

Tropical Timber Market Report

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Top Story

Strategic alliance between Malaysian and Guangdong timber sectors

Much of the wood raw material for manufacturers in Guangdong comes from South East Asia, especially Malaysia and, because demand for imported timber from manufacturers in Guangdong is expected to grow, an opportunity was seen to expand the "One Belt One Road" Malaysia-China Economic Initiative.

The Malaysian Wood Industries Association, the Timber Exporters' Association of Malaysia and the Guangdong Timber Industry Association have concluded a wide ranging agreement expected to lead to increased cooperation and trade.

See page 15

Report from Central/West Africa

FOB price stability underpinned as SE Asian log supply falls

West African FOB log prices have remained stable in spite of the low demand from the main buyer; China. Log harvest levels have been reduced and there has been a degree of trading between domestic companies in order to adjust supply and avoid a build-up of log stocks.

The current FOB price stability for West and Central African logs has been underpinned by rising SE Asian log FOB prices. In Sabah and Sarawak, for example, log availability has fallen in recent months.

Fears linger in Middle East over shipment of low priced SE Asian sawnwood

There are no signs of a recovery in demand for logs or sawnwood for the Chinese market and this has prompted millers to cut production or temporarily close the mills.

The short-term prospects for prices depend now on buying activity for the EU and Middle East markets. Analysts report that Middle East buyers still have lingering fears of an overall weakening of prices due to some low priced material being shipped from SE Asia and this has resulted in them holding back on future contracts until the situation becomes clear.

Improving export volumes and prices in EU

In contrast, African exporters find their European business has been improving in terms of both volume and price signaling a solid foundation to demand.

For the past two or three years EU importers have very carefully managed stock levels of tropical timbers but as the economies in some EU member states improve there has been an increase in timber consumption for infrastructure projects, housing and renovation works which encouraged importers to expand stock levels.

West and Central African plywood production and export is relatively small in terms of world trade but demand and price levels in the traditional European markets have been sustained in spite of the recent weakening of Asian panel prices.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS)	220	220	160
(China only)	335	-	-
Moabi	210	305	225
Movingui	160	210	160
Niove	250	160	-
Okan	220	210	-
Padouk	345	285	225
Sapele	320	310	220
Sipo/Utile	-	340	265
Tali	-	320	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	410
Bilinga FAS GMS	500
Okoumé FAS GMS	370
Merchantable	225
Std/Btr GMS	270
Sipo FAS GMS	610
FAS fixed sizes	610
FAS scantlings	640
Padouk FAS GMS	930
FAS scantlings	980
Strips	680
Sapele FAS Spanish sizes	610
FAS scantlings	620
Iroko FAS GMS	610
Scantlings	690
Strips	440
Khaya FAS GMS	450
FAS fixed	460
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	420

Report from Ghana

Healthy export growth in first seven months

Ghana exported a total 207,051 cu.m of wood products during the period January to July 2015 up 17% year on year. The corresponding value for exports in the same period was euro 105.77million, up 47% year on year.

The main export products in the January to July period were sawnwood (air and kiln dry), plywood to regional markets, teak poles and billets of teak, wawa, ceiba, gmelina and papao/apa.

According to the Timber Industry Development Division (TIDD) of the Forestry Commission the leading exporters were Samartex Timber and Plywood Company Ltd., Logs and Lumber Ltd., Reagent Industries Ghana Ltd., John Bitar and Company Ltd. and Wular International Company Ltd.

Ghana's exports of wood products (mainly plywood) to Nigeria could be threatened if a pending new regulation from the Nigeria Central Bank is implemented.

It has been reported that this new regulation would bar importers of some specified goods, including wood products, from accessing official Nigerian foreign exchange markets. If the new regulation comes into force importers will be required to look for alternative sources of foreign exchange.

This plan by the Central Bank of Nigeria forms part of measures to contain its fast-depleting foreign exchange reserves. Nigeria is a major importer of Ghana's wood products particularly plywood.

AGI decries interest rate hike

At its latest Monetary Policy Committee meeting the Bank of Ghana (BoG) increased interest rates from 24% to 25%.

In a press statement the Governor of BoG, Dr. Henry Kofi Wampah, said "the increase in the interest rate was based on the Bank's forecasts which showed the need for further tightening to bring inflation within the target band by end of 2016".

Inflation in Ghana was 16.9% in May 2015 and jumped to 17.9% in July mainly due to increases in the local costs of petroleum products and the impact of the weakening cedi.

In a statement the Association of Ghana Industries (AGI) said it considered the decision by the BoG to increase interest rates alarming as it will drive up the cost of borrowing and will make access to credit even more difficult. The AGI said this decision will further worsen the plight of local manufacturing companies making them even less competitive.

Boule Export prices

	Euro per m ³
Black Ofram	345↑
Black Ofram Kiln dry	437↑
Niangon	490
Niangon Kiln dry	520

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (>2mm)
Ceiba	335	410↑
Chenchen	462↑	565
Ogea	493↑	535
Essa	325	530
Ofram	350	406

NB: Thickness below 1mm attract a Premium of 5%

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19	0.91
Asanfina	1.40	0.63
Avodire	3.00	0.34
Chenchen	1.10	0.50
Mahogany	2.40	1.00
Makore	0.89	0.60
Odum	1.33	1.00

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	482	510	641
6mm	460	535	615
9mm	393	460	544↑
12mm	369↑	463	450
15mm	410	422↑	382↑
18mm	343↑	362	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afromosia	492	564
Asanfina	240	280↓
Ceiba	448	529↑
Dahoma	536↑	625
Edinam (mixed redwood)	495↑	560↓
Emeri	650	1049↑
African mahogany (Ivorenensis)	700↓	757↓
Makore	567	420↓
Niangon	660	1139↑
Odum	642	683↓
Sapele	390↓	479
Wawa 1C & Select		

Export Added Value Product Prices

Parquet flooring 1st grade	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	18.22	17.82
Afromosia	13.72	13.93	17.82

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

Report from Malaysia

First half export performance

The Malaysian Timber Industry Board (MTIB) reported timber sector exports of RM10.46 billion (approx. US\$ 3.77 billion) in the first half of the year. Wooden furniture exports accounted for the biggest share of wood product exports at RM3.33 billion (31.8% of the total).

Plywood exports ranked second at RM2.25 billion (21.5%) followed by sawnwood exports at RM1.47 billion (14.0%). Log exports comprised just under 10% of all wood product exports at RM998 million in the first half of this year.

Exports of wooden furniture were mainly from manufacturers in Peninsular Malaysia. Furniture exports from Sabah and Sarawak combined contributed barely 1% to total furniture exports.

On the other hand, Sarawak is the biggest exporter of plywood (918,286 cu.m or 72% of Malaysia's total plywood export) and exporters in Sabah shipped 248,500 cu.m accounting for another 20% of total plywood exports. Plymills in Peninsular Malaysia shipped 102,280 cu.m or 8% of total plywood shipments.

Peninsular Malaysia was the leading exporter of sawnwood at 636,340 cu.m followed by Sarawak 276,080 cu.m and Sabah 107,000.

Companies in Sarawak dominated the log export trade by Malaysia shipping around 1,388,900 cu.m or 88.7% of total log exports in the first half of this year.

Main export markets for Malaysian wood products

Destination	Value (RM)
ASIA	6,775,532,506
West Asia	1,030,937,151
East Asia	3,267,889,784
South Asia	1,065,606,356
Central Asia	16,636,316
EUROPE	1,084,874,341
EU	1,020,024,860
Europe, non-EU	64,849,481
OCEANIA/PACIFIC	524,609,314
AMERICAS	1,749,720,913
Central America	19,927,034
North America	1,654,316,694
South America	75,477,187
AFRICA	320,581,472
OTHERS	4,443,437
Grand total	10,459,761,985

Source: MTIB

Regional markets the most important

Asian markets are the most important for Malaysian timber exporters as they absorbed up 65% by value of all exports. Japan alone took 17%, Republic of Korea and Taiwan 5% each and China 4%. The EU accounted for 9.8% of total exports with the UK alone accounting for 3%. The USA imported 14% of Malaysian timber exports while Australia imported 5%.

Sabah exports

The Sabah Department of Statistics released export data for January to July 2015. Total wood product exports totalled RM 915,287,733 (approx. US\$ 208.4 million) and comprised sawnwood at 22.8% of the total, lamin-board 4.5%, mouldings 3.3%, veneer 5.7% and plywood 63.7%.

Sabah first seven month export volumes

Units: Cu m	2014	2015
Sawnwood	149,484	121,850
Lamin-board	29,329	21,889
Mouldings	7,042	8,127
Veneer	39,912	34,782
Plywood	338,280	325,705

Source: Sabah Department of Statistics

Sarawak log production falls in first half of 2015

Log production in Sarawak declined in the first half of this year and four public-listed timber firms, Jaya Tiasa Holdings, Subur Tiasa, Ta Ann and WTK, saw their log output fall between 12% and 25% compared to the same period last year.

Despite a drop in export volumes most companies report good results from their log exports in the first half as price increase were accepted in the main markets.

Exporter Ta Ann reported a 29% rise in April-June year-on-year log export earnings and a 7% rise in earnings from plywood sales.

Sarawak log production is expected to increase in the July-September quarter which is the seasonal dry spell in Sarawak. The dry weather facilitates felling operations.

Analysts report that the outlook for log exports is good as India, which currently consumes about 60% of Sarawak's log supply, is expected to maintain a high level of imports due the government spending on infrastructure and construction projects

Plywood traders in Sarawak reported following FOB export prices:

Floor base (FB) 11.5mm, US\$590/ cu.m

Concrete formboard panels CP US\$ 540/cu.m

Coated formboard panels UCP US\$ 620/cu.m.

No sales were recorded to Middle East markets

Report from Indonesia

IFMAC 2015

IFMAC the International Furniture Manufacturing Components Expo is regarded as one of the key event for companies in the home decoration and wares business as well as for furniture accessory suppliers and furniture manufacturers. The 2015 trade show, fair and exhibition attracted exhibitors and participants from 18 countries.

Sofianto Widjaja, General Manager of PT Wahana Kemalaniaga Makmur the organizer said this exhibition aimed at developing stronger industrial growth in furniture manufacturing and wood processing in Indonesia.

At the same time a spokesperson for the Indonesian Furniture and Handicraft Association (AMKRI) said the exhibition addressed the needs of industry for information on technological advances in the furniture component industry.

Encouraging sales by Indonesian furniture makers at Shanghai show

Indonesian furniture sold well at the 21st China International Furniture Expo 2015 (CIFE 2015) in Shanghai in late September. Media reports say business concluded during the show was over US\$3.5 million, considerably higher than in either the 2013 or 2014 shows.

Timber sector deregulation to promote competitiveness

According to Bachrul Chairi, the Director General of International Trade Cooperation in the Ministry of Trade, plans are being made for extensive deregulation in the industrial sector and this could positively impact the timber industry.

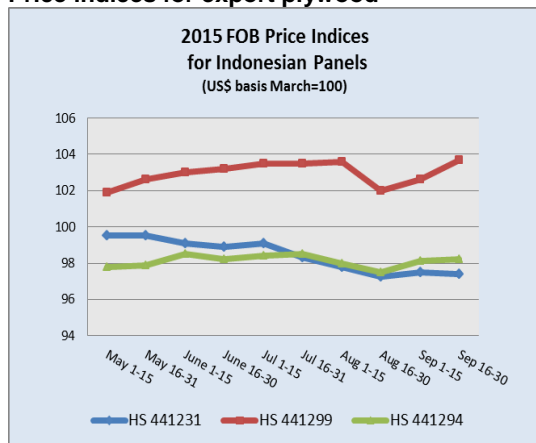
This new policy direction was announced at a recent working group on trade and investment with EU.

