

Tropical Timber Market Report

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Top Story

EUTR reinforcing trend for small companies in EU to stop direct imports of tropical hardwoods

The EUTR is expected to reinforce an existing trend in the European trade for smaller companies to stop direct imports of tropical hardwoods and to rely instead on purchases from larger European importing companies.

These large importers are taking on the specialist role of satisfying the due diligence requirements of the EUTR, something the smaller companies find difficult and costly to undertake.

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Drop in EU forward contracts

A rather subdued stability was maintained in the volume of trade and in prices during the second half of January. Exporters are waiting to see the market reaction when the EUTR comes into force in March.

Exporters have seen some advance buying by European importers for very specific requirements but there has not been an big increase in orders so price levels have not been affected.

Understandably, EU importers are not inclined to place sizeable orders for forward shipments in the second quarter unless they are absolutely sure that suppliers will be able to provide paperwork showing proof of legality with each shipment.

There were no major price changes in the second half of January and the short-term market outlook is difficult to determine but likely to remain stable but unexciting.

Trade confident in meeting EUTR requirements

W. African millers are being bombarded with offers from certification companies in their long running argument about which scheme is best and which will best satisfy the due diligence requirements of the EUTR.

W. African producers, who do not have FSC or PEFC certification or any other third party oversight, should be able to provide proof of legality for shipments through documents from their forest authorities which closely scrutinise their operations.

Analysts point out that, for some countries, the so-called 'family cutting rights' that allow villagers in forest areas to harvest a certain number of trees each year for local use, could be an issue in application of the EUTR.

It is difficult for the authorities to oversee or regulate harvesting under such 'family cutting rights' and there is always a risk of some unauthorized logs or sawnwood 'leaking' into the main supply chain. However, if this did occur the volumes would be small.

Millers and exporters in W. Africa are very cautious about purchasing logs or sawnwood without indisputable and official proof of legality.

Exporters look to expand markets beyond the EU

The perceived risks to trade from the EUTR has encouraged some W. African exporters to focus on markets and importers outside the EU where the timber is used for manufacturing wood products to be consumed locally and not for export to the EU.

Analysts report an increased in this business in the vast Middle East market, mostly at the expense of Far East markets.

In addition to growing markets in the Middle East, South Africa has become a steady buyer of Central and West African wood products, albeit in a restricted number of species, at very keen prices and with strict requirements on the timing of shipment.

Gabon Forest Authority tightens up on inspections

The industry is reporting that the Gabon Forest Authority has tightened up on monitoring compliance with forest regulations and on control over forest concession holders, producer mills and exporters. Inspections have been stepped up in the forests, at mills and in the port where containers are regularly inspected.

The port inspections, say analysts, have caused some congestion and delays in the loading of vessels in recent months but the action by the forest authority reassures buyers that the government is taking strong action to enforce its forest regulations.

Processing to buyer specifications generates a price premium

Some saw millers in Cameroon are reporting a shortage of logs and are now engaged in the annual negotiations for cutting rights and cost of levies and fees.

In the region, mills are beginning to concentrate on further processing as buyers are calling for and are prepared to pay a premium price for sawnwood surfaced to precise sizes.

Log Export Prices

West African logs, FOB	LM	€ per m ³	
		B	BC/C
<u>Asian market</u>			
Acajou/ Khaya/N'Gollon	205	205	145
Ayous/Obeche/Wawa	215	210	135
Azobe & Ekki	205	205	122
Belli	210	210	-
Bibolo/Dibétou	145	130	
Iroko	270	220	215
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	225	200
Moabi	280	280	190
Movingui	185	155	150
Niove	165	165	-
Okan	320	320	-
Padouk	340	320	235
Sapele	270	255	170
Sipo/Utile	320	295	170
Tali	275	275	-

Sawnwood Export Prices

West African sawnwood, FOB		€ per m ³
Ayous	FAS GMS	320
Bilinga	FAS GMS	515
Okoumé	FAS GMS	460
	Merchantable	290
	Std/Btr GMS	345
Sipo	FAS GMS	500
	FAS fixed sizes	-
	FAS scantlings	465
Padouk	FAS GMS	860
	FAS scantlings	850
	Strips	340
Sapele	FAS Spanish sizes	475
	FAS scantlings	505
Iroko	FAS GMS	575
	Scantlings	600
	Strips	410
Khaya	FAS GMS	425
	FAS fixed	465
Moabi	FAS GMS	550
	Scantlings	555
Movingui	FAS GMS	415

Report from Ghana

Implementation of VPA in Ghana

The Government of Ghana and the EU concluded negotiations on a Voluntary Partnership Agreement (VPA) in September, 2008 and both parties signed the world's first FLEGT VPA on November, 20th 2009.

Through implementing the VPA Ghana wood product manufacturers will be able to satisfy demands in the market for proof that traded wood products are legal.

Through the VPA Ghana also seeks to achieve the following:

- governance reforms within the forestry sector
- sustainable forest management
- realisation of the full economic value of forests
- viable forest sector which contributes to poverty alleviation

Piloting Legality Assurance System (LAS) completed

A key element of the VPA is the implementation of a Legality Assurance System (LAS).

Between 2010 and 2011 the Government of Ghana piloted its LAS and the associated Wood Tracking System (WTS). The results of this pilot have been used to prepare for the national 'roll-out' of the WTS.

The Government of Ghana has contracted a Consortium – Ata Marie Group to further design and develop the WTS and assist in its national roll-out.

Interim arrangements in advance of compliance with VPA

Ghana is however, unable to meet the EUTR (EU Timber Regulation) effective date of 3rd March, 2013.

As FLEGT Licensed wood products will not be available for some time the Ghana Forestry Commission is working with stakeholders to put in place interim arrangements to

assure overseas buyers of the legality of the raw materials used by manufacturers.

Programme launched to highlight VPA progress

The Ghanaian authorities have embarked on a programme to raise awareness and inform stakeholders on progress in implementation of the VPA in Ghana.

This programme will be undertaken during February and March this year in both Ghana and the EU.

The Ghanaian authorities also seek to exchange views with the Competent Authorities in the EU in respect of the progress in implementation of the VPA in Ghana.

Ghana has, through the VPA process, targeted the development of its domestic market and has developed a public procurement policy to promote the use and trade in legal timber in the domestic market.

Revenues from timber exports fell in September 2012

The latest available data shows that the total value of wood products exported in September 2012 amounted to euro 7.54 million, an approximate 13% decline from the euro 8.64 million earned in August 2012.

There was a corresponding 10% drop in the volume of exports from 21,235 cu.m in August to 19,112 cu.m in September 2012.

The volume of air dried sawnwood exports between August and September 2012 increased by 3.5%, while export volumes for other products fell in the same period.

Exports of plywood, dowels, mouldings, air dried boules and poles also fell in September compared to levels in August.

The shares of the primary, secondary and tertiary product exports in September were 3.7%, 93.3% and 3.0% respectively.

John Bitar & Co. Ltd was the leading exporter of plywood and kiln dried sawnwood to markets in Nigeria, Burkina Faso and Benin. These markets accounted for about 13% of total export earnings from wood products.

In terms of export markets by region, African markets accounted for 47.5%, Asia/Far East 26.8%, Europe 16.1%, Middle East 5.0% and N. America 4.6%.

For timber export to the ECOWAS market, Nigeria's imports accounted for 55% in terms of volume and 60% in terms of value.

New Minister for Lands and Natural Resources

The Ghanaian President His Excellency, John Dramani Maham, has nominated Alhaji Inusah Fuseini as the new Minister for the Ministry of Lands and Natural Resources. The nomination of the Mr. Fuseini was among the first ministerial appointees presented to Parliament's Appointment Committee for vetting and approval.

Domestic Log Prices

Ghana logs	US\$ per m ³	
	Up to 80cm	80cm+
Wawa	150-160	163-180
Odum Grade A	165-170	175-185
Ceiba	118-130	132-148
Chenchen	90-100	105-120
Khaya/Mahogany (Veneer Qual.)	111-123	125-145
Sapele Grade A	145-155	160-185
Makore (Veneer Qual.) Grade A	128-135	140-166
Ofram	105-114	140-166

Domestic Sawnwood Prices

		US\$ per m ³
Wawa	25x300x4.2m	296
Emeri	25x300x4.2m	310
Ceiba	25x300x4.2m	240
Dahoma	50x150x4.2m	320
Redwood	25x300x4.2m	430
Ofram	25x225x4.2m	332

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	855	945
Asanfina	480	550
Ceiba	180	235
Dahoma	315	405
Edinam (mixed redwood)	400	350
Emeri	370	430
African mahogany (Ivorenensis)	639	530
Makore	600	499
Niangon	569	605
Odum	695	-
Sapele	625	-
Wawa 1C & Select	260	315

Export Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	Core (1-1.9mm)	Face (<2mm)
Bombax	315	350
Ofram,	295	355
Ogea & Otie	285	350
Chenchen	285	350
Ceiba	245	353

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Export Rotary Veneer Prices

Rotary Veneer 2mm and up, FOB	€ per m ³	
	CORE (2mm & up)	FACE (2mm & up)
Ceiba	280	305
Chenchen	315	350
Ogea	315	350
Essa	215	350
Ofram	315	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	1.00
Asanfina	1.40	.90
Avodire	1.00	0.60
Chenchen	.70	.44
Mahogany	2.00	1.40
Makore	1.25	0.70
Odum	1.75	.95

Export Plywood Prices

Plywood, FOB BB/CC	€ per m ³		
	Ceiba	Ofram	Asanfina
4mm	395	571	622
6mm	392	565	600
9mm	332	409	461
12mm	330	406	422
15mm	296	352	359
18mm	286	345	355

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	12.00	14.47	17.00
Odum	7.80	10.18	11.00
Hyedua	13.67	13.93	17.82
Afrormosia	13.72	18.22	17.82

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

Report from Malaysia

Production set to halt for Chinese New Year holidays

As the Chinese New Year holidays approach the timber industries in Malaysia are beginning to wind down production and prepare for a shut down from the first week in February. Sawmills, especially in Peninsular Malaysia, will shut for an extended break in early February.

Rubberwood furniture maker invests in plantations

The Malaysian Star newspaper reported (22/1/13) Celment Hii, director of the country's largest rubberwood furniture manufacturer SYF Resources Bhd, as saying the company does not expect to be seriously affected by the current global economic slowdown and the narrowing of profit margins.

