauxite, manganese, clinker, etc; building of oil terminals and improvement of access to the port.

When the work is completed the port will be able to handle more traffic and larger vessels. In addition vessel turnaround time should be reduced leading to reduced freight a bonus when shipping traditional commodity products from the port.

President outlines plan to expand manufacturing

In his national address to parliament, Ghana's President, John Mahama, provided assurances that the government will marshal the collective energy of all stakeholders to

facilitate the emergence and growth of a strong manufacturing sector.

He mentioned some key areas that need to be addressed to achieve this goal namely; a review of current tax structure for manufactures to improve competitiveness, establishment of an industrial development fund to support ailing and struggling manufacturing industries and provision of fully serviced industrial plots, especially in the regional capitals.

Fuel prices hike to impact timber sector

The government has announced that prices must be raised by 15 – 20% on all petroleum products because of the soaring price of crude oil on world markets and the cedi/US dollar exchange rate developments over recent months.

Analysts report that an increase in fuel prices will have a negative knock-on effect on prices of all goods and services. Fuel costs are a significant element in wood production costs and an increase in fuel costs will negatively impact profitability in the sector.

Boule Export prices

	Euro per m ³
Black Ofram	232▲
Black Ofram Kiln dry	313▲
Niangon	510▲
NiangonKiln dry	565▲

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	155-163▲	166-180▲
Odum Grade A	169-174▲	178-188▲
Ceiba	123-133▲	136-152▲
Chenchen	94-105▲	109-123▲
Khaya/Mahogany (Veneer Qual.)	112-123▲	126-145▲
Sapele Grade A	146-155▲	161-185▲
Makore (Veneer Qual.) Grade A	132-138	140-166
Ofram	109-117	122-131

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	492▲	534▲
Ceiba	210▲	255▲
Dahoma	293▼	395▼
Edinam (mixed redwood)	380▲	450▲
Emeri	358	424
African mahogany (Ivorensis)	582▲	638▼
Makore	580▲	620▲
Niangon	518▲	600▲
Odum	585▼	715▲
Sapele	530▼	648▲
Wawa 1C & Select	302	353

Export Rotary Veneer Prices

Rotary Veneer 2mm and up, FOB	€ per m ³	
	CORE (2mm & up)	FACE (2mm & up)
Ceiba	290	300
Chenchen	310	340
Ogea	310	345
Essa	290	345
Ofram	310	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.21↑	1.04↑
Asanfina	1.45↑	1.00↑
Avodire	1.05↑	0.68↑
Chenchen	0.77↑	0.47↑
Mahogany	1.30↑	0.80↑
Makore	1.22↑	0.70↑
Odum	1.88↑	1.00↑

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	450↑	620↑	643↑
6mm	420↑	615↑	622↑
9mm	360↑	438↑	475↑
12mm	366↑	430↑	439↑
15mm	310↑	378↑	368↑
18mm	395↑	360↑	360↑

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

Export Added Value Product Prices

Parquet flooring 1st	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.60↑	15.10↑	18.00↑
Odum	8.54↑	11.23↑	12.00↑
Hyedua	14.08↑	14.00↑	18.45↑
Afrormosia	14.30↑	18.50↑	18.02↑

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

Report from Malaysia

Launch of Malaysian timber legality assurance system (MYTLAS)

Malaysia has not yet concluded a Voluntary Partnership Agreement (VPA) with the EU and negotiations between the two parties continue.

It appears that the Peninsular Malaysia states (11 states and two federal territories) and the state of Sabah are likely to be the first to conclude a VPA and that the Malaysian state of Sarawak will make arrangements to participate in a VPA later.

Because Malaysia has not yet concluded the VPA negotiations no FLEGT licensed timber is available for export from Malaysia to the EU.

The result of this is that, since the coming into force of the EUTR in March this year, Malaysian exporters have to provide evidence of the legality of exported wood products to EU importers so they can satisfy the due diligence requirements of the EUTR.

To ensure an uninterrupted flow of wood product exports to the EU until a VPA is concluded the Malaysian government has launched its Malaysian Timber Legality Assurance System (MYTLAS) as a credible domestic system to verify the legality of Malaysian wood products.

Though based on the Timber Legality Assurance System (TLAS) developed under the framework of the FLEGT VPA negotiations with the the EU, MYTLAS and its

implementation is a Malaysian initiative without linkage to the EU FLEGT VPA.

Implementation of MYTLAS is subjected to a third party annual auditing to ensure its credibility and acceptance by EU operators in meeting the EUTR due diligence requirements.

The MYTLAS is operated by the Malaysia Timber Industry Board (MTIB) for exporters in Peninsular Malaysia while for exporters in Sabah the MYTLAS will be implemented by the Sabah Forestry Department.

The Secretary General of the Ministry of Plantation Industries and Commodities, Nurmala Abdul Rahim, announced on 28 March, the formation of a MYTLAS Advisory Group comprising forestry experts and key MYLAS implementing agencies.

Nurmala said “the advisory group will consider all aspects in the implementation of MYTLAS and measures to improve it taking into account feedback from stakeholders, market response and capacity building needs”.

Authority for timber licensing in Sabah to move from MTIB to Sabah Forestry Department

The industry in Sabah has been carefully observing the impending shift of licensing authority from the Malaysia Timber Industry Board to the Sabah Forestry Department.

It is now expected that all aspects of licensing of the timber industry will be smoothly transferred to the Sabah Forestry Department by 1 May 2013.

Analysts report that the timber industry in Sabah is working hard with federal and state authorities to get a timber tracking and management systems arranged so that the MYTLAS can function effectively in the state to ensure exporters can satisfy the needs of EU importers who must meet the requirements of the EUTR.

Poor weather conditions hamper harvesting in Sabah

Over the past weeks Sabah log FOB prices have increased slightly due to a scarcity of supply caused by unfavourable weather which is disrupting harvesting operations.

The weaker yen has added around US\$ 10 – 20 per cu.m to log FOB prices for the Japanese market. As trading conditions are subdued, it is reported that kapur regular quality logs for the Japanese market are priced at around US\$ 130 per cu.m CIF.

Sarawak industry struggles to attract local workers despite increased minimum wage

The Sarawak Timber Association (STA) chairman, Wong Kie Yik, in addressing the association’s annual general meeting on 28 March, called on the government to help solve the labour problems faced by the timber industry.

He said that despite the introduction of a higher minimum wage, STA members are still facing problems in finding workers. The STA believes the problem is mainly that working in the timber industry is not attractive to the

domestic workforce especially as most enterprises are located in remote rural locations.

As a result said Wong, the industry has relied mostly on foreign labour.

Log exporters encouraged by active buying from India and China

Sarawak timber exports in 2012 totalled RM 7.46 billion (approximately US\$ 2.39 billion), a 5% increase on levels in 2011.

Plywood made up 53% of total exports, logs just 24% and sawntimber 11%. Japan remained the state's biggest buyer of wood products accounting for 38% of all exports in 2012.

STA statistics show that log production in 2012 was 9,458,563 cu.m, down from 9,610,434 cu.m in 2011. In the first two months of 2013, Sarawak produced 1,185,371 cu.m of logs.

Indicative export prices for Sarawak 2.7mm MR, BB/CC plywood are US\$550 per cu.m FOB while for 9 mm and up plywood panels the price is US\$430-450 per cu.m.

FOB export prices of Sarawak logs in March were as follows:

meranti SQ US\$ 250 – 265 per cu.m
kapur SQ US\$ 340 – 360 per cu.m
keruing SQ US\$ 300 – 315 per cu.m
selangan batu regular US\$ 500 – 540 per cu.m

Log prices in Sabah and Sarawak are steadily moving higher as the availability of logs for export in the two states has declined because of poor weather conditions and because of active buying by local plywood plants and sawmills.

Buyers from India and China are chasing Sabah and Sarawak logs as the availability of logs from Papua New Guinea has reportedly fallen.

Report from Indonesia

FSC certification promoted as aiding concessionaires satisfy SVLK

Rahardjo Benjamin, Deputy Chairman of the Indonesian Concession Holder's Association (APHI) said that the timeframe for the entry into force of the SVLK certification system was such that members of the Association are having great difficulty complying.

In an effort to assist concession holders secure SVLK certification the NGO Borneo Initiative (TBI) has suggested that its own work on SFM certification goes a long way to addressing many of the requirements of the SVLK as the two initiatives are complementary.

TBI is a non profit organization promoting FSC Certification. Jesse Kuijper of TBI said that Indonesia's SVLK is of a very high standard and a significant initiative by Indonesia.

TBI has made a commitment to find a bridge between the mandatory SVLK system and voluntary FSC certification. This was announced at a recent signing of a protocol between TBI-APHI on Combined Certification for Legality (SVLK) and Sustainability (PHPL-FSC) in Natural Forest Management in Indonesia.

TBI announced that it has facilitated FSC certification for 37 forest concessionaires in Indonesia covering area of 3.7 million hectares.

Exports to EU jump as V-legal products enter the market

Dwi Sudharto, of Indonesia's Ministry of Forestry stated that trading verified legal wood products is yielding profits for the timber sector.

Data compiled by Indonesia's Timber Legality Information System indicates that total revenue from export of V-Legal wood products in January and February 2013 was more than US\$534 million compared with revenue of US\$237 mil. reported in the same period in 2012.

Colin Crooks, from the EU Delegation in Jakarta said that the EU member states import around 15% of Indonesian output of wood products and that V-legal products from Indonesia are highly regarded in the EU since the legality of these products has been verified in Indonesia prior to shipment.

Furniture SMEs reel under cost of SVLK certification

Many SMEs in Indonesia are complaining of the difficulty, time taken and high cost of meeting the requirements for SVLK certification.

UD Zakky, a furniture exporter in Sukoharja, Central Java recently began the process of SVLK certification, not as an individual company but as part of a group. Group certification is allowed under the SVLK regulations.

Despite attempting group certification the management of UD Zakky pointed out that the cost to undertake all the administrative work is high. The company reported that even with group certification the cost could be as high as IDR 50 million (approx US\$ 5,000).

The Chairman of ASMINDO-Solo, David Wijaya said that he sympathises with the SMEs who are trying to secure SVLK certification as the process is very difficult as even for larger companies.

He added that there are only 10 companies out of the 200 in Solo that have secured SVLK certificates.

MFP and WWF offer support to companies during IFFINA

IFFINA is the annual trade fair and exhibition for the Indonesian furniture and wood-base handicrafts sectors. During IFFINA 2013 the Multi-stakeholder Forestry Program (MFP) collaborated with WWF and the Indonesian furniture and handicraft manufacturers

association (ASMIDO) in offering advice and support to Indonesian companies attending IFFINA.