Bachrul said efforts will be made to create an environment where competitiveness improves in industrial sector so as to attract investment in manufacturing.

Based on data from the Ministry of Trade, trade between Indonesia and the EU between January to June 2015 amounted to just over US\$13 billion, down by 10.7% compared to the same period in 2014.

The average annual growth in trade between Indonesia and EU over the past five years was a disappointing 1.1%.

Price indices for export plywood



Report from Myanmar

How to verify legality of Myanmar’s timber

Myanmar’s forestry ministry hosted a meeting with the Global Timber Forum (GTF) with representation from the International Wood Products Association (IWPA), the European Timber Trade Federation (ETTF) and the Australian Importers Federation (ATIF).

Officials from the Forestry Department, Myanma Timber Enterprise (MTE) and the Myanmar Forest Products Merchants Federation (MFPMF) also attended. Discussions focused on finding the means to verify the legality of Myanmar’s wood product exports.

For US companies direct import from Myanmar requires permission from the US Government as trade between US companies and MTE is not allowed but now the US government is permitting trade but only by IWPA members. The Myanmar government is now seeking the lifting of the US trade restrictions.

Joint China-Myanmar discussion on illegal border trade

A high level dialogue on the China/Myanmar timber trade was held in Naypyitaw on 24 September. Myanmar was represented by MOECFA Union Minister Win Tun, the Director General of Forest Department, the Deputy Director General, NGO’s and local businessmen.

The delegation from China was led by Fu Gui, Deputy Director, Division of Development Planning and Fund Management from China’s State Forestry Administration.

While there has been no official statement on the dialogue the Myanmar press (Daily Eleven) reported that the Chinese officials promised steps to combat the illegal border trade, ensure legal trade and strengthen bilateral relations. Myanmar’s Minister, Win Tun, told the gathering that the illegal trade across the Myanmar/Chinese border adversely affected the image of both countries.

Analysts say that the Chinese forestry officials have to report to authorities in Beijing before any concrete steps can be taken.

The Chinese stated that from their part all logs entering China for which taxes and custom duty is paid are currently considered legal despite the fact that Myanmar has imposed a log export ban. The press report said the Chinese called on Myanmar to inform the Chinese authorities on the border that a log export ban is in force and as such all log exports are illegal under Myanmar law.

In response to the press reports analysts in Myanmar expressed surprised when the Chinese delegation appeared to be unaware that Myanmar has imposed a log export ban which has been widely publicised.

Analysts in Myanmar welcome the decision by the Chinese government to stop the entry of timber across the Myanmar/Chinese border from 1 September to 31 December and hope that the Chinese authorities can effect a sound reorganisation of the regional administration to eliminate the illegal trade in timber over the Myanmar/China border.

September Teak sales

The following timber was sold by Myanma Timber Enterprise by tender on 24 September 2015.

Log volumes are expressed in hoppus tons (H.tons) and volumes for ‘conversions’ and sawn teak (including hewn timber) are shown in cubic tons (C.tons).

For sawnwood longs (i.e. long lengths) are 6ft & up; shorts (short lengths) are 3ft to 5.5ft; and ultras (ultra short lengths) are 1ft to 2.5ft.

Sawing Grade Teak log price

ex-site Loikaw(Kayah); Gangaw (Magwe)

Grade	H. tons	Avg. US\$/ton
SG-6	18	2890
SG-7	829	1916
SG-8	82	830

Hardwood log prices ex-site

Species	Grade	Avg. US\$/ton
Padauk	Fourth	3166
Padauk	Assorted	1515-2342
Padauk	Domestic	1040-1619
Tamalan	First	1180
Tamalan	Second	1080
Pyinkado	First	738
Pyinkado	Second	582
Sagawa	First	377
Kaung Hmu	Second	227
Thitya	Second	252
Kanyin	Second	397
In	Second	312

Price range for the same grade influenced by district where logs were sourced

Note-

Tamalan- Dalbergia oliveri; Padauk- Ptocarpus macrocarpus; Sagawa- Michelia champca; Pyinkado- Xylia dolabiformis; Kanyin-Dipterocarpus spp; In- Dipterocarpus tuberculatus; Kaung Hmu-Anisoptera scaphula; Thitya-Shoreaoblongifolia

Report from India

All eyes on opportunities in development of smart cities

According to a press release from the Federation of Indian Chambers of Commerce and Industry (FICCI), Bruce Andrews the US Deputy Secretary of Commerce will lead a 'smart cities' infrastructure business development mission to India in next year with stops in Mumbai, Chennai and Delhi in order to help US companies launch or increase their business in India.

Andrews has said "the smart cities agenda is a great opportunity for the US and it offers immense opportunities for cooperation between the US and India as the US has the ability to create world-class infrastructure and possess liquidity to finance long term projects."

The objective of the US mission is to help US companies increase business in India and will focus on technologies, systems and services for safety and security, intelligent transportation, water, wastewater and the power sector. Both the US and India will benefit according to the FICCI as the smart cities policy will contribute to a sustainable growth of India's infrastructure sector.

For more see: <http://www.ficci.com/press-releases.asp>

The concept of smart cities in India is explained in: <http://www.credai.org/sites/default/files/Conclave-2014-Report-smart-cities.pdf>

Inflation rate trends down

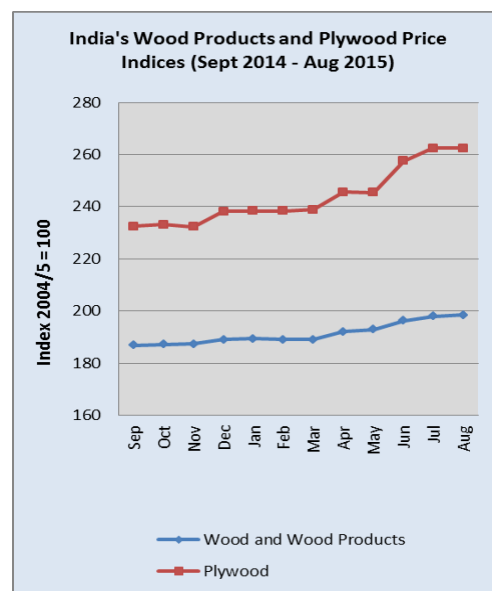
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for August declined by 0.5% to 176.7 from 177.5 in July. The year on year annual rate of inflation, based on monthly WPI, stood at -4.95% (provisional) for August 2015 compared to -4.05% for July.

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

Timber and plywood price indices climb

The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Wood products and Plywood are shown below.



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

The August price indices for wood and wood products and plywood continue to firm. The rise in the wood and wood product price index was slightly more than that for plywood where endusers are determinedly resisting efforts by plywood manufacturers to raise prices.

See http://eaindustry.nic.in/display_data.asp

Investment in lamination technology opens new opportunities

Recent development in further processing of wood based panels by Indian plywood and board manufacturers is having a positive impact especially in the cabinet and furniture making industries.

Until recently plywood makers only sold raw panels for laminating elsewhere but now many panel makers have invested in laminating equipment.

Kitchen furniture manufacturers were some of the first to use pre-laminated panels and utilise mainly 16mm thick products.

Analysts report that the professional laminating undertaken by plywood and other panel mills has raised the quality of laminates which are produced in a wide range of finishes appreciated by consumers.

MDF manufacturers are following the lead of the plywood sector and installing laminating lines to produce boards with resistance to stains and water. The latest overlays have been found easy to work mechanically. These laminated panels are used in a wider range of products.

The widespread introduction of pre-laminated boards has contributed to the rapid expansion of flooring production the use of which is growing rapidly in India.

As quality controls have been effective in the production of laminated panels export opportunities are expanding for components for cabinets etc.

Indian panel manufacturers have seen the advantages from investing in the latest technology for more profitable value added production. As analysts report “There was a time when domestic particleboard and MDF were not appreciated by consumers as laminated panels produced by small companies which purchased raw panels were often poorly made and quickly failed in use.”

There has been a surge of investment by panel producers which augurs well for the downstream wood working industries.

Auction of domestic forest teak

In the most recent and last auction of the dry season some 35,000 cubic metres of mostly teak along with some other hardwoods were offered for sales at Forest Depots in the Dangs Division in the State of Gujarat.

Average prices recorded at the most recent auction were as follows:

Teak logs	Per cubic foot
A quality for ship building	Rs.2400
B quality for ship building	Rs.2300
A for sawing	Rs.2100-2200
B or sawing	Rs.2000-2100
A Long length logs	Rs.1900-2000
B Long length logs	Rs 1800-1900
A 15 ft.& Inonger	Rs1700-1800
B 15 ft.& Inonger	Rs1600-1700
Long length, Medium Quality	Rs 1500-1600
Short Length, Medium Quality	Rs 1300-1400
Short Length, Average Quality	Rs 1000

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

As is usual for the final auction of the season buyers turned out in record numbers however many log lots

remained unsold as prices were considered high relative to the quality and dimensions of the logs offered.

The resistance of buyers to the high reserve prices for teak was evident and analyst put this down to the growing interest on the part of end-users and consumers in non-teak hardwoods such as merbau, meranti and kapur which are available at competitive prices.

Non-teak hardwood logs such as haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium* were also auctioned.

Good quality logs of these timbers with long lengths and girths of 91cms & up attracted good prices in the range of Rs. 600~800 per cu.ft while medium quality logs were sold at between Rs.450 ~600 per cu. ft. Lower quality hardwood logs were presold at between Rs.250 ~350 per cu. ft.

Prices for imported plantation teak, C&F Indian ports

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	285-775
Benin sawn	530-872
Brazil logs	375-724
Brazil squares	370-680
Cameroon logs	401-510
Colombia logs	262-796
Congo logs	451-710
Costa Rica logs	320-780
Côte d'Ivoire logs	277-552
Ecuador squares	313-858
El-Salvador logs	345-934
Ghana logs	255-757
Guatemala logs	360-655
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	265-460
Malaysian teak logs	323-516
Nicaragua logs	350-596
Nigeria squares	367-418
Panama logs	253-630
PNG logs	443-575

Sudan logs	448-521
Tanzania teak, sawn	307-885
Thailand logs	511-700
Togo logs	280-542
Trinidad and Tobago logs	557-680
Uganda logs	411-511
Uganda Teak sawn	680-900

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

Prices for locally sawn hardwoods

Overall supplies and demand have been steady. The US dollar/rupee exchange rate fluctuations have increased landed costs but, so far, wholesalers have been absorbing exchange losses such that prices have not changed in the past month.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1500-1650
Balau	1500-1600
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	900-950
Radiata pine AD	600-725
Whitewood	600-700

Price variations depend mainly on length and cross section

Millers of Myanmar teak unable to lift prices

There has been no change in price levels for domestically milled Myanmar teak.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD) Export Grade F.E.Q.	8000-14000
Teak A grade	5500-6500
Teak B grade	4500-5000
Plantation Teak FAS grade	3500-4000

Price variations depend mainly on length and cross section

Prices for imported sawnwood

Exchange rate fluctuations have hit sawnwood importers and while prices have not changed over the past two weeks price adjustments are anticipated in the near future.

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

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR. Quality)	
4mm	39.50
6mm	52.50
9mm	66.50
12mm	82.00
15mm	109.00
18mm	114.50

Domestic ex-warehouse prices for locally manufactured MR. plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.00	Rs.29.60
6mm	Rs.30.30	Rs.38.00
9mm	Rs.38.20	Rs.46.00
12mm	Rs.45.40	Rs.55.80
15mm	Rs.55.80	RS.68.00
19mm	RS.64.60	Rs.76.30
5mm Flexible ply	Rs.40.00	

Report from Brazil

ABIMCI pleads for stimulus for timber companies

Given the current economic situation in the country characterised by high inflation, high interest rates, high taxes and rising unemployment, domestic consumption of wood products has fallen sharply.