Hii said the company has diversified upstream through investment in rubber plantations in order to secure its rubberwood raw material supply.

On a year-on-year basis, SYF's revenue for the last quarter of 2012 grew from RM42.98mil in 2011 to RM58.07mil last year.

WTK to maintain cap on production until demand improves

The Star newspaper also reported on WTK Holdings Bhd, a major log supplier based in Sibul, Sarawak. WTK produced 441,471 cu.m of logs in 2012 compared to 530,864 cu.m in 2011. WTK produces plywood and other wood products. The company says it will continue to cap production of logs until the demand improves thus continuing the same reduced production policy adopted in early 2012.

The company cited the uncertainty in major markets and resulting reduced consumption as the main reason for the decision to reduce output.

Sabah Forest department considers domestic legality assurance

Despite anticipation of the quiet period in industry over the New Year holidays, the industry in Sabah has been busy working on legality issues.

The companies exporting to Europe are focussed on the impending coming into force of the EUTR. Analysts report that the Sabah Forestry Department is studying how the State should approach development of a Sabah timber legality assurance scheme.

Data on timber exports from Sabah were released recently. Export levels for the period January to November 2012 are shown below, (prices are FOB basis):

Sawntimber	226,947cu.m,	value RM 364,563,705
Laminated boards	43,980 cu.m,	value RM 72,257,701
Mouldings:	27,639 cu.m,	value RM 90,430,744
Veneer	41,941 cu.m,	value RM 66,870,854
Plywood	585,447 cu.m,	value RM 923,575,688

Sarawak industries prepare for Australian due diligence

The industry in Sarawak is already experiencing quiet trading as overseas buyers are well aware that production will soon come to a standstill and company offices will close for the New Year holidays.

The Australian market is important for companies in Sarawak and the industry is watching developments in the Australian Illegal Logging Prohibition Act 2012.

Some companies in Sarawak are already preparing to meet the due diligence regulations so as not to disrupt timber exports to Australia.

Malaysian Furniture Fair strengthened by partnership with Muar Furniture Association

In a press release the Malaysian International Furniture Fair (MIFF) announced a strategic alliance with the Muar Furniture Association (MFA), one of the most prominent furniture industry groups in Malaysia.

Beginning in 2013, MFA will participate exclusively in MIFF, Southeast Asia's annual furniture trade show managed by UBM Asia, setting the stage for the biggest ever MIFF since its inception in 1995.

This is the first ever commitment of its kind by the MFA. Manufacturers in Muar account for 45% of Malaysian furniture exports from a base of about 500 manufacturers, including eight public-listed companies.

The participation of furniture manufacturers from Muar will further strengthen MIFF as the single biggest platform

for Malaysian furniture known primarily for hardwood products.

MIFF 2013 will be held from March 5th to 9th 2013 at the Putra World Trade Centre and Matrade Exhibition and Convention Centre in Kuala Lumpur.

Moves to cool real estate market

Over the past two years growth in the real estate sector in Malaysia has been an important market for the timber industries in the country. However, the growth witnessed over the past years is expected to slow in 2013 as the government is determined to cool the sector.

The Malaysian government has introduced a 70 percent Loan-to-Value maximum on loans to those buying a third property and is now basing the loan assessment on net income rather than gross income.

The government is also raising the property capital gains tax.

Analysts say that, while these changes will have an impact on new investment in the Malaysia's property market, long-term investors and people buying homes to occupy rather than for rent will provide a measure of continued growth in the housing market.

Log Export Prices (Sarawak)

Meranti SQ	US\$ 240 – 260 FOB
Kapur SQ	US\$ 320 – 350 FOB
Keruing SQ	US\$ 260 – 280 FOB
Selangan Batu regular	US\$ 320 – 360 FOB

Export Plywood Prices

Malaysia ply MR BB/CC, FOB	US\$ per m ³
2.7mm	445-506
3mm	427-457
9mm & up	378-448

Correction

In the previous ITTO report (17:1 15th Jan 2013) the statistics on exports of plywood from Sarawak were incorrect. The correct data is: for the period January to November 2012, Sarawak exported 2,402,120 cu.m of plywood, valued at RM 3,634,972,141.

Report from Indonesia

Jakarta businesses hit by deadly floods

Indonesia's capital, Jakarta, was brought to a standstill by flooding which peaked on 17 January. Some 10 million people living and working in the city were affected and 20 people are reported to have died in flood related accidents.

The local media reports that more than 40,000 people were displaced and more than 100,000 homes and businesses were under water.

Most of the timber industries located in Jakarta, Banten and West Java had to postpone shipments during the 5

days of floods in Jakarta. Most exporters managed to re-arrange export schedule but some are facing delayed shipment penalties from buyers.

So far, there is no detailed information on the financial losses suffered by timber industries located in Jakarta, Tangerang, Bekasi, and Banten. However, estimates put potential losses at around 1 trillion rupiah.

Analysts point out that some industries located in the flood hit pockets such as the Pulogadung industrial area and Tangerang Banten probably suffered financial losses because wood working machinery and raw materials were submerged.

Jakarta is surrounded by mountains and 13 rivers flow through the city to the Java Sea. The government has identified poor drainage in the catchment areas of Bogor-Puncak-Cianjur as contributing to the flooding of the Ciliwung river.

EU a major destination for processed wood products

The Indonesian Ministry of Forestry has reported that the volume of wood products export during the past 12 months totalled 1.01million cu.m for shipments to 94 countries, including EU member states.

The EU is a significant importer of Indonesian timber products.

While the volume of primary product exports to the EU was a modest 169.000 cu.m, or just 11% of the total export volume, exports of processed wood products to the EU were worth US\$ 210 million or 22% of the total export value of all processed wood product exports.

Forestry and timber sectors could attract FDI

At the same time as the floods hit Jakarta the Government announced record high levels of foreign investment (FDI) during 2012. Total investments of Rp 313.2 trillion (US\$32.5 billion), exceeding the target of Rp 283.5 trillion, were recorded.

Most of the investment was in the mining sector (17 percent of total FDI); followed by the transportation and telecommunication sectors (11 percent) and the pharmaceutical sector (11 percent).

Analysts point out that with the successful introduction of the domestic timber legality assurance scheme, there is a good chance that investment in the forestry and timber sectors will expand.

Indonesian SVLK satisfies EUTR

The Indonesian government has inaugurated a V-Legal/FLEGT timber license system to boost timber sales globally and especially to meet the requirements of the EUTR.

The Indonesian government has said that when the EUTR enters into force in March this year, Indonesian wood products shipped by exporters with the domestic SVLK

certificate will be deemed as satisfying the due diligence requirements of the EUTR. It is said that around 1,500 companies nationwide have obtained SVLK certification.

Indonesia is the first Asian country to conclude negotiations of a Voluntary partnership Agreement (VPA) and the Indonesia/EU VPA is expected to be ratified in September this year.

EU importer expresses satisfaction with test shipment

The EU is a major destination for wood products from Indonesia and some EU member states recently participated in a test shipment of verified legal wood products from Indonesia.

The Netherlands Koninklijke Dekker Hout Group, which imports from Indonesia, participated in the test shipment and expressed satisfaction on the results of the test.

Indonesia looks forward to the early ratification of its VPA as this will bring tangible benefits to Indonesian exporters and European importers catering to demands of consumers in the EU.

Small companies offered help with SVLK certification

All wood product manufacturers in Indonesia are required to comply with the domestic timber legality assurance system. This requires that they secure third party verification.

The cost of securing the third party verification is a serious issue for small scale industries and the handicraft makers. Until now these small companies could not obtain financial or technical assistance to meet the new requirements.

The Indonesian government has allocated an initial Rp 3 billion (US\$312,000) from the state budget to help subsidise small-scale producers in obtaining SVLK certification.

Domestic Log Prices

Indonesia logs, domestic prices	US\$ per m ³
Plywood logs	
Face and core logs	240-270
Sawlogs (Meranti)	229-292
Falcata logs	115-270
Rubberwood	94-125
Pine	78-160
Mahoni (plantation mahogany)	125-396

Domestic Ex-mill Sawnwood Prices

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

Export Plywood Prices

Indonesia ply MR BB/CC, export FOB	US\$ per m ³
2.7mm	625
3mm	600

Domestic Plywood Prices

MR Plywood (Jakarta), domestic	US\$ per m ³
9mm	365-397
12mm	365-402
15mm	301-330

Export and Domestic Other Panel Prices

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

Export Added Value Product Prices

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

Report from Myanmar

What is causing weak demand for teak in EU?

Analysts say that, despite the easing of economic sanctions, the demand for teak in the EU, US and Japanese markets is low. Whilst the current economic downturn in the EU and US may be partly responsible for the poor demand for teak in these markets, other factors may be involved.

The number of companies in Thailand and Taiwan P.o.C manufacturing teak products for export to Europe and the US has fallen dramatically over the past few years.

Some traders suggest that teak seems to have lost the appeal it enjoyed in the 1980's and 90's and that efforts are required to stimulate the markets. The shrinking market for teak in Europe also seems to be linked to the decline in the quality of teak being made available.

High quality teak, the grades preferred by Japan, US and EU are not now readily available, reflecting the decline in the teak forests, say analysts. The teak forests in central Myanmar have been harvested over and over again and now yield only small quantities of high quality logs.

China and India major markets for teak

In recent years the log grades available have been mainly SG-4 and lower. European buyers tended to purchase mainly higher grade 4th Quality logs but the scarcity of higher grades has meant European buyers had to accept lower grades such as SG-4.

Lower grades such as SG-7 and SG-8 are available in large quantities and these grades are acceptable in the Indian market, especially now as the Indian rupee has fallen against major currencies.

It is estimated that 80% of Myanmar's teak log exports go to India. It is not possible to gauge the exact volume exported to China as only a small quantity is shipped out by sea to China and is thus carefully documented. Most teak for the Chinese timber industry is transported overland and documentation of this trade is a major problem.

Undecided on investment in processing capacity

While many longstanding and experienced exporters and traders are considering investing in wood processing industries in Myanmar in face of the proposed log export ban, it is reported that some still believe that the decision on the ban is reversible.

