Tropical Timber Market Report

Volume 19 Number 20, 16th – 31st October 2015

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Top Story

Golden waterway for trade – new Artic shipping service

COSCO, one of China's state owned shipping companies has announced it will introduce regular shipping services via an Arctic route to Europe. The company has tested the feasibility for this new route by twice sailing a vessel through the north east passage

This route results in a 30% saving on sailing time as well as a fuel saving since the route is 2,800 nautical miles less than the alternative.

See page 19

Headlines

Central and West Africa

Civil unrest disrupts business in Congo
Producers in Congo Brazzaville report having been successful with some small volume sales of okoume logs to buyers for the Chinese market but, in the face of the continuing weak demand, prices are under pressure.

There were reports of civil unrest in Congo Brazzaville related to the elections. Reports say local transport was been disrupted and some mills had been facing problems getting fuel, parts and supplies.

Demand in EU and Middle East underpinning price stability
In the two weeks to the end of October FOB prices remain largely unchanged with just one or two minor adjustments reflecting the slow demand in China. While demand from European buyers is, at best, moderate it is sufficient to provide a firm base for the current price levels.

Middle East importers and distributers report continued firm business although some importers are still inclined to limit the size of new contracts until they are more certain about how long current FOB prices can be maintained.

Production of sapele for Chinese market scaled back
On the supply side, producers in Gabon continue to limit output and have indicated they will temporarily close sawmills if necessary to avoid building up stocks. Mills in Cameroon and the Central African Republic have limited production of sapele for China but there is ongoing demand from Europe and prices are stable.

Opportunities in India
India has become a major tropical log importer but shippers in Central and West Africa have not captured much of the market for logs in India except for plantation teak and some small quantities of gmelina.

The Indian government has ambitious plans to expand house building and this will result in increased demand for wood products and create opportunities for Central and West African producers.

Trade development between Africa and India was a feature of the Third India Africa Summit in New Delhi in late October. This summit was heralded as India's most extensive interaction with African countries.

See:
http://www.businessinsider.in/6-reasons-why-the-Indo-Africa-Forum-Summit-is-moreimportant-than-you-would-imagine/articleshow/49594430.cms

Africa's exports to India are smaller than to China but this could change as growth in China slows.

India's bilateral trade with Africa has grown from a modest US$1 billion in 1995, to US$30 billion in 2008 and is now around US$60 billion.

African exports to India have been growing faster than Indian exports to Africa and six countries, Nigeria, South Africa, Angola, Egypt, Algeria and Morocco account for most Africa's exports, mainly due to trade in oil, gas and minerals. For other African countries India benefits from a trade surplus. Timber exporters in Africa would seem to have an opportunity beyond teak exports in the Indian market.

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)	210↓	205↓	160
(China only)	335		
Moabi	210	305	225
Movingui	160	210	160
Niove	250	160	-
Okan	220	210	-
Padouk	345	285	225
Sapele	305	305	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	350↓
	Merchantable	225
	Std/Btr GMS	270
Sipo	FAS GMS	610
	FAS fixed sizes	610
	FAS scantlings	640
Padouk	FAS GMS	930
	FAS scantlings	1000
	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

Ghana

Ambitious strategy for 500,000 ha of plantations
Ghana plans to create about 500,000 hectares of new forest plantations by 2040. Under a new multi-sectoral approach the 'Ghana Forest Plantation Strategy', plans are set out for government and private sector reforestation of degraded forests with commercial plantations of exotic and indigenous tree species.

This was made known at a Consultative Workshop on the draft Ghana Forest Plantation Strategy (GFPS), for 2015 - 2040. The strategy targets the maintenance and rehabilitation of existing forest plantations as well as enrichment planting of under-stocked forest reserves with high value indigenous timber species.

The draft GFPS also identifies challenges faced in past efforts on plantations and outlines the strategic direction, actions and resources to overcome such challenges in order to create productive and sustainable forest plantations.

In his overview of the strategy, Hugh Brown, Director of Operations (Plantations) of the Forest Division, said the strategy set targets on how resources should be mobilised building capacity and expanding the human resource base.

The strategy will provide the opportunity for the building of a strong research base to ensure that the country develops fast growing tree species that could be used for the development of forest plantations.

In a nationwide project under the National Forest Plantation Development Programme 2002 – 2012 the Forestry Commission championed forest plantations to slow the rate of deforestation but progress was poor due to an absence of a national strategy addressing funding, logistics, monitoring and sustainability.

Despite growing contributions to GDP from other sectors of the economy in 2014 the forest sector remains the fourth highest contributor.

Report calls for system to assess cost of environment degradation

A report from the National Development Planning Commission says Ghana lost 2.51 million hectares or 33.7% of its forest cover between 1990 and 2010. According to the report, Ghana now has a total forest area of 9.2 million hectares comprising 1.8 million hectares of closed forest and 7.4 million hectares of open forest.

The report identified some specific challenges to addressing deforestation and degradation it also makes recommendations which included the passage of resource regulations 2012-2014, (part of efforts to enable implementation of Legality Assurance System) and building capacity for monitoring and assessment of environment degradation costs.

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 (1-1.9 mm)	FACE (>2mm)
Ceiba	348↑	300↓
Chenchen	462	565
Ogea	493	535
Essa	480↑	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
Afrormosia	1.19	0.91
Asanfina	1.40	0.80↓
Avodire	3.00	0.34
Chenchen	1.10	0 .30↓
Mahogany	2.40	0.73↓
Makore	0.89	0.60
Odum	1.33	1.00

Export Plywood Prices

Plywood, FOB	€ per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	464	535	615
9mm	393	460	544
12mm	369	463	450
15mm	410	422	382
18mm	368	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	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	240	280
Dahoma	448	529
Edinam (mixed redwood)	536	625
Emeri	495	560↑
African mahogany (Ivorensis)	650	1049
Makore	700	757
Niangon	567	420
Odum	660	950
Sapele	815↑	820
Wawa 1C & Select	360↓	380

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
Afrormosia	13.72	13.93	17.82

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

Malaysia

Optimistic budget despite global concerns

Details of the National Budget, the first under the 11th Malaysia Plan, were recently made available. This reflects the government’s aim to transform the nation into ‘a high-income advanced economy’.

Local analysts say that, despite the slowing global economy, readjustments in China and the decline in commodity prices the Malaysian economy is performing reasonably well as over the past decade the economic foundation has been diversified.

Highlights from the budget include projections of GDP growth of between 4% to 5.0 % for 2016, a steady fall in the fiscal deficit, modest growth in government revenue collection and higher tax revenues generated from the new Goods and Services Tax.

Calls for review of domestic shipping policy

Currently, ships registered outside of Malaysia are not permitted to transport goods between Malaysian ports and the Federation of Sabah Manufacturers say this results in unnecessarily high cost of goods in Sabah.

Restriction on coastal shipping is a contentious issue between Malaysian States especially for Sabah as freight costs for the more than 2,000 km between; for example, Port Klang and ports in Sabah are high.