While recognizing there is no easy fix for this situation the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) says a long term solution depends on government investment in infrastructure and easing of the tax burden on industry.

To seek solutions that ensure better conditions for entrepreneurs ABIMCI offered some suggestions including action at the Federal level to secure the re-designation of duties on Brazilian exports to the US (currently the US imposes a 8% duty on pine plywood imports).

ABIMCI would also like the Federal government to negotiate the exemption of import tax on Brazilian plywood by Mexico, currently at 6%.

In addition ABIMCI would seek greater use of wood products in government funded civil construction projects and the elimination of the IPI tax (Tax on Industrialized Products) on plywood (now levied at 5%.

Interest rates steadily advance to the dismay of manufacturers

In September 2015 and for the seventh consecutive month the Monetary Policy Committee (Copom) of the Central Bank of Brazil decided to maintain the Selic rate at 14.25%.

Plywood and sawmilling industries returning to profitability

The depreciation of the Brazilian currency against the US dollar in recent months has favored Brazilian exports. Because of this both the plywood and sawmilling industries are gradually returning to profitability after seven years of declining earnings. Both industrial sectors are benefitting from expanded civil construction in the United States.

Brazilian pine plywood export volumes to North America increased 28%, from 14,249 cu.m in July this year to 18,204 cu.m in August. Of the total Brazilian pine plywood exports in August this year 18% was exported to the US market and 19% to Germany. On the other hand August plywood exports to the UK, Belgium and Puerto Rico fell.

In August Brazilian exports of wood-based products (except pulp and paper) declined 6% in value year on year from US\$229,8 million to US\$216,0 million.

Year on year pine sawnwood exports values grew 27% in August to US\$26 million and there was a 36% increase in export volumes compared to a year earlier (87,200 cu.m to 118,700 cu.m).

Tropical sawnwood exports however, fell 22% in volume in August, from 29,800 cu.m in August 2014 to 23,200 cu.m in August this year and the value of tropical sawnwood exports declined just over 27% from US\$15.7 million to US\$ 11.4 million.

In the case of plywood, export values fell but export volumes rose. The 6.5% drop in the value of exports from US\$ 35.4 million in August last year to US\$ 33.1 million this year was accompanied by a 7% increase in the volume of exports (96,800 cu.m to 103,900 cu.m.).

In sharp contrast exports of tropical plywood increased almost 32% in volume (5,700 cu.m in August 2014 to 7,500 cu.m in August 2015) and the value of tropical plywood exports jumped 9% (US\$3.3 million in August 2014 to US\$3.6 million).

Disappointing wooden furniture exports compounded the negative news on Brazil's wood product export performance, August 2015 wooden furniture exports dropped almost 20% year on year.

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	744↑
Jatoba	385↑
Massaranduba	346↑
Muiracatiara	365↑
Angelim Vermelho	323↑
Mixed red and white	204↑
Eucalyptus (AD)	191↑
Pine (AD)	138↓
Pine (KD)	154↑

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	535↑
10mm WBP	428↑
15mm WBP	375↓
4mm MR	483↓
10mm MR	360↑
15mm MR	336↓

Prices do not include taxes

Source: STCP Data Bank

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	152↑
Jatoba	86↑
Massaranduba	90↑
Muiracatiara	99↑
Angelim Vermelho	87↑
Mixed redwood and white woods	76↑

Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	235+
15mm MDF	333↓

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1423↑
Jatoba	982↑
Massaranduba	783↑
Muiracatiara	762↑
Pine (KD)	214↓

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	333↓
12mm C/CC (WBP)	307↓
15mm C/CC (WBP)	306↓
18mm C/CC (WBP)	300↓

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US\$ per m ³
Decking Boards	Ipê	2,515↑
	Jatoba	1,606↑

Source: STCP Data Bank

Report from Peru

Financing mechanisms for the forestry sector being developed

The Agricultural Bank (Agrobanco) aims to expand its financial services to the forestry sector so the private sector is encouraged to invest in plantations.

Enrique Diaz, the head of the bank said forestry investment is a special case as investment levels are always high and the returns only accrue after a long time. Despite this the bank wants to find a package of support that will deliver the necessary financing for the private sector while at the same time mitigating the risks associated with long term investments.

In related news a mechanism for financing forest plantations is being developed between state agencies and the private sector and a plan for this will be launched in the near future according to Piero Ghezzi, from the Ministry of Production.

Ghezzi said the industry is working with the Development Finance Corporation to lay the foundation for such a fund taking into account the long term nature of such an investment.

Ghezzi has reported that the group is very close to having a plan for a workable package to strengthen forestry sector investment.

In Peru it is estimated that between 10 to 15 million hectares of natural forest have been deforested and that some 17 million hectares are suitable for plantations.

Workshop on management of community forests

The Presidency of the Council of Ministers, the Common Good Institute and the Native Community of Brillo Nuevo Boras recently organised a workshop to exchange experiences in community forest management.

The event was hosted by the Regional Government of Loreto under its Regional Program for Management of Forest Resources and Wildlife and was supported by the US Forest Service Peru through its Forest Sector Initiative and the Research Institute of the Peruvian Amazon.

The workshop utilised a participatory training model named "the forest backpack" through which experiences in forest inventory, forest management instruments and identification of forest species were shared.

Participants were also introduced to practical techniques for logging and measurement of standing trees, logs and sawnwood to help strengthen the capacity of indigenous communities linked to community forest management.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	457-532
Grade 2, Mexican market	388-423
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	1036-1078
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-11 length Asian market	456-506

Peru Sawnwood, FOB Iquitos	US\$ per m ³
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	451-514
Grade 2, Mexican market	355-391
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	394-444

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	-
Virola	186-217
Spanish Cedar	305-364
Marupa (simarouba)	158-174

Export Veneer Prices

Veneer FOB Callao port	US\$ per m ³
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded, 5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m ³
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S Swedish market	950-1094
Asian market	1036-1078
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Report from Japan

More stimulus likely as consumer prices fall

Consumer prices in Japan fell in August marking the first decline since the Bank of Japan (BoJ) began its economic stimulus efforts two years ago. This data comes at a time when other indicators suggest the BoJ efforts have been undermined by falling oil prices and the slowdown in exports especially to China.

On the face of it more quantitative easing appears likely but some in the Cabinet are reluctant to approve further stimulus as this could drive the yen lower against the US dollar and add to the problems of small companies which rely on imported raw materials.

New housing policy being developed

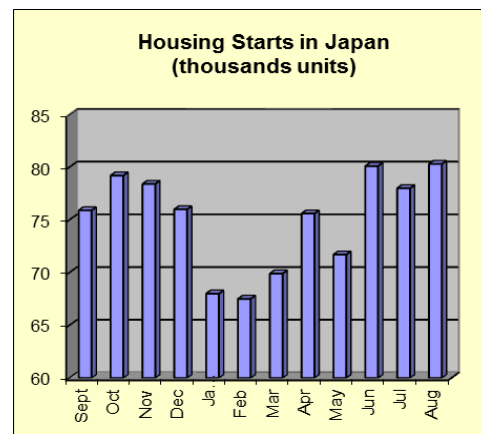
A panel at the Land, Infrastructure, Transport and Tourism Ministry is working to revise the Basic Housing Plan — which sets the direction of housing policies for the next 10 years to take account the decline in the nation's population, the pace of which will accelerate in the 2020s.

Unless the supply of new houses is adjusted, the problem of vacant houses will no doubt become even more serious. A recent estimate by Nomura Research Institute shows that the number of vacant houses could reach 13.9 million in 2023.

Previous housing policies have encouraged construction of new houses and investment in housing accounts for around 4% of GDP. Building some new houses will be necessary to replace old structures but a continuation of policies that spur house building will eventually exacerbate the vacant housing problem in Japan.

August housing starts followed the trend for the past six months by rising against levels in the same period last year.

Housing starts increased nearly 9% in August compared to August 2014. The August figure lifts projections of annual starts to 931,000. Despite the positive picture on starts, the level of orders for new construction received by the largest house builders dropped sharply in August.



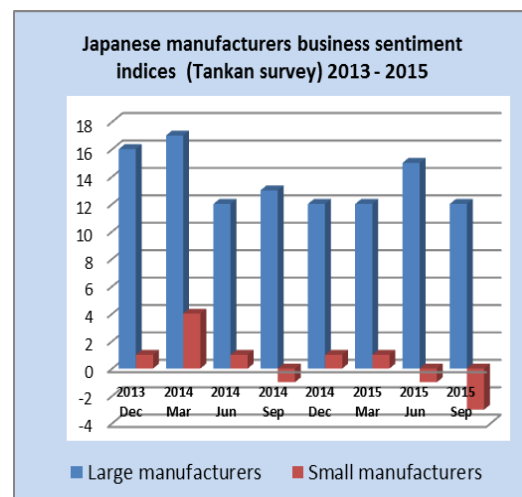
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Tankan survey for September

The results of the latest business survey (Tankan) shows that confidence amongst both large and small Japanese manufacturers turned negative for the first time in three quarters. Analysts are now forecasting another round of monetary easing will be announced by the Bank of Japan.

For the full data see:

<https://www.boj.or.jp/en/statistics/tk/gaiyo/2011/index.htm/>



Data source: Bank of Japan

Japan at centre of TPP talks

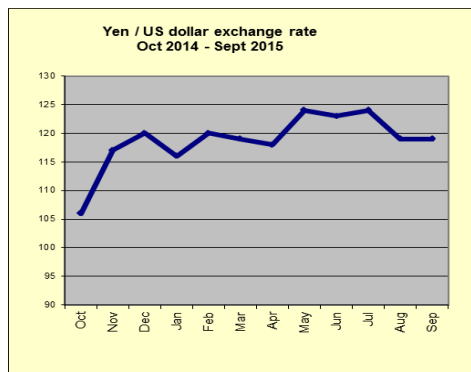
Negotiations on the Trans-Pacific Partnership (TPP) continue with both the US and Japanese governments determined to reach an accord. The TPP if agreement can be reached will create the world’s largest free-trade pact. Negotiating countries include: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam which together account for about 40% of global trade.

The Peterson Institute for International Economics in the US has estimated that over the next decade the TPP could add almost US\$300 billion in annual global trade with SE Asian countries participating in the negotiations set to benefit hugely as tariffs on their exports , including those on wood products, are dismantled.

Yen strength of concern to exporters

In late September the yen strengthened against major currencies drive higher by concerns that slowing Chinese growth will ripple through the global economy. The strengthening of the yen was also affected by dealers buying yen as a safe-haven in the current unsettled situation.

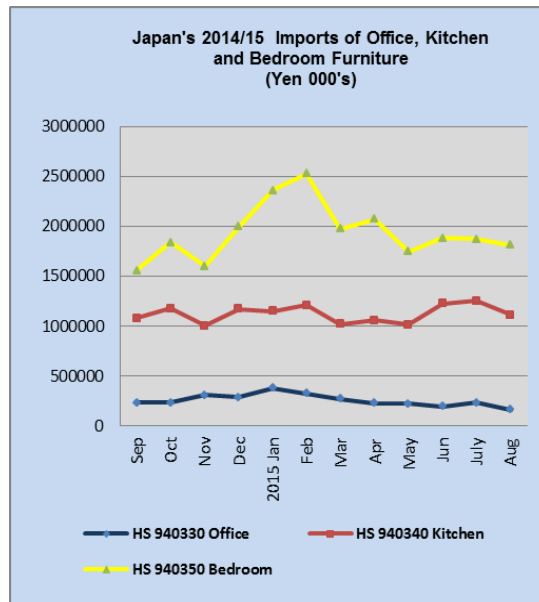
The firming yen is not good news for Japanese exporters and analysts foresee further upward pressure on the yen.