Plan needed to address forest degradation

The main issue confronting the forest authorities in Myanmar today, say analysts, is not a total or a partial log ban but how to ensure harvests are within the annual allowable cut to check forest degradation and deforestation.

In order to develop appropriate policies it is vital that the state of the forest is understood. There are conflicting reports on the forest cover which must be addressed.

According to the Myanmar forestry authority the forest cover is around 47% but according to the NGO community the forest cover is only around half of that.

Verification of the actual forest cover is will take time and will involve a considerable investment. Until such data is available there is a risk that harvest levels will be set too high.

Myanmar Teak Log Auction Prices (natural forest logs)

Average prices during the January 2013 Teak tender sales are shown below. Prices are Euro per hoppus ton.

Grade	Quantity (Tons)	€ per ton
4 th Quality	11	5039
SG-1	21	3426
SG-2	51	2805
SG-4	218	2526
SG-5	92	1823
SG-6	118	1678
SG-7	74	1366

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

Timber imports through Kandla port grow as industries in vicinity expand

Kandla Port registered double digit cargo growth during 2011-12. Strong demand and increasing numbers of timber processing plants in the vicinity of the port has resulted in higher imports of logs through the port.

In 2010-2011 log imports through Kandla port were 3.728 million cubic metres, but in 2011-2012 the figure rose to 4.131 million cubic metres a rise of 10.8 %.

Currently there are 952 licensed wood working factories in and around Kandla and analysts expected more plants to be established in the Kandla and Mundra as the area is serviced by two very modern ports.

Over a 12 month period Kandla and Mundra ports handled some 992,000 cu.m of Meranti logs mainly from Malaysia, 301,000 cu.m of Gurjan / Keruing logs from Myanmar and Malaysia, some 1.4 mil. cu.m of Pine logs from New Zealand and Europe and 455,000 cu.m of Teak logs.

The major supplies of teak, both natural forest and plantation teak were Ecuador, Myanmar, Ghana, Costa Rica, Ivory Coast, Panama, Benin, Sudan, Brazil, Tanzania, Togo, El-Salvador and Nigeria.

It is estimated that nearly 70% of all timber imported by India moved through the ports of Kandla and Mundra. Analysts anticipate imports will exceed 5mil. cu.m in the current fiscal year. New modern port facilities are under consideration to service companies on the east coast of India.

Industry seeks reduction of State VAT on raw materials

The timber industries in the east have voiced concern over the high (15%) value added tax (VAT) charged by the state government. The industry argues that, as logs are the raw material input for industries the VAT should be reduced to 4% to bring it in line with rates charged by many other states.

Reviving wood based industries in N.E. India

Central and State Governments have development plans for N.E. region of India through a combination of private and public investment. Reviving the development of the plywood industry in the region is under consideration.

Demand in India for plywood continues to rise and the ever widening gap between supply and demand can only be met by imports.

The N.E. region of India was up until around 1966 a major centre for wood based industries. At that time almost 80% of India's requirements for plywood were being met from mills in that region.

To-day, mills in the N.E. provide to less than 10% of the plywood demand in the country.

The N.E. has a climate suitable for plantations of the fast growing species which are ideal for plywood manufacture. There is ample land available in and around villages, adjacent to forest areas and close to tea-plantations and deforested hills as well as along river banks.

Infrastructure in the region is adequate and there is a pool of experienced technicians and skilled workers. Reviving the wood based industries in the region would help reduce regional un-employment.

The agro-forestry developments in the northern Indian states of U.P., Punjab, Haryana and Uttaranchal are good examples of what can be achieved. A revival of the plywood industry in N.E. India would deliver many benefits.

Cross border trade with Myanmar set to grow

Relations between India and Myanmar are improving which could lead to expanded cross border trade. In the Border Trade Agreement of 1995 mechanisms for road transport of goods between India and Myanmar were established bringing economic benefits to both countries.

Observers point out that the roads used for this cross border trade need to be upgraded to make transportation of goods in both directions more efficient. When this is done the timber industry will benefit and so will other sectors for which the cross border trade is important.

The local prices for air dried Sawn timber per cubic foot, ex-saw mill remain unchanged and are shown below:

Merbau	Rs. 1500~1650 per CFT
Balau	Rs. 1600~1700 per CFT
Kapur	Rs. 1100~1250 per CFT
Red Meranti,	Rs. 800~ 900 per CFT
Radiata Pine	Rs. 500 to 550 per CFT
White wood	Rs. 525 to 575 per CFT

Average prices realised at sales held in Government Teak depots in Central India are shown below. The prices are per cubic foot ex depot.

Teak log prices

For shipbuilding	
A quality	Rs.3,000 per cu.ft
B quality	Rs.2,800 per cu.ft
For sawing	
A quality	Rs.,1800~1,900 per cu.ft
B quality	Rs.1,700~1,800 per cu.ft
long lengths for sawing	
A quality	Rs.1,600~1,700 per cu.ft
B quality	Rs.1,400~1,500 per cu.ft
Medium quality	Rs.1,300 ~ 1,400 per cu.ft

Domestic Ex-mill Sawwood Prices for Myanmar Teak

Sawnwood (Ex-mill)	Rs. per cu. ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	4500-10400↑
Plantation Teak A grade	3400-4200↑
Plantation Teak B grade	2800-3100↑
Plantation Teak FAS grade	2000-2600

Myanmar Teak processed in India

The demand in India for Myanmar teak remains steady. Analysts in India say that as the EU and US have improved relations with Myanmar the teak trade between Myanmar and the west may expand which will mean Indian importers will face increased competition.

Some Indian companies are already planning to shift processing capacity from India to Myanmar in response to the proposed 2014 log export ban in Myanmar.

Prices for Myanmar teak are shown below:

Teak Export Grade F.E.Q	Rs 4500 to 10500
Teak A grade sawn timber	Rs .3400 to 4000
Teak B grade sawn timber	Rs. 2800 to 3100
Plantation Teak FAS grade lumber	Rs .2000 to 2600

Price variations are mainly due to differences in lengths and diameter.

Despite the depreciation of the Indian rupee, teak sawnwood prices remain at pre-depreciation levels as Indian buyers are reluctant to pay higher prices. Some Indian manufacturers are replacing teak with durable non-teak hardwoods such as Merbau

High quality plantation teak arriving from Sudan

Presently, out of all the sources of West African plantation teak, logs coming from Benin are reportedly of the highest quality. The quality of plantation teak from Sudan and shipped through Mombassa in Kenya is highly regarded by Indian buyers and this is reflected in the log prices.

Current prices, C & F Indian ports, for Teak are shown below:

Imported Plantation Teak Prices (C&F)

	US\$ per m ³
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	425-650
Benin sawn	700-800
Brazil squares	400-600
Burkina Faso logs	-
Columbia logs	400-600
Togo logs	400-500
Ecuador squares	350-500
Costa Rica logs	400-650
Panama logs	350-450
Sudan logs	500-600

Variations exist based on lengths and average girths of logs in a parcel. Prices also vary with measurement allowances given for bark and sap in different countries of origin.

Domestic Ex-mill Sawwood Prices for imported timbers

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

Sawnwood, (Ex-warehouse) (KD)	Rs. Per ft ³
Beech	110-1200
Sycamore	1200-1300
Red oak	1400-1550
White Oak	1400-1650
American Walnut	2000-2150
Hemlock clear grade	1000-1100
Hemlock AB grade	950-1000
Western Red Cedar	1400-1550
Douglas fir	1050-1100

Indian plywood manufacturers seek protection from low cost imports

The domestic plywood industry continues to face severe competition from cheaper imports, mainly from China.

This is a matter of considerable concern in India as the small mills, which number over 1000 and which support employment, are suffering the most.

A request from industry for an anti-dumping levy to be imposed on some imports is being considered and support of Central Government is being sought by the various plywood manufacturer's associations.

Current plywood prices, ex-warehouse, per square foot are shown below:

Domestic Ex-warehouse Prices WBP Marine Grade Plywood

Plywood, (Ex-warehouse) (MR Quality)	Rs. per sq.ft
4 mm	30.00
6 mm	4300
12 mm	66.50
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.14.10	Rs.24.00
6mm	Rs.20.60	Rs.32.00
8mm	Rs.26.50	Rs.35.00
12mm	Rs.32.00	Rs.40.00
19mm	RS.42.00	Rs.55.00
5mm Flexible ply	Rs.30.00	

Inflation spikes in December but yearly target achieved

According to the Brazilian Institute of Geography and Statistics (IBGE), the inflation rate was higher than expected in December 2012.

The December Consumer Price Index (IPCA), at 0.79%, was the highest since March 2011. The December 2012 figure was the highest rate for a month of December since 2004.

Despite the spike in December inflation the Government reached its inflation control target for 2012, stipulated at 4.5% with a variation of two percentage points. In 2011, the inflation rate was 6.5%.

Further weakening of the Real against the US dollar

In 2012, the average real/US dollar exchange rate was BRL 1.95/USD. In 2011 the average was BRL 1.67/USD.

The average exchange rate in December 2012 came in at BRL 2.08/USD indicating a slight easing of the Brazilian currency against the US dollar.

Reduction in interest rate possible in second quarter

The Monetary Policy Committee (Copom) of the Central Bank (BC), in its last final meeting of 2012 and in the first meeting of 2013, decided to maintain the prime interest rate (Selic) at 7.25% per year.

Many financial analysts are of the opinion that the Selic rate should be maintained at its current level, at least during the first quarter of this year and that a reduction to 7% could be considered for the second quarter if the economy does not show signs of recovery.

Promoting investment in plantations not bonds

Investing in land and forest plantations is being promoted as an alternative investment in Brazil. Investment companies claim that yields on investment in Brazilian plantations in 2012 would have yielded better returns than on gold or US saving bonds.

Several companies are offering plantation land as an alternative investment. Investors can purchase plantation packages for as little as euro 6.200 to 500,000. The return on such an investment is only seen when the plantations mature and are harvested.

Brazilian entrepreneurs are optimistic that demand for wood products in the domestic and international markets will continue to grow.

The hosting of the Olympic Games and World Cup will involve considerable investment in construction leading to increased demand for wood products say analysts. Also, the Brazilian government is promoting building of more housing for low income families which will increase demand for wood products.

Demand for hardwood planting stock expected to rise

In 2012 the demand for seedlings of high value hardwood species for plantations exceeded expectations. Projections for 2013 anticipate a tripling of demand according to Tropical Flora Reflorestadora, a specialist company providing planting stock.