There have been claims that the current domestic shipping policy adds as much as 30% to the cost of goods arriving in Sabah from Peninsula Malaysia and businesses in Sabah are calling for a review of the domestic shipping policy.

For more see:
http://www.sapp.org.my/economy/110113_fmt_cabotage_policy.asp

Sabah export performance update

In the first eight months of this year wood product exports from Sabah fell around 9.5% from the same period in 2014. Plywood remains the main wood product exported but between January and August this year plywood exports fell slightly (-3.5%) year on year.

In the first eight months of this year it was only mouldings for which an increase in export volumes was recorded.

Cu. metres	2015	2014
Sawnwood	135,592	168,687
Laminated board	25,374	33,392
Mouldings	9,276	8,338
Veneer	37,994	45,230
Plywood	362,674	375,940
total	570,910	631,587

Source: Statistics Dept., Sabah

Sarawak concession holders commit to certification

Sarawak's Second Minister of Resource Planning and Environment, Awang Tengah Ali Hasan, was quoted in the domestic press as saying illegal logging must be eradicated or it would have an adverse impact on the environment, tarnish the image of Sarawak and cause great loss in royalty collection to the state.

Awang Tengah went on to say the government had identified 25 concessionaires operating in some 1.6 million ha. had begun arrangements to secure certification by 2020. The State government plans to ensure that all major concession holders move quickly to obtain certification.

The State authorities have also taken action to monitor logs supplies to mills throughout the State to ensure that only legally obtained raw materials are being used. As of August this year over 30 mills allegedly depending mostly on illegally sourced logs have been closed until their sourcing of logs is assessed legal.

Indonesia

About-turn on easing SVLK requirements

The Ministry of Trade is set to reverse the planned easing of SVLK certification requirements for producers of finished products. The about-turn comes after the ministry received feedback from the European Union, the Environment and Forestry Minister and various NGOs.

At the beginning of this month the Ministry said that small and medium enterprises should be allowed to export their timber products without meeting the criteria of the domestic legality verification system (SVLK) as compliance was technically difficult and costly.

According to an official of the ministry, the SVLK was among the 32 regulations rules that were assessed as part of its deregulation exercise.

However, this issue does not seem to have been resolved as there is one article in the Ministry of Trade regulation No. 89 / M-DAG / PER / 10/2015 on Exports of forestry products it is mentioned that export products that fall into group B comprising 15 tariff lines do not need to have a V-Legal certificate but the raw material used in manufacture must originate from a legal source.

Furniture SMEs continue to complain on legality certification

Hundreds of small furniture producers in Jepara Regency, Central Java, are complaining about the complicated process and high cost of obtaining a legality verification certificate (SLVK), which they say can cost as much as Rp 50 million (US$3,710).

An owner of an export-oriented company in Jepara said that the government offer of support on group certification in order to reduce costs is very welcome but that implementation of this scheme is too slow.

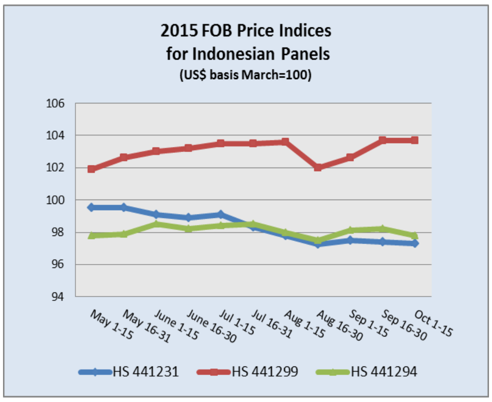
The Jakarta Post writes "Alimin Arhab, another furniture exporter, shared similar thoughts, saying that furniture producers were required to submit numerous documents to obtain SLVK certification, such as a tax payer number (NPWP), business permit, domicile permit, environmental impact analysis, work safety permit, wood industrial product registered exporter license (ETPIK) and rattan product registered exporter license (ETR) and the Customs registration number (NIK)." This process, Arhab said, could take as long as10 months.

See: http://m.thejakartapost.com/news/2015/10/19/small-furniture-producers-grumble-certification.html

Industry asks for SVLK certification to be subsidised

In related news, the Furniture and Handicraft Industry Association of Indonesia (ASMINDO) has requested the government prepare a budget to support furniture SMEs meet the cost of obtaining SVLK certification. ASMINDO supports the government efforts on SVLK certification but a sister group, the Association of Indonesian Furniture and Handicraft (AMKRI) is fighting against the SVLK being applied to SMEs.

The chairman of AMKRI, Rudi Halim, has said implementation of the SVLK will mean that the target US$5 billion export of furniture and handicrafts over the next five years will be missed.



Myanmar

Kyat exchange rate continues to tumble

The Myanmar Central Bank has moved to limit hotels, restaurants and traders from charging in US dollars as part of its efforts to halt the slide in the dollar/kyat exchange rate.

Throughout the year there has been a progressive 'dollarisation' of trade in Myanmar which has pushed up demand for US dollars which in turn has driven down the value of the Kyat against the dollar.

Since January this year the Kyat has fallen by around 20% against the dollar and the impact of this on the cost of manufacturing for those companies having to use imported raw materials in production has been severe.

Open season for smugglers

The domestic media (Daily Eleven of 20 October) carried news on preparations being made in the Shan and Kachin States by villagers to recover and smuggle logs abandoned during recent fighting.

November is said to be the open season for smuggling and the large quantity of logs left lying in the forest along the Shweli River is the target for smugglers. The press reports say most villages in the region have logging trucks.

Analysts say that timber smuggling may resume when China's ban on the import of logs from Myanmar ends 31 December because it is impossible to control the entire border.

The analysts goes on to say "Unless the two governments can thrash out misunderstandings concerning the recognition of Myanmar's log export ban and stop felling and smuggling of timber from the forests in northern Myanmar .

October tender sales

The Myanma Timber Enterprise held its latest special open tender(SOT) on 23 October. The hardwood logs tendered were mainly 2014-15 production and therefore considered relatively fresh. Because of this prices secured were good.

However Kanyin logs from Myeik (Tanintharyi Division) in the south-eastern part of the country attracted lower prices than those from the north, (mainly Sagaing area). This difference is a reflection of quality, demand, and logistics say local analysts. Also, prices for tamalan and padauk hewn timber were sharply down as millers say it is difficult to recover production costs as demand in the main market, China, is slow.

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).