Japan’s furniture imports

Japan’s imports of office, Kitchen and bedroom furniture fell in August. Office furniture imports have shown a steady decline since the beginning of the year.

The dip in kitchen and bedroom furniture came as a surprise as housing starts, while weakening, have not shown a sharp decline.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

August imports of office furniture fell sharply dropping 26% from July and year on year August 2015 office furniture imports were down a massive 42%.

The top three suppliers in August were China, Italy (the new comer), Portugal and Taiwan another new comer to the top league of suppliers.

Office furniture imports from China were down 24% in August while imports from Italy tripled. Portugal’s supply of office furniture declined in August compared to a month earlier. Unlike imports of kitchen and bedroom furniture, SE Asian suppliers do not feature significantly in the office furniture market in Japan.

Office furniture imports

	Imports, Aug 2015 Unit 1,000 Yen
S. Korea	578
China	83773
Taiwan P.o.C	9433
Vietnam	314
Thailand	596
Malaysia	3585
Indonesia	3031
India	-
Lebanon	-
Sweden	-
Denmark	418
UK	-
Netherlands	-
France	711
Germany	-
Switzerland	1600

Portugal	18994
Italy	23470
Poland	4133
Austria	-
Hungary	-
Serbia	-
Turkey	-
Lithuania	5377
Czech Rep.	-
Slovakia	3858
Canada	-
USA	4917
Total	164788

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The top three suppliers of kitchen furniture to the Japanese market (Vietnam, Philippines and China) account for around 85% of all wooden kitchen furniture imports. Vietnam is the largest supplier and in August the value of exports to Japan was only slightly higher than in July.

On the other hand both Philippines and China saw their share of kitchen furniture shipments to Japan decline compared to levels in July.

Kitchen furniture imports

	Imports, Aug 2015 Unit 1,000 Yen
China	182039
Taiwan P.o.C	-
Vietnam	489273
Thailand	21196
Malaysia	12731
Philippines	264018
Indonesia	72198
India	-
Sweden	-
Denmark	-
UK	288
France	-
Germany	46710
Italy	8894
Poland	-
Austria	1333
Romania	3157
Canada	7729
USA	1284
Total	1110850

Data source: Ministry of Finance, Japan

August figures show a 27% rise in imports of kitchen furniture from Germany in sharp contrast to the 60% decline for Indonesia. SE Asian suppliers of kitchen furniture to Japan account for 77% of total kitchen furniture imports

Bedroom furniture imports (HS 940350)

Japan's wooden bedroom furniture imports (HS 940350) in July were disappointing low and the downward trend continued into August although the pace of decline has slowed.

Bedroom furniture imports

	Imports, July 2015 Unit 1,000 Yen
S. Korea	420
China	1071701
Taiwan P.o.C	34168
Mongolia	-
Vietnam	447532
Thailand	80840
Singapore	348
Malaysia	27071
Philippines	2344
Indonesia	25626
Sweden	2133
Denmark	3817
UK	-
Belgium	-
France	2426
Germany	442
Switzerland	-
Spain	274
Italy	7702
Poland	46441
Austria	584
Hungary	7119
Romania	20391
Turkey	-
Estonia	-
Latvia	2895
Lithuania	17762
Croatia	-
Bosnia and Herzegovina	259
Slovakia	3113
Canada	-
USA	6614
Total	1812022

Data source: Ministry of Finance, Japan

Two countries, China and Vietnam account for around 84% of Japan's bedroom furniture imports but, unlike the situation for office and kitchen furniture, SE Asia suppliers (buoyed by the huge supply from Vietnam) enjoyed a 32% share of Japan's August bedroom furniture imports.

Year on year August 2015 imports of bedroom furniture by Japan rose around 9%.

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 reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

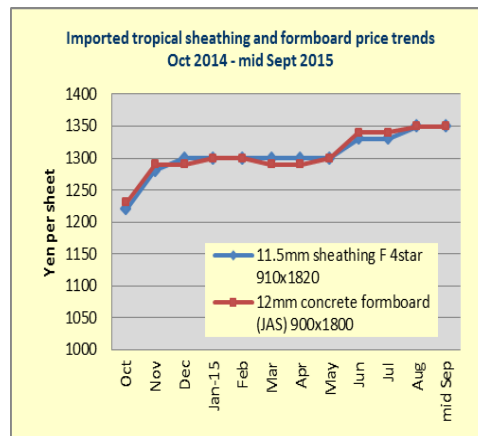
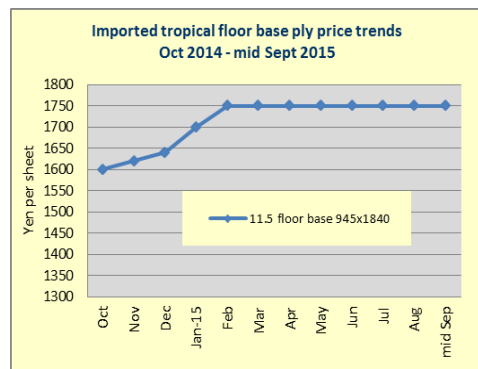
Plywood supply

Domestic production has been curtailed then the volume of imports declined. The most noticeable change in imports is Indonesian volume exceeded Malaysian volume. Total imports were 232,900 cbms first time to exceed 210,000 cbms after three months.

Malaysian volume has been declining for the last six months and Indonesian volume surpassed for the first time in about four years since October 2011. Malaysian volume in July was 27.7% less than July last year, the lowest since October 2011. This does not mean demand has shifted to Indonesia from Malaysia. Seven months total from Indonesia was 18.2% less than 2014.

Overwhelming share of Malaysian supply is now changing in supply structure. Decline in Malaysian supply is partly because of tightened log supply but sluggishness of Japanese market is another large reason. Supply from China continues low with seven month total of 390,000 cbms, 18.1% less.

Domestic production in July was 215,400 cbms, 5.5% less out of which softwood was 199,500 cbms, 6.4% less, the lowest since August 2014.



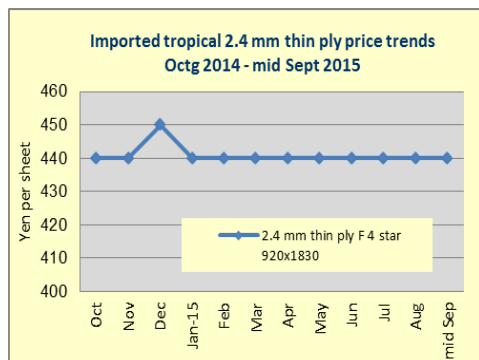
South Sea (tropical) Logs

After Indian buyers made big purchases of 250-300,000 cbms to cover two months demand in July in Sarawak, they pulled out so supply side was pausing without much activity. It is said that India will be in monsoon period for two months so they procured before this season.

Also, China's purchases weakened by high log inventories in China and sluggish market. The suppliers are reducing harvests in this situation. The Japanese buyers wish to take this occasion to reduce the export prices.

Since late august Chinese currency, yuan depreciated and the yen appreciated from 124 yen to the dollar to 120 yen. Then the Malaysian currency, ringgit dropped to the lowest since 1998. This increases revenues for suppliers. At the same time, log supply in Sabah is increasing and Japanese buyers shift to Sabah for log purchases. This becomes a good leverage in negotiating with Sarawak log suppliers.

Present prices of Sarawak meranti regular are US\$280-290 per cbm FOB, slightly down from August but still high for the Japanese plywood manufacturers. In PNG, after China quiets down, purchase is easier for Japanese buyers but due to weak yen the cost remains high.



Real estate investment slows further

The National Bureau of Statistics has released data for first eight months investment in real estate. Total investment in real estate development in the first eight months of this year increased 3.5% year-on-year but the pace of expansion continues to fall.

Investment in residential buildings in the first eight months was up by 2.3% year on year and accounted for 67.3% of all investment in real estate.



Source: China National Statistics Bureau.

In the first eight months, real estate investment expanded 3.7% in the eastern region, by 3.5% in the central region and by 3.3% in the western region.

See:

http://www.stats.gov.cn/english/PressRelease/201509/t20150915_1245080.html

On a more positive note, towards the end of September data compiled by JL Warren Capital indicate that sales of second hand homes have jumped and the main driving force for this was the decision by the Chinese government to open the taps to further credit growth.

Cooperation between Qingdao and Kuantan Port

Qingdao Port authorities have signed a cooperation agreement with the management of Malaysia's Kuantan Port which the Chinese side sees as strategically placed along the 'Maritime Silk Route' a new concept to enhance trade.

The two sides have agreed to strengthen cooperation in port development and construction, operation and management, staff training and efficiency improvement.

The Chinese see Kuantan Port as an important maritime port and logistics centre serving the east coast of the Malay Peninsula. New investment amounting to around RMB8 billion will be invested in expanding Kuantan Port.

On completion of the planned construction Kuantan Port will become the largest port on east coast of Malaysia which could offer new opportunities for the timber trade.

Furniture manufacturers in Beijing face penalties for releasing pollutants

A fine will be imposed on industrial enterprises, including furniture makers, in Beijing found releasing volatile organic compounds (VOCs) into the environment, this new regulation on VOC emissions came into effect on 1 October this year. This pollution regulation and accompanying system of fines for releasing VOCs is a first for China and will affect around 2000 enterprises in the capital.

The aim of the initiatives is to encourage enterprises to update their technology to reduce pollution. The VOC discharge fees will be levied by the environmental protection departments at all districts and counties level.

According to the Beijing Municipal Environmental Protection Bureau, VOCs emissions from five major industry sectors account for about 80% of the total emissions in the city. Emissions from petrochemical industries are high but other sectors including wood processing are to be targeted.

First half wood based panel output climbs

According to the statistics from China National Statistics Bureau wood based panel output rose 5% to 144 million cubic metres in the first half of 2015.

The top 10 provinces in terms of wood based panel output are shown in the following table. In the first half of 2015 the value of China's wood-based panel exports fell 10% to RMB14.145 billion yuan.

Provinces ranked by wood-based panel output

Rank	Province	Output (million m3)	Change %
1	Shandong	31.63	-2
2	Jiangsu	26.85	13
3	Guangxi	17.48	25
4	Henan	13.23	-1
5	Fujian	7.76	12
6	Anhui	7.4	9
7	Hunan	4.99	0.2
8	Guangdong	4.87	7
9	Sichuan	4.68	-3
10	Hebei	4.27	-4

Data source: China National Statistics Bureau.

Strategic alliance between Malaysian and Guangdong timber sectors

The Malaysian Wood Industries Association (MWIA) has released a statement signalling further progress with the "One Belt One Road" Malaysia-China Economic Initiative.

This initiative marked another milestone with the signing of the Memorandum of Understanding (MOU) between the MWIA, The Timber Exporters' Association of

Malaysia (TEAM) and the Guangdong Timber Industry Association (GTIA) on 20th September 2015.

The aim of this MOU is to develop and promote timber trade cooperation between Peninsular Malaysia and China. The MOU was signed by Dato' Low Kian Chuan, the President of MWIA, Mr.. George Tan, the President of TEAM, and Mr.. Zhang Jianmin, the President of GTIA. The signing was witnessed by Mr.. Zhu Xiaodan, the Governor of Guangdong and Tan Sri Ong Ka Ting, the Prime Minister's Special Envoy to China.