MFP, WWF and ASMINDO also arranged a seminar on Indonesian preparedness to meet the new demands in the global market.

Since the SVLK regulations came into force at the end of 2012 until the end of February 2013, Indonesia has issued around 11,000 V-Legal export permits for goods destined for 124 ports around the world of which 24 were ports in the EU.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face and core logs	240-270
Sawlogs (Meranti)	232-330
Falcata logs	110-270
Rubberwood	94-125
Pine	90-172
Mahoni (plantation mahogany)	135-385

Domestic Ex-mill Sawwood Prices

Indonesia, construction material, domestic	US\$ per m ³
Kampar (Ex-mill)	
AD 3x12-15x400cm	729
KD	781
AD 3x20x400cm	750
KD	802
Keruing (Ex-mill)	
AD 3x12-15x400cm	417
AD 2x20x400cm	469
AD 3x30x400cm	480

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	625
3mm	525

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	369-405
12mm	350-423
15mm	303-432

Export and Domestic Other Panel Prices

Indonesia, Other Panels, FOB	US\$ per m ³
<i>Particleboard</i>	
Export 9-18mm	175-205
Domestic 9mm	225-275
12-15mm	215-233
18mm	205-224
<i>MDF</i>	
Export 12-18mm	278-293
Domestic 12-18mm	210-280

Export Added Value Product Prices

Indonesia, Mouldings, FOB	US\$ per m ³
Laminated Boards	
Falcata wood	370-450
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	520-551
Grade B	478-500

Licensing conditions to be eased for timber enterprises

Market conditions remain unchanged from last month report analysts in Myanmar

The domestic newspaper, Weekly Eleven of 27 March reported that licenses to operate sawmills and other wood processing industries have all been extended and only need to be renewed every five years in place of the present annual renewals.

It also reported that some procedural requirements for export of timber will be relaxed. These changes are expected to be formalised in the coming months.

In other news, the Myanmar Timber Enterprise is planning to switch to pricing in US dollars instead of Euro during the coming financial year.

Analysts say, that while this will save time for the importers, it is still problematic for overseas importers to make payment in dollars as sanctions for remittance of US dollars have not been totally removed.

The change to pricing in dollars is still being discussed but looks inevitable say analysts.

April will bring the Myanmar New Year and the long official holidays will start from April 12 to 21.

The following average prices were recorded during March 22 and 25 sales.

Grade	Quantity (Tons)	€ per ton
4th Quality	10	5115
SG-1	21	3301
SG-2	36	3266
SG-4	234	2640
SG-5	135	1938
SG-6	103	1891
SG-7	64	1471

Hoppus ton=1.8m³; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices vary due to quality and/or girth at the time of the transaction.

Average teak prices in 2012

Average Prices in Euro € per hoppus ton during 2012 and 1st quarter 2013 prices are shown below.

Year/2012	SG1 €/ton	SG2 €/ton	SG4 €/ton
Month			
January	3522	3028	2189
February	3333	2919	2229
March	3533	3006	2378
April	3260	2789	2306
May	3417	2870	2393
June	3593	2975	2412
July	3110	2688	2190
August	3166	2887	2328
September	3123	2461	2262
October	3313	2782	2144
November	3600	3046	2325
December	3701	2778	2141
January 2013	3426	2805	2526
Feb-13	3312	3048	2502
March 2013	3301	3266	2640

Year/2012	SG5 €/ton	SG6 €/ton	SG7 €/ton
Month			
January	1614	1334	821
February	1694	1332	837
March	1753	1365	996
April	1739	1381	1112
May	1784	1375	1102
June	1688	1335	1040
July	1744	1472	1223
August	1753	1480	1255
September	1587	1385	1200
October	1639	1364	1205
November	1800	1482	1227
December	1777	1639	1313
January 2013	1823	1678	1366
Feb-13	1872	1615	1453
March 2013	1938	1691	1471

Hoppus ton=1.8m³; All grades, except SG-3/5/6, are length 8' x girth 5' & up. SG-3/4/6 are girth 4' & up. SG-3 grade is higher than SG-4 but with lower girth and price. Prices vary due to quality and/or girth at the time of the transaction.

Reserve Bank of India releases latest monetary policy review

The Reserve Bank of India's (RBI) recently issued a press release on its March, mid-quarter economic review: http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=28335

It outlines the rationale for the 25 basis point cut to 7.5% in the rate at which it lends to banks, with other rates remaining unchanged.

The review notes that since the Third Quarter Review January 2013, global financial market conditions have improved. However, domestic growth has decelerated significantly, affected by relatively high levels of inflation.

The review indicates that India's GDP growth in Q3 of 2012-13, at 4.5 per cent, was the slowest in the past 15 quarters. Of particular concern is the weaker output of the services sector, the mainstay of overall growth.

While growth in industrial production was positive in January, capital goods production and mining activity continued to contract.

Lower GDP growth forecast

In the quarter under review India's trade deficit narrowed significantly as exports increased and non-oil imports fell. However, between April 2012 and February 2013 the trade deficit was higher than a year ago.

The review notes that there are still major risks in the global economy. Nevertheless, leading global indicators are positive but future growth is expected to be very slow.

On the domestic front, the priorities are to raise the growth rate, restrain inflation pressures and mitigate the possible impact on the economy from external forces.

The Central Statistics Office has projected GDP growth for 2012-13 to be lower than the Reserve Bank's baseline projection of 5.5 per cent, reflecting slower than expected growth in both industry and services.

The key to reinvigorating growth, says the RBI, is accelerating investment.

The challenge in returning the economy to a high growth trajectory is revival of investment. A competitive interest rate is necessary for this, but lower interest rates alone cannot solve the problem. Issues such as bridging supply constraints, fiscal consolidation and improving governance need to be addressed says the RBI.

Extending new areas under rubber plantations

Kerala state is the centre for latex production in India. Tripura in the north east of the country is the second Indian state to follow the example of Kerala in developing rubberwood plantations.

To-date around 57,600 hectares of plantations have been established generating employment for more than 50,000.

Having witnessed the benefits of investment in rubberwood plantations, the state of Arunachal also aims to establish a commercial rubberwood plantation sector. In collaboration with the Rubber Board of India, the state government in Arunachal aims to produce 100,000 tonnes of latex.

The rubberwood plantations will yield roundwood and also facilitate production of minor forest products such as honey.

Currently, Gujarat state has only a small area of rubberwood plantations but that may soon change. The state has received a proposal from a tyre manufacturer to build a factory in the state. To encourage this investment, the state government plans to invest in rubberwood plantations to provide the latex raw material for this new industry.

The establishment of commercial rubberwood plantations will also provide an opportunity for growth in the wood processing sector in the state as rubberwood logs will be available when the plantations are periodically felled and replanted.

Sales of Teak and other hardwoods from Indian forests

Auction sales of teak and other hardwoods were concluded in the government forest depots in Western India during March. Prices for freshly harvested logs were good but the price received for log lots felled some time ago were low.

Average prices during the March auction are shown below. Prices are per cubic foot ex depot.

Teak logs	Per cubic foot
A quality for ship building	Rs.2400
B quality for ship building	Rs.2200
A for sawing	Rs 2000-2100
B or sawing	Rs 1900-2000
A Long length logs	Rs 1800~1900
B Long length logs	Rs 1700-1800
Long length, Medium Quality	Rs 1600-1700
Short Length, Medium Quality	Rs 1300-1400
Short Length, Average Quality	Rs 1100-1150

Prices for Haldu (*Adina cordifolia*) and Laurel (*Terminalia tomentosa*) logs

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	Rs 175-250
61 to 75 cm. Girth	Rs 300-350
76 to 90 cm. Girth	Rs 400-450
above 91cm. girth	Rs 500-550

Imported Teak logs

Supplies and shipments remain stable as do price levels. The turnaround in imported timber is very quick due to the shortage of domestic hardwoods.

Imported plantation teak prices (C&F)

	US\$ per cu.m C&F
Tanzania teak, sawn	450-800
Côte d'Ivoire logs	450-850
PNG logs	450-550
El-Salvador logs	400-550
Guatemala logs	400-500
Nigeria squares	300-500
Ghana logs	350-650
Guyana logs	300-450
Benin logs	500-1000
Benin sawn	700-800
Brazil squares	400-600
Colombia logs	400-600
Togo logs	350-500
Ecuador squares	350-500
Costa Rica logs	400-650
Panama logs	350-450
Sudan logs	500-650

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

Prices for air dried sawnwood per cubic foot, ex-sawmill are unchanged.

Ex-sawmill prices for imported hardwoods

Sawnwood, (Ex-mill) (AD)	Rs. per ft ³
Merbau	1500-1650
Balau	1600-1700
Kapur	1100-1250
Red Meranti	800-900
Radiata Pine (AD)	500-550
Whitewood	525-575

Prices for Myanmar Teak processed in India

Sawnwood (Ex-mill)	Rs. per ft ³
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10500
Plantation Teak A grade	3400-4000
Plantation Teak B grade	2800-3100
Plantation Teak FAS grade	2000-2600

The price range is the result of variations in length and cross section.

The trend of replacing Teak with other durable tropical hardwoods, continues because of high prices.

Imported (KD 12%) sawn wood prices per cft ex-warehouse

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1100-1200
Sycamore	1200-1300
Red oak	1400-1500
White Oak	1400-1650
American Walnut	2000-2150
Hemlock clear grade	1000-1100
Hemlock AB grade	950-1000
Western Red Cedar	1400-1550
Douglas Fir	1050-1100

Plywood market news

The rising costs of peeler logs, glues and other chemicals, transport charges and labour charges are affecting profitability in the plywood industry.

Manufacturers from Punjab and Kerala recently met and agreed that price increases are inevitable. Analysts are concerned that the market may react negatively to this proposed price increase.

Plywood prices after the agreed increases are shown below.

WBP Marine grade from domestic mills

Plywood, Ex-warehouse, (MR Quality)	Rs. per sq.ft
4 mm	30.00
6 mm	44.00
12 mm	67.00
15 mm	79.00
18 mm	95.00

Domestic Ex-warehouse Prices for Locally Manufactured MR Plywood

Locally Manufactured Plywood "Commercial Grade"	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.14.50▲	Rs.23.00▲
6mm	Rs.21.75▲	Rs.31.50▲
8mm	Rs.27.25▲	Rs.35.50▲
12mm	Rs.32.75▲	Rs.41.50▲
19mm	RS.46.00▲	Rs.56.50▲
5mm Flexible ply	Rs.31.50▲	

Report from Brazil

Central Bank maintains record low interest rates

According to the Brazilian Institute of Geography and Statistics (IBGE), the rate of inflation increased in February but at a slower rate than the 0.86% rate recorded in January.

