

# Tropical Timber Market Report

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## Top Story

### Opportunities for international trade in Indonesian plantation logs

Media reports suggest that the Indonesian Ministry of Forestry is considering lifting the log export ban to provide an incentive for the further development of industrial plantations.

Current market prices for plantation logs are in the region of US\$30-40 per cubic metre, significantly lower than the regional average because plantation owners can only sell in logs on the domestic market where fierce competition has driven down prices. Under the present conditions there is little incentive to invest in forest plantations.

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## Report from Central/West Africa

### Rising log prices pose risks for domestic small sized millers

West African exporters report that the traditional EU and US markets are quiet and consequently prices remain largely unchanged for these markets.

The availability of logs for processing is of growing concern, especially for the smaller sized milling operators who do not have concessions and have to purchase logs on the open market.

Millers in Cameroon complain that log prices are continually increasing and if this continues analysts fear some smaller companies could go out of business.

The availability of azobe logs for domestic processing is limiting the availability of sawnwood for export, most notably to European markets. However, for almost all other species, log availability is less of a problem and sawnwood output is sufficient to meet the relatively low demand.

The demand for sapele and sipo remains firm and these two timbers seem to be favourites in the market at present.

Analysts report firm demand for okoume logs for the Chinese market. This sustained demand is having an impact on prices and further advances in price are likely.

### Opening new concessions only way to improve log supply

Log availability throughout West and Central Africa is a major problem and the prospects for an immediate increase in log supplies are limited.

Analysts suggest that, in the short term, possibly only Congo Brazzaville could make available new large sized concessions. This seems feasible as the authorities have sound and accurate forest inventories and are encouraging investment in the forestry and wood processing sectors.

The Democratic Republic of Congo has a massive forest resource and is harvesting and exporting logs and there is potential for expanding the forestry sector. However, as in several other countries, the distances from forest or mill to the port are so great that the cost of transport can be prohibitive.

Looking to the future it seems that West African wood product prices will trend higher to more fully reflect the true value of the forest resources.

### Economic stimulus measures in EU needed to improve market prospects

Demand levels in the EU have not changed over the past 2-3 months and it seems that most importers are relatively well stocked and are under no pressure to make additional purchases, despite signs of improvements in the construction and housing markets.

The UK government is offering financial incentives to first time house buyers but this measure will be slow to have an impact on hardwood sales. However, prospects for improvement in the UK housing sector are improving and major house building companies report higher sales of new properties.

Continental European markets remain weak for this time of year when house building should be expanding. Growth forecasts across the eurozone offer little hope of any significant market improvement in the short to medium term.

On a brighter note, producers report that Southern Mediterranean and Middle East buyers are active and that this business shows no signs of slowing. Prospects in these markets in the second quarter appear promising.

### Log Export Prices

West African logs, FOB		€ per m <sup>3</sup>	
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	-
Movingui	185	155	150
Niove	165	165	-
Okan	300	300	-
Padouk	340	320	235
Sapele	270	255	175
Sipo/Utile	320	290	175
Tali	280↑	280↑	-

### Sawnwood Export Prices

West African sawnwood, FOB		€ per m <sup>3</sup>
Ayous FAS GMS		330
Bilinga FAS GMS		515
Okoumé FAS GMS		470↑
Merchantable		290
Std/Btr GMS		350
Sipo FAS GMS		550↑
FAS fixed sizes		-
FAS scantlings		490
Padouk FAS GMS		860↑
FAS scantlings		855↑
Strips		340
Sapele FAS Spanish sizes		480
FAS scantlings		505
Iroko FAS GMS		580
Scantlings		600↑
Strips		440
Khaya FAS GMS		430
FAS fixed		465
Moabi FAS GMS		550
Scantlings		550
Movingui FAS GMS		400

## Report from Ghana

### Ghana's timber exports register growth

Ghana earned euro 9.17 million from the export of 21,028 cubic metres of wood products in January. By way of comparison exports for January 2013 were up by 47% in terms of value and almost 18% higher in terms of volume on levels in the same month in 2012.

Products for which a significant increase in exports was recorded in January;

Sawnwood (AD)	64%
Mouldings	82%
Rotary Veneer	188%
Sliced Veneer	193%
Plywood	229%
Sawnwood regional markets	571%

Despite the good news exports of some products declined:

Sawnwood (KD)	-3%
Plywood regional markets	-19%
Billets	-54%
Flooring	-57%
Dowels	-73%

January 2013 exports of primary products (Poles and Billets) amounted to euro 160,904 and 665 cubic metres.

January exports were lower than in the same month in 2012 (down 51% in volume and 71% in value). Analysts say the main reason for the decline was the scarcity of logs.

Secondary wood products, mainly sawnwood, boules, veneer and plywood comprised the bulk of the country's January wood product exports. Exports of secondary products generated euro 8.28million from a sale of 19,037 cubic metres.

Exports of tertiary wood products such as mouldings, flooring, dowels and profile boards earned euro 727,355 from a volume of 1,326 cubic metres in January.

African countries were the major destination for Ghana's wood product exports, accounting for some 43% of export revenues.

The ECOWAS market accounted for approximately 44% of the total value of exports to African countries and exports were mainly of plywood and sawnwood to Nigeria, Niger, Senegal, Burkina Faso, Togo, Benin and Mali.

### Inflation proving difficult to tame

Ghana's annual producer price inflation rose to 10.7 percent year-on-year in March from 9.1 percent in February according to the National Statistics Office.

Producer price inflation is an advance indicator of consumer price inflation (CPI), which the government aims to hold within single digits. The CPI rose to a fresh three year high of 10.4 percent in March from 10.0 percent the previous month

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	220-
Black Ofram Kiln dry	313
Niangon	510
Niangon Kiln dry	565

### Domestic Log Prices

	US\$ per m <sup>3</sup>	
Ghana logs	Up to 80cm	80cm+
Wawa	158-163	166-180
Odum Grade A	169-174	178-188
Ceiba	128-134	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	126-135

### Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afromosia	855	945
Asanfina	488	544
Ceiba	210	255
Dahoma	315	395
Edinam (mixed redwood)	380	450
Emeri	350	450
African mahogany (Ivorensis)	582	638
Makore	565	620
Niangon	518	600
Odum	605	715
Sapele	555	648
Wawa 1C & Select	269	319

### Export Rotary Veneer Prices

Rotary Veneer 2mm and up, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (2mm)
Ceiba	300↑	345
Chenchen	320	350↑
Ogea	315↑	350↑
Essa	315	340
Ofram	320	350

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.21	1.04
Asanfina	1.45	0.80↓
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 <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	430↓	600↓	643
6mm	420	615	622
9mm	360	438	475
12mm	361↓	430	439
15mm	310	378	368
18mm	305	363↑	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	11.88	12.00
Hyedua	14.08	14.00	18.45
Afromosia	14.30	18.22↓	18.02

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

## Report from Malaysia

### Malaysia's main trading partner - China

The Malaysia External Trade Corporation recently reported that China continues to be Malaysia's largest trade partner.

In 2012, trade between Malaysia and China amounted to RM180.6 billion (approximately US\$58.6 billion), an increase of 13 per cent compared with the previous year.

Of this total, Malaysia's exports to China were worth RM 88.75 billion (approximately US\$28.8 billion) and imports from China RM 91.86 billion (approximately US\$29.8 billion)

The main reason cited for the trade imbalance was the declining price of commodities such as palm oil and rubber, both of which were exported to China.

### VPA to be concluded by year end

Malaysia's Ministry of Plantation Industries and Commodities has indicated it hopes to conclude negotiations and sign the Voluntary Partnership Agreement (VPA) with the European Union (EU) by year-end.

The national news agency BERNAMA quoted the ministry's advisor, Dr Freezailah Che Yeom as saying "One of Malaysia's initiatives to ensure an uninterrupted flow of wood exports to the EU until the VPA is concluded includes the Malaysian Timber Legality Assurance System."

In a recent workshop on timber legality assurance, representatives of the European Forest Institute (EFI) said Malaysia has made good progress in drawing up its legality assurance system as a first step in the VPA process.

The workshop was organised by the EU FLEGT Facility and the ASEAN Secretariat and attracted some 70 participants from seven ASEAN countries, the EU and Ghana.

The workshop provided an opportunity for participants to exchange experiences as well as explore increased collaboration on timber legality among agencies and stakeholder groups in Southeast Asia.

In addressing the workshop the EU Ambassador and Head of Delegation to Malaysia, Luc Vandebon, said "Countries that have Forest Law Enforcement, Governance and Trade

(FLEGT) VPAs with the EU will be able to export their timber on a fast "greenlane" because EU timber operators are looking for an assurance that the timber they place on the market is legally harvested."

The EU, a key market for value-added timber and timber products such as furniture, is Asia's second largest export market for sawn wood and plywood.

Malaysia's timber and timber product exports to the EU last year were worth RM20.197 billion (approximately US\$6.6 billion).

Ambassador Vandebon said strengthening forest governance should be a priority in implementing effective policies to conserve and sustainably manage resources so as to reduce unintended deforestation.

### Sarawak plywood exporters encouraged by growth in Japanese demand

The Star newspaper reported Shin Yang Group executive director, Wong Kai Song as saying Japan's higher housing starts this year had spurred demand for imported woodbased panel products. Shin Yang is the largest producer of panel products in Sarawak with six plywood mills.

Japan is increasing imports of plywood from Sarawak as reconstruction activity has gained momentum in coastal towns devastated by the earthquake and tsunami two years ago.

"Japanese housing companies are now very busy with reconstruction work although they are facing a shortage of carpenters. This year's new housing starts in Japan were around 900,000 units, which is about 10% higher than 820,000 units last year," Wong said.

Statistics from the Sarawak Timber Association show Japan imported 1.44 million cubic metres of plywood from Sarawak in 2012, compared to 1.31 million cubic metres in 2011.

About 55% of the state's total export of 2.64 million cubic metres last year went to Japan. Sarawak's total exports of plywood in 2012 were 16.5% higher than the 2.27 mil. cubic metres in 2011.

Wong said the average price of Sarawak plywood in the Japanese market rose by about 15% to US\$550 (RM1,670) per cubic metre in the first quarter of this year thanks to the stronger demand. "There is another 5% to 10% upside potential in the price," he added, in anticipation of further growth in Japanese demand.

### Anti-dumping duty little impact on Sarawak plywood exports to S. Korea

In 2012 South Korea increased its imports of plywood from Sarawak by 38% to 331,600 cubic metres up from 239,900 cu m in 2011. This was despite the imposition of an anti-dumping duty on Malaysian plywood which remains in force.

The anti-dumping duties imposed by South Korea on eight Sarawak and one Sabah plywood exporters range from 5% to 38% and will remain in force until February 2014.

## Report from Indonesia

### **Opportunities for international trade in Indonesian plantation logs**

Media reports suggest that the Ministry of Forestry is considering lifting the log export ban to provide an incentive for the further development of industrial plantations.