The MOU is expected to lead to increased cooperation between the timber trade associations of Peninsula Malaysia and Guangdong Province in a wide range of areas which could provide opportunities for Malaysian timber product manufacturers to enter lasting trade relations with importers of the Guangdong Province.

Among the initiatives covered in the MOU are: building a timber trading platform between Malaysia as suppliers of various wood products and Guangdong marketing channels, to promote Malaysian timber products to the Guangdong Province, as well as to develop unified specifications that will satisfy specific timber trade requirements in Guangdong Province.

Guangdong is home to many wood processing industries which consume a high proportion of imported wood products. Wooden furniture exports accounts from manufacturers in Guangdong account for around 50% of the national exports.

A large proportion of the raw materials for furniture manufacturers in Guangdong come from Southeast Asia, especially Malaysia. It is forecast that demand for imported timber in Guangdong Province will continue to grow.

For more information contact Ms. S K Pang
mwia@mwia.com.my

Guangzhou Yuzhu International Timber Market Wholesale Prices
Logs

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	5200-5400
Bangkirai	dia. 100 cm+	5300-5500
Kapur	dia. 80 cm+	2800-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	2000-2200
Kempas	dia. 60 cm+	2000-2100
Teak	dia. 30-60 cm	8000-12000

	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	2300-2450
Purpleheart	dia. 60 cm+	3100-3300
Pau rosa	dia. 60 cm+	4700-4800

Ipe	dia. 40 cm+	4000-4800
yuan per tonne		
Cocobolo	All grades	53000-58000

	Logs	yuan/cu.m
Wenge	All grades	4300-5200
Okoume	All grades	2200-2500
Okan	All grades	3700-3800
African blackwood	All grades	8000-15000
African rosewood	All grades	5000-6500
Bubinga	dia. 80 cm+	13000-15000

	Logs	yuan/cu.m
Ash	dia. 35 cm+	4200-4300
Basswood	dia. 36 cm+	3500-3800
Elm	dia. 36	2800-3600
Catalpa	dia. 36	2800-4200
Oak	dia. 36 cm+	4000-5500
Scots pine	dia. 36 cm+	2000-2200
Larch	dia. 36 cm+	1550-1900
Maple	dia. 36 cm+	2700-3050
Poplar	dia. 36 cm+	1650-1950
Red oak	dia. 30 cm+	2500-2600

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7300
Zebrano	Grade A	12000-15000
Walnut	Grade A	9500-10000
Sapelli	Grade A	7500-7900
Okoume	Grade A	4200-4500
Padauk	Grade A	14500-17000
Mahogany	Grade A	6500-7000
yuan/tonne		
Ebony	Special grade	16000

	Sawnwood	yuan/cu.m
Ulin	All grade	9000-10000
Merbau	Special grade	8600-9500
Lauan	Special grade	4600-4800
Kapur	Special grade	5500-6000
Teak	Grade A	9600
Teak	Special grade	14000-20000

	Sawnwood	yuan/cu.m
Cherry	FAS 2 inch	10000-12800
Black walnut	FAS 2 inch	14000-16000
Maple	FAS	7500-10000
White oak	FAS	8000-11000

Red oak	FAS	6800-9000
Finnish pine	Grade a	3000

Sawnwood		yuan/cu.m
Maple	Grade A	10000-10500
Beech	Special Grade	5300
Ash	no knot	5000-5800
Basswood	no knot	2700-3500
Oak	no knot	4000-5500
Scots pine	no knot	2800

Sawnwood		yuan/cu.m
Beech	Grade A	4200-4800
Ash	Grade A	5500-6500
Elm	Grade A	4900-5300
Red oak	2 inch FAS	8000-8600
White oak	2 inch FAS	7500-8500
Maple	2 inch FAS	9800-10500
Cherry	2 inch	9500-10500
Black walnut	2 inch	15000-17000

Shanghai Furen Forest Products Market Wholesale Prices

Logs

Logs All grades	000's yuan/tonne
Bois de rose	250-300
Red sandalwood	1600-2000
Siam rosewood	100-550
Burma padauk	27-45
Rengas	8-15
Mai dou lai	6000-8000
Neang noun	32-65
Burma tulipwood	28-60
Cocobolo	43-180
Morado	10 - 15
Ebony	15-40
Trebol	7-8
African sandalwood	18-32

Sawnwood

Sawnwood		yuan/cu.m
Okoume	Grade A	4500-4700
Sapelli	Grade A	7600-7900
Zebrano	Grade A	8000-9000
Bubinga	Grade A	13500-15800
Mahogany	Grade A	6000-7000
Wawa	FAS	3700-3900
Ayous	FAS	4000-4200

Sawnwood		yuan/cu.m
Lauan	Grade A	3700-3900
Merbau	All grade	8000-10000
Teak	All grade	11500-36000

Zhangjiagang Timber Market Wholesale Prices

Logs, all grades	yuan/tonne
Sapelli	4500-5700
Kevazingo	8700-34000
Padouk de africa	3000-3800
okoume	2100-2600
Okan	3490-3650
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4500-5000
Zingana	4200-5500
Acajou de africa	3100-3600
Ovengkol	3850-4300
Pao rosa	5950-6600

Logs, all grades	yuan/tonne
Merbau	3500-5800
Lauan	1600-2400
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850

Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

Innovation is key to success

The International Hardwood Conference (IHC) held in Copenhagen from 16-18 September identified access to raw materials, changes in global trade flow patterns and growing purchasing competition with buyers from other parts of the world as well as innovation in non-wood materials as key challenges currently facing the European hardwood industry.

At the same time, however, the conference also highlighted European countries’ common goals and interests in their commitment to the sustainable use of hardwoods and the promotion of an increased use of wood.

The benefits of wood as an environmentally friendly, sustainable building material were emphasised as a major advantage in this context, as was Europe’s advanced educational system in the fields of architecture and wood engineering.

Innovation, creativity, new and high-end applications for hardwood as well as tapping into new markets were considered key to success.

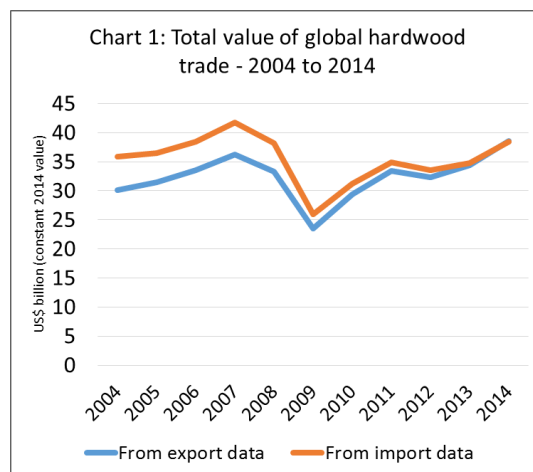
Presentations held in the morning of the conference primarily focused on trade flow trends in the global and European markets as well as on the situation in major hardwood exporting and importing markets in Europe, the USA, Asia and Africa.

In the afternoon, the focus shifted to the sustainable and creative use of wood in architecture, and furniture production as well as on new market opportunities for hardwoods.

China and Asia dominate the timber trade

Rupert Oliver, speaking on behalf of the EU-funded and ITTO-hosted FLEGT Independent Market Monitoring (IMM) project, opened the Conference with an overview of global hardwood markets. He showed that the global value of hardwood trade, adjusted for inflation, had rebounded close to pre-crisis levels in 2014.

The total value of global trade in hardwood products (including logs, sawn, mouldings/decking, veneer, and plywood) was around US\$38.5 billion in 2014, an increase of 10% on the previous year (Chart 1).

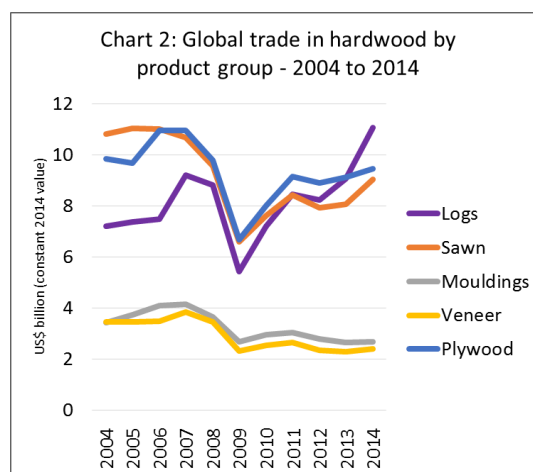


Source: ITTO IMM analysis of Global Trade Atlas & UN COMTRADE

Analysis of the various product groups reveals that the upward trend was heavily dependent on a sharp increase in the global hardwood log trade.

In fact, the total value of global trade in hardwood logs, at around US\$11.1 billion in 2014, was significantly higher than the previous peak in 2007 (when global hardwood log trade was US\$9.2 billion).

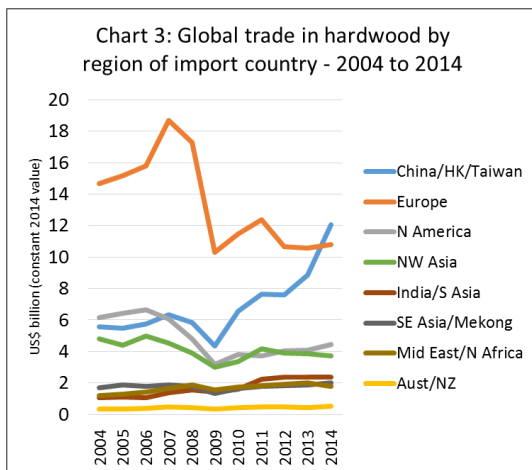
The value of global trade in all other hardwood materials – sawn wood, mouldings, veneer and plywood - still falls short of the peak just prior to the financial crises that hit western industrialised nations in 2008 (Chart 2).



Source: ITTO IMM analysis of Global Trade Atlas & UN COMTRADE

These trends are largely explained by the regional shift in global hardwood trade since the financial crisis (Chart 3). The value of China’s hardwood imports doubled between 2009 and 2014, to more than US\$12bn.

Although China’s imports of sawn hardwood have been rising, growth is still heavily concentrated in logs. The value of China’s log imports increased from just over US\$2 billion in 2009 to close to US\$7 billion in 2014.



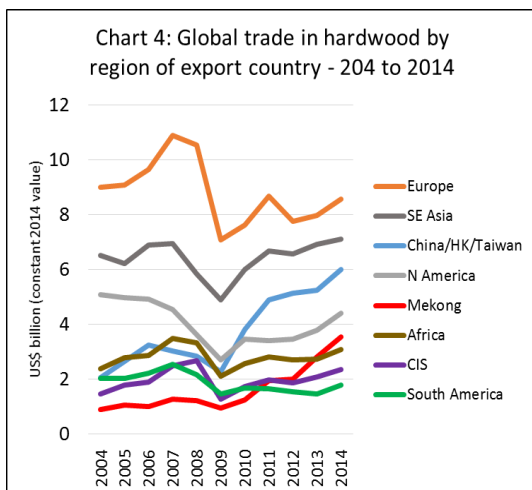
Source: ITTO IMM analysis of Global Trade Atlas & UN COMTRADE

Meanwhile the influence of Europe - traditionally a large buyer of further processed products like sawn wood, veneers or mouldings - has declined in global hardwood trade flows.

The total value of hardwood imports by European countries (including intra-EU trade), fell from more than US\$18bn in 2007 to just over US\$10bn in 2009. The total value of hardwood imports by European countries has remained broadly flat since then.