The Monetary Policy Committee (Copom) of the Central Bank decided for the third consecutive time to maintain the current interest rate (Selic) at 7.5%.

At this level the interest rate is the lowest for many years and is the result of the gradual reductions in rate that began in August 2011 and continued for 10 months up to October last year.

The average exchange BRL/US\$ exchange rate in February was BRL 1.97/USD significantly down on the rate of BRL1.72/USD during February 2012.

Furniture sector bullish on prospects for 2013

The furniture sector in Brazil is optimistic about growth in 2013 both in terms of production and sales. The Institute of Study and Market Intelligence (IEMI) is projecting that industrial production, which expanded by 2% in 2012, is expected to register a 5.5% growth this year.

The projected scenario for sales is also quite optimistic as 2013 could see an almost 10% increase in revenues compared to the 8% growth achieved in 2012 says the IEMI report.

A survey of Brazilian consumer furniture buying behaviour conducted by IEMI in 2012 reveals that the majority of survey respondents (41%) usually buy at least one item of furniture every year.

Such purchases, says the report, are generally motivated by an event such as moving home (30%), children outgrowing current furniture (15%) and marriage (13%).

Brazilian consumers spent an average of R\$ 1,170 on furniture in 2012. In choosing furniture, 41% mentioned appearance as a main factor at the time of purchase, only 19% mentioned durability and strength. Manufacturers are aware that design is most important for consumers.

Sinop to have new industrial district for timber enterprises

The Timber Industry Association of Northern Mato Grosso (SINDUSMAD) recently met to identify the first steps required for creating a new timber industrial and commercial district in the Sinop municipality.

The wood processing industries ideally need a dedicated area away from the residential parts of the city. The problem is that the city has expanded and the residential developments now surround the locations of the wood processing plants.

With over 220 wood companies in Sinop the area is facing environmental problems mainly the result of the constant movement of heavy vehicles transporting wood products. It has been identified that these problems could be overcome by establishing a timber processing district outside the urban areas.

Mixed trends in February exports

In February 2013, the value of timber product exports (except pulp and paper) fell 1.6% compared to values in February 2012, from US\$189.7 million to US\$186.6 million.

Pine sawnwood exports dropped 1.6% in value in February 2013 compared to the same month in 2012, from US\$12.9 million to US\$12.7 million. In volume terms, pine sawnwood exports declined 0.7% to 57,900 cu.m in the same period.

Export volumes of tropical sawnwood fell sharply by almost 20% from 34,300 cu.m in February 2012 to 27,700 cu.m in February this year. The value of exports fell 14.6% from US\$ 17.8 million to US\$ 15.2 million, over the same period.

In contrast, the value of pine plywood exports increased 11.4% in February 2013 compared to February 2012, from US\$27.1 million to US\$ 30.2 million.

The volume of exports also increased and was up 11% over the same period from 73,000 cu.m to 81,100 cu.m.

Exports of tropical plywood also increased from 2,500 cu.m in February 2012 to 4,500 cu.m in February 2013, representing an 80.0% increase. In term so value, a 47% increase in earnings was recorded from US\$1.7 million to US\$2.5 million over the twelve month period.

The value of wooden furniture exports dropped from US\$35.7 million in February 2012 to US\$34.8 million in February 2013, a 2.5% decline

Rio Grande do Sul leads in furniture exports

The furniture sector of the state of Rio Grande do Sul has recovered from the weak international market over the past few years and began 2013 with positive results. Exports by manufacturers in the state in January amounted to US\$11.86 mil. representing almost 27% of all Brazilian furniture exports.

Rio Grande do Sul was the only Brazilian state that reported growth in furniture exports in 2012, thus maintaining its position as the top ranked exporter.

Although the state exported more furniture in January 2013, compared to January 2012 exports are still below record levels.

The main destination for Brazilian furniture remains Argentina, followed by the United States and the United Kingdom. Colombian imports of Brazilian furniture have more than doubled compared levels in the same period last year.

Expectations for 2013 are high according to the Association of Furniture Industries of the State of Rio Grande do Sul (MOVERGS). While trade during the early part of 2013 was still hampered by global economic weakness the situation is expected to improve this year.

35 Italian machinery suppliers participate in FIMMA Brazil 2013

Italy is the main supplier of woodworking machinery to Brazil and exports amounted to euro 52.3 million last year. Italian suppliers captured a market share of almost 36% of Brazilian demand for wood working machinery.

Thirty-five Italian wood working machinery suppliers participated in the International Trade Fair for Machinery, Raw Materials and Accessories for the Furniture Industry (FIMMA Brazil 2013),

Italian exports of wood working machinery to Brazil are estimated at euro 52 mil. and companies in the states of Rio Grande do Sul and Santa Catarina were the main buyers, accounting for around 45% of all imports of woodworking machinery.

The Italian woodworking machinery sector ended 2012 with a turnover of euro1.53 bil., a significant value but 9.8% below the previous year. In contrast Brazilian

imports of Italian wood working machinery rose about 10% in 2012.

Price trends

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	163
Jatoba	114
Guariuba	89
Mescla (white virola)	93

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1330
Cambara KD	725
Asian Market (green)	
Guariuba	354
Angelim pedra	825
Mandioqueira	302
Pine (AD)	220

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	906
Jatoba	630
Southern Mills (ex-mill)	
Eucalyptus (AD)	247
Pine (KD) 1st grade	231

Export Veneer Prices

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

Domestic Veneer Prices

	US\$ per m ³	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	272	224

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	448
White Virola (Caribbean market)	
4mm BB/CC (MR)	621
12mm BB/CC (MR)	456

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	358
15mm C/CC (WBP)	332
18mm C/CC (WBP)	330

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB)	
White Virola 4mm	806
White Virola 15mm	593

Domestic prices include taxes and may be subject to discounts.

Export Prices For Other Panel Products

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	415
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	563
Particleboard 15mm	363

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	960
Ipê	2,584

Peru loses 150,00 ha of forest a year

Jose Dance, general coordinator of the National Forest Inventory Project and Sustainable Forest Management of Peru to the FAO Climate Change office has estimated that annually about 150,000 hectares of forest are destroyed in Peru and that since 1990 a total of 12 million hectares has been deforested.

The areas most affected are San Martin, Ucayali, Madre de Dios, Loreto, Cusco, Junín and Tacna.

Over-logging and harvesting/clearing by communities are the main causes of deforestation.

First national forest inventory launched

To obtain a clear picture of the state of the forest the first national forest inventory will begin this month. This effort is being supported by the Ministry of Environment, Ministry of Agriculture, FAO and the Government of Finland.

A spokesperson in the ministry said "this inventory will help us understand the current state of Peruvian forests and implement a monitoring system for land use change to promote their conservation across 66 million hectares. Until now we did not have a complete picture of the reality of the state of the forest.

With this inventory, we can identify development opportunities offered by our forests and, more importantly, the communities that depend on them may benefit directly and inclusively".

In the Sierra forest work will be undertaken during the months of April/May until October. Interim results of the INF are to be presented annually.

The results will be available to the government for the introduction of policies that contribute to the conservation of biological diversity, the development of the climate change strategy and improvement in the use and management of forest resources and ecosystem services.

Mincetur reports progress in forest management

The Ministry of Foreign Trade and Tourism (Mincetur), in cooperation with the Ministries of Environment (Minam) and Agriculture (Minag), has presented a report on progress made in implementation of Annex 18.3.4 of the Forest Sector Appendix to the Peru/US Free Trade Agreement..

The report provided information on policies adopted and on implementation and monitoring of harvesting and trade of tree species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Information was provided on efforts to design and implementation timber traceability systems, in particular the chain of custody for CITES species.

The National Anti-Corruption Plan for forestry and wildlife was explained and details of ongoing action on capacity building for indigenous communities to manage the forest were outlined.

The Mincetur report was presented to a wide audience including representatives of the private and public institutions such as the Association of Exporters (ADEX), Lima Chamber of Commerce (CCL) and the Foreign Trade Society of Peru (ComexPerú).

The audience also included the Peruvian Society for Environmental Law (SPDA), the Peruvian Society for Ecological Development (SPDE), the National Forest, the Confederation of Amazonian Nationalities of Peru (CONAP), the People's Ombudsman and the Public Ministry.

Several speakers and participants highlighted the progress made by the Peruvian government in the implementation of the FTA Annex on Forests especially as regards the management of CITES timber species (mahogany and cedar).

Export Sawwood Prices

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

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	428-487▲
Grade 2, Mexican market	358-404▲
Cumaru 4" thick, 6'-11' length KD	
Central American market	834-849
Asian market	798-871
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	564-573
Marupa (simarouba) 1", 6-11 length Asian market	368-394

Peru Sawwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	409-444
Grade 2, Mexican market	321-354
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	294-330▲

Domestic Sawwood Prices

Peru sawwood, domestic	US\$ per m ³
Mahogany	867-911
Virola	80-111
Spanish Cedar	264-305
Marupa (simarouba)	73-87

Export Veneer Prices

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

Export Plywood Prices

	US\$ per m ³
Peru plywood, FOB Callao (Mexican Market)	318-347
Copaiba, 2 faces sanded, B/C, 15x4x8mm	412-420
Virola, 2 faces sanded, B/C, 5.2x4x8mm	759-770
Cedar fissilis, 2 faces sanded 4x8x5.5mm	363-385
Lupuna, treated, 2 faces sanded, 5.2x4x8mm	366-382
Lupuna plywood B/C 15x4x8mm	345-350
B/C 9x4x8mm	350-360
B/C 12x4x8mm	410-429
B/C 8x4x15mm	389-425
C/C 4x8x4mm	370-393
Lupuna plywood B/C 8x4x4mm Central Am.	

Domestic Plywood Prices

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

Domestic Prices for Other Panel Products

	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	1287-1388
Cabreuva/estoraque KD12% S4S, Asian market	866-981
Cumaru KD, S4S Swedish market	1209-1298▲
Asian market	1210-1298
Cumaru decking, AD, S4S E4S, US market	423-511
Pumaquiro KD # 1, C&B, Mexican market	493-519▲
Quinilla KD, S4S 2x10x62cm, Asian market	727-796▲
2x13x75cm, Asian market	

Report from Guyana

No log exports in March amid encouraging demand for sawnwood

In the period reviewed there were no log exports of the main commercial species. The only logs exported were wamara (*Eperua grandiflora*) in fair and small sawmill qualities.