Prices for sawing grade teak logs

23 October ex-site Gangaw (Magwe) and Katha (Sagaing)

Grade	H. tons	Avg. US$/ton
SG-6	96	2606
SG-7	819	1550

Hardwood log prices ex-Yangon (various sources)

	Grade	H.tons	Avg. US$/ton
Pyinkado	First	156	533
Pyinkado	Second	134	424
Kanyin	Second	289	323

Hardwood log prices s ex-site from various districts

	Grade	H.tons	Avg. US$/ton	State Division
Kanyin	First	327	655	Sagaing
Kanyin	First	828	400	Tanintharyi
Kanyin	Second	1128	411	Sagaing

Hardwood logs ex-site from various districts

	Grade	H.tons	Avg. US$/ton	State Division
In	First	21	220	Shan South
In	Second	315	275	Sagaing
Thinwin	Second	226	276	Magway
Sagawa	Second	763	323	Sagaing
Thitya	Second	35	251	Kayah
Ingyin	Second	39	216	Sagaing

Form-8 hewn hardwoods by tender

Commodity	Grade	C.tons	Avg. US$/ton	Area
Tamalan Hewn	Market	686	1578.00	Chin Rafting Agency Sagaing
Padauk Hewn	Market	38	1779.00	Chin Rafting Agency Sagaing

Note-
Tamalan- Dalbergia oliveri; Padauk- Ptrocarpus macrocarpus; Sagawa- Michelia champca; Pyinkado- Xylia dolabiformis; Kanyin-Dipterocarpus spp; In- Dipterocarpus tuberculatus; Thitya-Shorea oblongifolia; Ingyin- Pentacme siamensis; Thinwin-Melltia pendula

India

Inflation rate trends down

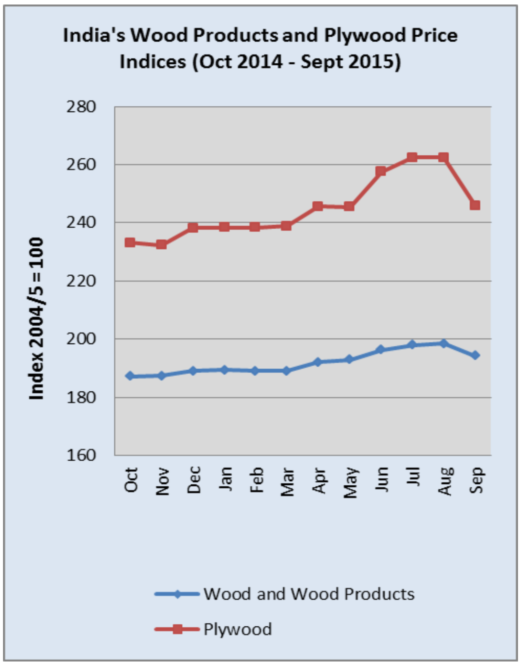
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for September declined by 0.1 points to 176.6 from 176.7 in August. The year on year annual rate of inflation, based on monthly WPI, stood at minus 4.54% (provisional) for September 2015 compared to minus 4.95% for August.

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 September price indices for tow product groups: wood and wood products and plywood fell. The index for plywood prices showed a steep decline of around 6%. Plywood manufacturers in India have been struggling to maintain sales as the housing market has not picked up despite the efforts of the government and central bank to stimulate new home purchases.

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

Relaxation of home loan rules welcomed by industry

In a move welcomed by the timber industry, the Reserve Bank of India has granted permission for commercial banks to ease conditions on housing loans. Indian banks can now offer 90% loans to home buyers for properties that cost up to Rs 3.0 million. Until this change 90% home loans were only available on homes worth up to Rs. 2.0 mil.

The move by the Reserve Bank will support the government's plan on affordable housing for low income families and will boost the "housing for all" policy.

Sandalwood auction nets Rs. 400 million

Fifty-two tonnes of sandalwood collected from the Kerala Forest Department's Marayoor sandalwood forest were sold for a record Rs 400 million at the recent Marayoor auction.

Marayoor sandalwood is considered premium timber and commands a high price. Prices at the latest auction were 20% higher than during the previous sale.

The felling of sandalwood trees is forbidden by law so only fallen trees or fallen branches can be sold. As the price of sandalwood in international markets climbs the risk of illegal felling increases such that the Forest Department now employs hundreds of observers and security staff to guard the forest. Voluntary forest protection groups with support from local communities play an important role in keeping the forest secure.

Sumitomo partners with local company for added value production

Sumitomo Forestry has purchased a 26% stake in Spacewood, a Nagpur-based furniture firm. The local media report that Sumitomo will invest in a new door manufacturing plan. A spokesperson for Spacewood said investments would also be made to modernise and expand existing factories.

Spacewood has two product lines - housing furniture and modular kitchen and will commission a further plant for building materials.

New round of auctions attracts more buyers than usual

New season auctions began at the forest depots of Surat and Vyara Divisions with some 5,000 cubic metres of good quality of teak and non-teak hardwoods being offered.

The slightly weaker rupee has pushed up cost of imported teak and other hardwood logs so participation in the current auctions was high.

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

Teak logs	Per cubic foot
A for sawing	Rs.2000-2100
B or sawing	Rs1900-.2000
A Long length logs	Rs. 1800-1900
B Long length logs	Rs 1700-1800
Long length, Medium Quality	Rs 1400-1500
Short Length, Medium Quality	Rs 1300-1400
Short Length, small logs	Rs1000-1200

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

Good quality non-teak hardwood logs of long lengths having girths 91cms and up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium attracted higher than usual prices in the range of Rs. 600~800 per cubic foot. Medium quality logs went for between Rs.450 ~600 per cubic foot while lower quality logs were sold for between Rs.250 ~350 per cft.

Prices for imported plantation teak, C&F Indian ports

Prices are unchanged from the end of September.

	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

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

Sawnwood, (Ex-warehouse) (KD)	Rs per ft³
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

Plywood market update

Prices for veneers produced from domestic plantation timbers remain very competitive compared to imported material.

The success of veneers from domestic log stocks has reduced the dependence on imported face veneers from China as well as imports of core veneers from Vietnam. This development is a welcome relief to plywood manufacturers which had seen veneer prices climb since the log export ban in Myanmar. Manufacturers now have a means to keep manufacturing costs under control in a weak market.

Prices for WBP Marine grade plywood from domestic mills

Plywood, Ex-warehouse,(MR Quality)	Rs. per sq.ft
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.555.80	RS.68.00
19mm	RS.64.60	Rs.76.30
5mm Flexible ply	Rs.40.00	

Brazil

Real exchange rate down over 60% in 12 months

The National Consumer Price Index (IPCA) ended September up 0.54%, 0.32 percentage points above the level in August The cumulative rate in the year (January-September) was 7.64% well above the 4.61% reported for the same period in 2014 and the highest since the record 8.05 in 2003.

The real/dollar exchange rate in September 2015 was 3.91/US$, a depreciation of 67% year on year. Towards the end of October the real appreciated slightly as some major economic indicators came in more positive than expected.

At its October meeting the Monetary Policy Committee of the Central Bank of Brazil decided to keep interest rates at 14.25% per annum. Interest rates in Brazil are amongst the highest in major economies and the Central Bank's decision to hold rates is seen as an effort to stabilise the economy. Any further rate increase would risk driving Brazil's economy deeper into recession.

Brazil needs to increase domestic wood use says ABIMCI

Per capita consumption of wood products in Brazil is low so companies have come together to discuss harmonising technical standards, product standardisation and process certification.

The Brazilian Association of Mechanically Processed Timber Industry (ABIMCI) has for many years been promoting Brazil's National Program for Wood Quality (PNQM) which addresses product certification and control of production processes as a means to increase domestic consumption of wood products. ABIMCI asserts that the market is already signaling that marketing certified products can be an excellent business strategy.