In terms of hardwood export value, the large volume of intra-regional trade means that, in total, European countries remain the largest source of internationally traded hardwoods (Chart 4). In 2014, European countries exported hardwoods with a total value of US\$10.8 billion, 2% more than the previous year but well below the peak level of US\$18.7 billion recorded in 2007.

The increase in European country exports last year was driven partly by improved consumption in the UK and Spain and partly by rising sales of hardwood logs and sawnwood to countries outside Europe, notably China and Egypt.



Source: ITTO IMM analysis of Global Trade Atlas & UN COMTRADE

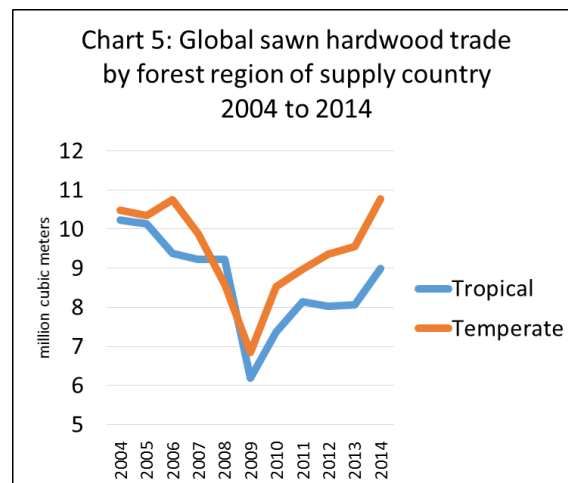
However, the value of hardwood exports by countries in other parts of the world has been rising more rapidly. There's been a particularly rapid rise in the value of exports by China (dominated by plywood) and by countries in the Mekong delta region (including both rubber wood and hongmu species, both destined primarily for China).

The value of exports by the USA has also been rising with a significantly higher proportion now destined for China and South East Asia and a lower proportion destined for Canada, Mexico and Europe.

Considering just sawn wood, Mr. Oliver showed that global trade in temperate hardwoods recovered much faster than tropical wood following the financial crisis (Chart 5).

In fact global trade in sawn temperate hardwood reached 10.77 million m3 in 2014, 13% higher than the previous year and just exceeding the previous peak in global trade of 10.75 million m3 in 2006.

Global trade in sawn tropical hardwood also increased sharply in 2014, rising 12% to reach 8.99 million m3. However, this level is still 12% down on peak levels in excess of 10 million m3 prior to the crises.



Source: IMM analysis of Global Trade Atlas & UN COMTRADE

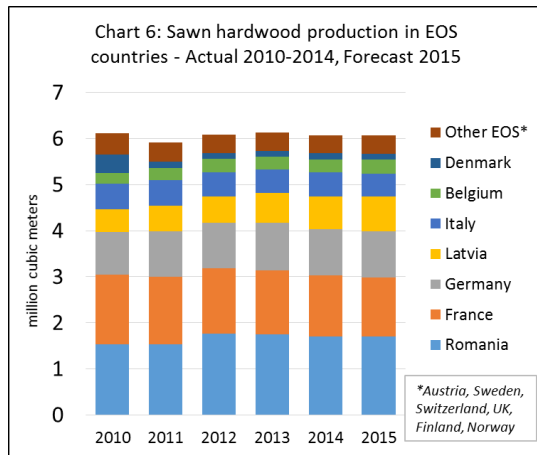
As major “barriers” to expansion of hardwood markets in Europe, Mr. Oliver identified the difficulties arising from the global financial crisis, product innovations in non-wood materials, the shift in global economic activity and hardwood supply to emerging markets, freight and transport issues, EU production of wood-based panels and surfacing technologies and exchange rate movements, among other things.

On the other hand, new opportunities for hardwood are being created in Europe from increased use of wood in green building, interest in hardwood in higher-value structural applications, innovations such as thermal modification which extend applications for less durable species, rising awareness of carbon credentials,

certification and legality verification as well as architects' and structural engineers' increased knowledge of timber.

European hardwood production stable at 6 million cu.m

Jean-Francois Guilbert of French Timber assessed the European market from the perspective of the European hardwood sawmillers. Sawn hardwood production in member countries of European Sawmillers Organisation (EOS) was flat at around 6 million cubic meters per year between 2010 and 2014. Production is expected to remain at the same level in 2015 (Chart 6).



Source: EOS

There have been minor shifts in European sawn hardwood production in recent years. Production in Romania, the largest supplier (mainly of beech) was rising between 2010 and 2013, but declined 3% to 1.70 million in 2014. Production in France, which has been declining slowly since 2010, fell a further 4% to 1.33 million m3 in 2014.

Production in Germany fell 3% to 1.0 million m3 in 2014. However production in Latvia has been rising over the last 5 years and increased a further 9% to 717,000 m3 in 2014.

Mr. Guilbert noted that exports to non-European countries, particularly China, were an increasingly important driver of production trends in the European sawn hardwood sector. Large quantities of European oak and beech logs are now destined for China which is making roundwood sourcing increasingly difficult for European sawmills.

However China is also an important market for European sawn wood, particularly oak. Sales of European sawn oak have remained relatively strong in China this year despite the recent economic slowdown. This was partly attributed to the weakness in the euro, which has given European timber a competitive advantage over hardwood traded in US dollars.

The weak euro has also helped sales in Egypt, Mexico and the USA. Within Europe, Mr. Guilbert identified the UK as a key market for sawn oak. For beech, Spain and Poland are important markets within Europe while Egypt is recovering strongly outside Europe.

Mr. Guilbert noted that, such is the strength of international demand, European sawmills could sell considerably more but production is now constrained by limited log availability.

While this is partly due to high log exports to China, other factors include increased fragmentation of private forest estates and reduced focus on commercial timber exploitation, the long-term lack of incentives for plantation establishment throughout much of Europe, and fierce competition for hardwood logs from the wine industry (mainly oak) and energy sector.

No real recovery in hardwood consuming sectors

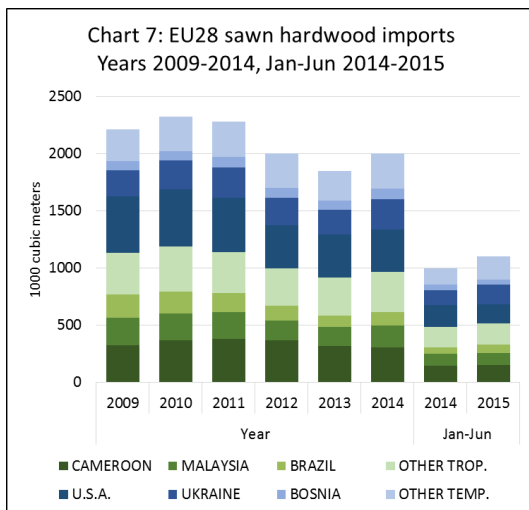
ETTF President Andreas von Möller spoke about recent trends in the European sawn hardwood market from the perspective of importers. He noted that at a European level, key hardwood-consuming industries in Europe - including construction, furniture, wood flooring and windows - had shown little or no recovery since the financial crises. He also stressed that developments differed greatly from one European country to the next.

The furniture industry, for example, which EU-wide was still below pre-crisis levels in 2014, was growing strongly in Poland. Construction is good in Germany and the UK and recovering in Spain and the Netherlands, while France and Italy are still experiencing a downward trend.

More positively, Mr. von Möller noted that total imports of sawn hardwood into the EU28 were 1.97 million m3 in 2014, a rise of 9% compared to 2013. Imports have also continued to rise in 2015, reaching 1.1 million m3 in the first five months of the year, up 11% compared to the same period in 2014.

However Mr. von Möller echoed Mr. Oliver's assessment that temperate hardwoods have generally performed better than tropical hardwoods in the EU market in recent years. EU imports of temperate sawn hardwood were 1.10 million m3 in 2014, 12% up on the previous year and 41% down compared to before the financial crisis.

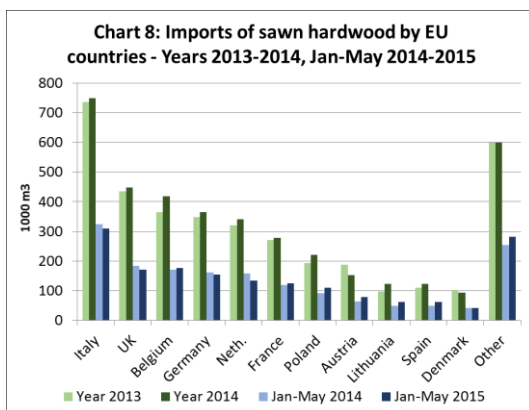
This compares to tropical sawn hardwood of which 960,000 m3 were imported in 2014, 5% up on the previous year but still 63% down compared to before the financial crisis. Much of the gain in EU imports of sawn hardwood in 2015 is due to rising trade with Ukraine, Belarus and Russia (Chart 7).



Source: Estimated by ITTO IMM from Eurostat COMEXT data.

Mr. von Möller also reported that the latest sawn hardwood import data indicates widely varying market conditions between EU member states this year. Imports declined in several large EU markets in the first five months of 2015, including the UK, Germany, Italy and the Netherlands. In fact amongst the five largest markets, only Belgium has increased imports this year.

However imports into several smaller EU markets have registered double-digit percentage growth this year including Poland, Austria, Lithuania, Spain, Estonia, Slovenia, Hungary, Romania, Ireland and Croatia (Chart 8).



Source: Estimated by ITTO IMM from Eurostat COMEXT data

Mr. von Möller went on to identify a number of key trends in the European sawn hardwood sector. Darker woods are currently favoured compared to light/reddish coloured timbers. In flooring, there continues to be a fashion for wider planks, particularly with “rustic” character. Narrow planks with “plastic” appearance lacking character and natural features are less favoured.

He noted that there is regular on-going substitution – driven by price fluctuations and exchange rates – between American tulipwood and beech on the one hand, and a range of tropical species on the other, including wawa/ayous/obeche and limba.

Distribution networks for sawn hardwood in Europe have also undergone profound change since the financial crises. Generally there is now a strong preference for sourcing internally from elsewhere in Europe rather than importing from overseas.

There’s much less willingness on the part of many European manufacturers and distributors to hold stock and a strong preference for buying from other European operators as and when products are needed. European operators are now much more inclined than in the past to spend time searching around a wide range of suppliers for the lowest price rather than to depend on a few regular suppliers.

There’s also a much greater tendency to buy mixed container loads with smaller volumes of product in each specification than to buy full container loads of a single specification.

Timber-sector players worldwide are interdependent

Presenting to IHC on the Asian hardwood market situation, Ms. Sheam Satkuru-Granzella, Director of the Malaysian Timber Council’s European office, highlighted the importance of global interlinkage and interdependence in the timber trade.

She underlined the importance of China and India as wood consuming and remanufacturing countries and observed that current weakness in the Chinese market would significantly impact developing countries, particularly in Africa and Papua New Guinea.

Ms. Satkuru-Granzella noted the growing importance of the Chinese domestic market as opposed to the re-export business. She also observed that while there has been recent strong growth in China’s imports of red “hongmu” timbers, China’s market for more modern furniture and finishing in lighter shades is also growing rapidly.

In Europe, Ms. Satkuru-Granzella identified on-going economic consolidation as well as weakness in the European construction sector, with no major changes expected in the short-term, as major challenges facing the Asian hardwood business in Europe. She emphasised that Asian hardwood producers are focusing elsewhere due to subdued European demand.

She also mentioned implementation of the EUTR as another challenge, noting problems associated with inconsistent application of the regulation across the EU.