However, sawnwood exports made a notable contribution towards the total export earnings as FOB prices were at attractive levels.

Undressed greenheart (select quality) sawnwood prices ended off recent highs at US\$855 down from US\$912 per cubic metre FOB.

Undressed greenheart (sound quality) sawnwood attracted a favourable price of US\$721 per cubic metre FOB during the period reviewed while Undressed greenheart (merchantable quality) sawnwood prices held firm at US\$636 per cubic metre FOB.

On the other hand, Undressed purpleheart (select quality) sawnwood was traded at a significantly higher price of US\$1,993 per cubic metre FOB in the period reviewed.

The primary market for purpleheart sawnwood was North America.

Undressed purpleheart (sound quality) sawnwood prices averaged US\$742 per cubic metre FOB.

There were no exports of Undressed mora sawnwood during the period under review.

Prices for Dressed greenheart sawnwood fell slightly from the high of US\$1,500 to US\$1,124 per cubic metre FOB.

Dressed purpleheart sawnwood prices remained unchanged at US\$1,103 per cubic metre FOB. Similarly, plywood prices held firm on the export market, maintaining a favourable price of US\$584 per cubic metre FOB.

Guyana celebrates International Day of Forests and the Tree

The International Day of Forests and the Tree is held annually on 21st March to raise awareness of sustainable management, conservation and sustainable development of all types of forests for the benefit of current and future generations.

The United Nations General Assembly adopted a resolution on 21st December 2012, which declared, that starting in 2013, 21st March of each year is to be observed as the International Day of Forests and the Tree. The resolution encourages all member states to organize activities relating to all types of forests, and trees outside forests

To celebrate, the Guyana Forestry Commission and the Forest Products Development and Marketing Council, along with other relevant agencies under the Ministry Natural Resources and Environment, hosted an exhibition displaying value added and other products derived from the forests.

Presentations were made by representatives of indigenous communities in Guyana highlighting the sustainable development of Guyana's forest and the contribution made from sustainable practices to indigenous communities.

First draft of scope of VPA and definition of legality ready for stakeholder assessment

Work has advanced in Guyana on the Guyana/EU VPA. Over the past month the main areas that were advanced were the first draft of the Definition of Forest Legality and the draft Scope of the Agreement. These documents are both undergoing national stakeholder assessment.

The draft Scope focuses on wood products that are currently being exported to the EU and those likely to be exported to the EU within the near future. Traceability of such products through the supply chain is an important element in the Scope of the VPA.

Over the course of the coming months, these key technical documents will be subject to extensive stakeholder discussions.

Stakeholder participation is a core part of the EU FLEGT process in Guyana. In this regard, plans are in motion in two other critical areas of the VPA: the Communication Strategy and the Assessment/Scoping of the Impacts of the EU FLEGT VPA in Guyana.

The National Technical Working Group, in addressing the Communication Strategy and Impact, will provide inputs on the Terms of Reference developed for these two items.

To this end, a Workshop is planned to engage stakeholders in the two areas. This Workshop will focus on reaching out to more than 120 participants from a total of thirty indigenous communities, indigenous NGOs and the constitutional bodies for indigenous people.

A further round of negotiations between Guyana and the EU is scheduled for July 2013.

There were no log exports in the period reviewed

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	-	-	-
Mora	-	-	-

*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 Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m ³	
		Undressed	Dressed
EU and US markets Greenheart	Prime	-	-
	Standard	-	700-1124
	Select	594-855	
	Sound	721	
	Merchantable	594-636	
Purpleheart	Prime	-	-
	Standard	-	1018-1103
	Select	1100-1993	
	Sound	742-	
	Merchantable	-	
Mora	Prime	-	-
	Select	-	-
	Sound	-	-
	Merchantable	-	-

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

Export Plywood Prices

Plywood, FOB Georgetown Port			\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	-
		12mm	460-584
	Utility	5.5mm	No export
		12mm	"

Report from Japan

Outgoing BoJ governor urges caution on aggressive monetary easing

The new governor of the Bank of Japan BoJ, Haruhiko Kuroda has said the bank will expand its aggressive monetary easing policy to ensure growth in the economy.

The new governor, who headed the Asian Development Bank before being asked to take the helm at the BoJ, said in the past the bank had been too timid with its policies and he supports the 2% inflation target.

The outgoing governor Masaaki Shirakawa cautioned that expansive monetary policy alone is not the solution but this must be matched by deregulation and a reduction in Japan's huge public debt if the economy is to be turned around.

Tankan survey to undergo modifications

In other news the BOJ has announced it will modify its Tankan survey in three respects:

- 1) the introduction of a survey on the inflation outlook of firms;
- 2) the removal of some questions requesting quantitative responses; and
- 3) a review of survey methods relating to the "conditions for commercial paper issuance" diffusion index (DI).

The Bank intends to implement these changes in the first half of 2014. For more see:

http://www.boj.or.jp/en/statistics/outline/notice_2013/not130322a.htm/

Negotiations begin on EU – Japan FTA

On March 25 2013 the EU and Japan officially launched negotiations for a Free Trade Agreement (FTA). The aim is for a comprehensive agreement in goods, services and investment eliminating tariffs, non-tariff barriers and covering other trade-related issues, such as public procurement, regulatory issues, competition, and sustainable development.

The first round of negotiations will be held in Brussels from 15 to 19 April 2013, full details of the background and importance of this FTA to both sides are provided in an EU press release:

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=881>

Japan is the EU's second biggest trading partner in Asia, after China. In 2011 EU exports reached euro 49 billion, mainly in the sectors of machinery and transport equipment, chemical products and agricultural products.

In 2011 EU imports from Japan were euro 67.5 billion, mostly machinery and transport equipment and chemical products.

In 2011, EU imports and exports of commercial services from and to Japan were euro 15.9 billion and euro 21.8 billion respectively. Japan is a major investor in the EU. In 2011 the EU inward investment reached a value of euro 144.2 billion.

Japan's inward FDI has increased markedly since the mid-1990s, but remains very low in comparison with other OECD countries (EU investments worth euro 85.8 billion in 2011).

If agreement on a FTA can be secured it is expected to boost Europe's economy by 0.6 to 0.8 % of its GDP and will create 400,000 jobs. It is expected that EU exports to Japan could increase by over 30%, while Japanese exports to the EU would increase by around 23%

The negotiations with Japan will address a number of EU concerns, including non-tariff barriers and the further opening of Japanese public procurement.

Both sides aim at concluding an agreement covering the progressive and reciprocal liberalisation of trade in goods, services and investment, as well as rules on trade-related issues.

Negotiations on trilateral FTA and multilateral TTP

During a trade ministers' meeting in Cambodia it was announced that Japan, China and South Korea will begin negotiations on a trilateral free trade agreement. In March this year the first round of negotiations for the FTA began.

The Japanese negotiators have indicated willingness to chair the first three day meeting at which plans will be laid for the creation of separate committees to develop suggestions on tariffs, investment and services.

The Japanese government will also join the other 11 member countries in talks on the Trans-Pacific Partnership. Neither China nor South Korea is participating in the TTP talks.

Japan's prime minister faced strong opposition to entering into talks on the TPP but has said the TPP could be the key international economic framework to lift the Japanese economy out of its prolonged deflation. Japan has already established a TTP secretariat headed by Akira Amari, the minister for economic revitalization.

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>

January plywood supply

Total plywood supply in January was 538,400 cbms, 0.4% more than January last year and 3.7% less than December last year.

Imported plywood was over 324,700 cbms, 3.4% less than January last year and 4.4% less than December. This is the second highest monthly import in last twelve months.

Malaysian supply decreased by 28,600 cbms from previous month while Indonesian supply was just about the same as previous month with 89,200 cbms. Chinese supply increased by 13,600 cbms with 79,700 cbms.

Average monthly import for last twelve months is 292,800 cbms. Domestic production in January was 213,700 cbms, 6.9% more than the same month a year ago and 2.7% less than December, out of which softwood plywood was 195,300 cbms, 8.2% more and 3.5% less.

Shipment of softwood plywood in January was 220,100 cbms, which is the second largest monthly shipment in last twelve months and the shipment exceeded over 210 M cbms for four straight months and over 190 M cbms for eight consecutive months since last June.

Inventories of domestic softwood plywood dropped down to 135,300 cbms, 15.5% down from December. The manufacturers comment that considering order balance, this level of inventory is significantly low.

South Sea (tropical) logs

Log prices in Japan have gone up considerably because of weak yen.

In early March, prices of Sarawak meranti regular are 8,200-8,300 yen per koku CIF, 200 yen up from February and 500 yen up compared to December last year. Meranti small are 7,600-7,700 yen, 400 yen up from last December.

Sabah kapur regular prices are 12,200 yen per cbm CIF, 1,300 yen up. PNG taun prices are about 8,400 yen, 900 yen up. Future prices will be higher yet.

Log suppliers' offer prices are climbing because of supply shortage by unfavorable weather. Local plywood mills are actively procuring logs and India also restarted buying.

Sarawak meranti regular FOB prices are \$265-270 per cbm, \$15 up and meranti small are about \$230, \$20 up.

PNG also suffers foul weather and log production remains low. 90% of PNG logs go to China. Log prices went up by active purchase before the Chinese New Year so that the export prices went up. China continues bullish purchase.

PNG's calophyllum (40%-regular, 30%- small, 30%-super small) FOB prices are \$290, \$25 higher than last December prices. Taun prices are \$230, \$10-20 up. Mersawa are \$270-280, \$15-20 up.

Two years after the great North East earthquake

It has been two years since violent quake and tsunami with incredible power hit the coast of North East Japan in March 2011.

Tsunami destroyed many plywood and lumber mills on the coast then devastated the nuclear power plant at Fukushima, which contaminates wide area with radioactivity and the people had to leave the area.

After the quake, shortage of supply of plywood was feared and huge orders of imported materials to cover the shortage of plywood resulted in plunge of plywood prices.

Also damage of Fukushima nuclear power plant reduces the power supply and there are rising interest to substituting energy issues, which influence even housing equipments in terms of energy saving and conservation.

Five nursery schools in Ishinomaki area were heavily damaged then one larger wooden nursery school was rebuilt by support of UNICEF.

The school master comments that wood building gives warm and gentle feeling and kid could play around with bare feet. There are other new wooden buildings in the area with support from foreign countries.

Canada Wood group donated 4.5 million Canadian dollars for restoration of the area to help rebuild wooden public facilities. As the first step, about a half of the budget is used to build library and harbor morning market in Natori city, Miyagi prefecture.