The log export ban has been in effect since 2001 but the Association of Indonesian Forest Concessionaires (APHI) has said the ban has resulted in a marked decline in log prices.

Current market prices for plantation logs are in the region of US\$30-40 per cubic metre, significantly lower than the regional average because plantation owners can only sell in logs on the domestic market where fierce competition has driven down prices.

Under the present conditions there is little incentive to invest in forest plantations.

The Ministry of Forestry plans to create the conditions for a viable international trade in Indonesian plantation timbers so that its target for annual plantation establishment of 500,000 hectares of industrial forests can be achieved.

In 2011 only 374,000 ha of new plantations were established, around 75% of the government target and in 2012 only about 400,000 ha were established.

### **SVLK to assure legality of export logs**

One of the main reasons for the implementation of the log export ban was to help eliminate illegal logging. However, conditions in Indonesia are now very different as the country has a rigorous timber legality verification system (SVLK) which is providing Indonesian exporters with greater access to markets where proof of legality is demanded.

In related news, the government is planning to extend the moratorium on forest clearance, introduced following an agreement between Indonesia and Norway on assistance to reduce greenhouse gas emissions and deforestation in Indonesia.

Green Peace in Indonesia, while welcoming the extension of the moratorium on forest conversion, expressed concern that a lifting of the log export ban could result in an increase in illegal logging.

### **To open or not, the mining concession debate in Aceh Province**

Unconfirmed reports suggest that the Ministry of Forestry has approved plans by the Aceh administration to open around 1 million hectares of forests for mining

prospecting; 400,000 hectares for logging; and 250,000 hectares for conversion to oil palm plantations.

News of this resulted in immediate calls from NGOs and others for the decision to be withdrawn.

Media reports say Gracia Paramitha, the United Nations Environment Program, Tunza Global Youth Advisor, said "1.2 million hectares of protected forests in Aceh had been converted into industrial plantations", adding that this figure was already too high.

This week, East Asia Minerals said in a press release (<http://archive.is/taeU6>) "the Ministry of Forestry is close to accepting a proposal to open 1.2 million hectares of forest in Aceh province for mining, logging, and palm oil production".

The CEO of East Asia Minerals was quoted in the press release as saying "We are very pleased with the recent news from the Indonesian Government.

These new developments are good progress and positive news for mineral extraction in the area. This will help us realize the full value of our Miwah gold project in Aceh with a forecast resource of 3.1 million ounces of gold."

### **Policies needed to unlock economic benefits of urban agglomerations**

Indonesia's economy grew throughout 2012, but the World Bank's March 2013 edition of the Indonesia Economic Quarterly (IEQ) notes that domestic economic and policy pressures are mounting.

GDP growth for 2012 was 6.2 percent, down slightly from 6.5 percent in 2011. The World Bank forecasts a 6.2 percent growth in 2013 but warns that improving the rate of growth will be challenging.

Stefan Koeberle, the World Bank Country Director for Indonesia said "With the right policies in place, Indonesia could move growth higher, harnessing the forces of urbanization and rising incomes, while providing quality jobs for a growing labour force."

The biggest risk to short-term growth will be a drop in domestic investment which recently slowed, in the capital-intensive resource sectors.

The Bank says the investment climate would benefit from improved certainty in the regulatory environment.

Investment is also crucially needed in infrastructure which continues to constrain growth, causing bottlenecks and high logistics costs. Infrastructure investment remains at around 3 to 4 percent of GDP, compared with pre-Asian crisis levels of around 7 percent.

The infrastructure challenge for many of Indonesia's cities is particularly acute - more than half of Indonesia's population live in urban areas, and the pace of urbanization remains high.

Improving the level, quality and efficiency of infrastructure investment can help to unlock the economic benefits of urban agglomerations and support the quality of service delivery, particularly in mid-size cities that lag behind smaller urban centres and the “mega-cities”.

For the World Bank press release see:  
<http://www.worldbank.org/en/news/press-release/2013/03/19/indonesia-steady-growth-but-pressures-mounting>

**Domestic Log Prices**

Indonesia logs, domestic prices	US\$ per m <sup>3</sup>
Plywood logs	
core logs	190-230
Sawlogs (Meranti)	160-260
Falcata logs	120-210
Rubberwood	80-110
Pine	110-150
Mahoni (plantation mahogany)	150-230

**Domestic Ex-mill Sawwood Prices**

Indonesia, construction material, domestic	US\$ per m <sup>3</sup>
Kampar (Ex-mill)	
AD 3x12-15x400cm	480-620
KD	-
AD 3x20x400cm	520-700
KD	-
Keruing (Ex-mill)	
AD 3x12-15x400cm	400-520
AD 2x20x400cm	490-630
AD 3x30x400cm	440-510

**Export Plywood Prices**

Indonesia ply MR BB/CC, export FOB	US\$ per m <sup>3</sup>
2.7mm	540-650
3mm	490-630
6mm	390-530

**Domestic Plywood Prices**

MR Plywood (Jakarta), domestic	US\$ per m <sup>3</sup>
9mm	380-430
12mm	370-420
15mm	300-320

**Export and Domestic Other Panel Prices**

Indonesia, Other Panels, FOB	US\$ per m <sup>3</sup>
<i>Particleboard</i>	
Export 9-18mm	340-560
Domestic 9mm	320-640
12-15mm	350-640
18mm	290-440
<i>MDF</i>	
Export 12-18mm	420-680
Domestic 12-18mm	400-640

**Export Added Value Product Prices**

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

Business activity in Myanmar has slowed to almost zero as everyone celebrates the New Year this month.

**ADB upbeat on prospects for Myanmar**

An easing of sanctions in Myanmar, along with rising exports and business enthusiasm, will fuel annual growth of more than 6% for the next two years provided the government stays the course with its reform programme, says a new Asian Development Bank (ADB) study.

See the related press release at [www.adb.org/news/myanmar/myanmar-grow-strongly-reforms-roll-out-investment-rolls?ref=countries/myanmar/news](http://www.adb.org/news/myanmar/myanmar-grow-strongly-reforms-roll-out-investment-rolls?ref=countries/myanmar/news)

“The outlook for the Myanmar economy is the brightest it has been for decades with investment, exports, tourism, and business optimism all on the rise. However this positive outlook could be at risk if the forward momentum of policy reforms falters or if recent tensions escalate further”, said ADB Chief Economist, Changyong Rhee.

The ADB ‘Development Outlook 2013’ forecasts an annual GDP growth in Myanmar of 6.5% in the year to 31 March 2014, rising to 6.7% in 2014.

In 2012, the economy expanded an estimated 6.3%, well above the annual average of 5% recorded over the previous five years.

Proposed tax reforms and greater financial autonomy for state enterprises, coupled with increased export receipts, should give the government more fiscal leeway to step up spending on social services and infrastructure, while also lowering the fiscal deficit, says the ADB report.

This will also help reduce an over-reliance on natural resources revenues, which currently make up nearly a quarter of all public revenue.

Although the policy reform agenda may take years to yield results, the report underscores measures to deliver benefits within two to three years, such as increasing the participation of private banks in the economy, and easing restrictions on interest rates and lending.

Simplifying business registration and visa procedures for tourists, upgrading inefficient power systems, and increasing access to finance and other services in the agriculture sector, would also be beneficial in the short term.

**Singaporean company capture major construction contract**

The Myanmar Mizzima News of 11 April reported that a Singaporean firm has won a US\$74 mil. construction project. The company, Bouygues Construction, will be contracted to build the second phase of Yangon’s Star City in a joint venture with Serge Pun’s SPA Project Management Ltd., Myanmar.

Some 500 jobs will be created and workers will be trained in modern construction techniques. The residential estate will feature 4980 apartments and community facilities along the Bago River in outer Yangon. Analysts anticipate a rise in domestic consumption of wood products when construction begins.

In related news the Singaporean government has reportedly upgraded its business presence in Myanmar in an effort to secure business opportunities. The government agency International Enterprise Singapore has opened an office in Myanmar and is sponsoring trade visits.

**US dollar replaces euro in teak auctions**

Beginning this month the Myanmar Timber Enterprise has changed to using the US dollar for teak pricing, the euro will no longer be used.

Bidding at the latest auction was reported as quite competitive. Buyers from India and Pakistan actively participated in the bidding and prices increases were observed for all teak log qualities.

The following prices were recorded during the teak auctions on 26th and 29th April 2013.

Grade	Quantity (Tons)	US\$ per hoppus ton
4th Quality	10	7474
SG-1	28	5808
SG-2	27	5555
SG-4	340	3439
SG-5	90	2375
SG-6	123	2102
SG-7	190	1780

Hoppus ton=1.8m<sup>3</sup>; 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.

**Report from India**

**Prospects for an interest rate cut improve**

The Wholesale Price Index, a widely watched measure of inflation, dropped to 5.96% in March, the lowest in the past forty months. The March level compares to an overall rate of inflation of 9 % during last year.

The decline in inflation, coupled with an easing of prices for crude oil and gold, is reducing India's current account deficit since both these commodities feature prominently in India's finances.

If the current economic conditions are maintained then the prospects for a reduction in interest rates improve and this would greatly assist the wood product manufacturers directly and through improving the affordability of housing and thus stimulating demand.

**Export incentives announced**

In the latest annual foreign trade policy decision the scheme for duty free imports of capital goods has been extended and made available to all industrial sectors.

Moreover, exporters are now entitled to an additional two percent export duty credit on the incremental value of shipments. This additional credit will be over and above the scheme for duty credits ranging from two percent to five percent all ready being provided.

These benefits were introduced during 2012-13 as exports fell almost 2%. Supporting a growth in exports is important, not only to help reduce the current account deficit but also to ensure growth in employment.

The Indian government has also introduced measures for simplification of the procedures for value added tax refunds and a reduction in transactional costs has also been introduced.

**Growth in exports at risk from EUTR**

Indian exporters are of the view that the EU timber regulation (EUTR) will adversely affect trade as the formalities that must be met will increase costs and could cause shipments to be delayed.

Recently, meetings were held between representatives from the European Forest Institute, EU FLEGT Facility, government officials, export promotion council officials and the media to discuss the requirements of the EUTR and its possible impact on Indian exporters.

According to provisional data, India's exports of wood products increased 72% year on year to US\$270 million during the period April 2012 to January 2013 and the EU was a major market.

**Indian handicraft producers fear losing EU market**

According to the Indian Handicrafts Export Promotion Council, approximately 1.1 million artisans are employed in the manufacture of wooden handicrafts and the sector is a major contributor to economic growth.

As many of these manufacturers also export products they fear losing market opportunities in the EU as a result of the EUTR.

The major importers of Indian wooden handicrafts are Australia, Canada, France, Germany, Italy, Japan, Netherlands, UAE, Switzerland, Saudi Arabia, USA and UK.