Structural changes in US hardwood production and sales

Mike Snow, Executive Director of the American Hardwood Export Council, spoke about structural changes in the US hardwood industry that increased the sector’s emphasis on exports in recent years. Total US hardwood production peaked as long ago as 1999 and, after sliding for a few years, fell sharply by 49.3% between 2005 and 2009.

US hardwood production started to recover from 2009 but is still way below peak levels. It's also well below potential: as harvest has remained well below growth the volume of hardwood standing in US forests has more than doubled to over 11 billion cubic metres in the last 50 years.

Mr. Snow noted that while demand for hardwood in some industrial sectors in the US has been rising, there has been a long term decline in US domestic consumption of graded lumber in the furniture and construction sectors.

US lumber production has shifted from around 60% grade and 40% industrial lumber to 40% grade and 60% industrial. The vast majority of the graded lumber produced in the US is now exported.

In terms of US hardwood lumber exports, China and other Asian markets like Vietnam and Thailand have significantly gained in importance over the last ten years, whereas volumes to Europe have declined. China, in particular, saw disproportionate growth: between 1999 and 2006 US exports to China increased by 759% and between 2009 and 2015 by another 270%.

Mr. Snow also confirmed the increasing importance of the Chinese domestic market as a wood consumer. He said that whereas a decade ago, around 80% of the American hardwood imported by China was further processed and re-exported, the proportions have now reversed with only around 20% re-exported and up to 80% destined for the domestic market.

Purchasing competition for African timber

Mr. Ad Wesselink, Managing Director of Netherlands-based Wijma, identified purchasing competition from Chinese companies – which do not have to verify the legality of their purchases – and Chinese investments in Africa as key challenges for European companies active in African timber trade and manufacturing.

Furthermore, African timber still struggles with image issues and certification is proceeding much too slowly. Added to this are serious logistical and transport issues. And of course the European market for tropical timber remains subdued.

Mr. Wesselink noted that EU imports of African sawn wood decreased from 1.12 million m³ in 2004 to just 530,000m³ in 2014. The sharpest falls were registered between 2005 and 2009; since then imports have stabilised with slight fluctuations.

African logs have fared even worse in the EU market, declining around 80% in the last ten years, to just 102,000 cu.m in 2014. Europe's share in African tropical timber exports has therefore fallen from 78% in 2004 to 52% in 2014.

To turn the situation around, Mr. Wesselink said the tropical timber sector must do more to raise awareness of progress in forest management. Around 5.5 million ha of

forest in the Congo, Gabon and Cameroon is now FSC certified and large areas are legally verified, for example. These facts need to be communicated.

Due Diligence: costly and time-consuming

Armand Stockmans of Somex underlined the commitment of the EU trade to meeting the legality requirements of the EU Timber Regulation (EUTR) – even though Due Diligence remained complex and costly in many instances: Operators have to deal with different documents from each country and to adapt their due diligence accordingly.

Green building is a key new market opportunity

The afternoon session of the IHC focussed more on new market opportunities and the potential for increased use of hardwood as a construction material. Matti Kuittinen from Aalto University School of Arts, Design and Architecture reported a recent revival in wood construction. Besides single-family homes, several tall wooden buildings are under construction all over the world.

As a main reason for the increased use of wood – besides aesthetics – he noted the growing awareness of climate change and other environmental issues, for example reflected in Green Building initiatives at national level in a several EU countries and the EU Directive for energy performance of buildings that requires new buildings to be nearly zero energy after 2020. .

Zero energy buildings can be made from different materials, according to Mr. Kuittinen, but wooden buildings always seem to have lower carbon footprint than others. He concluded that “wood construction has been and will always be a vital part of our bioeconomy”.

This view was shared by Peter Wilson, Director of the Institute for Sustainable Construction at Napier University in Edinburgh, UK. He emphasised the number and importance of European architects as potential clients for the wood industry and stated that the timber industry still fails to reach out to enough architects.

Architects are of special importance to the hardwood industry since they are often the key decision makers in high-value building projects.

Mr. Wilson felt there is particular value in working with European universities – which train some of the world's leading architects - to increase coverage of timber in the architectural syllabus. He also stressed that the development of engineered wood products has changed the perception of timber among designers and architects. China, in particular, should be encouraged to build its fast growing cities in wood rather than concrete or steel.

AHEC's European Director David Venables echoed this call. He named architects, designers and specifiers as potential clients and key to future growth in the hardwood market.

In addition to more promotion and more education, he emphasised the need to develop innovative tools to deliver credible technical and performance data on hardwood materials. It is necessary to scientifically prove the advantageous performance of hardwoods compared with other building materials.

Moreover, wood promotion should support the use of wood through simple and understandable messages. AHEC is showing how it's possible to influence fashion trends to favour of a wider range of hardwood timbers by working with high-profile architects and designers.

Besides structural applications and a focus on environmental advantages, Mr. Venables identified exterior applications and a wider use of species and grades as new opportunities for the hardwood sector. As an example, he presented AHEC's "Endless Stair" project, made from cross-laminated Tulipwood produced from No 2 Common grade material.

Eyes opened for new market opportunities

Both organisers and participants seemed broadly satisfied with this year's IHC, which for the first time was jointly organised by the European Timber Trade Federation (ETTF) and the European Organisation of the Sawmill Industry (EOS), with the Danish Sawmill Association and Timber Trade Federation as national co-hosts. Martin Nyrop-Larsen from the Danish Sawmill Association said that both traders and sawmillers benefitted from "useful information about markets and the future". He noted that "eyes were opened for new market opportunities, for example in India". The conference attracted around 100 delegates from 19 countries.

Report from North America

US market continues to expand

The positive development in wood product imports continued in June. Only hardwood mouldings and hardwood flooring imports were lower than in the previous month and compared to 2014. Indonesia increased hardwood plywood shipments to the US in June

US imports of hardwood plywood continued to grow in June reaching 383,018 cu.m. Imports were up 58% from May and year-to-June imports were 3% higher than in June 2014. Hardwood plywood imports from China were 228,299 cu.m. in June, up 19% year-to-June from the same time last year.

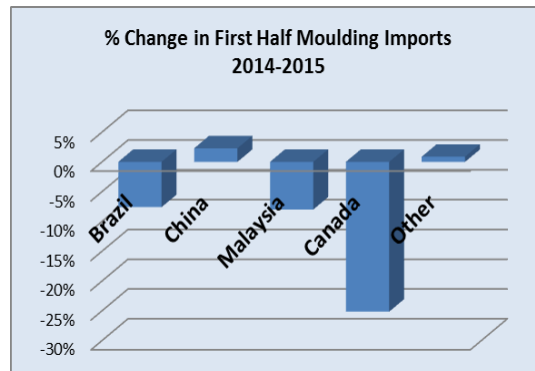
The largest month-on-month growth was in plywood imports from Indonesia, which grew by 155% to 58,073 cu.m. However, year-to-June imports from Indonesia were still lower than at the same time last year.

Decline in hardwood moulding imports

Hardwood moulding imports remain in negative territory compared to last year. June imports were worth US\$16.1 million, down 4% from the previous month.

China remains the largest supplier of hardwood mouldings at US\$5.0 million in shipments in June. Year-to-June imports from China were up 2% compared to 2014.

All other major suppliers lost market share. Year-to-June imports from Brazil and Malaysia were down 8% from June 2014, while imports from Canada fell by 25% compared to last year.



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

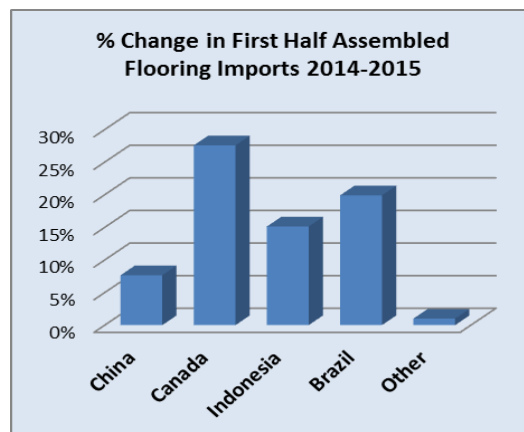
Significant increase in flooring imports from Malaysia and Indonesia

Hardwood flooring imports declined from a peak in May to US\$3.2 million in June. However, year-to-June imports were still much higher (+24%) than in June 2014. Month-on-month imports from all major suppliers fell in June.

Indonesian shipments were worth US\$884,131, while imports from Malaysia were US\$648,435, down from over US\$1 million for both in May. Imports from China fell by more than half to just US\$328,774.

Imports of assembled flooring panels increased 21% month-on-month in June and 12% year-to-June compared to the same time last year. Imports from China were US\$4.5 million in June, up 26% from May.

Imports from Canada were unchanged. Indonesian shipments almost doubled from May to US\$791,977 in June.



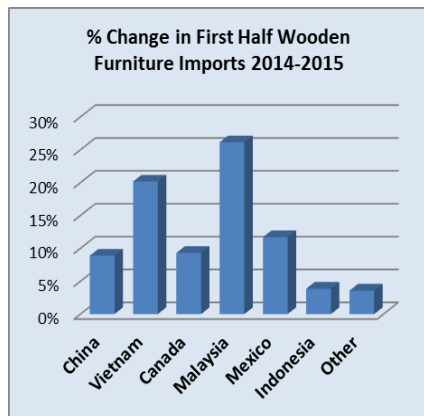
Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Wooden furniture imports rise

Wooden furniture imports continued to increase in June. US imports were worth US\$1.43 billion, up 3% from May. Year-to-June imports were 11% higher than in 2014.

The strongest growth was in wooden office furniture imports, which grew 9% from the previous month. Kitchen furniture imports increased 5% in June, while imports of wooden seats declined slightly. As was the case in May, all major suppliers increased furniture shipment to the US market with the exception of Indonesia and Malaysia.

Wooden furniture imports from China grew 2% in June. Year-to-date imports were up 9% from June 2014, compared to a 20% increase in furniture imports from Vietnam. US furniture imports from Canada rose 16% from the previous month, helped by the weaker Canadian dollar. Among smaller suppliers, India and Brazil saw significant gains in June.



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

Consumer confidence down but builders optimistic about housing market

US consumer sentiment declined in July but, overall, consumers remain optimistic about the economy. The University of Michigan's index of consumer sentiment decreased to 93.1 in July from 96.1 in the previous month. One year ago the index was at just 81.8.

Despite the lower consumer index, Americans feel positive about the job market and wages. The negative economic news from China may have contributed to lower consumer confidence.

Builder confidence in the market for newly built, single-family homes in June reached its highest level since 2005. The National Association of Home Builders expects a continued recovery of the housing market in the second half of 2015 but the shortage of labour and building plots remain a challenge for many home builders.

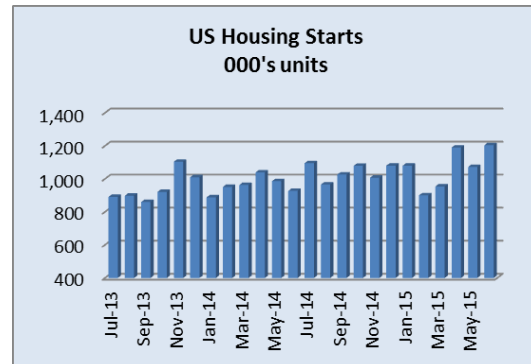
Multi-family housing starts up

Housing starts increased 10% in June from the previous month, according to US Census Bureau data. The seasonally adjusted annual rate of residential construction

was 1,174,000 in June. This is 27% above the June 2014 rate.

The growth was in multi-family construction, while single-family starts declined slightly from May. The share of single-family homes in new construction fell to a new record low of 58%.