Investment in the so-called 'green economy' is now being actively promoted and workshops have been organised by Tropical Flora to provide information on the potential of this type of investment.

Currently, the hardwood species that have been planted include Guanandi (*Calophyllum brasiliense*), African mahogany (*Khaya ivorensis*), Jequitibá Rosa (*Cariniana legalis*), Teak (*Tectona grandis*) and Cana fístula (*Peltophorum dubium*).

Forestry experts say that farmers could plant such high value hardwoods alongside coffee, pupunha palm tree and other crops to generate higher income.

Round up of December 2012 timber exports

In December 2012, the value of wood products exports (except pulp and paper) fell 5.9% compared to values in December 2011, from US\$ 218.6 million to US\$ 205.7 million.

Pine sawnwood exports declined 30.4% in value in December 2012 compared to December 2011, from US\$ 14.8 million to US\$ 10.3 million. In terms of volume, exports dropped from 66,100 cu.m to 46,000 cu.m over the period.

Exports of tropical sawnwood fell 26% in volume, from 44,700 cu.m in 2011 to 33,100 cu.m in December 2012 compared to December 2011, (from US\$ 24.7 million to US\$ 16.4 million).

Pine plywood exports rose 21% in value in December 2012 compared to December 2011, from US\$ 26 million to US\$ 31.5 million. The volume increased was just over 19% in December, from 71,600 cu.m to 85,500 cu.m.

Exports of tropical plywood fell from 5,200 cu.m in December 2011 to 5,100 cu.m in December 2012, an approximate 2% decline.

A much higher rate of decline was observed in the value of tropical plywood exports in December where a 22% fall was registered, (US\$ 3.6 million to US\$ 2.8 million).

Brazilian exports of wooden furniture dropped from US\$ 44.3 million in December 2011 to US\$ 41.1 million in December 2012, a 7% decline.

"Orchestra Brazil" diversifies furniture export markets

A project called "Orchestra Brazil" is promoting diversification of export markets. This project is a partnership between Sindmóveis (Association of Furniture

Industries of Bento Gonçalves) and Apex-Brazil (Brazilian Trade and Investment Promotion Agency).

The aim of “Orchestra Brazil” is to improve the competitiveness of Brazilian furniture exporters. This is being achieved through combining the expertise from manufacturers, suppliers, technologists and designers to the furniture sector. The target markets for this initiative are Peru, Paraguay, Uruguay and Argentina.

From 2005 – 2011 the annual import growth of companies associated with the “Orchestra Brazil” initiative in the four target markets was over 15% in Peru; 26% in Paraguay; 13% in Uruguay and 15% in Argentina. Research has concluded that this project was highly regarded in Peru, Paraguay and Uruguay.

Despite the declining imports by Argentina of furniture from Brazil, the result of barriers affecting bilateral trade say analysts, the country was the second largest importer of furniture from companies associated with the “Orchestra Brazil” initiative.

Brazilian sawmilling sector anticipates positive growth

The Brazilian sawnwood industry is forecasting positive growth in 2013 in anticipation of increased demand resulting from construction of facilities for the World Cup (2014) and the Olympic Games (2016). A further boost to demand will come from the government’s housing programme “My House My Life (Minha Casa Minha Vida)”.

In other encouraging news the Brazilian Association of Mechanically Processed Timber Industries (ABIMCI) has indicated that the federal government intends to reduce payroll taxes for the sawnwood sector in 2013.

The Ministry of Development, Industry and Foreign Trade (MDIC) is said to be considering eliminating the tax on Industrialized Products (IPI) for plywood and also the 8% tax charged when the Brazilian forest products are exported to the US market.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	154
Jatoba	111
Guariuba	85
Mescla (white virola)	91

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Jatoba Green (dressed)	1330
Cambara KD	705
Asian Market (green)	
Guariuba	354
Angelim pedra	800
Mandioqueira	302
Pine (AD)	215

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green)	
Northern Mills (ex-mill)	
Ipê	862
Jatoba	642
Southern Mills (ex-mill)	
Eucalyptus (AD)	232
Pine (KD) 1st grade	217

Export Veneer Prices

	US\$ per m ³
Veneer, Export (Belem/Paranagua Ports) FOB	
White Virola Face 2.5mm	338
Pine Veneer (C/D)	237

Domestic Veneer Prices

	US\$ per m ³	
Rotary cut Veneer, domestic		
(ex-mill Northern Mill)	Face	Core
White Virola	266	214

Export Plywood Prices

	US\$ per m ³
Plywood, FOB	
White Virola (US Market)	
5.2mm OV2 (MR)	498
15mm BB/CC (MR)	439
White Virola (Caribbean market)	
4mm BB/CC (MR)	612
12mm BB/CC (MR)	468

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	345
15mm C/CC (WBP)	323
18mm C/CC (WBP)	323

Domestic Plywood Prices

	US\$ per m ³
Plywood, domestic (ex-mill Southern mill)	
Grade MR (B/BB) White Virola 4mm	764
White Virola 15mm	558

Domestic prices include taxes and may be subject to discounts.

Export Prices For Other Panel Products

	US\$ per m ³
Belem/Paranagua Ports, FOB	
Blockboard Pine 18mm 5 ply (B/C)	405
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	542
Particleboard 15mm	363

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards	
Cambara	920
Ipê	2,400

Report from Peru

Civil society calls for greater dynamism in forestry reform

A group of civil society organizations has petitioned the head of the Ministry of Agriculture (Minag), Milton Von Hesse, for a more dynamic reform of the forest and wildlife sectors to, as they say, "give it competitiveness and inclusion".

The petition mentions the status and progress in improving the policy and institutional framework of forestry management in the country and specifically recommends:

- the development of a new participatory policy for forestry and wildlife;
 - the design and implementation of improved institutional arrangement
- and
- a revised Forest Act and Wildlife Act

The petition directed at the Ministry of Agriculture says "We urge your office to strengthen the team of the Forestry and Wildlife (DGFFS), providing dedicated staff necessary for the process, the necessary budget for

implementation of activities and the political and institutional support of all Ministries”.

Regarding the proposed draft National Forestry Policy and Wildlife (PNFFS), submitted in December 2012, the organizations asked to expand to 120 days the period for receiving input from the public”.

The group further asked for greater transparency in progress with development of regulations being developed by the National Forestry and Wildlife Agency (SERFOR).

The petition to the Ministry was signed by organizations such as the Peruvian Society for Environmental Law (SPDA), Law Environment and Natural Resources (DAR), Peruvian Society for Ecological Development (SPDE), Proética, Association for the Conservation of the Amazon Basin (ACCA), Center Indigenous Cultures of Peru (Chirapaq), the Centre for Environmental Sustainability Universidad Peruana Cayetano Heredia (CSA-UPCH), amongst others.

Forestry Training Centre in Peru

The Tropical Forest Foundation has launched a fundraising campaign to secure funds to accelerate the development of a training and education centre in Peru.

This centre would focus on how to balance sustainable forest management, demand for wood products, the ecological integrity of the forests and the economic welfare of local communities.

This training centre would, if funds are forthcoming be built in the Amazon region of Madre de Dios an area which has about 350,000 hectares of certified forest.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	532-586

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	390-421
Grade 2, Mexican market	333-365
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	365-389

	US\$ per m ³
Peru Sawnwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	887-909
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	399-434
Grade 2, Mexican market	311-347
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	258-283

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic	867-911
Mahogany	75-106
Virola	264-305
Spanish Cedar	74-87
Marupa (simarouba)	

Export Veneer Prices

	US\$ per m ³
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 ³
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15x4x8mm	318-347
Virola, 2 faces sanded, B/C, 5.2x4x8mm	405-413
Cedar fissilis, 2 faces sanded 4x8x5.5mm	750-761
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	396-408
C/C 4x8x4mm	384-396
Lupuna plywood B/C 8x4x4mm Central Am.	370-393

Domestic Plywood Prices

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

	US\$ per m ³
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1287-1388
Cumaru KD, S4S Swedish market	866-981
Asian market	990-1035
Cumaru decking, AD, S4S E4S, US market	934-996
Pumaquiro KD # 1, C&B, Mexican market	423-511
Quinilla KD, S4S 2x10x62cm, Asian market	477-503
2x13x75cm, Asian market	708-768

Report from Guyana

Slow start to year for log exporters

A slowing of log exports in the early part of the month was observed, the cause of which say analysts, was the extended holidays in the main western markets. However, some Mora log contracts were shipped and prices were reported as fair for all categories

Shipments of Undressed Greenheart sawnwood were concluded during the month but prices weakened for select grade.

On the other hand prices increases for Sound quality were recorded and prices rose from US\$ 700 to US\$ 721 per cubic metre. Prices for Merchantable quality were reported as only fair.

More species exported to the EU

There were no exports of Undressed Purpleheart sawnwood early in the month

Undressed Mora sawnwood prices held steady, unchanged from December 2012. Europe is the main market for Undressed Mora sawnwood. Some of Guyana's lesser used species such as Burada, Darina, Fukadi and Kautaballi made their way to the European market and prices were reportedly satisfactory.

Dressed Purpleheart sawnwood prices were maintained at around US\$ 1,080 per cubic metre. Guyana's Washiba (Ipe) sawnwood price remains very attractive to exporters who now earn a maximum price of US\$ 2,300 per cubic metre, mainly from buyers for the North America market.

Suriname, a growing market for plywood

Prices for Guyana plywood BB/CC category held steady at around US\$ 584 per cubic metre. Suriname is now a significant importer of plywood from Guyana.

The market for Splitwood (shingles) was reported as good during January and prices were at US\$ 909 per cubic metre in the markets of the Caribbean.

Guyana revises export tax schedules

After a thorough consultative process the Government of Guyana published amendments to its policy on the export of logs and squares. The policy document sets out a schedule of increases in export taxes for specific species and products.

The new export duty rates has one schedule for logs and another for squares with dimensions of 20.3 cm x 20.3 cm and above.

The rate of export duty in Schedule A (logs) will be 15% in the first year, 17% in year two and 20% in the final year of the amended policy schedule.

The export duty rates applied to squares (Schedule B) will be 12% in the first year, 15% in year two and 17% in the final year. At the end of the three year period a decision will be made for future rates.