Demand for Indian handicrafts has been increasing in both international and domestic markets. Exports of wooden handicrafts were worth US\$325 million in 2011-12 and US\$507 million for 2012-13.

The export council has organized seminars and training programmes on compliances and certification for wooden handicrafts exporters at some of the major craft clusters and continues to disseminate information.

However, for the small artisans, tracking wood flows and timber legality issues are far beyond their capabilities.

The EUTR applies to all products made from imported as well as locally sourced timber so will impact thousands of small and medium sized enterprises producing reproduction antique furniture, doors, windows, panels and wooden household utility items.

An expert committee has been constituted by the Handicraft Council to assess the supply chain against the various timber legality requirements of EUTR, Lacey Act and others. The aim is to achieve international credibility for Indian exporters.

A major effort is underway in India to see that the supply of legal timber is sustained so that wood product export growth is not adversely affected and that employment opportunities are maintained.

#### Improved harvesting conditions eases log shortage

In the recently concluded auction sales at government forest depots in the Jabalpur, Hoshangabad and Betul divisions of Central India, approximately 10,000 cubic metres of mainly Teak, Haldu and Laurel were sold.

As there is a serious shortage of domestic logs, these auctions supplied acutely needed resources for industry. The weather conditions for harvesting are currently good and additional log stocks are expected at the depots. The following prices were recorded at the recent auction.

#### Prices for domestic teak logs

Log length	Girth cm	Cu.ft
2 - 3 metres	46 - 60	Rs.900~1000
"	61 - 75	Rs.1100~1200
"	76 - 90	Rs.1200~1300
"	91and up	Rs.1400 plus
3 - 4 metres	46 - 60	Rs.1050~1150
"	61 - 75	Rs.1200~1300
"	76 - 90	Rs.1300~1400
"	91and up	Rs.1500 plus
4 - 5 metres	45 - 60	Rs.1300~1400
"	61 - 75	Rs.1400~1500
"	76 - 90	Rs.1600~1700
"	91and up	Rs.1800 plus

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

3m to 4m Length	Per cubic foot
46 to 60 cm. girth	-
61 to 75 cm. Girth	Rs 300-350
76 to 90 cm. Girth	Rs 400-450
above 91cm. girth	Rs 500-600

#### Imported teak logs and sawnwood

Supplies and shipments of teak logs and sawnwood were steady and prices have been generally stable with just a few exceptions. There is active trade in imported timber as domestic resources are limited.

#### Imported plantation teak prices (C&F)

	US\$ per m3
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	400-700
Benin sawn	700-800
Brazil squares	400-650
Colombia logs	400-600
Togo logs	350-500
Ecuador squares	280-450
Costa Rica logs	400-650
Panama logs	400-550
Sudan logs	450-850

#### Ex-sawmill prices for imported hardwoods

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

Sawnwood, (Ex-mill) (AD)	Rs. per ft <sup>3</sup>
Merbau	1600-1650
Balau	1700-1900
Kapur	1100-1250
Red Meranti	850-900
Radiata Pine (AD)	
Whitewood	550-600
	550-575

#### Prices for Myanmar Teak processed in India

Sawnwood (Ex-mill)	Rs. per ft <sup>3</sup>
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10500
Plantation Teak A grade	3750-4000
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.

#### Imported KD 12% sawn wood

Domestic demand for imported kiln dry sawnwood is growing and imports from the US have been increasing.

Ex-sawmill prices for air dried sawnwood remain largely unchanged except for slight increases in prices for US hardwoods, a reflection of exchange rate movements and an overall increase in US hardwood log prices.

### Imported KD 12% sawn wood

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1200-1250
Sycamore	1200-1300
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1100-1300
Hemlock AB grade	950-1000
Western Red Cedar	1550-1600
Douglas Fir	1200-1200

### Plymill productivity rises as log availability improves

Plywood manufacturers report improved demand and some improvement in log supplies which is lifting mill productivity. Plywood prices remain unchanged after the recent increases and are as 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

### Furniture sector showing signs of weakness

Furniture production in Brazil increased in March but the rate of growth was lower than that observed for the same month in the past two years.

Analysis of production data suggests that average utilisation of installed capacity in the furniture manufacturing sector during March was lower than that in either March 2011 or 2012.

Of the various constraints facing the furniture sector the rising costs of raw materials and a heavy tax burden are often cited. Prices of raw materials for the industry rose significantly in the first quarter of 2013 according to the National Confederation of Industry.

The weaker than expected performance of the furniture sector over the past few months, coupled with rising production costs, affected the financial standing of companies. Adding to the woes of the sector is the difficulty faced in securing competitive credit services.

### Results of FIMMA Brazil 2013 Exceed Expectations

The 2013 International Machinery, Raw Material and Accessories fair - FIMMA Brazil - was declared a success. Some 653 exhibitors and 45,443 visitors from 41 countries attended the fair. For more see <http://www.fimma.com.br/en/>

This was the eleventh fair and the largest for the furniture sector in Latin America and fifth largest worldwide. Estimates put the level of business transacted at US\$ 439 million, about 9% higher than during FIMMA 2011.

The fair provided companies with access to development opportunities, facilitated access to new technological developments and showcased cutting-edge initiatives from around the world.

For companies interested in expanding their international markets, the FIMMA "Buyer Project", a buyer meet seller initiative, provided the opportunity for companies to forge business partnerships. It is estimated that the "Buyer Project" generated US\$7.15 million in business from the numerous business meetings that were held involving 20 foreign buyers from eight countries and 72 exhibitors.

### Tropical plywood exports rise in otherwise quiet market

In March 2013, wood products exports (except pulp and paper) fell 9.8% compared to values in March 2012, from US\$221.2 million to US\$199.5 million.

Pine sawnwood exports also fell, reversing a recent upward trend. March exports of pine sawnwood declined 14.2% in value compared to March 2012, from US\$14.1 million to US\$12.1 million. In terms of volume, exports fell 14.3%, from 63,800 cu.m to 54,700 cu.m over the same period.

Exports of tropical sawnwood fell sharply by 20.4% in volume, from 40,100 cu.m in March 2012 to 31,900 cu.m in March 2013. In terms of value the decline was even more significant falling almost 30% from US\$22.3 million in March 2012 to US\$15.7 million in March this year.

Pine plywood exports also fell dropping 4.9% in value from US\$ 34.5 million to US\$ 32.8 million. The volume of exports fell marginally (minus 3.6%) from 89,700 cu.m to 86,500 cu.m. (March 2012 – March 2013).

In a surprising reversal of the downward trend for other wood product exports, in March this year tropical plywood exports increased 21.6%, from 3,700 cu.m in March 2012 to 4,500 cu.m in March 2013.

However, average prices dropped as the total value of exports in March 2013 were almost the same as in March 2012, US\$ 2.7 million.

Brazil's exports of wooden furniture dropped from US\$38.2 million in March 2012 to US\$35.9 million in March 2013, a 6.0% decline.

### Challenging the Chinese market for luxury furniture

According to research of the global luxury furniture market undertaken by the Federation of Industries of Santa Catarina State, opportunities could be generated for the export of Brazilian furniture to China.

It was determined in the Federation study that demand in the Chinese market for high class western-style furniture could be an opportunity for Brazil. It was determined that consumers in this segment of the market pay high prices for quality western designs.

The Federation study suggests that if Brazilian furniture manufacturers want to capture a share of the up-market furniture market in China then attention must be placed on developing brand image.

The Chinese market for top-end furniture is concentrated in Shanghai and Beijing and is currently dominated by Italian and German brands, according to the study.

Remarkable data on per capita consumption of furniture in China is also reported in the study. Apparently, annual per capita consumption of furniture in China is higher than the world average.

The Federation report says while the world average is US\$50.00 per person per year, in China the average over recent years was US\$ 75.00 per person per year.

The latest data available for Brazilian exports to China are for 2011 when five Brazilian companies exported just US\$62,000, almost nothing compared to the US\$91 million from Italy and the US\$89 million from Germany.

### Furniture exporters face difficult trading conditions in international markets

First quarter 2013 data shows that the Brazilian furniture sector began the year on an encouraging note. Demand in the domestic market was good however; the good news was tempered by difficult trading conditions in the international markets.

In January 2013, according to the National Confederation of Industry (CNI), the furniture sector in Brazil ranked fifth among 16 industrial sectors in terms of growth.

Growth in the furniture sector was reported as 11.7% in January, a figure that is higher than the average for all sectors examined.

Brazilian furniture exports have been disappointing. During the period from March 2012 to February 2013, the furniture industry exported approximately US\$ 457 million, 11% lower than that of recorded over the same period one year earlier.

The Rio Grande do Sul furniture cluster accounted for a 26.6% share of Brazil's international furniture sales, (US\$11,858,942). However, overall national data indicate stagnation in furniture exports in recent years.

On the other hand Brazilian furniture imports have continued to grow. From January to December 2012, imports totaled US\$ 27 million, approximately 79% higher than imports in 2011 (US\$17 million).

In January and February 2013, furniture imports continued the upward trend and the average monthly growth was 1.9% over the past 12 months.

### Central Bank rate cut, first since July 2011

According to the Brazilian Institute of Geography and Statistics (IBGE), Brazil's consumer price index (IPCA) touched 0.47% in March, which is below the 0.60% rate recorded in February.

In March the inflation rate was 0.21% and the accumulated rate of inflation over the past 12 months was 6.59%, a level exceeding the upper limit target set by the Brazilian Central Bank (BCB).

In the foreign exchange markets the average exchange rate to the US dollar in March was BRL 1.98/US\$ compared to BRL1.79/US\$ in March 2012 indicating a slight depreciation of the Brazilian currency against the dollar.

The Monetary Policy Committee of the BCB raised the prime interest rate (Selic) by 0.25 percentage point at its meeting in April. This was the first increase in rates since July 2011. Interest rates now stand at the equivalent of 7.5% per year.

### Domestic Log Prices

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

### Export Sawnwood Prices

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

### Domestic Veneer Prices

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

### Export Plywood Prices

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

### Export Prices For Added Value Products

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

## Report from Peru

### Sector financing opportunities for downstream manufacturers

In order to promote and strengthen financial management capabilities in enterprises a seminar, "Application of financial mechanisms for industrial wood production", was recently conducted as part of an ITTO project.

The aim of the project is to improve the productivity of the Peruvian timber industry to develop higher value-added products.

This seminar was aimed at entrepreneurs and business professionals from primary and secondary wood processing enterprises and was attended by more than 65 forestry enterprises.

During the workshop representatives from the National Forestry Camera, the Agricultural Bank and from the private sector company, Orvisa S.A. presented suggestions and ideas on management techniques and sourcing investment capital.

As this first workshop was such a success it will be held again for companies in Pucallpa and Aguaytía during the first half of May.