In its current campaign ABIMCI is promoting the plywood and veneer industries, sawnwood, doors. The domestic door market has responded well to certification process through the ABIMCI Sectoral Program of Wood Quality for Buildings (PSQ-PME).

September exports disappoint

September's exports of wood products (except pulp and paper) fell 12% in value compared to September 2014, from US$238.8 million to US$ 210.0 million.

The value of pine sawnwood exports dropped around 1% between September 2014 (US$ 21.9 million) and September 2015 (US$ 21.7 million) but in terms of volume there was an increase (93,200 cu.m to 97,900 cu.m).

The decline in tropical sawnwood exports was much more severe (-23%) from 30,100 cu.m in September 2014 to 23,200 cu.m in September this year. In terms of value, exports fell over 30% from US$16.5 million to US$11.4 million over the same period.

In line with the negative trend, the value of September pine plywood exports fell 4.0% but in terms of volume the reverse was as exports increased over 22%, from 102,100 cu.m to 125,300 cu.m, in the twelve months to September 2015.

In sharp contrast, tropical plywood export values and volumes increased (4,300 cu.m in September 2014 to 8,300 cu.m in September 2015 and US$2.7 million US$3.9 million) in the same period.

There was disappointing news with wooden furniture exports the value of which dropped from US$45.9 million in September 2014 to US$ 35.2 million in September this year.

Increase in plantation products

According to the Brazilian Tree Industry Association Indústria Brasileira de Árvores (IBÁ), the volume of solid plantation wood products exported in the first eight months of 2015 amounted to 389,000 cu.m, a 37% increase over the same period last year.

Pulp exports grew to 7.5 million tons, an 8.6% increase over the same period in 2014 and paper exports reached 1.3 million tons from January to August 2015, a 6.1% increase year on year 2014.

Total export earnings from exports of wood products, pulp and paper in the period January-August 2015 amounted to US$5 billion, a 2.3% increase compared to the same period in 2014.

Pulp production reached 11.3 million tons in the 8 months to August 2015, a 5.1% increase year on year. On the other hand the volume of paper production remained unchanged at 6.9 million tons.

Domestic sales of woodbased panels totaled 4.4 million cu.m in the first eight months, 6.1% lower compared to the same period last year. First eight months' domestic sales of paper totaled 3.6 million tons, 3.6% down year on year.

Investment opportunities in Paraguay for Brazil's furniture companies

Brazilian furniture companies are seeing investment opportunities in Paraguay as the country is offering incentives to foreign investors.

The other advantages offered by Paraguay are its young trainable workforce, good infrastructure and low electricity power costs, said to be one third of the cost in Brazil.

Paraguay has signaled it wants to strengthen partnerships with Brazilian furniture industry. The Federation of Industries of Paraná (FIEP) recently hosted a visit by the Paraguayan Minister of Industry and Commerce who outlined business opportunities in his country to entrepreneurs in Paraná state.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	646🡇
Jatoba	334🡇
Massaranduba	300🡇
Muiracatiara	316🡇
Angelim Vermelho	280🡇
Mixed red and white	177🡇
Eucalyptus (AD)	166🡇
Pine (AD)	120🡇
Pine (KD)	133🡇

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	464🡇
10mm WBP	372🡇
15mm WBP	324🡇
4mm MR	419🡇
10mm MR	312🡇
15mm MR	292🡇

Prices do not include taxes
Source: STCP Data Bank

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	132🡇
Jatoba	75🡇
Massaranduba	78🡇
Miiracatiara	82🡇
Angelim Vermelho	75🡇
Mixed redwood and white woods	66🡇

Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	204🡇
15mm MDF	298🡇

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

Peru

Agrobanco launches loan scheme for plantations and agroforestry

Peru's Agricultural Bank, Agrobanco, has launched a new credit scheme in support of investments in forest plantations and agroforestry. The new scheme complements the loans the bank offers to the forestry sector.

The forest credit funds being offered are for plantations of teak, eucalyptus and white bolaina, which have a potential in the local and international markets and are of commercial interest to private companies and native communities.

Agrobanco has indicated it is considering expanding financing for non-wood plantations such as bamboo and shiringa both of which are in demand and are suitable for agroforestry projects by rural communities in mountainous areas of the country. The Bank's initial loan portfolio for forest plantations projects is US$16 million.

The Governor of Pucallpa, in welcoming the announcement by Agrobanco, said that with this arrangement the native communities, the forestry sector and the regional economy will benefit from investment in plantations as jobs will be created.

Exhibition for the Wood and Furniture in Arequipa

In order to promote technological development and present the widest range of products and services for the sector, the regional government and the private sector have joined forces to present the MADEXPO, a fair for equipment and service suppliers to the furniture and panel industries.

MADEXPO will be held in the southern city of Arequipa from 11 to 14 November. This will be the second exhibition in southern Peru aimed at SMEs and large companies in the wood product manufacturing sector.

Peru and Colombia share experiences on forestry

In mid-October the Agency for Supervision of Forest Resources and Wildlife (OSINFOR) participated in the Binational Peru/Colombia workshop on forestry in the Colombian city of Leticia on the Peru/Colombia border.

The aim of the workshop was to share experiences in community forest management as well as discuss facilitating greater cross border trade in forest products. The workshop was supported by OSINFOR and was seen as a valuable contribution to sustainable and legal exploitation of forest and wildlife resources in both countries.

The workshop was also attended by representatives of Peru's Regional Program Management of Forest Resources and Wildlife (PRMRFFS) and the Program for Conservation, Management and Sustainable Use of Biological Diversity (PROCREL) of the Regional Government of Loreto.

In addition the Special Project for Integral Development of the Putumayo (PEDICP) and the Common Good Institute (IBC) attended along with the National Forest and Wildlife Service (SERFOR) and the Native Community of Brillo Nuevo Boras.

Colombia was represented by officials of the Ministry of Environment, Housing and Territorial Development (MADS) in addition to the regional environmental authority, Corporation for the Sustainable Development of Southern Amazonia (CORPOAMAZONIA), Andina and the Foundation Natura, the Regional Forestry Board of Amazonas, SINCHI Institute and invited forestry companies.

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 m3
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
Cabreuva/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

Japan

Manufacturing capacity exceeds output by an increasing margin

In a mid-month report the Bank of Japan (BoJ) said that manufacturing capacity exceeded output in the second quarter. The BoJ figures show that the difference between available resources in the economy and their degree of utilisation worsened in the second quarter.

The poor figures are expected to be repeated in the third quarter which would pull Japan into a technical recession. The Bank's own assessment of the economy is that it has been weakening since May this year.

The fundamental problem, say analysts, is the economy will just not expand. Japan's economy is no bigger than it was in the mid-1990s mainly because of a shrinking workforce.

More monetary easing? – not just yet

At its end of October policy meeting the Bank of Japan (BoJ), despite being under pressure to introduce further stimulus measures, decided to wait anticipating the negative sentiment created by the slowdown in growth in China's economy will dissipate. But many are calling for action by the Bank as exports falter and housing growth slows.