Exports of logs and squares of species not identified in either Schedule A or B will attract a 2% across the board flat rate of export duty.

The government policy notes that special consideration will be given to local companies or entities exporting squares (products with dimensions of 20.3 cm x 20.3 cm and above) which are to be used in the sizes exported for engineering end uses and applications.

The latest policy document extends the total restriction on the export of Crabwood (Andiroba) and Locust (Jatoba) logs.

This policy document is considered a significant way to further improve the performance of the sector through

encouraging adding more value to forest products so as to contribute further to the development of Guyana forest sector.

See below for schedules for round logs and squares.

Proposed Schedule A -round Logs

Species	Rate of Export Commission (%) – Year 1 - 2012	Rate of Export Commission (%) – Year 2 Proposed Rates	Rate of Export Commission (%) – Year 3 – Proposed Rates
Purpleheart	15	17	20
Locust(bastard)	15	17	20
Greenheart	15	17	20
RedCedar	15	17	20
Kabukalli	15	17	20
Washiba	15	17	20
Letterwood	15	17	20
Snakewood	15	17	20
Shibadan	15	17	20
Bulletwood	15	17	20
TonkaBean	15	17	20

Proposed Schedule B – Squared logs

Species	Rate of Export Commission (%) Year 1 - 2012	Rate of Export Commission (%) Year 2 Proposed Rates	Rate of Export Commission (%) Year 3 Proposed Rates
Brown Silverballi	12	15	17
Keriti Silverballi	12	15	17
Tatabu	12	15	17
Wamara	12	15	17
Mora	12	15	17
Itikiboroballi	12	15	17
Darina	12	15	17
Wallaba	12	15	17
Tauroniro	12	15	17
Fukadi	12	15	17
Hububalli	12	15	17
Dakamaballi	12	15	17
Burada	12	15	17
Limonaballi	12	15	17
Muneridan	12	15	17
Iteballi	12	15	17
CowWood	12	15	17
Simarupa	12	15	17

Export Log Prices

Logs, FOB Georgetown	SQ - \$ Avg unit value per m ³		
	Std	Fair	Small
Greenheart*	-	-	-
Purpleheart	225-385	175-300	150-270
Mora	150	140-150	130-135

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

Export Plywood Prices

Plywood, FOB Georgetown Port		\$ Avg unit val. per m ³	
Baromalli	BB/CC	5.5mm	Not available
		12mm	467-585
Utility		5.5mm	No export
		12mm	"

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

Export Sawwood Prices

Sawwood, FOB Georgetown		\$ Avg unit val. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	860	-
	Standard	-	-
	Select	758-1410	-
	Sound	700	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	700-966
	Select	650-1100	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	500-700	-
	Sound	-	-
	Merchantable	500	-

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

Report from Japan

Economy remains relatively weak

The Bank of Japan (BoJ) Monetary Policy Board held a meeting on January 21 and 22, and released its assessment of the Japanese economy. The following two main points are emphasized in the BoJ press release.

- Exports and industrial production have declined mainly due to the fact that overseas economies remain in a deceleration phase.
- Business fixed investment in Japan has shown some weakness, but resilience has been observed in the non-manufacturing sector.

In contrast, public investment has continued to increase and housing investment has picked up. Private consumption has remained resilient and the decline in car sales, due to the ending of some measures to stimulate demand, has diminished.

Economic outlook from the Bank of Japan

Japan's economy is not expected to deteriorate any further. The economy is expected to return to a moderate recovery path as domestic demand remains resilient.

This will be achieved through government economic measures and through recovery of overseas demand as the major economies gradually recover.

Exports are expected to continue to fall but at a reduced pace in the short term. Eventually, says the BoJ, exports will pick up as overseas economies gradually strengthen.

Public investment is expected to continue trending upward supported by the effects of various economic measures and housing investment is expected to continue to pick up. Some improvement in domestic demand is anticipated.

Private sector fixed investment is projected to remain relatively weak for the time being, especially in the manufacturing sector, but to eventually follow a moderately upward trend partly due to investment related to disaster prevention and energy. Private consumption is expected to remain resilient.

As a reflection of these developments in demand, both at home and abroad, industrial output is projected to stop falling and then start recovering. However, there remains a high degree of uncertainty about the pace at which the global economy can improve.

For the BoJ statement see :

http://www.boj.or.jp/en/mopo/gp_2013/gp1301a.pdf

Consumers remain cautious

The Japanese consumer confidence index dropped in December as consumers weigh the economic policies and proposals of the new government.

The consumer confidence survey shows the number of people who think prices will rise over the next 12 months (59.6 percent of respondents) remained unchanged from the previous month. The policies of the new Liberal Democratic Party government are yet to have an impact on consumer price expectations.

The survey also assessed sentiment on incomes and jobs, which fell to 39.2 in December 2012 only marginally changed for the 39.4 recorded in November 2012. A reading below 50 suggests consumer pessimism.

The quarterly survey by the Bank of Japan indicates that over 50% of those polled expect prices to be higher a year ahead however, about 40 % indicated that they expect prices to remain largely unchanged over the next 12 months.

Defending the weakening of the yen

As recent data is showing that Japan's exports fell more than expected, there have been more demands from the private sector for the government to take action to further weaken the yen.

Compared to the export performance in the same month a year earlier, Japan's exports fell almost 6 percent last month driving the trade deficit to a record 7 trillion yen.

A weaker yen has the potential to boost exports but raises the cost of imports and Japan needs to import more energy resources to ensure a stable power supply since almost all the nuclear power plants in the country have been shut down for safety checks.

Economists in many countries have voiced concern that the deliberate weakening of the yen could spark a regional currency war. In response to this the head of the BoJ said the bank was not targeting a competitive devaluation but rather a devaluation to fight deflation.

Over the past 3 months the yen that has weakened about 8 percent against the US dollar and on the 25th January crossed the 90 yen to the dollar level. Some analysts expect the government and the BoJ to work together to push the yen to 100 to the dollar.

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.

From the Japan Lumber Reports:

1. Housing starts projection for 2013
2. South Sea (tropical) log trade
3. Trends in the plywood market

Housing starts projection for 2013

The Japan Forest Products Journal made a survey last December on this year's housing starts.

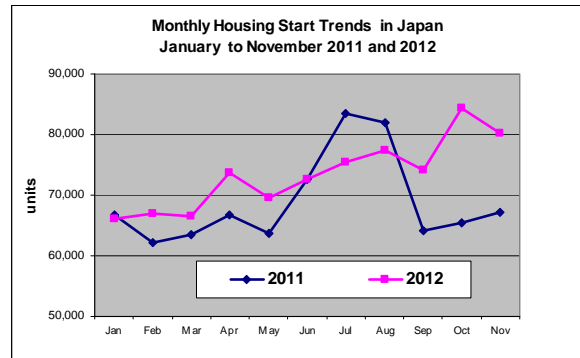
According to the replies from 15 major house builders, an average starts are 920,000 units. Incidentally, the projection for last year was 870,000 units so this year's starts would be 5.7% up from last year.

Regarding increase of consumption tax to 8% from current 5% from April next year, which is the most impacting factor this year, it is hard to foresee the impact because there are no definite measures yet of tax incentive for house purchase at this stage although many forecast increase of housing starts this year before the tax increase.

When the consumption tax was increased from 3% to 5% in April of 1997, housing starts in 1998 dropped by 28% compared to the starts in 1996, which were 1,630,000 units.

The general view of the housing industry is that orders would be up by 10% then the drop off after the tax increase would be 20%.

Plywood Import Trends 2011 and 2012



Data source: JLR Dec 21 2012

South Sea logs

Heavy rain continues in Malaysia, which hinders transportation of logs together with log production. Local plywood mills struggle to secure enough logs with declining inventories.

Export log prices have not climbed so sharply as India keeps log purchase composedly but bullish mood continues.

Proposed prices on Sarawak meranti regular are about \$260 per cbm FOB but actual prices are about \$255. Meranti small prices are \$215-220 and super small are \$195-200.

Sabah also suffers foul weather and kapur prices are firm at about \$363 and firming due to log shortage.

Ocean freight rate is also up by \$1 per cbm since January 1. All those factors of higher FOB, increasing freight and weakening yen are cost push factors.

Log prices in Japan are gradually climbing as the log importers need to cover inflated cost by weak yen.

Meranti regular prices are 8,000 yen per koku CIF, 200-300 yen higher than December. Kapur regular prices are 11,200 yen, 300-400 yen up. Even if FOB prices remain unchanged, yen cost would be up by 400-500 yen.

Plywood market

The market for both domestic and imported plywood is firm. Shipment of domestic softwood plywood for precutting plants and major house builders was active in January and the manufacturers give priority to such direct users so that deliveries for wholesalers and retailers now take more than two weeks.

The manufacturers carry orders through to mid February so they have started allocating the volume for trading firms since mid January.

Secondary dealers buy from primary wholesalers at high prices in tight supply.

Current market prices of 12 mm 3 x6 (special type/F 4 star) are 780 yen per sheet delivered, 30 yen up from December. since January 21 the manufacturers started taking orders at 800 yen.

Long panel of 9 mm 3x10 prices are 1,200 yen, 20-30 yen up and thick panel of 24 mm 3x6 prices are 1,600-1,650 yen, 30-40 yen up.

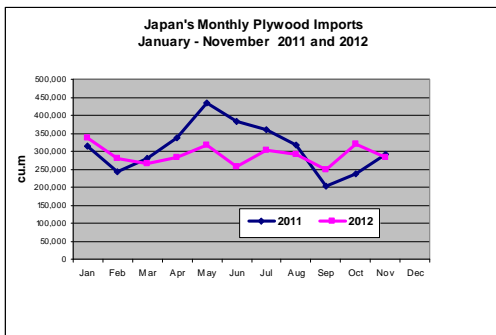
Imported plywood market prices are rapidly climbing with weakening yen and sizable price hike by the largest plywood supplier in Malaysia, Shenya for January shipment.

Their proposal is 45,000 yen per cbm C&F on 3x6 JAS concrete forming panel, which is 4,000 yen higher than December price. Considering rapid progressing depreciation of the yen, yen based purchase may be safer.

Importers have started pushing the prices up in Japan market as future arrivals would cost much higher.