It is now looking for applications for the second stage project. Supported projects help activate local business activities.

Looking at damaged wood industry, frantic efforts have been made to bring the business back to tracks. Tidal wave with tremendous power beat down buildings and washed away machineries.

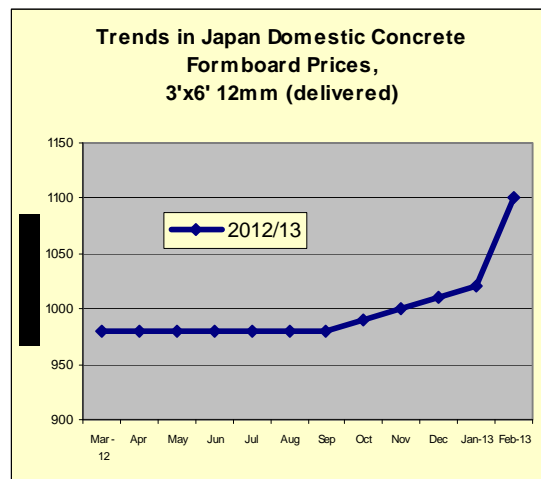
Even remaining machines are caked with mud. Many debris like cars, houses and ships rushed in the buildings and employees had to remove them one by one. In Ishinomaki plywood, wet waste paper floated in from neighboring paper mill and stuck firmly to machines, which employees had to scrape off patiently.

After two years, many restored except for some, which are damaged too much to restore.

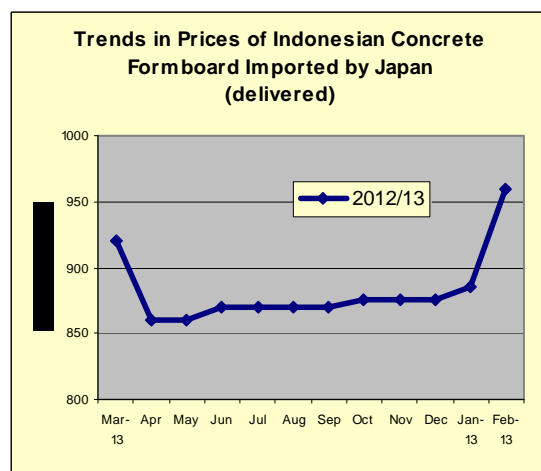
Plywood production of Seihoku Ishinomaki is about 70% of that of prior to the quake and Hokuyo Plywood at Miyako is getting back to 60%.

Meantime, public housing for refugees is slow to put up when time limit for temporary shelters is coming shortly.

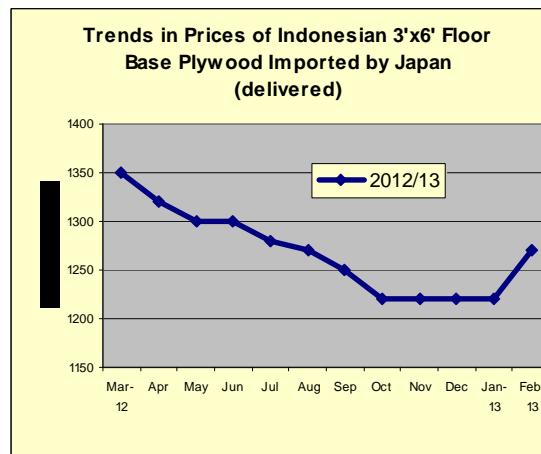
There are only 56 units built in Fukushima and Iwate prefecture. In Iwanuma, Miyagi prefecture, large development of 300 lots is under way but progress is slow because of shortage of carpenters and materials like concrete.



Source: JLR data



Source: JLR data



Source: JLR data

Think tank forecasts higher growth in second quarter 2013

The Centre for China in the World Economy (CCWE), Tsinghua University expects China's economy to grow faster in the second half of 2013 as exports and investment rise. see: www.ccwe.org.cn/ccwenew/en/

The CCWE forecasts that GDP will grow by 8 percent in the first half and by 8.4 percent for the year.

The CCWE report also forecasts that China's fixed asset investment will begin to recover in the second quarter of this year. The report notes that, despite attempts to cool the housing market, demand remains strong and investment to meet demand will spur economic growth.

Interest rates raised in tandem with surge in consumer prices

China's National Bureau of Statistics said the consumer-price index rose 4.9% in February compared to February 2012. The February rise was slightly above expectations say analysts.



Source: OECD (2010), Main Economic Indicators (March 27, 2013) <http://dx.doi.org/10.1787/data-00052-en>

Interest rates have been raised three times since October 2012 and the government and Bank of China have introduced other measures to try and cool the economy but inflation remains stubbornly high and consumers have to contend with soaring prices.

Talking tough to deflate housing bubble

At the beginning of March, new measures have been introduced to minimize the risk of the housing bubble in China becoming unmanageable.

The State Council released a five-point guideline including a 20% capital gains tax on sales of pre-owned homes however, the Council did not clearly indicate when the new tax would be enforced.

This uncertainty has caused a sharp climb in sales of homes with statistics on sales in Beijing alone showing almost a three-fold from the same period a year ago.

However, some analysts question whether the panic selling is necessary as it seems that the attempts at easing the rise in house prices are centered on tough talk rather than on enforcement of the 20% tax which, reportedly, became law since the early 1990s but had never been strictly applied.

China test trans-Arctic shipping route

Mr. Yang Huigen, the director of China's Polar Research Institute recently announced that the Chinese vessel, Xuelong (Snow Dragon), had successfully explored an arctic route for commercial cargo vessels to N. America and Europe.

For Chinese shipping companies, this could be the first commercial shipping route across the Arctic.

If commercially feasible the Arctic route will result in major savings in fuel costs as the distance is much shorter than existing routes via the Pacific and the Indian Oceans.

Some overseas shipping companies have been using the trans-Arctic shipping route. Yang Huigen predicts that by 2020, 5-15 percent of China's container vessels could be using the Arctic route.

Efforts on wood utilization efficiency and substitution

The China Timber and Wood Product Circulation Association has reiterated that, as China is so desperately short of timber raw materials, the country must further develop forest plantations to meet domestic demand. At the same time, says the Association, more efforts are needed to improve wood processing efficiency and to promote substitution.

As far back as in 1951 the Chinese government announced measures to improve wood utilisation. These included the establishment of a special authority, the Timber Saving and Development Center, to spearhead these efforts.

To further promote efficiency of wood the State Council issued a decree on Enhancing Timber Saving and Substitution use in November 2005 in which several key projects were identified, including those on mechanization and digital control of wood processing, timber protection, industrialisation of timber recycling and the environmentally friendly substitution project.

In 2009, more government resources were directed to improve utilization, minimize waste and substitution. The aim of these efforts was to both save and substitute some 40-50 mil. cubic metres of timber annually.

Statistics from the Timber Saving and Development Center appear to show that the substitution of wood from 1980 to 2012 amounted to over 870 mil. cubic metres, the equivalent of 1.45 bil. cubic metres of forest growing stock. The Association asserts that through these efforts

China has made a significant contribution to global forest resource protection.

China - Australia cooperation to eliminate illegal timber from trade

In December 2012 The Nature Conservancy, China (TNC) received a grant of over RMB40 million from the Australian Government to fund its Responsible Asia Forestry and Trade Project.

The project aims to improve timber market management in Asia and the Pacific and specifically assist Chinese timber enterprises in responding to increasing challenges in the international timber trade.

In November 2012, the Australian Government enacted a law Prohibiting Illegal Logging including prohibiting illegal wood product imports into Australia.

The Australian market is important for many Chinese enterprises which must now meet the requirements of the Australian law.

Over the past five years, TNC China has been helping government agencies and the private sector to prepare for the EU Timber Regulation and to respond to the US Lacey Act.

Currently, TNC is assisting with the development of China's Legal Timber Certification System.

Fujian attracts major investors from Taiwan P.o.C

It has been reported that in 2012 the Fujian provincial government approved investment by 16 Taiwanese timber and forestry enterprises valued at around US\$68 million.

The Fujian provincial government has actively promoted investment from Taiwanese companies and has developed policies to support this investment.

The provincial government has accelerated the development of the Taiwanese farmers' business zone and tried to create an attractive investment climate for Taiwanese companies.

Guangzhou Yuzhu International Timber Market

yuan per cu.m		
Logs		
Lauan	Diameter 60 cm*	2000-2200
Kapur	Diameter 80 cm*	3100-3200
Merbau	Diameter 100 cm*	5500-5600
Teak	Diameter 30-60 cm	10000-13000
Wenge		4500-5500
Sawn wood		
Maple	Grade A	7500-9500
Walnut USA	FAS 2 inches	14000-16000
Cherry USA	FAS 2 inches	10000-12800
Sapelli	Grade A	6600-7000
Okoume	Grade A	4200-4500
Plantation Teak	Grade A	9600

Shanghai Furen Forest Products Wholesale Market

		yuan per tonne
Logs		
Red sandalwood (India)	All grades	1 - 2 mil.
Burma (Myanmar and Nepal)	All grades	7000-8800
Granadillo (Mexico)	All grades	7500-8000
		yuan per cu.m
Sawn wood		
Okoume (Africa)	grade A	3700-4000
Sapelli (Africa)	grade A	6300-6500
Beech (Europe)	grade A	4400-4800
Red Oak (North America)	FAS	7300-7500
Cherry (North America)	2 inches	9800-10000
Maple (North America)	2 inches	8000-8300
Sapelli (Africa)	2 ins FAS HD	6300-6500
Merbau (Indonesia)	All grades	8500-13500

Hangzhou Timber Trading Market

		yuan per cu.m
Logs		
Ash	4 m x 30 cm	3200-4500
Larch	4 m x 8 cm x 10	1800-2900
Linden	4 m x 26 cm	2200-3100
Sawn wood		
Beech (Europe)	All grades	3200-4900
Black walnut (America)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (North America)	All grades	4200-7200
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-14500
		Yuan/sheet
Red beech	3mm	50-72
Black walnut	3mm	50-95
Teak	3mm	70-138

Shandong De Zhou Timber Market

		Dia	yuan per cu.m
Logs			
Larch	4m Lgth	18-22 cm	1200
		24-28 cm	1250
		30 cm	1450
	6m Lgth	18-22 cm	1230
		24-28 cm	1250
		30 cm	1500
White Pine	4m Lgth	24-28 cm	1350
		30 cm	1450
		6m Lgth	24-28 cm
		30 cm	1450
Korean Pine	4m Lgth		1700
	6m Lgth		1750
Mongolian Scots Pine	4m Lgth	30 cm	1360
		36 cm	1500
		6m Lgth	30 cm
		36 cm	1600