September retail sales were weaker than expected, falling 0.2% from a year earlier after five months of gains. This, along with the recent fall in Consumer prices in the year to September and a decline in household spending, is putting pressure on the BoJ to come with more stimulus measures.

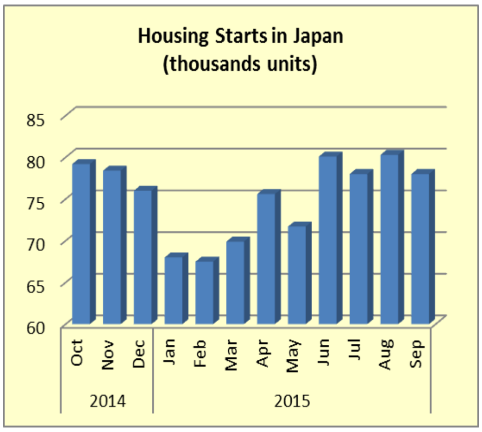
Poor September housing results

Japan's Ministry of Land, Infrastructure, Transport and Tourism has released September housing start data showing a sharp, almost 2.5%, month on month decline. Compared to levels in September 2014 the current data reflects an 11% year on year fall. The current data is particularly worrying as analysts had forecast a 6% increase in September.

The impact of the September starts drives down forecast annual 2015 starts to below 930,000

The Ministry has also reported that orders placed with the large construction companies in Japan continued the downward trend that saw August orders fall by over 15%.

For more see:
http://www.e-stat.go.jp/SG1/estat/NewListE.do?tid=000001016966



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

More fixed rate home loans

There is now a trend amongst Japanese home buyers towards fixed rate loans as they expect the BoJ monetary easing will eventually result in and interest rate rise despite inflation being well below the BoJ's 2% target.

Data from the Japan Housing Finance Agency show that 61% of recent new home loans were with a fixed interest rate for at least five years, this is up almost 40% from the time when floating interest rate loans were popular.

Home buyers in Japan are taking advantage of the current low interest rates but anticipate rates will not drop further.

Construction industry shock

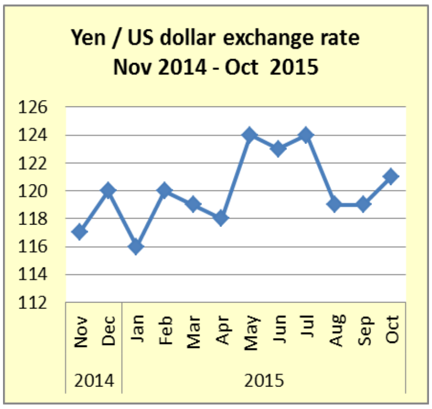
The Japanese real estate and construction sectors have been rocked by a scandal surrounding structural flaws and falsified data for high rise building across Japan.

The problem came to light when a condominium in Yokohama began to tilt, apparently because foundation piles were inadequate. It was revealed that the data supposed to confirm the piling work was falsified. Additional cases of falsified piling data are coming to light.

There are now calls for independent third party checks to be made on construction data submitted by contractors a move especially welcome in a country that experiences frequent and occasionally massive earthquakes.

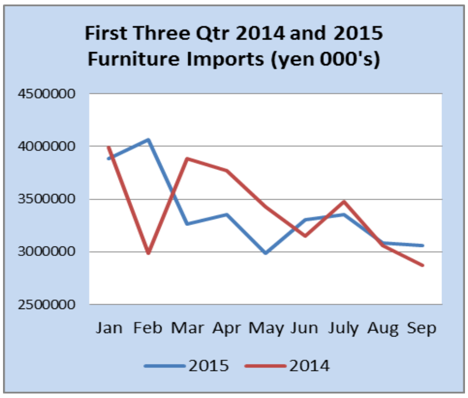
Yen/dollar rate hangs in neutral zone
The neutral stance adopted by the US Federal Reserve on interest rates and the decision by the Bank of Japan to hold off on any further stimulus measures has left the yen/dollar rate hanging in a 120/dollar range.

The yen received a boost in the second half of the month as nervous traders shifted funds to yen as the US sailed a warship close to Subi Reef in the Spratly Island chain where China claims sovereignty. In times of potential crisis money flows into the yen as a 'safe haven' but this impact on exchange rates was short lived.



Japan's first three quarter furniture imports
Japan's imports of office, kitchen and bedroom furniture in the first three quarters of 2014 and 2015 exhibit a similar trend except for the sharp rise in February 2015 when imports rose spurred on by the decision of the government to raise the consumption tax by 3%.

Consumer spending on a whole range of goods jumped in the months prior to the 1 April tax hike.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)
Year on year September 2015 office furniture imports by Japan were down 11% however, September 2015 imports were up 28% compared to August imports.

The top three suppliers in September were China, Portugal and Italy but suppliers in Taiwan P.o.C slipped out of the top ranking in September.

Office furniture imports from China jumped a massive 60% in September compared to a month earlier. Shippers in Portugal saw a modest increase but imports from Italy remained at the same level as in August. The top three supply countries accounted for 84% of all Japan's office furniture imports and if SE Asian supply countries are included then 90% of imports are accounted for.

Office furniture imports

	Imports, Sept 2015 Unit 1,000 Yen
S. Korea	-
China	133865
Taiwan P.o.C	1579
Vietnam	-
Thailand	3224
Malaysia	2465
Indonesia	2629
India	-
Lebanon	-
Sweden	537
Denmark	-
UK	-
Netherlands	-
France	-
Germany	7069
Switzerland	-
Portugal	24170
Italy	18647
Poland	7825
Austria	-
Hungary	-
Serbia	-
Turkey	-
Lithuania	3154
Czech Rep.	-
Slovakia	1331
Canada	-
USA	4893
Total	211388

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

September 2015 imports of kitchen furniture remained steady at much the same level as in August and were up 6.5% year on year.

The top three supply countries remain Vietnam, Philippines and China and accounted for 75% of September kitchen furniture imports, down from the 85% share in August. In September shipments from SE Asian supply countries increased and captured a large share of total imports.

Kitchen furniture imports from EU suppliers remain small with only Germany and Italy featuring in the import data.

Kitchen furniture imports

	Imports, Sept 2015 Unit 1,000 Yen
China	152190
Taiwan P.o.C	3126
Vietnam	408454
Thailand	30946
Malaysia	17705
Philippines	308987
Indonesia	151174
India	-
Sweden	-
Denmark	-
UK	903
France	-
Germany	18764
Spain	257
Italy	15914
Poland	-
Austria	-
Romania	2196
Estonia	3419
Canada	5988
USA	27040
Total	1147063

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Despite the rather gloomy housing and consumer spending data September 2015 imports of bedroom furniture were up 9% year on year. This was despite the 6% downward correction in September imports compared to those a month earlier.

As has been the case for most of the year China and Vietnam account for the bulk of Japan's bedroom furniture imports (83% in September). Shippers in Malaysia saw September exports to Japan rise and other SE Asian suppliers could only manage to maintain exports to Japan at around the same levels as in August.