Current prices are 920 yen on 3x6 JAS concrete forming panel, 30-40 yen up from December. 1,070-1,100 yen on JAS 3x6 concrete forming for coating, 40-50 yen up. 970 yen on 12 mm structural panel, 50 yen up.

Trading firms say that those prices are not high enough to cover future arrivals so they need to go higher yet but gradual hike is preferable as the market may stall if the prices go up without supporting demand.



Data source: JLR Jan 25 2012

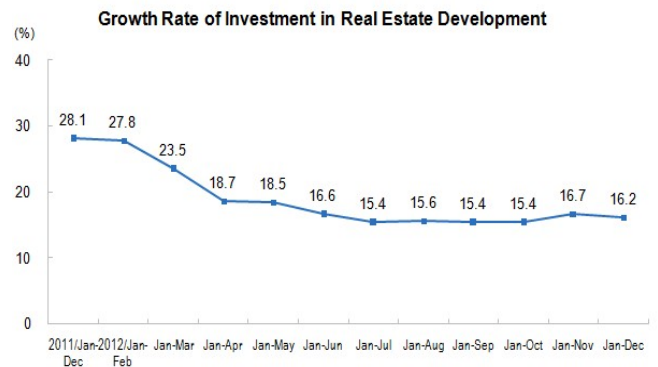
Report from China

Solid 2012 real estate sales reported

Total investment in Chinese residential real estate in 2012 was RMB 7,180.4 billion a year-on-year growth of 14.9 percent according to a press release from the National Bureau of Statistics of China. The full press release can be seen at:

http://www.stats.gov.cn/english/pressrelease/t20130118_402867355.htm

The total investment in residential buildings was RMB 4,937.4 billion, up by 11.4 percent accounting for 68.8 percent of all real estate development investment.



Source: National Bureau of Statistics of China

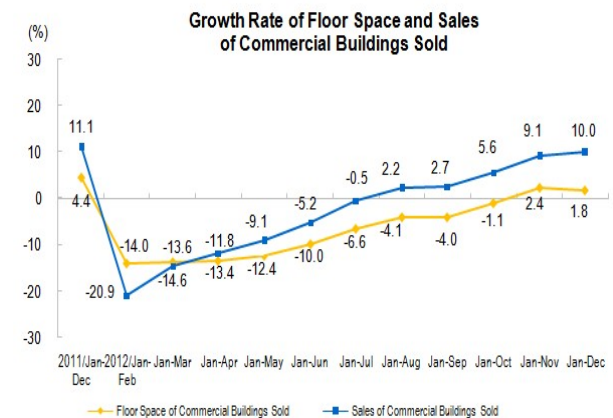
In 2012, investment in real estate in the eastern region of China stood at RMB 4,054.1 billion, up 13.9 percent year-on-year.

Investment in the central region stood at RMB 1,576.3 billion, up by 18.3 percent while in the western region investment was recorded as RMB 1,550.0 billion, a 20.4 percent increase year on year.

Sales of commercial buildings

Sales of commercial buildings also increased in 2012. The total floor area of office building sold in 2012 increased 12.4 percent but there was a 1.4 percent drop in the area of buildings for other commercial uses.

The overall sales of commercial buildings in 2012 amounted to RMB 6,445.6 billion.



Source: National Bureau of Statistics of China

Debt servicing weighs on company finances

Chinese companies have borrowed so heavily in recent years that they now face huge problems in servicing these debts.

In the latest financial statements, the cumulative debt levels of publicly traded companies stand at around US\$1.5 trillion, up from around US\$60 billion in 2007.

Debt levels last year, as a percentage of GDP, were the highest ever recorded. This means more and more of the financial resources of enterprises have to be channelled into debt servicing.

A Bank of China report indicates that Chinese banks provided around US\$1.0 trillion in new loans in 2012, 10 percent higher than in 2011 and the second-highest level on record.

Towards an economy driven by domestic consumption

The Chinese economy grew by 7.8 percent in 2012, the slowest rate of growth for the past decade when annual double digit growth was the norm.

The Chinese government has adopted policies aimed at creating a shift to a consumer-driven economy and away from one dependent on exports. The current challenge facing the government is how to support economic recovery without, once again, triggering inflation and unmanageable debt levels.

Analysts suggest that the Chinese economy is being steered towards slower growth to better reflect the declining working-age population and the declining availability of low cost raw materials upon which many of the export oriented sectors depend.

Yuzhu timber market launches price index

In November last year a timber price index was launched by the Guangdong Provincial Price Bureau. This index was developed in cooperation with the South China Normal University.

The new index is intended to aid enterprises as they plan production, guide policy makers and inform international markets of trends in the timber sector.

The establishment of the Yuzhu Timber Price Index is seen as an important means to provide greater transparency in the timber market as well as a means for national macro-economic management and development of timber import and industrial policies.

Domestic and international subscribers use the index to follow the Yuzhu timber price trends. In 2011, shipments to local and overseas markets by manufacturers in the Guangdong Yuzhu were just over 4 million cubic metres and were worth more than RMB 16 billion, accounting for about 50% of the national wholesale timber market.

It has been reported that Yuzhu timber market will continue cooperation with other timber markets and a database for a national timber wholesale markets could be developed to improve timber price information.

The Yuzhu timber market also plans for the development of an e-commerce capacity. The managers of the market are aiming for the Yuzhu Timber Market to account for up to 70% of China’s timber trade within 3-5 years.

Particleboard investment planned

The Sichuan based Guodong Group intends to invest some RMB700 million in a particleboard plant with an annual production capacity of 500 000 cubic metres.

Guodong Construction Group Co. Ltd. is the controlling shareholder of Sichuan Guodong Construction Co., Ltd. According to company’s plan the plant will be constructed within a period of one year and when fully operational the annual revenue will be around RMB65 million.

Guangzhou Yuzhu International Timber Market

Logs		Price (yuan/cu.m)
Lauan	Dia. 60 cm*	2000-2200
Kapur	Dia. 80 cm*	3100-3200
Merbau	Dia. 100 cm*	5500-5600
	Dia. 30-60 cm	10000-13000
Teak		
Wenge	not specified	4500-5500
Saw n w o o d		
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

Logs		Price (yuan/tonne)
Red sandalw ood	All grades	1 million-2 million
India		
Myanmar and Nepal	All grades	7000-8800
Granadillo (Mexico)	All grades	7500-8000
Saw n w o o d		Price (yuan/m ³)
Okoume (Afrcia)	grade A	3700-4000
Sapelli (Afrcia)	grade A	6300-6500
Beech (Europe)	grade A	4400-4800
Red Oak (USA)	2 inch FAS	7300-7500
Cherry (USA)	2 inch	9800-10000
Maple (USA)	2 inch	8000-8300
Sapelli (Africa)	2 inch FAS	6300-6500
Merbau (Indonesia)	All grade	8500-13500

Hangzhou Timber Trading Market

Logs		Price (yuan/m ³)
Ash	4 m 30 cm	3200-4500
Larch	4 m 8 - 10 cm	1800-2900
Linden	4 m 26 cm	2200-3100
Saw n w o o d		
Beech (Europe)	All grades	3200-4900
Black w alnut (USA)	All grades	7000-13000
Teak (Myanmar)	All grades	9000-18000
Red oak (USA)	All grades	4200-7200
Alder (Myanmar)	All grades	4500-5300
Merbau	All grades	7200-14500
Plywood		Price (yuan/sheet
Red beech	4’x 8’x 3 mm	50-72
Black w alnut	4’x 8’x 3 mm	50-95
Teak	4’x 8’x 3 mm	70-138

Shandong De Zhou Timber Market

Logs	Length	Dia.	Price (yuan/cu.m)
Larch	4m	18-22 cm	1200
		24-28 cm	1250
		30 cm	1450
	6m	18-22 cm	1230
		24-28 cm	1250
		30 cm	1500
White Pine	4m	24-28 cm	1350
		30 cm	1450
	6m	24-28 cm	1350
		30 cm	1450
Korean Pine	4m		1700
	6m		1750
Mongolian Scots Pine	4m	30 cm	1360
		36 cm	1500
	6m	30 cm	1420
		36 cm	1600

Wenzhou Timber Trading Market

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

New logging license system introduced

The State Forestry Administration (SFA) has developed a new forest logging license scheme which will become effective from March 2013. This will further standardise forest logging management systems and is part of the forestry reform undertaken by the SFA.

The new license scheme has five essential elements:

- the provincial forestry authorities are responsible for immediate application of the new scheme and must print the new license forms, inform users of the new scheme and verify the information provided by forest operators. To effect a smooth change to the new scheme the old forest logging licenses can be used until June 2013 after which it will be replaced by the new license.
- the new forest logging license will be used nationwide and a uniform license numbering system will be applied to avoid the risk of forgery or trade in forest logging licenses.
- the licensing authority must maintain records of the old and new licenses issued.
- Forest logging licenses which have been issued should be registered to ensure standardization and transparency and to facilitate verification.

- the issuance and verification procedures for the forest logging license by the local authorities must follow the SFA rules to ensure uniform application pattern.
- all local forest authorities must ensure training of staff responsible for implementing the new license procedures.

All forest authorities which have introduced electronic license application and issuance systems are required to modify these to meet the requirements of the new license procedures.

Report from Europe

EU Timber Regulation is major concern for European tropical wood trade

This is an unusual and uncertain time for the European tropical hardwood trade. Hanging over the trade is the imminent prospect of enforcement of the EU Timber Regulation (EUTR) on 3 March 2013 and this already seems to be having a significant impact on buying behaviour.