Wenzhou Timber Trading Market

		yuan per cu.m
Logs		
Ash	2 m x 20-30 (cm)	1300
Chinese fir		
	4 m x 16-18 (cm)	1500
Wenge (Africa)	all grades	4500-5100
Teak (Africa)	all grades	2100-2500
Merbau	all grades	3500-5000
Spelli (Africa)	all grades	3200-3700
Plywood		yuan/sheet
Red beech	4 x 8 x 3 mm	40-80
Black walnut	4 x 8 x 3 mm	40-85
Teak	4 x 8 x 3 mm	45-110

Report from Europe

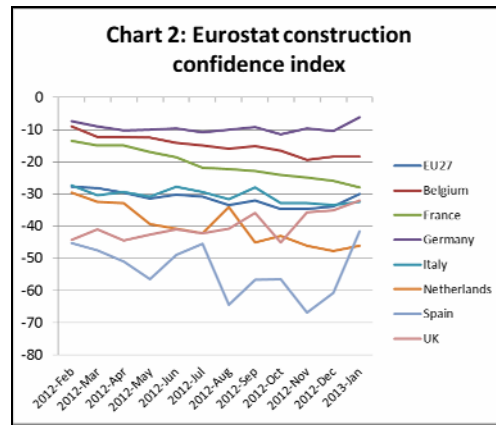
Confidence in European economy improves

Prospects for the European economy seem more positive now than this time last year. The worst fears of a destructive “domino effect” that might have resulted from Greece or another country being forced out of the euro-zone have failed to materialise. The effects of the financial crises were largely contained within the most afflicted economies of southern Europe.

The countries of central and north-western Europe, while experiencing higher than normal levels of economic volatility, have so far managed to weather the storm. Their relative stability has prevented the effects of the financial crises from trickling down throughout Europe.

In recent months, several economic indicators in the EU, such as the Economic Sentiment Indicator and the Construction Confidence Index, have improved (see Charts 1 and 2).

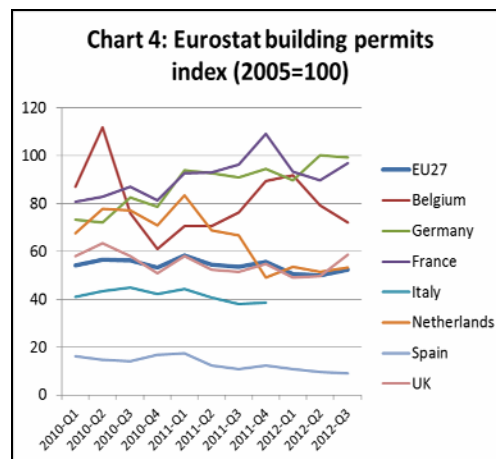
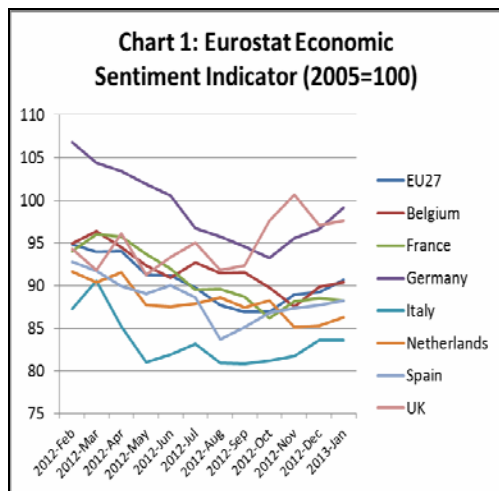
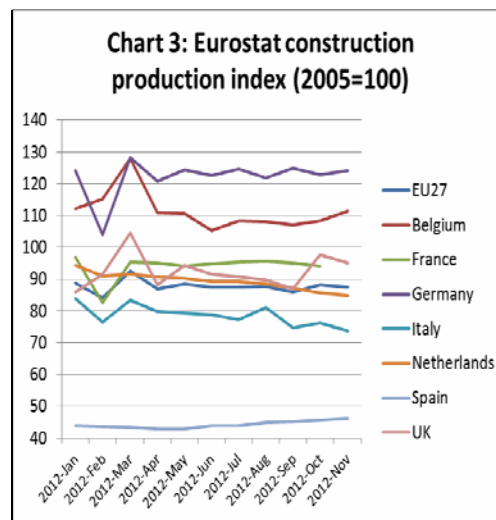
There is cautious optimism that economic reforms in the most troubled EU countries are beginning to work.



A very long hard road ahead

While confidence has risen, it is starting only from a very depressed level and remains well below pre-recessionary levels. Many serious underlying constraints to market growth remain. Financing and credit are still tight. Companies remain highly risk averse.

Activity in the construction sector remains very slow and may even decline further this year. Latest data for the Eurostat Construction Production Index (Chart 3) and Building Permits Index (Chart 4) have yet to show any sign that the market has turned a corner.



Fourth quarter 2012 GDP data for the large euro-zone economies - France, Germany, Italy, and Spain - has yet to be published, but economists are already pencilling in likely declines across the board. After a buoyant 3rd quarter of 2012, the UK economy shrank again (by 0.1%) in the last quarter of the year.

Mario Draghi, president of the European Central Bank, was gloomy in his comments to the media on 7 February, suggesting that economic risk remains skewed to the downside and that there is likely to be further weakness in 2013.

Reports suggest EUTR already driving changes in EU trade

Already reports are emerging of significant changes in the EU wood import trade with China as a result of the EU Timber Regulation (EUTR). The legislation will be enforced from 3 March 2013.

Most reports relate to plywood which is widely expected to be targeted by environmental groups hoping to raise awareness of EUTR by encouraging an early prosecution case.

EUTR makes importers personally liable and subject to potentially severe sanctions if they are found to be handling wood from an illegal source.

They are also liable if they fail to demonstrate implementation of a "due diligence system" in line with requirements set out in the regulation. EU government authorities have generally been slow to build up capacity to enforce the law. However many importers are already taking action to ensure legal compliance.

This is due as much to the fear of the negative publicity and business disruption surrounding a prosecution case as it is to the legal sanctions.

At the end of 2012, there were reports of some EU plywood importers taking early action to build up landed stocks of sensitive products, notably uncertified plywood manufactured in China, in advance of the 3rd March 2013 deadline.

The aim was to ensure they had sufficient material on the ground in Europe to give breathing space for introduction of the due diligence systems. As these systems are now being implemented, and any new orders will arrive after the 3 March deadline, European importers are now being much more selective in the plywood products being bought from China.

Poplar/bintangor plywood and mixed light hardwood plywood with bintangor, red canarium, red pencil cedar or similar types of wood are mainly affected. European importers are concerned that the legal origin of these wood types cannot be documented with sufficient certainty.

Some importers are also not ordering birch plywood and softwood plywood with Russian spruce veneers made in China. This is due to concern that procedures for verifying

the legality of Russian logs imported into China are inadequate and may be influenced by corruption.

EUTR likely to encourage consolidation in EU timber trade

Another potentially significant impact of EUTR is to encourage increasing consolidation of the international wood products trade. Representatives of some large European wood importers report that they are already seeing an upturn in business as many smaller importers are being discouraged by the risks associated with direct imports from outside the EU.

EUTR controls and sanctions only apply to the company that "first places" wood on the EU market. This is leading to a situation whereby larger European companies with the resources and large networks required for effective due diligence of supply chains outside the EU are offering this as an extra service to European customers.

Although it is too early to tell for sure, one possible result of EUTR is that many smaller companies will stop importing direct from outside the EU. Instead they will only purchase timber products already placed on the market by larger importers.

Meanwhile EUTR is also expected to encourage greater consolidation amongst overseas suppliers into the EU. There are already reports of European importers concentrating their purchases of wood products amongst a more limited range of overseas suppliers.

Purchases are focused more on those companies best able to provide credible evidence of legality - ideally through independent systems of certification or legality verification. There is also concern to simplify and increase transparency of overseas supply chains.

These trends tend to benefit larger companies with more vertically-integrated supply chains and that have capital for investment in due diligence and certification.

EU buying is also more likely to be concentrated on those overseas suppliers that own or manage their own forest concessions rather than those that source through third party trading companies.

Europe's role in the international furniture sector

The EU's furniture sector remains a major global player, not just due to its size but also because of its role to influence international fashion and design trends. The EU accounts for around one quarter of world furniture production and consumption.

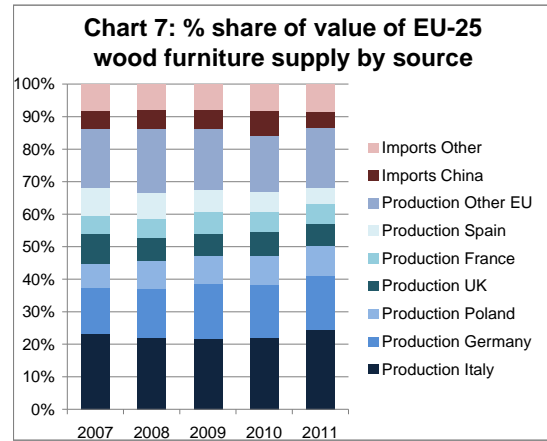
However, the EU's role in the global furniture market has changed dramatically during the last decade, particularly during the financial crises in western countries.

In 2011, EU production of wood furniture was valued at €36 billion, down from €42 billion in 2007 (Chart 5). The EU has moved from the first to the second position (after China) amongst the world's major producing areas.

While furniture manufacturing in Eastern Europe has risen during the last decade, particularly in Poland, the traditional western European manufacturing countries still retain a very large share of EU furniture production capacity.

In fact, the two largest western European producers, Italy and Germany, together account for over 40% of all wood furniture supplied into the EU, and this share was actually rising during the five year period between 2007 to 2011 (Charts 5 and 7).

Despite widespread reports of declining consumption and intense competition during those years, the value of wood furniture production in the leading western European manufacturing countries remained very resilient.



The recovery was particularly robust in Germany, now the EU's largest market. Germany consumed €8.1 billion of wood furniture in 2011, up from €7.4 billion in 2009.

There was also strong recovery in Italy, the EU's second largest market for wood furniture.

Italian wood furniture consumption increased from €5.5 billion in 2009 to €6.8 billion in 2011. In the UK and France wood furniture consumption was quite stable between 2009 and 2011 at around €5 billion and €4.4 billion respectively.

However consumption in Spain continued to fall during this period from €2.9 billion in 2009 to €2.4 billion in 2011.