Bedroom furniture imports

	Imports, Sept 2015 Unit 1,000 Yen
S. Korea	557
China	991529
Taiwan P.o.C	24305
Mongolia	-
Vietnam	426546
Thailand	63875
Singapore	-
Malaysia	73286
Philippines	1255
Indonesia	31207
Sweden	-
Denmark	3568
UK	1232
Belgium	-
France	-
Germany	2691
Switzerland	-
Spain	483
Italy	21351
Finland	213
Poland	33501
Austria	965
Hungary	-
Romania	3134
Turkey	-
Estonia	-
Latvia	-
Lithuania	2077
Croatia	-
Bosnia and Herzegovina	-
Slovakia	5853
Canada	-
USA	12618
Total	1700246

Data source: Ministry of Finance, Japan

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

South Sea (tropical) logs

Things changed after two big log buyers, India and China pulled back. India made big purchase of about two months logs in last July then became inactive since then. Move by India, which buys about 60% of Sarawak log, gives large impact in Sarawak log market. China is quiet and stopped energetic log purchase by general economic slowdown in China.

By absence of two giants, log market in Sarawak is changing slightly. Small diameter log prices weakened some since last August but supply of quality large size logs continues tight. Also supply of kapur and keruing for lumber is getting tighter and tighter. The prices for such quality logs stay up high but there is some sign that the prices get softer by weak trend of small diameter logs.

Sarawak meranti regular log prices are about US$290 per cbm FOB, US$265 for small meranti and US$250 for super small meranti. Sabah enjoys fair weather and log production is steady and the log prices are weaker with stable quality than Sarawak so that Japanese log importers send more ships to Sabah.

Log export volume from Malaysia for the first eight months was 127,264 cbms, 19.2% less than the same period of last year.

Weather in PNG and Solomon Islands has been fair for about two months so log production is steady

The largest buyer, China is absent now but supply of quality logs Japan wants is low so that the prices remain high.

August plywood supply

Total plywood supply in August was 419,000 cbms, 9% less than August last year and 6.5% less than July.

This is seven straight month with the volume less than 500,000 cbms. The reasons are record low import plywood supply and production curtailment by domestic plywood mills.

Drastic decline of Indonesian supply made share of domestic supply over 50%. Softwood plywood inventories decreased under 160,000 cbms.

Total imported plywood supply in August was 205,200 cbms, 17% less than August last year and 11.9% less than July. This is the lowest monthly supply this year and the lowest in about four years since September 2011.

Since last May, record low monthly import has continued for four consecutive months with average monthly arrivals of 217,500 cbms, 24% less than the same period of last year. Assuming this low level continues, total year import would be about 2,790 M cbms, which is lower than past record low import in 2009 of 2,840,000 cbms.

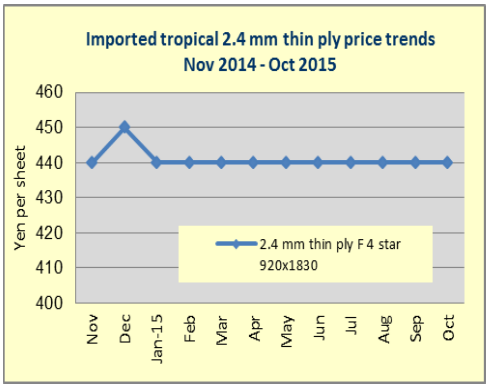
Indonesian supply sharply dropped in August. 44,600 cbms in August was 39.8% less and 46.9% less.

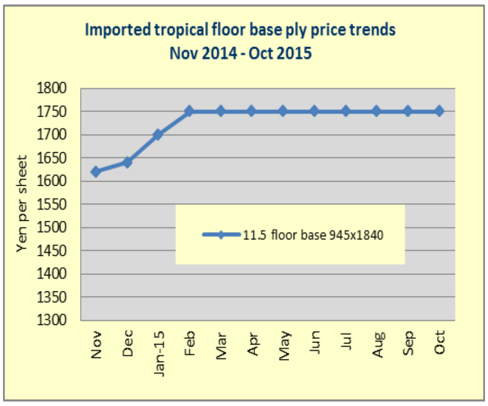
Monthly average volume from Indonesia from May through August was 63,800 cbms and July arrivals were 84,100 cbms so August decline is conspicuous.

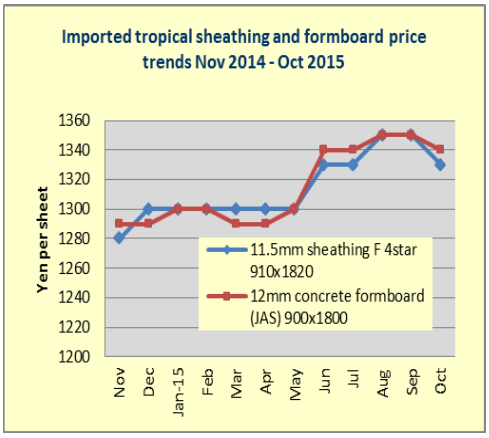
Malaysian supply continues less than 90,000 cbms for four consecutive months. Eight month's total supply is 20.8% less than the same period of last year. Chinese supply remains unchanged.

Domestic production in August was 213,800 cbms, almost no change from July. Softwood plywood production was 198,500 cbms. Eight months total is 4.6% less than last year. The shipment was 222,400 cbms, 15.1% more than last year and 11.9% less than July. Eight months total was 5.5% more.

August inventory was 159,600 cbms, about 23,000 cbms less than July.







PEFC promotes use of certified wood for the Olympic

PEFC (Programme for the endorsement of forest certification schemes) Asia Promotions (Tokyo) emphasizes importance of using certified wood products for the 2020 Olympic Games in Tokyo.

The Promotions commented that greening trend of the Olympic Games has steadily been spreading and in 2012 London Olympics, percentage of certified wood materials was almost 100% and policy to use certified materials is clearly shown in other Olympics.

Use of certified materials has started in 2010 for the Winter Olympics at Vancouver, Canada. At this time, percentage of certified materials reached 50-70% then in 2012 London Olympics, procurement of certified materials was designated and percentage of PEFC and FSC certified materials was 95-100% for 12,500 cubic meters of wood.

For 2016 Rio de Janeiro Olympic, by procurement policy with sustainability management report, wood and pulp used for the Games are designated certified products by FSC and PEFC.

For the Tokyo Olympics, PEFC, FSC and SGEC agreed to keep appealing use of certified materials in 2013 and to continue appeals to necessary organizations. For London Olympics, standard was set for public procurement of wood products, which says only materials guaranteed sustainability can be used and made examination and evaluation on forest certification system. The London Olympic committee set standard on sustainability for the building and printed materials then made timber supply panel.

The materials were supplied by ones which can perform, selected by auction. There were twenty major projects in the Olympic Park only then certified materials were used for other facilities like Olympic Village, cycle race facility, swimming facility and stadium benches.

Old Wood plans marketing hardwood flooring in Japan

Old Wood (New Mexico, U.S.A.) flooring manufacturer plans to market the products in Japan. Presently it is looking for marketing partner in Japan.

It has four plants in New Mexico and one in Mexico and markets the products not only in the U.S.A. but also for Europe, Middle East and Asia.