### Agrobanco opened offices in the Amazon

In order to provide forestry and agri-business companies with access to finance Agrobanco, a state financial entity, has opened two new offices, one in the town of Puerto Inca and the other in Quillabamba, both in the Peruvian Amazon.

In the case of forestry, Agrobanco will provide financing to companies with forest concessions as well as companies that are undertaking reforestation of degraded forests

### Export Sawnwood Prices

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

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
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	368-436▲

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Iquitos	
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 Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	867-911
Virola	92-134▲
Spanish Cedar	264-305
Marupa (simarouba)	83-99▲

### Export Veneer Prices

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

### Domestic Plywood Prices

	US\$ per m <sup>3</sup>
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**

Peru, Domestic Particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

**Export Prices for Added Value Products**

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	866-981
Asian market	1332-1552
Cumaru decking, AD, S4S E4S, US market	1210-1298
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	493-519▲
2x13x75cm, Asian market	732-815▲

**Report from Guyana**

**Quiet log market but prices steady**

The market for Guyana export logs remains very quiet and only greenheart Standard Quality logs were shipped (US\$140 per cubic metre FOB).

Purpleheart Standard Quality logs were also shipped at an average of US\$385 per cubic metre FOB and prices remained firm in comparison to levels previously reported. There were no exports of Mora logs during the period reported.

**Sawnwood prices trend weaker in slow market**

FOB prices for Guyana sawnwood remain largely unchanged. Undressed greenheart sawnwood FOB prices rose from US\$594 to US\$775 per cubic metre.

Select Quality Undressed purpleheart top-end FOB prices were slightly lower than over the past weeks, dropping from US\$1,080 to US\$954 per cubic metre. In contrast, Undressed purpleheart (Merchantable Quality) prices remains stable at US\$650 per cubic metre FOB.

Mora sawnwood was exported but FOB prices for Undressed Mora (Select Quality) declined marginally from US\$672 to US\$575 per cubic metre.

Weaker FOB prices were recorded for Dressed greenheart sawnwood where top end prices fell slightly from US\$1,150 to US\$1,102 per cubic metre during this period.

However, Dressed purpleheart top end FOB prices remained firm at US\$1,102 per cubic metre.

Ipe (Washiba) exports continue and FOB prices as high as US\$ 2,550 per cubic metre were recorded.

Export prices for non-traditional species have been encouraging:

- Darina (Angelim pedra) US\$ 700 per cubic metre FOB
- Kabukalli (Goupia glabra) US\$ 742 per cubic metre FOB
- Wamara (Swartzia leiocalycina) US\$ 575 per cubic metre FOB

Some of the major destinations for Guyana’s hardwoods include the Caribbean, Europe, Middle East and North America.

Guyana’s roundwood (piles and posts) attracted good prices on the export market with pile prices rising to as much as US\$400 per cubic metre FOB in the Caribbean and North American markets. FOB prices for posts were also favourable at an average of US\$329 per cubic in the Caribbean market.

**Foreign investment boost to employment**

Bai Shan Lin Forest Development Inc. president Chu Wenzhe has unveiled plans for the establishment of a wood processing plant in Linden in Region 10, the Upper Demerara-Berbice region.

Region 10 borders Essequibo Islands-West Demerara, Demerara-Mahaica and Mahaica-Berbice to the north, the region of East Berbice-Corentyne to the east, and the regions of Potaro-Siparuni and Cuyuni-Mazaruni to the west.



Source: wikipedia.org

Bai Shan Lin recent advertised vacancies for its wood processing and export operations. The company has plans for production of value added wood products and has ambitious plans for worker and community services including a school and a hospital.

The Chinese company has been operating in the forestry sector of Guyana for several years and has strategic alliances with other companies in the wood processing and value added wood sector.

**Steps on the FLEGT roadmap**

The Guyana Forestry Commission (GFC) recently hosted a stakeholder workshop on three major elements in the EU/GFC FLEGT Roadmap - draft Legality Definition, the Communication Strategy and Scoping of Impacts.

The workshop was attended by over one hundred participants from twenty eight communities and discussions focused on the Legality Definition as it relates to Amerindian Communities.

The Terms of Reference for the Communication Strategy and the Scoping of Impacts were also discussed.

### Communication Strategy and Scoping of Impacts study

Work on drafting the communication strategy and scoping of impacts study have been held and FAO has offered to assist with the drafting of the communication strategy and scoping of impacts.

A second technical meeting was held between the EU and Guyana in mid March to discuss the legality definition. Having benefited from comments on ways in which the definition can be improved, the Guyana FLEGT Secretariat will further produce a revised document for presentation to stakeholder groups. The GFC is seeking support so that it can engage a wider stakeholder group and is discussing this with FAO.

The range of wood products to be included in the VPA has been identified but the agreement allows for the possibility of additions being built in after the VPA is ratified.

A final decision on the initial product list will taken in July of 2013 during the second phase of the VPA negotiations to be held in Brussels. An Aide Memoire for the first negotiation session between EU and Guyana has been finalised and is available on the Guyana Forestry Commission website.

[http://www.forestry.gov.gy/Downloads/FLEGT\\_EU\\_Guyana\\_Aide\\_Memoire\\_Nego1\\_Dec\\_5th\\_2012\\_Revised\\_April\\_10\\_13.pdf](http://www.forestry.gov.gy/Downloads/FLEGT_EU_Guyana_Aide_Memoire_Nego1_Dec_5th_2012_Revised_April_10_13.pdf)

### Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m <sup>3</sup>		
	Std	Fair	Small
Greenheart*	140	-	-
Purpleheart	385	-	-
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 <sup>3</sup>	
EU and US markets		-Undressed	Dressed
Greenheart	Prime	-	-
	Standard	-	640-1102
	Select	775-975	-
	Sound	-	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	-
	Select	954	-
	Sound	-	-
	Merchantable	650	-
Mora	Prime	-	-
	Select	500-575	-
	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 <sup>3</sup>
Baromalli	BB/CC	5.5mm	-
		12mm	450-584
Utility	5.5mm	5.5mm	No export
		12mm	"

## Report from Japan

### Consumer confidence upbeat but target missed

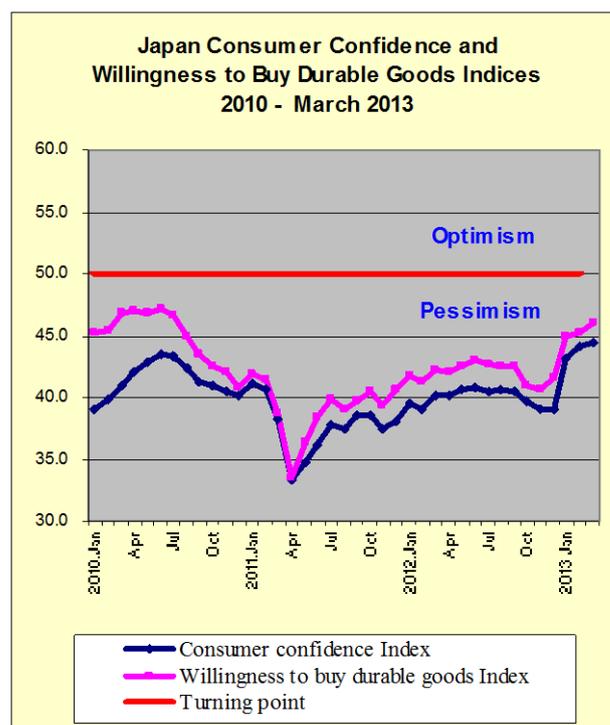
The results of a survey of consumer confidence in Japan were released in mid April. The consumer confidence index rose to 44.5 in March, the highest level since February 2007 when it was 48.4. However, the government was expecting the index to climb to 46.0.

The March index was the third consecutive rise after the full 1.0 point rise in February this year. Analysts suggest that aggressive government and central bank policies fiscal are having the desired effect.

The Japanese Cabinet Office upgraded its view on the consumer sentiment index saying it is showing signs of improvement. However it should be remembered that a reading below 50 suggests consumer pessimism

The view of Japanese households of overall livelihood was unchanged for March with the relevant index unchanged at 42.9. Expectations for higher earnings were also unchanged from the previous month.

However, Japanese consumers were slightly less pessimistic about the employment situation and the index for their intention to buy durable goods was better.



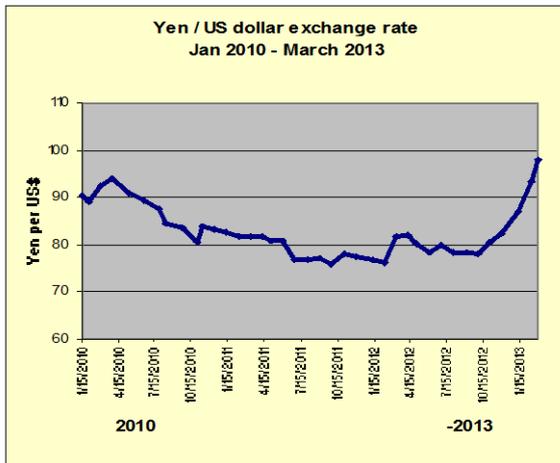
Source: Cabinet Office data, Japan

**Any further exchange rate fall will be decided by institutional investors**

On 17 April the yen fell to 99,72 to the US dollar, its lowest in almost four years. The steep drop in the value of the yen surprised markets and was driven by a debt buying spree by the Bank of Japan (BoJ).

The BoJ began its debt buying on 8 April, purchasing almost US\$16 billion in its first phase of its stimulus plan. This move by the BoJ will ensure that borrowing costs remain low.

The yen fell to new lows against major currencies in the first week of April almost testing the 100 yen to the US dollar mark.



However, every fall in the value of the yen pushes up the cost of imported fuel and this poses a risk to domestic demand as almost all fuel is imported. Almost all nuclear reactors in Japan have been shut down for safety checks after the recent disaster and power generation depends entirely on imported fuel.

For a sustained weakening of the yen there would need to be decisive moves by Japanese institutional investors to start buying higher-yielding assets. Some hints that this has begun as the yield on some European bond yields have fallen.

**Weak yen impacts Eurozone prompting calls for EU growth strategy**

The Japanese yen had, by the end of this month, fallen by more than 20% against the euro and, while Japan accounts for just 4-5% of trade in the EU, cheaper exports from Japan are undermining the competitive position of EU car makers and heavy machinery makers amongst others.

To compete, EU manufacturers are faced with having to reduce market sales prices and some analysts are openly talking of a price war in the EU.

In a market which is burdened by austerity policies lower priced imports such as those now available from Japan weaken domestic EU companies who are now calling for more growth friendly policies to combat EU deflation.

**OECD lends support to Japan's economic policies**

Critics of 'Abenomics', the term coined to describe Japan's bold economic policies, are trying to decide if this will aid global economic recovery or just create a short-term boost to the economy.

An OECD press release introducing the latest OECD Economic Survey of Japan provides the organization's view of prospects for the Japanese economy.