Domestic manufacturers continue to dominate European market

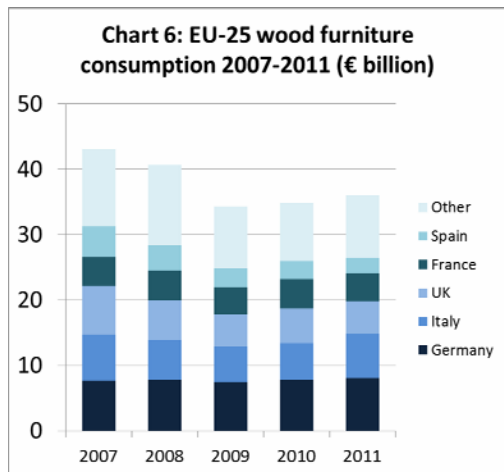
While the EU's presence on the global furniture market has declined in recent years, European manufacturers have remained very dominant in their domestic markets. The share of imports in total EU wood furniture supply peaked at only 16% in 2010 before falling away again to 13% in 2011.

This is in contrast to the United States, for example, where a very large section of the furniture manufacturing industry shifted to lower cost locations, particularly China, during the 2000 to 2008 period.

The continuing dominance of local manufacturers in the European market might seem surprising given relatively high labour and other costs of production in Europe. There a number of reasons for this. One factor is the high level of investment in machinery and product development in the European furniture sector.

This has reduced the relative contribution of labour to overall costs, and placed a premium on technical, design and market knowledge.

It has boosted the general quality of European products and perceived value of European brands. European manufacturers have built on this through sophisticated marketing and communication campaigns.



In addition to being major producers, European countries remain major consumers of furniture products despite the recession (Chart 6). EU wood furniture consumption fell from €43.2 billion to €34.4 billion between 2007 and 2009. Consumption then recovered slowly to 36.1 billion in 2011.

This in turn has encouraged high levels of loyalty to European products amongst consumers. European manufacturers have also exploited other advantages of proximity to the consumer.

Increasingly important factors in wood furniture marketing include the ability to supply quickly on demand, respond rapidly to changing tastes, and to provide customers with support services – including “no-questions-asked” guarantees for customers wanting to return products.

In many European countries, the retailing sector is quite fragmented with many smaller companies. Selling into these countries requires local knowledge and a large network of contacts.

It is no accident that the UK, where the retailing sector is more dominated by large companies, is also the European country with the largest market penetration by Chinese and other Asian suppliers.

For all these reasons, European manufacturers choosing to relocate during the last decade have tended to opt for countries in Eastern Europe which offer a good compromise between lower costs of production and continued proximity to the large consuming markets of Western Europe. German manufacturers have tended to shift to Poland, while many Italian manufacturers opted for Slovenia.

The IKEA factor

It’s not possible to discuss the distribution of wood furniture manufacturing in Europe without reference to IKEA. The Swedish-based corporate giant operates a network of 332 stores in 38 countries and has a global annual turnover of \$31 billion.

As such, IKEA claims 6.1% share of the entire world furniture market. Around three quarters of IKEA’s sales are in Europe where it is hugely dominant at the budget end of the market.

While IKEA has been expanding sales operations into other parts of the world, its manufacturing base remains firmly rooted in Europe. IKEA’s wood furniture manufacturing facilities are operated by the IKEA subsidiary Swedwood. This company currently manages 49 production units, all but two of which are in Europe (the others being in Russia and the USA).

Swedwood facilities employ around 17,000 people and manufacture approximately 100 million units of furniture each year. Around two thirds of Swedwood production is in eastern European countries, with a high concentration in Poland. Much of the rest of production is located in Western Europe (Sweden, Germany and Portugal).

Operating under its lean production concept, the Swedwood Way of Production (SWOP), the organisation has forced down costs by focusing heavily on efficiency and waste reduction. There is considerable investment in R&D, both to increase efficiency and product quality.

This is seen as vital to the company’s reputation and success. The business has become a leader in robotic automation of the furniture manufacturing process. Swedwood also sees it as vital to be located close to its market in order to respond to local demands.

Until the onset of recession, Swedwood was very actively increasing production activity close to large consuming markets in Europe and North America. In 2008 it opened five new state-of-the-art factories in Sweden, Poland, Russia, the US and Portugal.

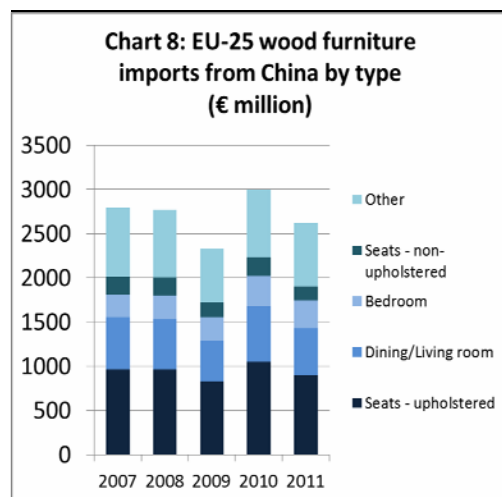
Since then the company has temporarily suspended its plans to increase capacity. However its’ long term strategy, once demand begins to pick up, is to further expand manufacturing in Europe and other large consuming markets.

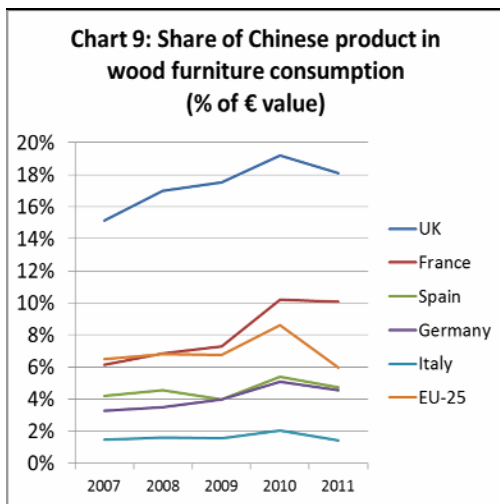
China’s position in the EU furniture market

EU imports of wood furniture from China have been very volatile in recent years (Chart 8). Imports fell sharply at the height of the financial crises, from €2.8 billion in 2008 to only €2.3 billion in 2009. However they then rebounded strongly to reach a peak of €3 billion in 2010.

However, this import level seriously over-shot actual consumption and imports fell back again to €2.6 billion in 2011. In 2011, upholstered seating was the main wood furniture product imported into the EU from China, accounting for 34% of import value. Of the remainder, 20% was dining/living room furniture, 12% was bedroom furniture, 6% was non-upholstered seating and 28% other product categories.

China’s share in total EU wood furniture consumption peaked in 2010, at 8%, before falling away to 6% in 2011 (Chart 9). China’s penetration of the market varies widely between EU Member States, from 16% in the UK to less than 2% in Italy.

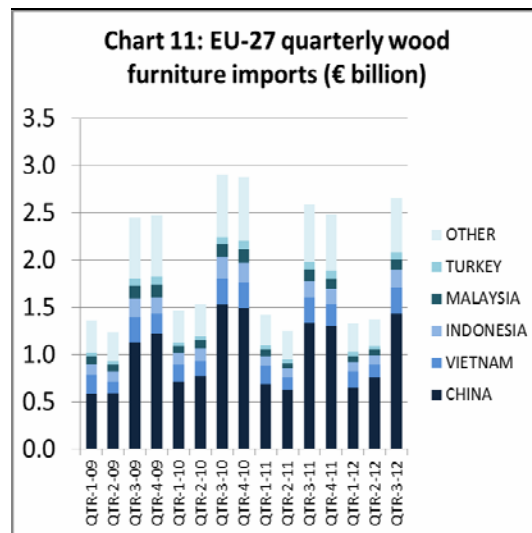
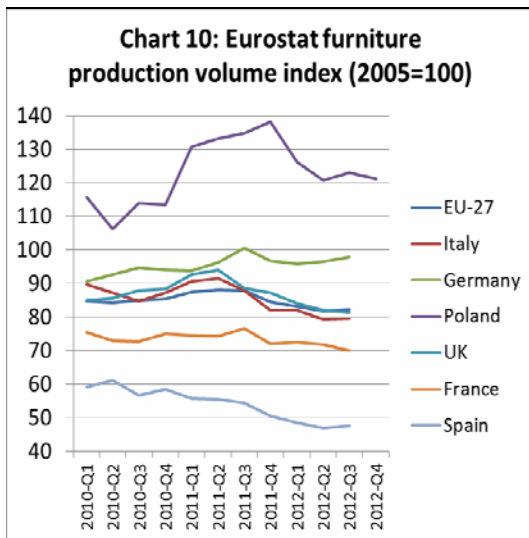




Recent trends and outlook for the European furniture market

The most recent Eurostat data indicates that wood furniture production across the EU region was only around 83% of pre-recession levels during 2012 and still trending downwards (Chart 10).

Furniture production during the first nine months of 2012 in Italy, Poland, the UK, France and Spain was significantly lower than during the same period the previous year. However production in Germany during 2012 was higher than in 2011.



Trends in EU wood furniture imports during 2012 are more difficult to assess due to the highly seasonal nature of trade and lack of published data for the last quarter of the year – when a large proportion of product is imported in time for Christmas and the January sales period (Chart 11).

However, quarterly data to end September 2012 suggests that imports last year were very similar to 2011 but still well down on the 2010 peak.

One potentially significant trend is a gradual but consistent increase in the share of total EU wood furniture import value derived from China from 46% in the 3rd quarter of 2009 to 54% in the same quarter of 2012. Much of China's increase in share has been at the expense of South East Asian countries, including Vietnam, Indonesia and Malaysia.

Forecasts for the European furniture industry issued by the research organisation CSIL in December 2012 are quite cautious. CSIL suggest the value of European furniture consumption fell by -1% in 2012 and is likely to remain stable at this lower level in 2013.

CSIL forecast that over the next 12 months, demand will be slightly stronger in the Scandinavian countries, stable in the UK and Central Europe, but will weaken further in southern European countries.

* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI)

Report from North America

Slight improvement in consumer confidence

There was a small improvement in US consumer confidence in the economy in January after a sharp drop last December. The Thomson Reuters/University of Michigan consumer sentiment index rose from 72.9 in December to 73.8 in January.

The government increased payroll tax, which had a negative impact on lower income households. Only households with an income over \$75,000 reported a growing confidence in their personal finances.

Overall gains in income are expected to stay below the rate of inflation, but employment is expected to grow.

Total consumer expenditures, adjusted for inflation, will grow by 1.8% in 2013, compared to 1.9% in 2012.