It manufactures from hardwood logs in the areas such as mesquite, white oak, black walnut and Douglas fir. It has its own timberland of about 2,400 acres. Logs are procured from New Mexico, Arizona, Colorado and Texas.

It respects sustained yield base harvest and buys logs from native American land and also gives technical guidance to the native Americans.

China

Promoting green building materials

The Ministries of Industry and Housing have developed an action plan to promote the production and use of green building materials. The aim is to increase the proportion and quality of green building materials and will focus on energy consumption in manufacturing and the emission of toxic airborne substances.

According to the plan more wooden building will be developed in the near future. The use of wooden structures will be promoted in public building such as schools, kindergartens, nursing homes and in landscaping. In addition, wooden rural housing construction will be promoted in existing and new community developments.

Biomass building materials will play a prominent role in the implementation of the action plan and new technologies utilising biomass materials will be introduced.

Priority will be given to the development and use of biomass fibre reinforced wood plastic, home interior furnishing and decoration and an expanded role for bamboo in buildings will be explored.

Imports of high quality particleboard

Despite being a major producer particleboard imports remain high. China is one of the largest producers of particleboard and output in 2014 rose 11% to 20.87 million cubic metres. The main production centres are found in 10 provinces; Shandong (3.67 million cu.m, 18%), Hebei (2.91 million cu.m, 14%), Jiangsu (2.8 million cu.m, 13%), Guangdong (1.59 million cu.m, 8%), Fujian (1.5 million cu.m, 7%), Anhui (1.33 cu.m, 6%), He'nan (1.31 million cu.m, 6%), Liaoning (1.27 million cu.m, 6%), Guangxi (1.11 million cu.m, 5%) and Hubei (0.79 million cu.m, 4%).

While national output is huge the quality of domestically made particleboard is very variable and much of the output is of low quality. As a result a large volume of particleboard is imported to meet domestic demand quality panels. Particleboard imports in 2014 were 550,000 cu.m.

Local analysts say there are around 1,000 particleboard manufacturers and about 14 large scale enterprises have an annual capacity of 200,000 cubic metres.

Golden waterway for trade – new Artic shipping service

COSCO one of China's state owned shipping companies has announced it will introduce regular shipping services via an Arctic route to Europe. The company has tested the feasibility for this new route by twice sailing a vessel through the north east passage

This year a COSCO container vessel equipped for ice breaking took just under a month to cover the sailing from Taicang Port to Rotterdam via the Artic route.

This route results in a 30% saving on sailing time and a fuel saving as the route is 2,800 nautical miles less than the route through the Indian Ocean and Suez Canal. China's Xinhua News Agency reported that Chinese experts hailed the route as a "golden waterway" for trade.

New distribution networks for the timber industry

It has been reported that new opportunities for the timber sector will be created by two national new development strategies, first the 'One Belt, One Road' strategy and second the 'Yangtze River Economic Belt' strategy.

Under these strategies two new international transport channels will be opened, one the Eurasia International Railway (from Chongqing city to Kazakhstan,, Russia, Belarus, Poland, and Germany) and the second the 'Wuhan New Europe' channel (from Wuhan city to Kazakhstan, Russia, Belarus and Poland).

Each channel will result in opportunities for international distribution of wood products and it is expected that there will be investment in forest plantations close to the railhead of these two new transport system in the western provinces.

Wuhan municipal government is applying for authority to become a timber importing port, distribution centre and a timber processing and logistics zone for the China/Russia timber trade.

Trial production of formaldehyde free panels

Recently Guangxi Gaolin Co., Ltd of Gaofeng Forest Farm reported a successful trial production of formaldehyde free panels becoming the first enterprise in Southern China manufacturing formaldehyde free panel with isocyanate resin - a non formaldehyde glue.

The physical and mechanical properties of formaldehyde free panel produced by Gaolin Co., Ltd in cooperation with Bayer Material Science and Technology Co., Ltd are said to be higher than the national standard and the panels exhibit good technical properties. Because of this the product has the potential to become strongly competitive in the market. This development lays the foundation for the company to expand domestic and foreign sales.

Dongguan furniture makers explore South African market

Dongguan city in Guangdong Province is well known as a furniture manufacturing base. The city's furniture enterprises have opened a new market in South Africa and the first shipment of 10 containers was dispatched to South Africa on 13 October 2015.

Dongguan furniture enterprises have come together to create what they call a "Dongguan Q2Q mode" . This brings together enterprises with various specialisations to provide a 'one-stop' center to service exports.

This is an innovative approach to a supply chain management for the furniture industry and has attracted a lot of attention from domestic manufacturers. The scheme brings together scattered producers and suppliers and results in reduce international logistic and warehousing costs for the benefit of all involved enterprises.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500

	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
yuan per tonne		
Cocobolo	All grades	27000-40000

	Logs	yuan/cu.m
Wenge	All grades	-
Okoume	All grades	-
Okan	All grades	3000-3500
African blackwood	All grades	-
African rosewood	All grades	-
Bubinga	dia. 80 cm+	-

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7000
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-750
yuan/tonne		
Ebony	Special grade	-

Ulin	All grades	9000-10000
Merbau	Special grade	8600-9500
Lauan	Special grade	4300-4500
Kapur	Special grade	5000-6000
Teak	Special grade	14000-20000

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8000-10000
White oak	FAS	7500-13000
Red oak	FAS	6000-8000
Finnish pine	Grade a	2600-2900

Sawnwood		yuan/cu.m
Maple	Grade A	9000-9500
Beech	Special Grade	5200
Ash	no knot	5700-6300
Basswood	no knot	2800-3300
Oak	no knot	5300-5700
Scots pine	no knot	2100

Shanghai Furen Forest Products Market Wholesale Prices

Logs

Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	13-18
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

Sawnwood

	Sawnwood	yuan/cu.m
Okoume	Grade A	3600-4100
Sapelli	Grade A	5500-6500
Zebrano	Grade A	5500-7000
Bubinga	Grade A	14000-16000
Mahogany	Grade A	7500-8500
Wawa	FAS	3700-4200
Ayous	FAS	4000-4200

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

Zhangjiagang Timber Market Wholesale Prices

Logs, all grades	yuan/tonne
Sapelli	2800-3800
Kevazingo	8000-32000
Padouk de africa	2400-3100
okoume	1400-1800
Okan	2490-2850
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-5800
Acajou de africa	3000-3500
Ovengkol	3850-4300
Pao rosa	5900-6600

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

Europe

ATIBT discusses competitiveness of African wood in domestic and EU markets

Unlike the ATIBT Forum in 2014 which was wide ranging and covered tropical timber trade trends globally, this year's meeting focused more on linkages between African producers and European buyers.

Around 150 participants attended the meeting in Milan on 14-15 October drawn mainly from African governments and trade associations, European-owned tropical timber operators in Africa, and European importing companies, trade associations and other policy makers.

Consideration was given to the emerging role of Africa's domestic tropical timber market, and how this will impact on future development of the industry. Discussion also focused on the role and impact of trade policy instruments such as the EU Timber Regulation (EUTR), Voluntary Partnership Agreements (VPAs), and private sector forest certification.