Table: EU-27 imports of tropical hardwood products

	Year					Jan-Sep		% chng
	2007	2008	2009	2010	2011	2011	2012	
Tropical hardwood logs (1000 m3)								
CONGO DR	151	112	57	79	77	62	45	-28
CONGO REP.	80	74	31	68	65	49	39	-21
CAMEROON	119	65	48	65	67	56	33	-41
LIBERIA	0	2	5	6	23	22	18	-14
CENT. AFR. REP.	44	29	21	19	25	19	13	-31
GABON	357	292	200	49	9	7	4	-40
EQUAT. GUINEA	58	26	4	9	14	11	4	-68
OTHER	51	31	12	15	14	11	9	-24
TOTAL	861	628	378	310	294	237	165	-31
Tropical hardwood sawn (1000 m3)								
CAMEROON	594	500	325	363	376	282	282	0
MALAYSIA	346	331	239	238	241	190	132	-31
BRAZIL	643	368	192	180	163	124	105	-15
IVORY COAST	233	200	98	104	83	62	65	6
GABON	103	92	61	89	81	60	65	8
GHANA	85	74	40	43	42	32	26	-20
CONGO REP.	65	56	27	37	28	22	20	-6
INDONESIA	52	52	37	35	37	30	19	-37
CONGO DR	53	50	31	28	30	25	15	-40
OTHER	131	118	77	69	70	54	49	-10
TOTAL	2305	1841	1129	1186	1150	881	778	-12
Hardwood mouldings imported from tropical countries (1000 m3)								
BRAZIL	264	190	105	120	125	99	81	-18
INDONESIA	155	120	102	109	110	88	70	-21
MALAYSIA	45	35	27	31	24	19	14	-30
OTHER	21	17	16	19	25	20	22	11
TOTAL	485	361	251	279	284	225	187	-17
Glued-laminated lumber imported from tropical countries (1000 m3)								
MALAYSIA	21	22	20	23	27	20	21	5
INDONESIA	43	39	30	29	24	19	19	1
OTHER	16	15	11	14	19	14	12	-14
TOTAL	80	76	60	65	70	52	52	-2

Source: FII Ltd analysis of Eurostat data

The EUTR imposes an obligation on all companies that "first place" timber on the EU market to implement a due diligence system which ensures a negligible risk of any derives from an illegal source.

It also makes importers legally liable and subject to sanctions ranging from fines to prison sentences if they

place timber on the market which is subsequently shown to have been illegally harvested

Direct importers of wood from tropical countries generally seem confident that they can cope with the new demands of EUTR. Most have been undertaking due diligence for years, either due to direct pressure from customers and investors or to maintain their good reputation, so the changes required are relatively minor.

Problems are greater for those importing products containing tropical hardwoods – such as plywood and flooring – from manufacturers in third countries.

EUTR reinforcing trend for small companies to stop direct imports of tropical hardwood

On the other hand, EUTR is expected to reinforce an existing trend in the European trade for smaller importers to withdraw from direct imports in tropical hardwood and to rely instead on indirect purchases from larger European importing companies.

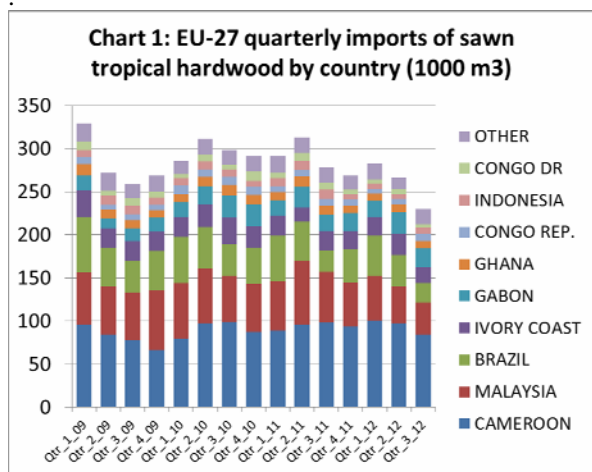
These large importers are taking on the specialist role of due diligence on the part of smaller distributors in the EU, while also shouldering the financial risks associated with carrying large stock holdings of valuable tropical wood.

Some of these larger companies report reasonably good demand for tropical hardwood lumber in Europe – however it is difficult to know whether this is due to robust consumption, or simply due to a decline in the number of European companies now dealing direct in tropical wood.

EU tropical wood imports fall again in 2012

Inventories of sawn tropical hardwood were run down across much of Europe during 2012 as consumption for most species remained low overall.

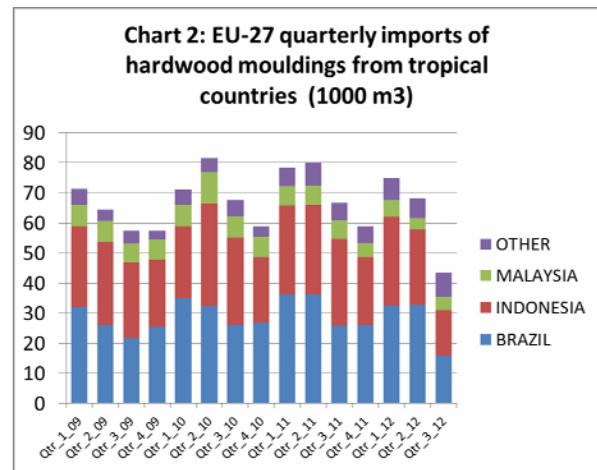
In the first 9 months of 2012, EU imports of tropical sawn hardwood were only 778,000 m3, 12% down on the previous year (Table). The latest quarterly data shows a consistent fall in EU-27 imports of tropical sawn hardwood during the course of 2012 (Chart 1).



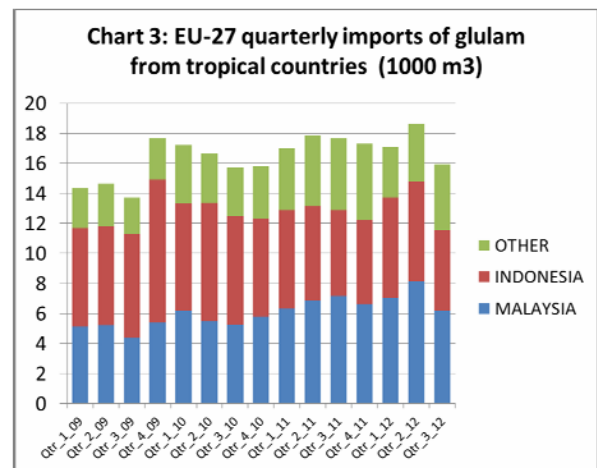
Source: Forest Industries Intelligence Ltd analysis of Eurostat

The level of imports last year is now almost certain to be less than in 2009, the previous low point in the immediate aftermath of the financial crises. The biggest decline was in imports from Malaysia (-31%) and Brazil (-15%) as the EU has continued to refocus purchases of tropical rough sawn lumber on African countries, particularly Cameroon

EU imports of tropical hardwood mouldings, sourced primarily from Brazil, Indonesia and Malaysia were also falling sharply last year (Chart 2). However imports of laminated tropical hardwood, mainly from Malaysia and Indonesia, were holding steady (Chart 3).



Source: Forest Industries Intelligence Ltd analysis of Eurostat



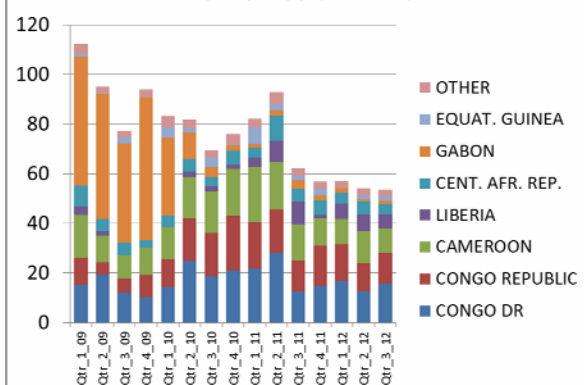
Source: Forest Industries Intelligence Ltd analysis of Eurostat

EU imports of tropical hardwood logs continue to fall, as the numbers of plywood and custom cutting mills engaged in processing these logs in Europe has declined further (Chart 4).

The decline has been universal across all the major supply countries. For many species, the cost of logs is now high relative to lumber making log imports increasingly unattractive to European buyers.

Nevertheless logs are readily available to those European companies wishing to buy and prices remain stable.

Chart 4: EU-27 quarterly imports of tropical hardwood logs by supply country (1000 m3)



Source: Forest Industries Intelligence Ltd analysis of Eurostat

Some moves to restock African sawn hardwood in 2013

During the opening weeks of 2013 some large importers moved to replenish depleted stocks of key species of tropical sawn hardwood, notably African sapele.

They were encouraged by reports of lengthening delivery times from Africa and rising demand from other global markets which is expected to push prices higher during 2013.

Delivery periods for sapele lumber to the EU, typically around 10 weeks in the second half of 2012, are expected to double during 2013. Some mills in Africa are already now only taking sapele orders for the second half of this year.

The short supply of sapele lumber for European buyers is partly due to imminent enforcement of the EUTR. This is encouraging greater focus of EU buying on a more limited number of mainly larger exporting companies based in Africa which are better able to provide credible legality assurances.

At the same time demand for sapele in other areas of the world, notably the United States, has been more robust in recent months, further reducing availability to European buyers.

Shortages of sapele have encouraged greater European interest in sipo which at present is more readily available. Iroko is also reported by EU importers to be easier to source than sapele. However existing stocks of iroko in Europe are already considered sufficient in the face of quite subdued demand.

Fairly significant volumes of framire, which remains popular in the UK, arrived in Europe from the Ivory Coast late last year under delayed contracts. As a result stock levels are generally regarded as quite high relative to demand.

Introduction of the EUTR is now raising questions about the long-term viability of EU trade with the Ivory Coast which is generally considered less able than many other

African supplying countries to meet stringent new requirements for legality verification.

On the other hand, companies in the Ivory Coast operating their own concessions, and which can more readily demonstrate legal origin than smaller trading companies, are apparently still receiving good orders from the EU.

Recent reports also suggest that the Ivory Coast and the EU may soon enter into formal discussions towards development of a Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA). If so, this would entail eventual development of legality licensing systems in the Ivory Coast facilitating continued trade with the EU.

EUTR provides impetus to marketing secondary species

Imminent implementation of EUTR also seems to be giving added impetus to the marketing of secondary and lesser-known tropical species supported by proof of legality and sustainability. For example, in the UK efforts are being made to boost interest in OLB/FSC certified movingui as an alternative to framire.

Rougier a French company is now promoting osanga (*Pteleopsis hydodendron*) for decking and other garden products. Large Belgium-based imported Vandecasteele is also now marketing movingui, fixed dimension iroko and South American guariuba for decking.

Not all these efforts to find substitutes are to the benefit of tropical wood. For example, there are renewed efforts to boost demand for plantation grown *Eucalyptus Grandis* lumber as a tropical wood substitute.

European demand for Malaysian meranti sawn lumber has remained low as prices have, in recent times, been uncompetitive in Europe compared to African alternatives.