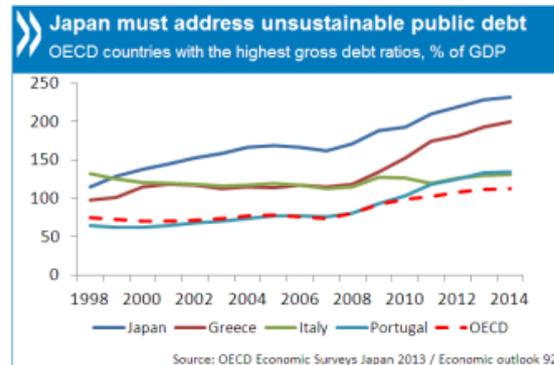
Overall, the OECD is supportive of the moves taken by the Japanese government and central bank but warns; "Japan is poised for an economic expansion, but long-term growth prospects remain contingent on additional efforts to revitalise the economy and reduce unsustainable levels of public debt."

The new Survey, presented in Tokyo by OECD Secretary-General Angel Gurría, forecasts the Japanese economy will grow by about 1.5% annually in 2013 and 2014.

For the press release see:

<http://www.oecd.org/newsroom/japan-is-poised-for-expansion-but-must-curb-government-debt.htm>

The press release says "Japan's gross public debt reached 220% of GDP in 2012, the highest level ever recorded in the OECD area, while the budget deficit is hovering around 10% of GDP.



With the debt ratio moving further into uncharted territory, the report underlines the urgent need to restore fiscal sustainability.

The sustainability of public finances is a major concern but that the medium-term fiscal plan that the government has promised to present later this year should include spending cuts and tax increases large enough to bring the budget back into primary surplus by 2020 and stabilise the public debt ratio."

A detailed and credible package is essential to maintain market confidence in Japan's fiscal situation, mitigating the risk of a run-up in long-term interest rates says the OECD.

### **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>

### **Wood supply and demand statistics**

The Ministry of Agriculture, Forestry and Fisheries announced wood demand and supply statistics of 2012.

Total demand was 24,650 M cbms, 0.3% up. In wood supply, domestic wood was 18,470 M cbms, 1.0% up. Imported wood was 6,177 M cbms, 1.6% down so that share of domestic wood was 74.9%, 0.5 points up from 2011.

Wood demand in 2012 (log shipment volume to sawmills, plywood mills and chipping plants) was almost unchanged from 2011. Both sawmills and plywood mills' demand dropped some from 2011 but the volume for wood chip plants increased.

Housing starts were 882,797 units in 2012, 5.8% more than 2011 but plywood mills curtailed the production by over supply in 2011 with rush orders after the North East Japan Earthquake in March 2011, which reduced wood consumption in 2012.

Domestic logs for plywood use were 2,602 M cbms, all time high record.

In imported wood, North America and New Zealand increased but import from Russia and South Sea Asia significantly decreased in 2012.

Number of sawmills in 2012 was 5,927, 315 mills or 5% less than 2011. Number of sawmills in 2002 was 10,394 so it dropped by almost half in ten years.

Shipment of lumber in 2012 was 9,302 M cbms, 1.4% less than 2011 out of which kiln dried lumber was 2,744 M cbms, 4.3% more.

### **Tropical logs**

Rainy season in Malaysia is almost over but Sarawak still has foul weather and log production remains low.

Local plywood mills are aggressively buying logs to run the mills steadily.

India has resumed log purchase again since last month. Thus, supply and demand of logs are badly imbalance so the log suppliers continue asking higher prices.

Sarawak meranti regular prices are \$280 per cbm FOB or higher, more than \$10 up from previous contract.

Shipment for Japan is down to one shipment in two months after many South Sea log peeling plywood mills are gone.

Log inventories are over three months now so that they procure minimum volume only.

Meranti small prices are about \$240, \$10 up. Sabah kapur regular prices are firming at about \$365.

China buys PNG logs actively so that log prices are climbing. For Japan market, callophylum prices are \$290, \$10 up. Mersawa is \$280-290 and MLH is \$185, \$20 up.

Log prices in Japan are firm due to weak yen. Meranti regular log prices are 8,800 yen per koku CIF, 500 yen up from March. Log prices will be higher in coming months by higher FOB and weak yen so plywood mills asked 20% price hike on plywood since last February but the hike so far is only less than 10%.

### **Market for imported tropical plywood**

The suppliers in the South East Asia continue asking higher export prices. In Malaysia, weather remains unstable yet and log production is low so that the log prices are gradually increasing.

Plywood mills' production is inactive so that the order balances keep swelling up. With higher log cost and climbing labor cost, plywood mills are asking higher plywood prices.

Meantime, the yen is getting weaker so the largest exporting plywood mill closed up April delivery of JAS concrete forming 3x6 at 52,000 yen per cbm C&F and has started asking 55,000 yen now. The price was 40,000 yen in December last year so this is real steep hike.

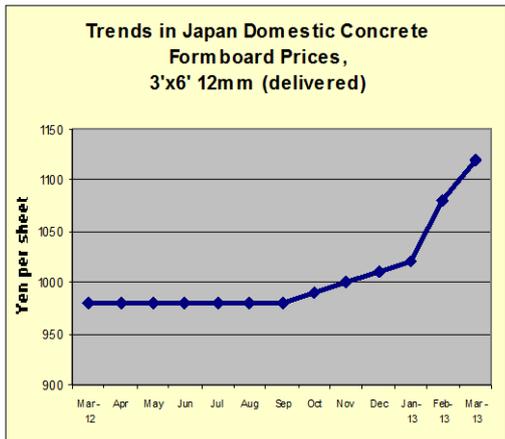
In Japan, movement of imported plywood is momentarily resting so that sharp price increase is difficult. Therefore, importers are cautious to commit high priced future cargoes until higher prices are accepted in the market.

The importers are restraining both purchase and sales now. Actually they seem to wait until actual demand shows up and necessity comes up to procure future cargoes. They can tide over by adjusting the inventories for some time.

By limited supply with higher export prices by the suppliers, the market prices in Japan are holding so it looks like confrontation by three parties, suppliers, importers and distributors continues for some time.

However, the inventories continue declining in Japan with reduced purchase since last February so there are some worries about shortage in the market in coming months.

Current market prices in Tokyo on JAS concrete forming 3x6 panel are 1,080-1,100 yen per sheet delivered, 30-50 yen up from March.



Source: JLR data



Source: JLR data



Source: JLR data

**Orders for major house builders in March**

March orders were very brisk for major house builders as more people think this is time to buy. Factors are future hike of mortgage interest rate, recovery of stock market, coming raise of consumption tax and higher house prices in future by materials inflation by weakening yen.

However, for house builders, works have been delayed by shortage of carpenters and craftsmen and some builders notify customers it would take time to complete.

Sekisui House had active orders in March. Orders for detached units increased by 7% compared to March last year. Rental units were up by 26% and units built for sale were up by 34% but condominiums and renovation business were down so overall house business was up by 10%.

Daiwa House had 4% more orders for detached unit, five consecutive months increase. Units built for sales were up by 49% so overall housing business including property trading was up by 16%. Condominium sales and renovation business were down by 9% and 5%.

Sumitomo Forestry had 4% more orders for detached custom made units. Sales of environmentally friendly houses and units for rebuilding have been steady.

Misawa Home had 8% more orders on detached units in March, out of which custom made units were 7%, units built for sale were 18% and rental units were 14% up, making overall house business increase of 9%. Mitsui Home's custom made units increased by 25%.



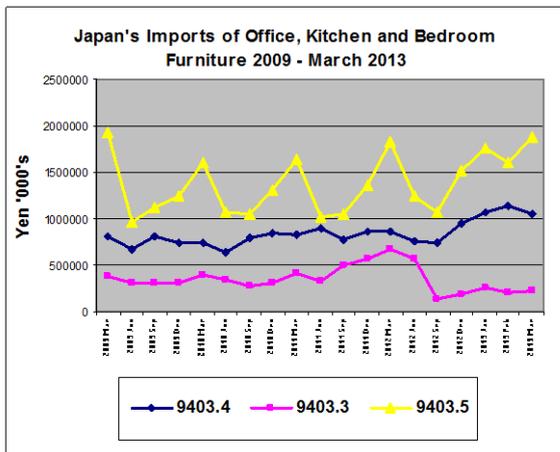
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

For the complete housing data see the Construction Research and Statistics Office Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism website at: <http://www.mlit.go.jp/toukeijouhou/chojou/stat-e.htm>

**Japan's furniture imports**

**January 2013 furniture imports**

The source and value of Japan's office, kitchen and bedroom furniture imports for March 2013 are shown below. Also illustrated is the trend in imports of office furniture (HS 9403.30), kitchen furniture (HS 9403.40) and bedroom furniture (HS 9403.50) between 2009 and March 2013.



Source: Ministry of Finance, Japan

### Office furniture imports (HS 9403.30)

In March 2013 three countries provided more than half of the total office furniture imports by Japan.

The combined total of imports from the top three suppliers, China Poland and Italy in March amounted to yen 133 bil. or 57% of total office furniture imports. Imports from China rose 35%, those from Poland fell 23% while imports from Italy jumped around 70%.

### Office furniture imports (HS 9403.30)

	13-Feb Yen '000s	13-Mar Yen '000s
S. Korea	8900	4805
China	68133	92188
Taiwan P.o.C	20672	5179
Thailand	1912	7193
Malaysia	13715	16644
Indonesia	10950	14150
Sweden	-	-
Denmark	2310	2042
UK	8903	2230
Belgium	-	-
France	1977	-
Germany	7872	11230
Switzerland	-	346
Portugal	11265	16269
Italy	10272	17805
Poland	30263	23049
Austria	1357	1038
Lithuania	1751	2338
Czech rep.	474	-
Slovakia	3131	2023
USA	2700	7917
Mexico	-	2659
<b>total</b>	<b>206557</b>	<b>229105</b>

Source: Ministry of Finance, Japan

The other major suppliers were Malaysia and Indonesia which, together added a further 13% to the total trade in office furniture.

In March, Japan's total office furniture imports totaled yen 229 bil up 11% from February. It is interesting to note that Vietnam does not feature as a top 20 supplier of office furniture to Japan despite being a major supplier of kitchen and bedroom furniture to the Japanese market.

### Kitchen furniture imports (HS 9403.40)

Kitchen furniture imports remain the second largest segment of all wooden furniture imports into Japan after bedroom furniture.

Vietnam maintained its number one position as the supplier of kitchen furniture to Japan in March and the value of imports from Vietnam were largely unchanged from February at yen 400 bil.

The top five suppliers of kitchen furniture accounted for over 90% of all kitchen furniture imports. Vietnam supplied yen 400 bil. (unchanged in March), China yen 215 bil. (up 16%), Philippines yen 148 bil. (down 12%), Indonesia yen 147 bil. (down 34%) and Malaysia yen 56 bil. (up 6%). Total imports of kitchen furniture in March were yen 1,049.9 bil., down from yen 1140.8 bil in February, an 8% decline.