The number of building permits increased by 7% in June to 1,343,000.



Source: US Census Bureau

Home sales and prices at record high

Existing-home sales increased in June to their highest pace in over eight years, according to the National Association of Realtors. All major regions experienced sales gains in June. At the same time home prices reached a record high. Limited supply of both existing homes and new homes on the market is pushing up home prices.

Stronger US demand for Canadian wood products

Canadian housing starts increased slightly in June at a seasonally adjusted annual rate. Both multi-family and single-family construction grew. The Canadian Housing and Mortgage Corporation expects multi-family construction to decline in the near future because many completed units remain unsold.

Lower oil prices continue to have a negative effect on Canada's economy, although they are partly offset by the strengthening US economy. Canadian exporters of non-energy products such as the wood products industry benefit from growing US demand.

US trade deficit up due to higher imports

Manufacturing output continues to expand according to the Institute for Supply Management. Furniture manufacturing companies reported production growth, while output declined in the wood products sector.

GDP growth was an estimated 2.3% in the second quarter of 2015, according to the Department of Commerce's first estimate. First quarter economic growth was revised up to 0.6%. Higher consumer personal spending and residential construction contributed to the greater GDP growth in the second quarter.

The US trade deficit increased to US\$43.8 billion in June, up from US\$40.9 billion in May. Compared to the same time last year, the trade deficit grew 0.6%. The larger deficit was mainly due to increased imports of goods.

Growth in furniture orders and shipments

Orders for new furniture increased by 5% in May from the previous month according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors.

Year-to-may orders were 5% higher than in May 2014. More than half of respondents (55%) reported increased orders for the year to date, down from 68% in April. Furniture shipments were up 7% year-to-date from May 2014. 71% percent of companies reported higher shipments in May.

Inventory levels at distributors and manufacturers were unchanged in May from a month earlier but were higher than in May 2014. Overall, inventory levels were normal for business conditions.

Retail sales at furniture stores in the US declined 5% in June from the previous month, according to US Census Bureau estimates. Despite the drop sales were 9% higher than in June 2014.

Furniture imports from China more competitive

The decline in US consumer confidence affects furniture demand, but on the positive side unemployment remains low and wages are growing. The strong growth in home sales and new construction is excellent news for furniture manufacturers and retailers.

China's currency devaluation is expected to make furniture exports from China more competitive compared to US imports from Vietnam, Malaysia and Indonesia. At the very least a weaker yuan will offset the rise in labour cost in China. US companies that buy furniture parts from China for assembly in the US should also benefit from a weaker yuan.

The longer-term impact of a weaker yuan on furniture supply chains may be even more important than short-term price effects, according to the trade journal Furniture Today. Manufacturers in China will be less likely now to close plants and relocate to Vietnam or to other countries.

Exports of high-end furniture from the US to China have experienced strong growth in recent years, and the stronger dollar will force US companies to price their products more competitively. China's imports of US-made furniture increased by 59% between 2013 to 2014 to US\$109.4 million.

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

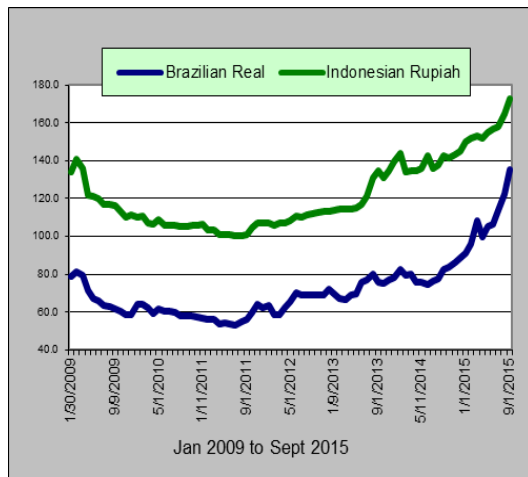
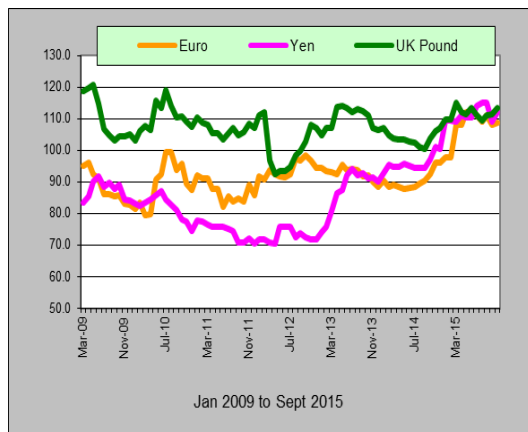
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 25th September 2015

Brazil	Real	3.9745
CFA countries	CFA Franc	588.24
China	Yuan	6.3754
EU	Euro	0.8930
India	Rupee	66.1698
Indonesia	Rupiah	14658
Japan	Yen	120.59
Malaysia	Ringgit	4.4018
Peru	New Sol	3.2228
UK	Pound	0.6587
South Korea	Won	1193.07

Exchange rate indices (Dec 2003=100)

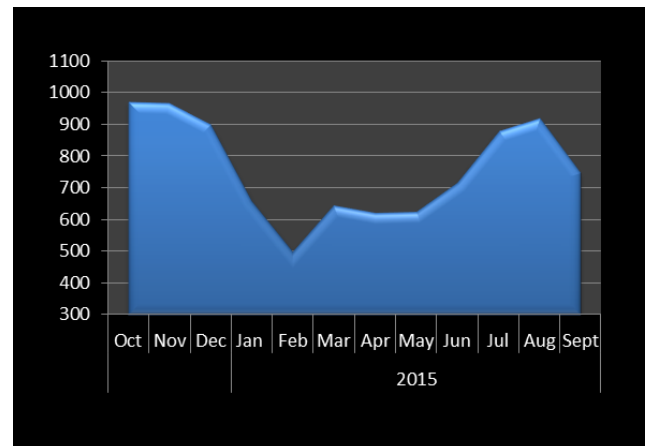


Abbreviations and Equivalences

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
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
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

Ocean Freight Index

Baltic Supramax Index
Oct 2014 – Sept. 2015

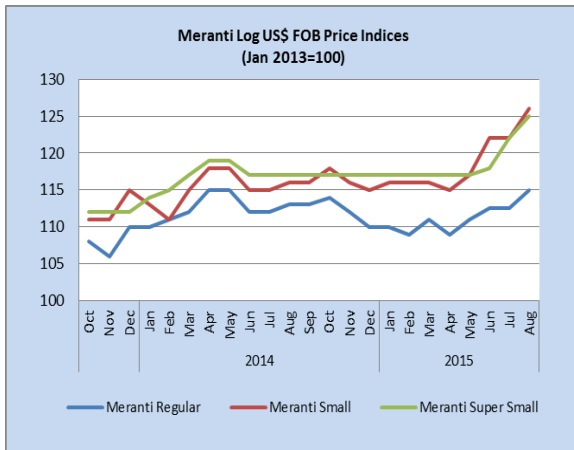


Data source: Open Financial Data Project

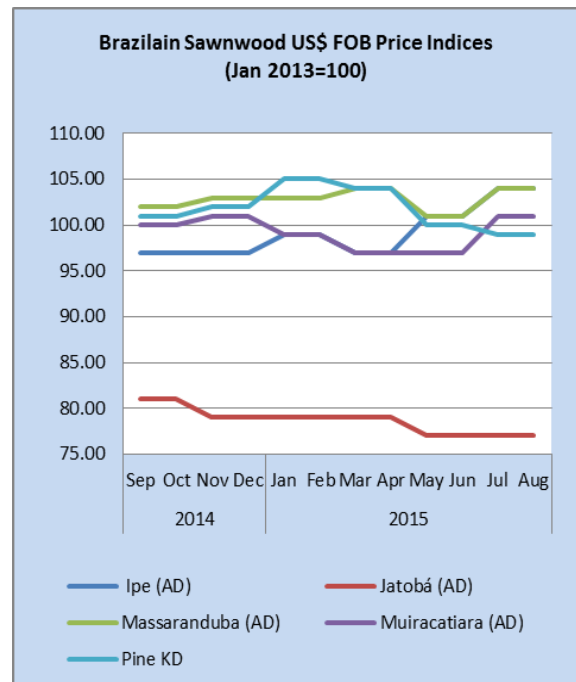
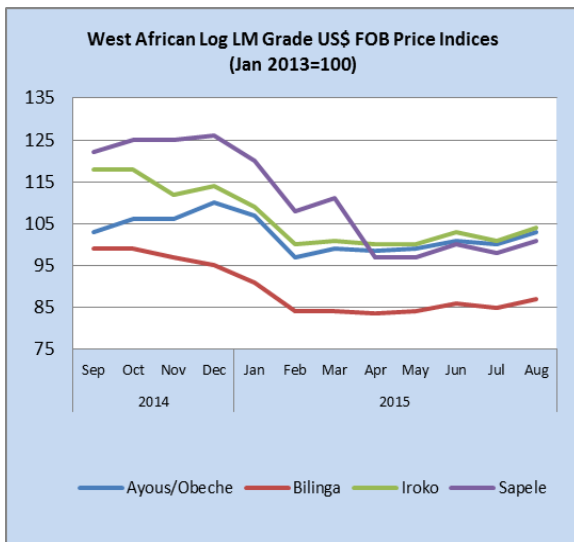
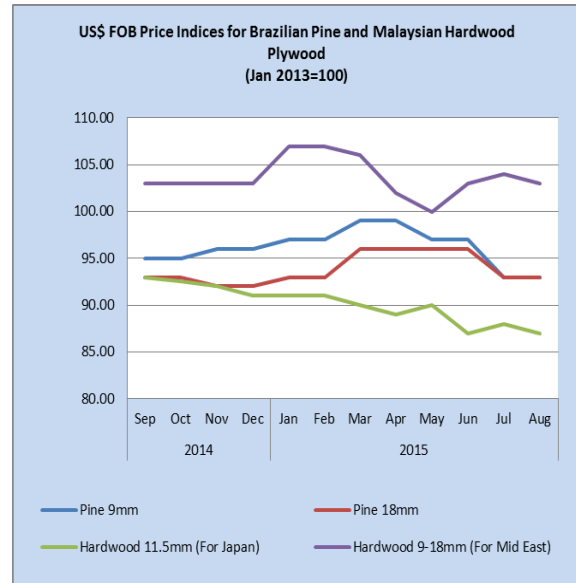
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

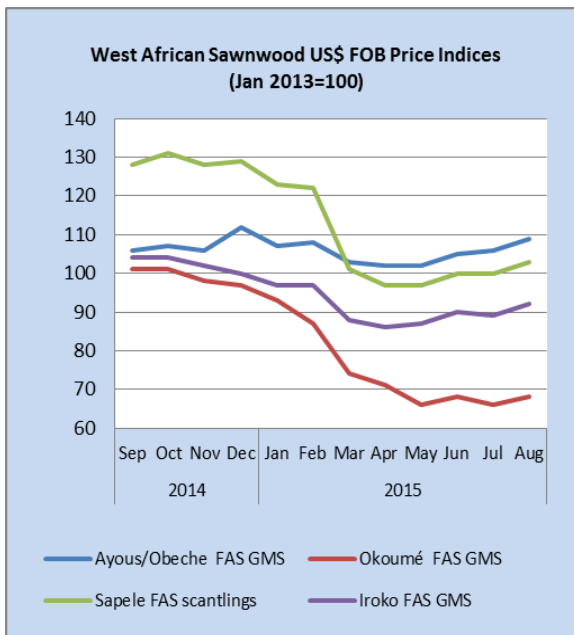
The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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