Malaysian mills are now less reluctant to cut for the European market, particularly as there is reasonable demand from other regional markets in Asia and the Middle East.

Nevertheless standard sizes of meranti lumber are currently readily available for prompt shipment. Delivery times are longer for smaller dimension meranti lumber. Prices have been stable in recent months.

More robust market for laminated tropical hardwood

The market for laminated meranti window scantlings is generally more robust than the market for meranti lumber. The trend towards laminated wood at the expense of solid timber in the European window frame market has continued and is affecting tropical wood as much as other species.

This trend is most apparent in central Europe where laminated Malaysian and Indonesian hardwood has been widely accepted for many years. Acceptance of laminated wood is generally less widespread in the UK. European

importers report that meranti laminates are now more readily available.

Supplies eased considerably during 2012 after shortfalls experienced in 2011. Surplus supplies of meranti window scantlings combined with lower freight rates are contributing to weakening European CIF prices.

European orders of tropical hardwood decking timbers in advance of the coming spring season are comparatively low. Consumption expectations are quite low as forecasts of European construction activity have been repeatedly downgraded in recent months.

In some parts of Europe there is also a hangover of unsold stock from last year. A few larger importers placed orders for Indonesia bangkirai decking profiles before the end of 2012, taking advantage of ready availability and prices which were low compared to previous seasons.

However expectations that prices might fall further encouraged some importers to hold back. Importers are also keen to avoid putting further downward pressure on prices for existing landed stocks.

On-going uncertainty in European teak market

The European market for natural forest teak – which remains a key component in the European yacht building industry – is going through a period of uncertainty. Expectations that the lifting of EU sanctions on importation of teak from Myanmar in May last year might increase availability have yet to be realised.

On the contrary European importers believe supply may be even more constrained in the future.

According to a recent article in superyachtnews.com, fears of supply shortfalls have arisen following the Myanmar Ministry of Forestry announcement in October last year that it will ban the export of raw teak from 2014.

The proposed ban will form part of Myanmar’s efforts to increase exports of higher-earning finished products. This is combined with enforced reduction in logging to preserve the country’s teak forests.

European importers quoted in the article suggest they are already seeing an impact in the form of rising prices as suppliers in India, Thailand, and Malaysia are stockpiling Myanmar logs in anticipation of shortfalls of finished wood when the ban is introduced.

European importers predict prices will rise even higher from 2014 because the legislation will enable Myanmar-based businesses to charge a marked up price for the labour involved in milling and finishing their teak, rather than simply selling the raw log at a much lower cost.

European importers also suggest in the article that the quality of natural forest teak available to European buyers has been falling in recent months.

There is a fear that this will become more of a problem if less efficient operations in Myanmar take over the role of processing teak from more modern mills in neighbouring countries.

One European teak trader commented that he is considering opening a mill in Myanmar itself to ensure good quality finishing. However he also suggested this is not an easy option due to political unrest and uncertainty over how the new regulations will pan out in practice.

Report from North America

Tropical sawn hardwood imports

The US tropical hardwood market continued to recover in 2012, and year-to-date imports of tropical sawn hardwood were up 10% in November compared to 2011. November imports were 18,554 cu.m. in November, down 22% from October.

Imports of Ipe showed the strongest recovery ,with November year-to-date imports more than twice that of 2011 volumes. Jatoba and sapele imports also grew, while imports of cedro and meranti declined from the previous year.

Ecuador remains the largest supplier of tropical sawn hardwood with balsa accounting for all shipments to the US in November 2012 (3,609 cu.m.). Brazil’s ipe exports declined to 1,185 cu.m. in November after reaching over 4,000 cu.m. last summer.

Cameroon’s sawn sapele shipments remained relatively strong at 1,748 cu.m. in November.

Malaysia’s exports of sawnwood to the US increased in November mainly because of higher keruing sawnwood shipments (1,855 cu.m.).

The Hardwood Review reports good demand for African mahogany, sapele and cedro from South America.

US imports of sawn tropical hardwood, by country (cu.m)

	Year to Nov 2012	% change
Total	206,535	10%
Ecuador	38,451	-10%
Brazil	34,373	29%
Cameroon	25,246	7%
Malaysia	20,627	12%
Congo (Brazzaville)	10,935	62%
Peru	9,816	14%
Indonesia	8,934	31%
Ghana	8,972	-7%
Cote d'Ivoire	8,483	331%
Other	49,181	11%

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

	Year to November 2012	Change from previous year
Balsa	45,155	5%
Sapelli	25,470	16%
Acajou d'Afrique	23,203	7%
Keruing	16,930	2%
Ipe	25,836	135%
Mahogany	12,855	-18%
Virola	11,945	9%
Meranti	6,157	-37%
Cedro	5,562	-54%
Jatoba	5,122	56%
Teak	4,942	8%
Iroko	644	81%
Padauk	860	-8%
Meranti	191	91%
Aningre	265	-84%
Other tropical	21,398	28%
Total	206,535	10%

Canadian imports of tropical sawnwood declined to US\$1.2 million in November, the lowest level since January 2012. Year-to-date imports remain 2% above 2011.

Quebec's hardwood flooring manufacturers are the key users of sawn tropical hardwood in Canada. With the US housing market rebounding, Canadian imports of tropical hardwoods are expected to grow at a faster pace.

Canada imports of sawn tropical hardwood, by country (cu.m)

	year to November 2012	% change
Brazil	6,091,483	22%
Cameroon	3,538,427	14%
Bolivia	1,190,163	-15%
Congo (former Zaire)	1,150,589	74%
Congo (Brazzaville)	1,143,506	-27%
Côte D'Ivoire	1,023,429	11%
US	779,076	-32%
Fiji	589,285	-20%
Malaysia	587,135	106%
Indonesia	502,497	117%
Sub-total	16,595,590	11%
Others	2,558,649	-31%
Total All Countries	19,154,239	2%
Other	5,016,642	-18%

US manufacturing expanding, led by furniture

The US manufacturing sector expanded towards the end of 2012 according to the latest survey by the Institute for Supply Management.

The manufacture of furniture and related products was the fastest-growing sector of the US economy in December.

The US Census Bureau reports a 4.6% growth in new orders for December compared with the previous month, while shipments increased by 1.3%.

New tax on sawnwood and engineered wood products

California has introduced a 1% tax on the retail price of sawnwood and engineered wood products sold in the state. The new tax came into effect January 2013 and is expected to raise US\$30 million annually.

The money will be used for regulatory supervision of forest harvesting in California, thereby shifting the cost burden from the timber industry to consumers.

The new tax is assessed on so-called primary wood products with a wood content of at least 10%, but not on products assembled or processed from primary wood products.

All grades of sawnwood are taxed, also decking, railings and plywood.

The following products are not taxed: furniture, moulding, millwork and hardwood flooring. The full list of products is available at: http://www.boe.ca.gov/industry/lumber_products.html

'Build American' initiative launched

A 'Build American' initiative was launched in January, modeled on Buy American efforts targeted at consumers. The initiative is supported by more than 180 building material manufacturers, suppliers and home builders from across the US.

On average a US home contains an estimated 65% of US-made materials (by value). The goal of the initiative is to increase this share both in new house construction and in repair and renovation of existing homes.

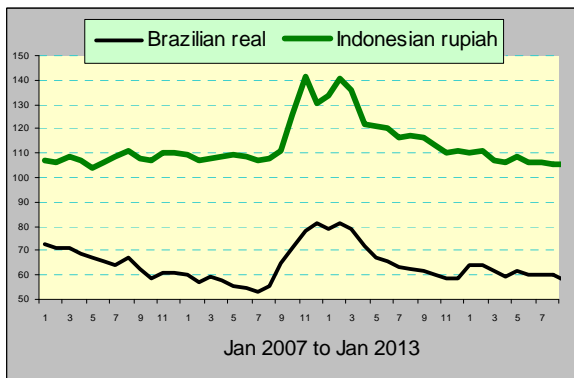
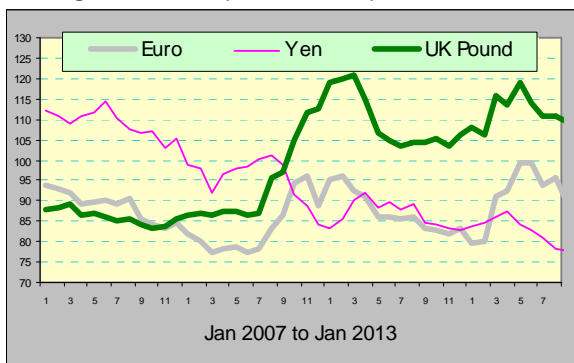
Disclaimer: *Though efforts have been made to keep prices near to accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information*

Main US Dollar Exchange Rates

As of 25th January 2013

Brazil	Real	2.03
CFA countries	CFA Franc	487.01
China	Yuan	6.223
EU	Euro	0.743
India	Rupee	58.001
Indonesia	Rupiah	9652
Japan	Yen	90.87
Malaysia	Ringgit	3.045
Peru	New Sol	2.557
UK	Pound	0.6329
South Korea	Won	1075.90

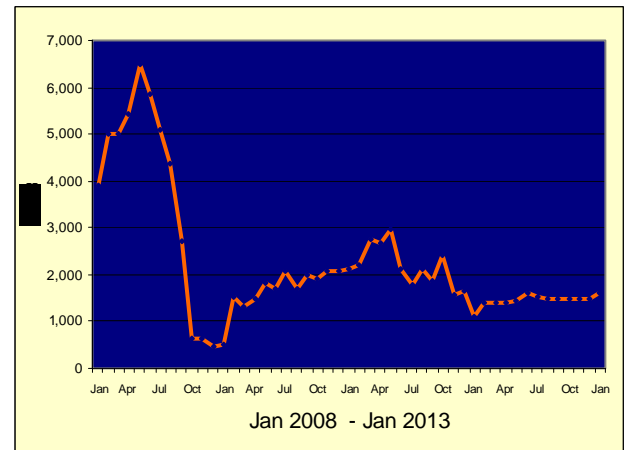
Exchange rates index (Dec 2003=100)



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
Cl, CE, CS	Supplimentaire
CIF, CNF	Cost insurance and freight
Clean Sawn	square edged boule
FAS	First and second grade of sawnwood
FOB	Free-on board Sawnwood for structural use in house building
Genban	
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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