The US and Canada feature as suppliers of kitchen furniture but in March both experienced a fall in Japanese imports. US sales were down 45% while Canadian sales to Japan were down around 37%.

### Kitchen furniture imports (HS 9403.40)

	Imports 13-Feb Yen '000s	Imports 13-Mar Yen '000s
China	179997	215610
Taiwan P.o.C	829	0
Vietnam	391415	400303
Thailand	22583	26827
Malaysia	52651	55759
Philippines	168673	148867
Indonesia	225985	147644
Sweden	305	0
Denmark	0	470
UK	1193	1745
Belgium	0	0
Germany	43214	23597
Spain	593	0
Italy	19574	9984
Austria	0	1972
Lithuania	261	3565
Canada	8352	3193
USA	24893	10376
Argentina	367	0
<b>total</b>	<b>1140885</b>	<b>1049912</b>

Source: Ministry of Finance, Japan

### Bedroom furniture (HS 9403.50)

The value of Japan's bedroom furniture imports in March 2013 rose 18% from a month earlier, from Yen 1.6 bil. to Yen 1.9 bil.

As in February this year the top suppliers were China and Vietnam which together accounted for around 75% of all wooden bedroom furniture imports to Japan.

Imports from China during March increased 20% and imports from Vietnam increased around 8%. Other countries supplying over yen 40 mil. include Malaysia, Taiwan P.o.C, Thailand and Indonesia.

### Bedroom furniture (HS 9403.50)

	Imports 13-Feb Yen '000s	Imports 13-Mar Yen '000s
S Korea	1600	-
China	841417	1011482
Taiwan P.o.C	27177	40643
Vietnam	382555	410394
Thailand	59131	54782
Singapore	0	-
Malaysia	149431	220560
Philippines	4049	3599
Indonesia	47139	52396
India	425	-
Sweden	6018	10932
Denmark	326	1662
UK	0	214
France	827	-
Germany	237	3125
Spain	1661	-
Italy	11573	20556
Finland	6900	-
Poland	15071	19704
Austria	0	-
Romania	932	2141
Turkey	0	-
Bosnia	347	3550
Slovakia	11673	5350
USA	28062	24308
<b>total</b>	<b>1596551</b>	<b>1885398</b>

Source: Ministry of Finance, Japan

## Report from China

### First Quarter GDP unexpectedly drops

China's National Bureau of Statistics has published preliminary results for GDP for the first quarter of 2013.

Sheng Laiyun, spokesperson of the Bureau, introduced the growth data during a press conference in Beijing, on April 15.

The latest data show that China's gross domestic product growth unexpectedly slowed to 7.7 percent in the first quarter of 2013, down from 7.9 percent during the final quarter of 2012

The rate was weaker than analysts' expectations, but stayed above the 7.5% target for 2013 set by the government.

	%
<b>Cummulative GDP</b>	<b>7.7</b>
<b>Primary Industry</b>	<b>3.4</b>
Farming, Forestry, Animal Husbandry, and Fishery	3.4
<b>Secondary Industry</b>	<b>7.8</b>
Industry	7.5
Construction	9.8
<b>Tertiary Industry</b>	<b>8.3</b>
Transport, Storage, and Post	7
Wholesale and Retail Trades	10.5
Hotel and Catering Services	4.5
Financial services	11.5
Real Estate	7.8
<b>Others</b>	<b>6.8</b>

Most analysts were forecasting growth in the first quarter would be strong because consumer spending had surged over the past months as the central bank added liquidity into the domestic financial market. Industrial production was unexpectedly weak and this pulled down the overall growth rate.

### Good news on job creation

The good news in the latest data is that there were positive signs of improvement in creation of jobs in the urban areas, a key measure of economic health.

Increases in urban new jobs and the number of new migrant workers in the first quarter was encouraging and an indication of the health of the economy

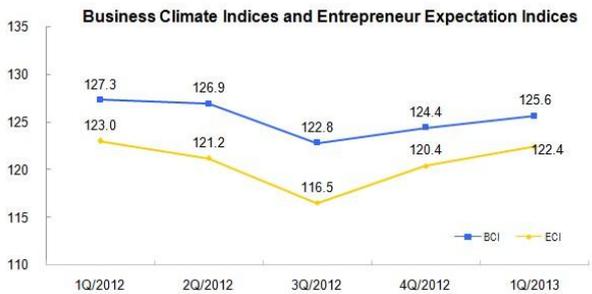
### Business sentiment edges higher

A further press release from China's National Bureau of Statistics provides an update of the National Business Climate Survey.

See:

[http://www.stats.gov.cn/english/pressrelease/t20130416\\_402888929.htm](http://www.stats.gov.cn/english/pressrelease/t20130416_402888929.htm)

The survey revealed that the business climate index (BCI) was 125.6 in the first quarter of 2013, up by 1.2 points quarter-on-quarter. Also in the first quarter the entrepreneur expectation index (ECI) was 122.4, up by 2.0 points quarter-on-quarter, and 3.2 points lower than BCI.



Source: National Bureau of Statistics, China

Although the BCI increased slightly over that in the fourth quarter of last year, it was down 1.7 compared to the same period last year.

The ECI remains significantly lower than the BCI indicating that the business community was still cautious about further prospects but as it is slowly increasing confidence appears to be returning.

In related news, March retail sales of consumer goods reached 1,764.1 billion yuan, up by 12.6 percent year-on-year.

**China expands efforts to eliminate trade in illegal timber**

In March this year two workshops, one in in Beijing the other in Guangzhou, were held to explore ways to eliminate illegal timber from the Chinese trade.

China has adopted several measures to crack down on domestic illegal harvesting and international trade in illegal timber.

Measures adopted include enacting various laws and regulations and improving import monitoring, setting up administrative agencies to strengthen enforcement and initiating special action to control illegal timber logging and trade.

At the same time, the Chinese government is improving its regulatory and certification systems for timber and adopting a timber legality verification system.

The country is also working with international organizations on joint action to eliminate illegal logging and trade in illegal timber.

Using its current policies and measures as a basis, China is seeking to establish a rigorous and permanent mechanism for control of illegal logging and associated trade in illegal wood products.

**'Redwood' import price index to be developed**

A price index for the Chinese 'redwood' sector, to be called the Chinese Composite Redwood Import Price Index, is to be launched soon.

In the context of the new index 'redwood' is a general description of high value timbers such as rosewood, padauk and red sanders and others.

It has been reported that the index underwent a trial in late 2012 and the results were assessed by the Redwood Distribution Special Committee (the Redwood Committee) of China Timber and Wood Product Distribution Association (CTWPDA).

This trial index was based on data provided by the Shenzhen Sunshine Redwood Plaza and Shanghai Furen Redwood Market.

One of the uses of the index will be to identify the main factors affecting movement of the index. Data from China Customs on log and sawnwood import prices will be analysed to create a 2006 baseline for the index.

The index is being promoted as a tool to guide production, business and management in the 'redwood' sector.

Currently, China's redwood raw material is imported. Therefore, prices of imported 'redwood' logs and sawnwood determine the price of 'redwood' products in the market.

It is expected that with the launch of the 'redwood' price index, speculative trading can be avoided so that 'redwood' traders and enterprises have a means to accurately assess supply and demand conditions.

**Zhangjiagang Port handled increased timber 2012**

According to the statistics from Zhangjiagang Entry-Exit Inspection and Quarantine Bureau, timber imports through the port in 2012 increased by 5% to 2.95 million cubic metres and accounted for around 20% of all timber imports into Jiangsu Province and 7% of China's total timber imports.

It has been reported that China's total timber imports in 2012 were 58.47 million cubic metres, a year on year decline of 8%. However, Zhang Jia Gang's timber imports increased, bucking the downward trend.

2012 imports of timber from Oceania were stable. Timber imports from Papua New Guinea totalled 1.36 million cubic metres, a year on year increase of only 1%. On the other hand, timber imports from the Solomon Islands were 0.51 million cubic metres, a year on year decline of 8%, extending the downward trend seen in recent years.

There was a large increase in timber imported from Africa. Timber imports from Africa through Zhangjiagang Ports increased 33% to 0.8 million cubic metres, but this was far below that in 2007 when 1.78 million cubic metres were imported.

Analysts report that domestic demand is softening and manufacturers have cut back on production. Imported log prices continue to fall and there are reports of growing log stocks and analysts talk of a loss of confidence in the timber importing sector.

### Fujian Province furniture exports grew 15% in 2012

According to news from Fujian Customs, furniture and furniture parts exports from Fujian Province in 2012 rose 15% compared with that in 2011.

While the USA, EU and ASEAN remain the most important destinations for furniture from the province, furniture exports to South American and African countries increased dramatically in 2012.

In 2012, the value of Fujian's furniture exports to the US was US\$1.1 billion, about the same as one year earlier while exports to the EU were US\$0.9 billion, down 1.6%.

Exports to Latin American countries totalled US\$0.33 billion, up 38% and exports to African countries grew a massive 110% and were worth US\$0.19 billion.

### Guangzhou Yuzhu International Timber Market

yuan per cu.m		
<b>Logs</b>		
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
<b>Sawn wood</b>		
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		
<b>Logs</b>		
Red sandalwood (India)	All grades	1 - 2 mil.
Burma (Myanmar and Nepal)	All grades	7000-8800
Granadillo (Mexico)	All grades	7500-8000
<b>Sawn wood</b>		
yuan per cu.m		
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		
<b>Logs</b>		
Ash	4 m x 30 cm	3200-4500
Larch	4 m x 8 cm x 30	1800-2900
Linden	4 m x 26 cm	2200-3100
<b>Sawn wood</b>		
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
<b>Plywood</b>		
Yuan/sheet		
Red beech	3mm	50-72
Black walnut	3mm	50-95
Teak	3mm	70-138

### Shandong De Zhou Timber Market

yuan per cu.m			
<b>Logs</b>			
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
		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		
<b>Logs</b>		
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
Sapelli (Africa)	all grades	3200-3700
<b>Plywood</b>		
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 \*

### Wood flooring consumption down 4% in 2012

In 2012, wooden floor consumption in Europe (excluding the UK) is estimated at 91 million m<sup>2</sup>, a 4% decline compared to the previous year.

Last's years decline is a reversal of the trend in 2011 when there was a brief revival in European parquet consumption following a sharp fall in consumption following the financial crises between 2008 and 2010.

The 2012 consumption estimate is derived from FEP (European Federation of the Parquet Industry) based on a preliminary survey of country representatives at their recent meeting held at the DOMOTEX fair in Hannover.

A more comprehensive assessment of consumption will be published at FEP's annual General Assembly in June 2013.