New law in California reduces number of home foreclosures

The filing of foreclosures fell by 7% from December to January, partly because of a new law in California that came into effect in January. The law gives greater protection to homeowners threatened by the foreclosure of their homes.

By reducing the number of homes for sale on the market, the new law is likely to increase home prices and support the recovery of the housing market.

The confidence in the market for new single-family homes remains unchanged from December, according to the January Housing Market Index by the National Association of Home Builders/Wells Fargo.

Confidence remains higher than at any other time in almost seven years, but the index is still below 50. If the index climbs over 50, the majority of home builders regard market conditions as good.

Possible cuts in government spending and a reduction in the mortgage interest tax deduction could still slow the housing market recovery.

Housing market recovery underway

The recovery of the US housing market is well underway, with unsold inventories dropping, home prices and new starts on the rise. The December national median home price was 12% above December 2011, according to the National Association of Realtors.

The preliminary total for existing home sales in 2012 was 4.65 million, the highest volume since 2007. Sales of existing homes declined in December, but they are 13% above sales in December 2011 at a seasonally adjusted rate.

Total housing inventory of unsold homes fell to a 4.4-month supply at the current sales pace, down from 4.8 months in November.

Housing starts were 954,000 in December (seasonally adjusted annual rate), up 12% from November. Starts are significantly higher (+37%) than in December 2011. Single-family housing starts increased by 8.1% from November. The share of single-family homes in total starts dropped slightly to 65%.

Building permits data remains positive, although there was little change in permits issued from November. The total number of permits issued in 2012 was 813,400, 30%

above 2011. The number of permits issued is usually an indicator of future building activity.

Canadian housing starts down, prices remain stable

Canada's housing starts were 198,000 in December at a seasonally adjusted rate, down 1.7% from November. The number of building permits issued in November fell for both multi-family construction (-11%) and single-family homes (-4%), according to Statistics Canada. Prices for existing homes remained stable.

The Canada Housing and Mortgage Corporation expect a further moderation in the housing market throughout 2013.

Non-residential construction weaker than housing market

Non-residential construction remains weaker than the residential market, although architecture firms continued to report improving business conditions for commercial and industrial projects, according to the Architecture Billings Index.

Spending on non-residential construction was largely unchanged from November 2012. Public spending on commercial and education construction declined, while private spending increased by 1.8% in December.

Spending on home remodelling forecast to grow in 2013

Spending on home remodelling was robust in the second half of 2012, and the growth in spending is expected to accelerate in 2013 according to the Joint Centre of Housing Studies of Harvard University.

The growth in home sales and new housing starts will have a positive effect on remodelling demand for building materials, flooring, millwork, and kitchen and bathroom cabinets.

The Leading Indicator of Remodelling Activity forecasts that US homeowner spending on improvements will reach \$146 billion in the third quarter of 2013, up from \$124 billion in the last quarter of 2012.

Higher imports of plywood, flooring and furniture in 2012

The slow but steady recovery of the US economy and the housing market is reflected in the 2012 imports of processed wood products.

Of the products tracked here, only imports of hardwood moulding declined from 2011, while hardwood plywood, wood flooring and furniture imports were up. Vietnam, Malaysia and Indonesia significantly increased shipments to the US.

Hardwood plywood

US imports of hardwood plywood increased to 211,612 m³ in December, with imports from China at 139,636 m³. Imports from Indonesia went up again in December, after a brief drop in November.

Total 2012 hardwood plywood imports were 9% above 2011. Percentage-wise the largest growth in shipments in

2012 was from Ecuador (+105%), Indonesia (+20%) and Malaysia (+12%).

China's shipments grew by 8% from 2011, but in absolute terms it was the largest increase. China's share in total US imports in 2012 remained unchanged from the previous year at 66%.

Hardwood moulding

Hardwood moulding imports increased to \$14.3 million in December, 17% up from November. However, total 2012 imports declined by 9% from the previous year.

Imports from Brazil and China fell by 18% and 5%, respectively, compared to 2011. Malaysia's hardwood moulding shipments to the US grew by 24% in 2012.

Wood flooring

US imports of assembled flooring panels were \$9.2 million in December. Total 2012 imports of assembled flooring panels grew by 8% from the previous year.

Imports from China increased by 4% compared to 2011, while imports from other larger suppliers (Canada, Indonesia and Brazil) grew by around 30%. As a result, China's share in total US imports declined from 72% in 2011 to 69% in 2012.

Hardwood flooring imports declined to \$3.6 million in December, but on an annual basis imports grew by 65%, from \$24.6 million in 2011 to \$40.7 million in 2012. Indonesia surpassed Malaysia as the US' largest source of hardwood flooring supply, accounting for 32% of all US imports in 2012.

Wooden furniture

US imports of wooden furniture were slightly up in December at \$1.121 billion. Total imports in 2012 were \$12.7 billion, up 8% from 2011.

China's shipments increased by 9% in 2012 compared to the previous year. Imports from most other suppliers also grew from 2011: from Vietnam by 23%, Mexico by 17% and Malaysia by 10%. Vietnam's share of US imports increased by almost two percentage points to over 15%.

Wood flooring market trends

Residential remodelling is now the largest market for wood flooring, and increasing sales of existing homes are having a positive effect on demand for wood flooring. The growth in new construction also supports flooring demand.

The US imported wood flooring and assembled flooring panels worth \$158.6 million in 2012, 19% more than in 2011. China has the largest market share among non-US manufacturers, but Canada, Malaysia and Indonesia benefited most from the pickup in the US flooring demand in 2012.

The following trends will affect the US wood flooring market in 2013, according to the journal *Hardwood Review Weekly*.

- Tropical hardwoods become less common in floors because of supply issues and high prices. Many manufacturers have replaced tropical species with darker North American species.
- Flooring manufacturers and importers need to follow the Lacey Act requirements for raw material from legal sources, but most consumers are not willing to pay more for sustainable products, for example flooring with forest certification.
- Consumers pay more attention to products 'Made in the USA' since the recession.
- Colour, species and width preferences differ by region, but oak remains the most popular hardwood for flooring with a market share of over 50%.
- Engineered hardwood floors are more common in the southern US, while solid hardwood remains popular in the north.

New California flammability regulation for upholstered furniture

California has released a new draft standard to test flammability of upholstered furniture. The California standard is used by most upholstered furniture manufacturers selling in the US market.

Concerns about the toxicity and health effects of flame retardant chemicals in furniture foam have prompted the California government to ask for new rules.

The proposed test would use a smoulder test (the equivalent of a lit cigarette) on cushions instead of an open flame test on the foam itself.

If California adopts the new standard in spring 2013, furniture manufacturers would have time until mid-2014 to meet the new requirements.

International trade controls for additional tropical hardwoods

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) voted in March to include tropical hardwood species from Latin America, Asia and Madagascar in Appendix II of the Convention.

The listing in Appendix II means that exporters of the species will need an export license, which is expected to reduce illegal logging. In the US, companies or persons trading the species can be prosecuted under the Lacey Act if they cannot trace the wood to a legal source.

The change affects ebony and rosewood from Madagascar, as well as other hardwoods used in the manufacturing of musical instruments and furniture.

The following species are now listed in Appendix II of the Convention:

Malagasy ebony *Diospyros spp.*
Brazilian rosewood *Aniba rosaeodora*
Thailand rosewood *Dalbergia cochinchinensis*
Black rosewood *Dalbergia retusa*
Granadillo rosewood *Dalbergia granadillo*
Honduras rosewood *Dalbergia stevensonii*
Malagasy rosewood *Dalbergia spp.*

* The market information above has been generously provided by the Chinese Forest Products Index Mechanism (FPI)

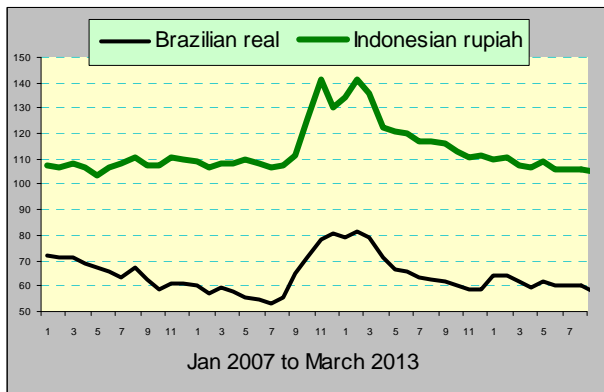
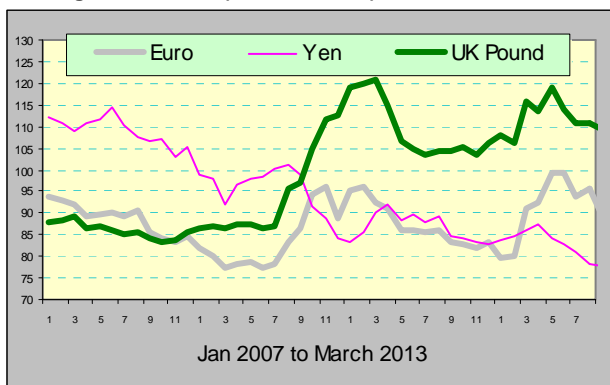
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

Main US Dollar Exchange Rates

As of 26th March 2013

Brazil	Real	2.01
CFA countries	CFA Franc	513.75
China	Yuan	6.2129
EU	Euro	0.7825
India	Rupee	54.4305
Indonesia	Rupiah	9724
Japan	Yen	94.46
Malaysia	Ringgit	3.1011
Peru	New Sol	2.5875
UK	Pound	0.661
South Korea	Won	1111.60

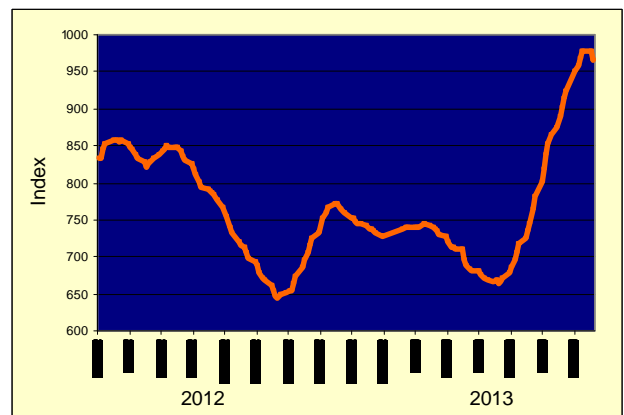
Exchange rates index (Dec 2003=100)



Abbreviations and Equivalences

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

Ocean Freight Index



The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

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