In publishing their preliminary assessment, FEP stress that market conditions vary considerably between European countries and that this variation has increased. The German-speaking countries of central northern Europe are performing well with consumption rising slightly in 2012.

Scandinavian and Nordic countries are reporting stable consumption or slight declines but no indication of a significant downward trend.

However, market conditions in southern Europe, including in the traditionally large consuming countries of Italy and Spain, are very challenging with consumption falling more than 15% in 2012. There were also quite significant falls in consumption in France, Belgium and the Netherlands.

As regards the product mix, FEP report that strong demand for one-strip planks has helped compensate the decline in other product categories.

Apart from the shaky economy, major challenges for the sector result from high energy costs, continuously stiff competition, expensive transport & logistics, extremely high unemployment rates in some important EU regions and the volatile and uncertain EUR/USD exchange rate.

On the other hand, FEP are optimistic that the "overall EU parquet industry remains strong and resilient, fuelling the belief that it will successfully rebound as soon as the overall economic indicators take a positive turn".

On releasing the results, FEP identified two factors which suggest better times might lie ahead: first, the "never ceasing innovative product creativity and evolutionary design of European parquet manufacturers"; and second "the multiple economic forecasts for 2013 which converge on a more optimistic business development in the half of the year, which should also boost overall consumer confidence."

#### **Optimism at Domotex that better times lie ahead**

While Europe's central role in the international flooring industry has diminished in recent years, Domotex held during January every year in Hanover, Germany, still claims to be the world's leading trade show for the international flooring coverings sector.

The Domotex organisers issued the usual positive press release reporting another successful show in 2013. However early estimates of visitor numbers of around 40,000 were down significantly compared to 2012 when close to 46,000 attended the show.

This may be partly explained by many of Germany's largest flooring manufacturers choosing not to exhibit at Domotex this year and to focus instead on the BAU biannual German building show held a few days later in Munich.

Nevertheless, the Domotex show remains a truly international event. It attracted 1,350 exhibitors from 60 nations, including producers and suppliers of carpets, textile floor coverings, resilient floor coverings, parquet flooring and laminated coverings as well as installation, cleaning and application technologies.

More than 60% of visitors were from outside Germany with over 80 nations represented. Half were from European countries other than Germany, while 21% came from Asia and 11% from the Americas.

Attendance from Asian countries and North America increased compared to last year. The show's attendees once again consisted primarily of wholesale and specialized retail buyers, at 30% and 20% respectively

Wooden flooring producers exhibiting at the show appeared quite optimistic about prospects for 2013. There was a widespread view that the crises may be nearly over and many producers were expecting sales to improve in 2013. Companies were generally reporting robust sales in Germany, and stable demand in Scandinavia and the UK.

On the other hand, Italian and Spanish manufacturers were reporting very poor domestic demand. As a result they were focusing more on exports to other European countries, the Middle East and the USA.

As in previous years, the Domotex show again emphasised the extent to which oak dominates in the European flooring sector. Oak products were found on virtually every single stand, both solid wood and engineered.

Many laminate producers were also reproducing artificially the "oak look". Very few other wood species were on display – a bit of ash, walnut and elm, some maple for specialist sports floors, only a tiny quantity of tropical woods, and no cherry at all. There was also a bit of bamboo.

To bring diversity to the displays, the emphasis again was on the wide range of staining, varnishing, brushing, and other surface treatments that can be applied to oak. Oak flooring came in every shade from limed-white to black stain and finishes ranged from clean modern through to antique and rustic.

### **Widespread preference by manufacturers for European oak a mystery**

The vast majority of European producers use European oak rather than American white oak. Although some manufacturers claim otherwise, the widespread use of European oak instead of American white oak cannot be due to any real preference by European consumers.

Since most oak flooring products are stained or subject to other treatments, consumers are very unlikely to be able to tell the difference between oak species.

The choice of European oak by European manufacturers is driven primarily by supply issues. Manufacturers are able to source lumber and strips most competitively from European sawmills, especially in the lower grades.

Local sourcing also helps reduce risks associated with volatile exchange rates, long transport routes and the potential for delayed deliveries.

Chinese wood flooring manufacturers at the show were also focusing heavily on oak product ranges. They were equally keen to stress that these products are composed entirely of European oak (as opposed to Russian or American) in the belief that this aligned to European tastes.

However in practice, it is well known that manufacturers in China often mix oak species in their products and it was difficult to assess the actual origin of the wood on display.

### **Stronger demand for wide flooring**

Domotex demonstrated that European consumers prefer wider boards. Most stands were displaying wide solid boards or one-strip multi-layered products.

There were very few narrow solid boards or two-strip or three-strip engineered products. Some high-end producers were offering very wide boards in excess of 8 inches. Even laminate products were printed with wide board surface patterns.

Wood flooring manufacturers at Domotex suggested demand for oak will remain strong for the foreseeable future. Some believed the strong fashion for walnut may have peaked, although walnut floors are still selling well.

There still seems little prospect of any significant increase in demand for beech or cherry in the European flooring sector. Prospects for maple are a little better, with some manufacturers expecting rising demand for maple in high performance sports floors and in floors for high-traffic public areas.

Tropical wood species are generally out of fashion in the European flooring sector. These species also tend to be considered high risk under the EU Timber Regulation unless backed by FSC or other third party forms of legality verification.

As a result, more limited availability is likely to increasingly restrict tropical wood floors to a high value niche in the future.

### **Integrating wood flooring into interior sign**

A key theme of Domotex 2013 was to try to better integrate floor coverings into the broader field of interior design.

This was encouraged by the show organisers through introduction of the “Flooring Deluxe” exhibition to Domotex this year. The exhibition involved 15 specially arranged booths (so-called “Concept Rooms”) with installations created by young designers in collaboration with floor covering manufacturers.

The wood flooring section of “Flooring Deluxe” was represented by Poland’s Baltic Wood S.A. working in collaboration with the German designer Mark Braun. The resulting installation displayed embossed wood parquet in a domino-like formation on both wall and floor.

According to Braun, the aim was to consciously break with wood parquet’s conventional application to emphasise its natural colour and surface feel. Another aim was to reintroduce the idea of wood as wall panelling.

After three days of voting by an expert panel and visitors, Braun’s wood display was recognized as the best project in the floor coverings category.

The result emphasises the enduring attraction of real wood floors and panelling. It also suggests strong consumer interest in innovative designs which combine wood’s natural texture with modern materials and bold colours.

### **European laminate flooring sales declined in 2012**

Another indication of challenging market condition in the European flooring sector in 2012 is provided by data released by the Association of European Producers of Laminate Flooring (EPLF).

The association represents the leading producers of laminate flooring in Europe. The 22 member companies account for around 55% of the global market for laminated floors and around 80% of the European market.

In recent years, laminate flooring has taken a rising share of the European floor covering market, mainly at the expense of textiles.

According to market research by Intercontuft, laminates share of this market increased from 12.7% in 2004 to 14.3% in 2010 (wood’s share increased from 5.1% to 5.6% during the same period).

European and international production capacity of laminate flooring increased rapidly in the years before the recession.

However, during the recession, excess capacity and on-going moves by manufacturers to replace décor papers with direct printing meant that prices for laminate flooring remained low.

High street prices for laminate flooring may be as low as €5-10 per sq.m with little variation between looks and specifications.

The problems associated with low pricing and tight margins in the sector are now being made worse by declining consumption.

The latest EPLF data shows that European sales of laminated flooring by EPLF members fell sharply during 2012 (see table). Last year the volume of laminate flooring sales fell 6% in Western Europe and 4% in Eastern Europe. The decline in sales was apparent across nearly all the leading European markets.

European manufacturers also suffered from declining sales in North America. However manufacturers have had some success to offset these losses by increasing sales to other markets outside Europe, including Turkey, Latin America, China and Africa.

Sales of laminate flooring by EPLF members 2010-2011

Million m2	2010	2011	2012	% chng 2011-12
<b>Total</b>	<b>487</b>	<b>468</b>	<b>460</b>	<b>-2</b>
<b>Western Europe</b>	<b>248</b>	<b>246</b>	<b>232</b>	<b>-6</b>
Germany	83	80	76	-5
France	41	41	40	-1
UK	29	30	29	-4
Netherlands	21	21	19	-11
Spain	18	18	15	-17
Austria	11	10	9	-10
Other	45	46	43	-5
<b>Eastern Europe</b>	<b>109</b>	<b>104</b>	<b>99</b>	<b>-4</b>
Poland	29	26	24	-6
Russia	25	26	24	-7
Romania	13	9	10	7
Ukraine	6	8	8	-1
Other	36	35	33	-5
<b>Asia</b>	<b>64</b>	<b>64</b>	<b>78</b>	<b>21</b>
Turkey	54	54	66	23
China	2	2	3	43
Other Asia	8	9	9	1
<b>America</b>	<b>57</b>	<b>43</b>	<b>40</b>	<b>-5</b>
US	24	13	12	-12
Canada	17	13	12	-13
Latin America	16	16	17	7
Australia/Oceania	na	2	2	7
Africa	na	2	3	17

**Laminate flooring industry seeks to do more than duplicate wood**

Reviewing information supplied by the EPLF, demand for laminate floors in Europe is still heavily oriented around the "all-rounder oak", as it is in the real wood sector.

There is a strong preference for the wide "country-house" plank, with or without a V-joint. However EPLF also note that there are signs of three-strip planks re-gaining popularity in the laminates sector, although less for isolated installations and more often as part of an integrated interior design scheme.

The trend is towards floors with a consistent pattern direction to create a more elegant appearance. For tile designs, large, rectangular formats are preferred, which create a spacious effect in larger areas.

In recent years, the laminates industry has invested heavily in perfecting digital printing technologies to allow near

perfect replication of the look of real wood and other natural materials.

However, according to EPLF, the industry now has ambitions to move beyond mere duplication. It is challenging real wood and other floor types by seeking to deliver finishes which, while authentic and "natural", are also unique and striking.

For example the heavy knottiness of pine may be combined with the medium-brown shades of oak, perhaps with subtle white effects added. Elm, a pale wood with dark beige tones in nature, may be given a dark shade with reddish brown effects.

EPLF note that the range of possibilities to modify laminated decors is expanding all the time, now including colouring, bleaching, etching, whitewashing, oiling, and waxing.

These techniques can be used not only to duplicate nature, but to produce "never-before-seen" extreme surface finishing styles. This is combined with sophisticated haptics and texturing so that, according to the EPLF, "the floors appear more interesting and life-like than the wood from which they were modelled".

EPLF note that these same principles are also being applied to stone designs. The industry is now focusing attention on improving and promoting stone decors - including slate, marble and granite - which to date have been far less popular than wooden decors.

It's an ambitious agenda, to try to do better than nature through use of modern technology and materials. The response of consumers is still uncertain. For now, the majority still seem to prefer the look and feel of natural oak.

**Technical developments**

In addition to delivering new designs, the laminates industry is seeking to build market share through improved technical performance.

According to Dr. Theo Smet, Chairman of the Technical Committee of the EPLF: "The response of the EPLF members to the generally tough economic conditions is a clear commitment to technical quality, the development of innovative products, further transparency in terms of technical features and work on complete laminate flooring systems.

This means combining laminate flooring with what lies beneath them, for example taking account of underfloor heating and cooling, soundproofing, cleaning, care and environmental aspects."

Participation in the European laminates market is a complex and demanding process requiring compliance to a wide range of technical standards. The EPLF assists members through active participation in on-going standardisation work in Europe.

For example it is participating in Technical Committee CEN TC 134 (Laminate, Textile, Resilient) which is now revising the European Norm (EN) 14041. This standard introduces environmental aspects into CE marking of flooring materials, especially relating to indoor air quality, VOC emissions and potentially hazardous substances.

EPLF also recently contributed to finalisation of EN 16094 (test procedures for determining resistance to micro scratches) and drafting of EN 16354 (covering requirements for underlay materials). Further standardisation projects include the revision of the standards for laminate floor coverings EN 13329 (thermoset resins), EN 14978 (electron beam-hardened acrylic surfaces), and EN 15468 (direct printing).

**Environmental groups react to EUTR**

The EU Timber Regulation (EUTR), which regulates illegal timber trade, entered into force on March 3. Import of illegal timber is prohibited under EUTR. Failure to comply can land importers with up to two years imprisonment or a 50,000 Euro fine, in addition to confiscation of timber.

Companies importing timber into the EU are required to carry out ‘due diligence’ to ensure that the timber was logged according to the producer country's laws, including for example, knowing the details of each logging licence under which timber is cut and taking measures to verify that all relevant laws are followed.

An immediate effect of EUTR has been to encourage campaigns by European environmental groups targeting specific species and supply sources perceived to be high risk of illegal logging. So far, the main focus has been on tropical products and countries.

Following a report that illegal Liberian timber was found in a French port, Global Witness campaigner Alexandra Pardal told the BBC: "Almost all timber from tropical rainforests carries a high risk of illegality and should be checked out thoroughly - if there's any suspicion at all, don't touch it".

A recent Greenpeace report singled out the Democratic Republic of Congo as “clearly extremely high risk”.

China is also frequently mentioned by environmentalists as a participant in the illegal trade. In March, the WWF’s Beatrix Richards told the BBC “much of the illegally traded timber comes from central Africa and South-East Asia, with a significant proportion being processed in China and Hong Kong before being shipped to EU nations, particularly the UK”.

Timber exporting countries in both Africa and South East Asia are negotiating bilateral Voluntary Partnership Agreements (VPAs) on timber trade and forest governance with the EU. A key objective of the VPAs is to implement rigorous procedures for "Legality Licensing" of all wood exported from partner countries into the EU.

Wood covered by these licences will be exempt from control under the EUTR. However the conclusion of some VPAs has been delayed and no tropical country is yet in a position to issue a VPA license. In the meantime, wood imported from VPA countries must trade under the EUTR.

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

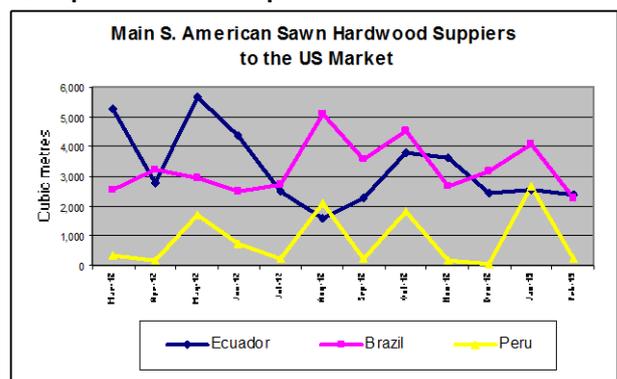
**Report from North America**

**Tropical sawn hardwood imports down sharply**

Despite improving demand in joinery/millwork and exterior end-uses, US tropical sawn hardwood imports fell by 37% in February from the previous month.

Total tropical sawn hardwood imports were 12,256 cu.m. in February, down 12% on February 2012 levels.

**US imports of sawn tropical hardwood**



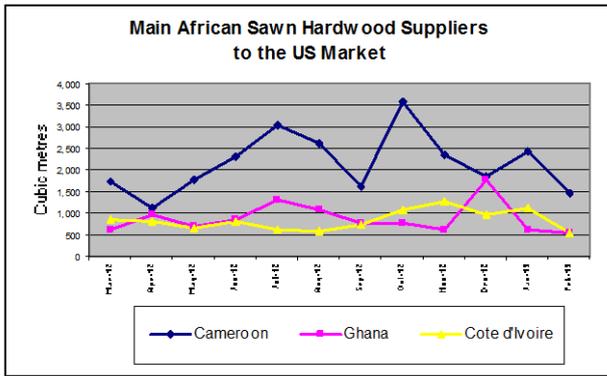
Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

The decline, say analysts, was mainly due to lower imports from Brazil compared to January, but on a year-to-date basis, February imports from Brazil (2,273 cu.m.) remain 39% higher than in 2012. Brazilian ipe imports declined to 1,157 cu.m.

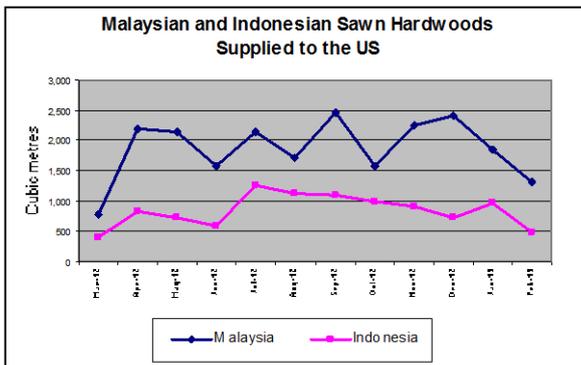
Ecuador’s balsa shipments were 2,374 cu.m. in February, down 26% from 2012. Peru shipped very little virola sawnwood to the US in February (21 cu.m.), compared to the high volume reported for January (2,083 cu.m.).

Cameroon sawn hardwood exports to the US were 1,474 cu.m. in February (-25% year-to-date). Sapeli exports also declined to 662 cu.m.

Imports from Malaysia were down to 1,302 cu.m. (-17% year-to-date). Malaysian keruing shipments declined to 1,037 cu.m. in February.



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



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

### US imports of sawn tropical hardwood, by species

	Feb 2013	Change from previous month
Balsa	2,374	-7%
Sapelli	1,232	-53%
Acajou d'Afrique	1,575	-19%
Keruing	1,115	-39%
Ipe	1,157	-55%
Mahogany	572	-1%
Virola	218	-91%
Meranti	420	
Cedro	749	31%
Jatoba	424	-44%
Teak	457	4%
Iroko	2	-86%
Padauk	-	-100%
Aningre	4	-89%
Other tropical	1,957	-27%
<b>Total</b>	<b>12,256</b>	<b>-37%</b>

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

### Growth in furniture and wood product manufacturing in March

The US manufacturing sector expanded for the fourth consecutive month, according to the latest Institute of Manufacturing (ISM) report on business. The wood products and furniture sectors reported the highest growth

rate of all industries, driven by the recovery of the housing market.

Manufacturing growth slowed from the previous month, but manufacturers expect growth to continue. Increased exports contributed to growth in manufacturing, according to ISM.

### US to boost trade with Burma/Myanmar

Following the European Union's lifting of all trade sanctions (except an arms embargo) in April, the US has opened discussions with officials in Myanmar for a framework agreement on trade and investment. The US government aims to give Myanmar preferential access to the US market.

The US started easing restrictions on imports from Myanmar in autumn 2012. Myanmar is a significant exporter of wood products and US companies are now allowed to purchase wood from Myanmar sources.

The US government intends to increase trade with Asia and the US Trade Representative visited Vietnam and Indonesia to discuss the Trans-Pacific Partnership, a free trade pact. The US is also seeking a framework agreement with Laos.

### Green building standards reward reuse and recycling of wood

A report by Dovetail Partners, 'Examination of Wood Recycling Provisions in North American Green Building Programs, February 2013' examines the extent to which green building programmes in North America encourage the reuse and recycling of wood materials

All but one of the green building programmes provide credits for reuse, reclamation or recovery of materials. One third of the programmes award twice the number of credits to post-consumer recycled content, compared to post-industrial recycled content.

The report identifies the wood building materials and interior finishes that receive credits for recycled content, such as decking, flooring and doors. MDF, HDF and particleboard with post-consumer recycled content would generally qualify in most programmes.

Several green building standards also recognize finger-jointed wood materials. The full report is available at: <http://www.dovetailinc.org/reportsview/2013/responsible-materials/pjim-bowyerp/examination-wood-recycling-provisions-north-amer>

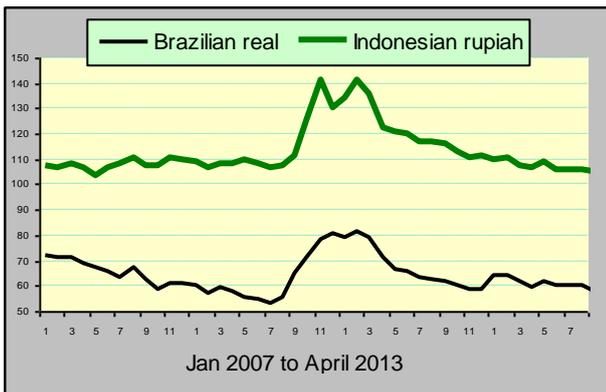
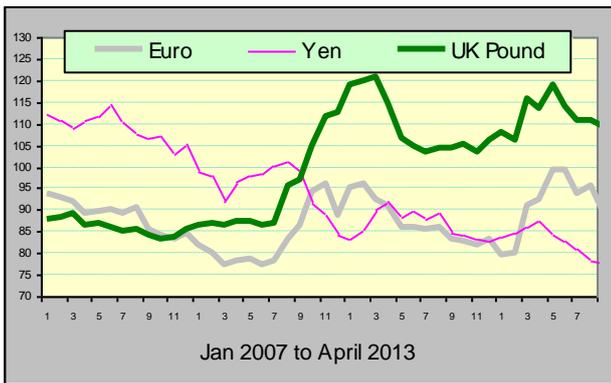
**Disclaimer:** *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.*

## Main US Dollar Exchange Rates

As of 23rd April 2013

Brazil	Real	2.0238
CFA countries	CFA Franc	513.75
China	Yuan	6.1794
EU	Euro	0.7692
India	Rupee	54.3105
Indonesia	Rupiah	9724
Japan	Yen	99.45
Malaysia	Ringgit	3.0569
Peru	New Sol	2.6035
UK	Pound	0.6562
South Korea	Won	1119.58

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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