An informative session on recent developments in Africa's timber markets was introduced by Franck Chambrier of SIAG, the forestry operators association in Gabon. Mr Chambrier highlighted that while the level of commercial timber consumption in Africa is low compared to other parts of the world, this is likely to change in the future.

He noted that at current rates of growth, Africa will be home to more than one quarter of the world's population before 2050. This combined with rising living standards is already driving a rapid increase in regional demand for building materials and furniture products.

Significant obstacles hindering intra-Africa trade

While the opportunity is there, Mr Chambrier noted that there are significant obstacles undermining competitiveness of wood products in Africa. He said that in many market segments, African wood materials were uncompetitive compared to non-wood products and imports.

He particularly highlighted lack of connectivity and poor internal infra-structure noting that "it is easier to send a container to China than to another African country".

Africa-wide there is a need to convert a large informal sector based on small scale artisans and handicrafts into a more modern formal industry. Alongside this, Mr Chambrier identified a need to develop technical standards for African wood products that are relevant to African people and conditions.

Drawing on experience in the Ivory Coast, Raphael Tsanga of CIFOR agreed that there are tremendous opportunities to develop the regional wood market in Africa and highlighted that significant progress is already being made. He observed that improvements in governance and land tenure reforms are helping to boost growth, increase demand for wood products and encourage investment in processing facilities.

There are already numerous companies producing tertiary wood joinery and furniture products for the local market which is "beginning to show good results." He noted that efforts to improve the quality of housing and interior design in Ivory Coast will offer new opportunities in the future. Ivory Coast is implementing a policy to increase social housing for which wood is being used in conjunction with steel structures.

Investment by Asian operators in Gabon

Pierre Liu of UFIAG, the association of Asian forest sector operators in Gabon, explained to the ATIBT forum that these operators, from an initial interest only in exporting logs, are now increasing their investment in wood processing in the country.

Apart from the restrictions imposed on log exports from Gabon, this trend was driven by Gabon's relative social and economic stability, great availability of raw material, and government incentives. He suggested that Asian operators investing in wood processing plants in Gabon are already benefitting from greater profitability compared to those exporting only logs.

Francoise Van de Ven, representing UFIGA, the Gabon forest industry association, highlighted the particular opportunities created by the rise of local wood markets for small and medium-sized enterprises (SMEs) in Africa.

While forest concession management in Africa typically requires a huge injection of financial and technical resources, wood product manufacturing facilities supplying the local market can start small and build up over time. These operations also provide an outlet and testing ground for lesser-known African timber species. Once these woods are better known in Africa, it becomes easier to promote their value in international markets.

Cluster SMEs to raise competitiveness

Sophie Bourcer of OLAM, a global agri-business company, also highlighted the potential to develop a vibrant wood processing sector in tropical Africa based on clusters of SMEs. Ms Bourcer described a project to create wood furniture manufacturing cluster in a special economic zone (SEZ) in Gabon.

Companies operating in the SEZ are offered a range of incentives such as no income tax for first ten years and a preferential rate of 5 per cent over the next five years. There are now 50 to 60 companies operating in the zone with the main focus on producing wood furniture to European quality standards.
Such has been the success of the zone that its area has been extended from 15 to 37 hectares.

Ms. Bourcer said that shared infra-structure within the Gabon furniture cluster results in lower costs for Individual operators. Workshops have been established to provide a range of services – such as kiln drying, machine tooling and furniture design. For supply of raw material, the zone hosts a saw mill and units for manufacturing plywood and board. There is also a show room for international buyers to visit.

While Ms Bourcer noted the success and progress of the initiative in Gabon, she also said that furniture production in the cluster is still not sophisticated by international standards and there are many challenges to overcome.

While Africa has numerous small scale carpenters, they do not yet have experience of mass production and there is a significant need to upgrade skills. Gaining access to qualified designers is a huge challenge, something that can only be achieved by operators working together through clusters like this. Although infra-structure and connectivity are improving, these remain challenging issues.

Industrialists ask - Is EUTR helping to fight illegal trade or just undermining the value chain?

The impact of EUTR requirements for legality due diligence on the tropical wood trade was another key theme of discussion at the ATIBT forum. Stefano Cora of the Italian timber trade manufacturing company of the same name commented from the perspective of a large European importing company.

He began by asking perhaps the most critical question surrounding EUTR: "Is all this red tape really helping the fight against corruption or is it just undermining the value chain?"

Mr Cora questioned the uneven playing field between requirements for wood sourced from inside and outside the EU: "the truck drivers delivering timber from Bulgaria frequently do not fulfil all their legal obligations – for example for tax payments, licenses and insurance - and yet this is never challenged – why is it necessary for importers to raise questions like this with African suppliers when rules are not enforced within the EU?"

Mr Cora also noted variation in EUTR application across the EU. "Some countries and customers demand very detailed due diligence – others just require a very basic declaration that due diligence is taking place – its necessary to find a balance between these two extremes and to ensure greater consistency across Europe", said Mr Cora.

Mr Cora concluded: "I don't want to criticise EUTR but it needs to be improved – for Cora, EUTR has to become a useful tool – this can be an opportunity for our sector, it requires that companies improve their knowledge of supply chains and the supply base which in turn improves business practice and decision-making".

These sentiments were echoed by several other speakers. Andre de Boer, Secretary General of the European Timber Trade Federation, said that "While it has faults, in principle we believe EUTR is a good mechanism. Illegal wood is bad for brand image and undermines competitiveness of legal supplies and the long-term sustainability of supply".

Mr de Boer also observed that "EUTR is being implemented fairly effectively across several member states including the UK, Belgium, Netherlands, and Germany – however other member states had no national legislation until recently and there is still overall lack of consistency in implementation".

Mr de Boer noted that the European Commission is currently reviewing EUTR and that ETTF had submitted detailed comments on how it may be improved. These comments highlighted the need for more concerted efforts to ensure EUTR is enforced effectively and consistently across all EU Member States and for greater central guidance and support for other measures to harmonise due diligence systems.

Call for forest certification to given "green lane" in EUTR

The ETTF is also calling for FSC and PEFC certificates to be given a "green lane" through the due diligence process in the same way as FLEGT-licenses and CITES certificates. Mr de Boer noted that "in the Australia illegal logging law, certified timber is accepted full stop - this principle should apply in the EU".

Eric Boilley of Le Commerce du Bois (LCB), the French timber trade association, demonstrated that FSC and PEFC certification is, in practice, already given a green light without any further due diligence by many operators. LCB is formally recognised by the EC as a Monitoring Organisation with competence to develop and monitor company conformance to an EUTR due diligence system.

Mr Boilley showed that the due diligence system developed by LCB requires operators to first assess whether a product is certified or uncertified and only requires additional risk mitigation measures in the case of uncertified product. He noted that in practice LCB "accepts 100% that independently certified product is not going to be illegal".

According to Mr Boilley "LCB is trying to coordinate public and private sector procurement criteria in France - we can't have a different approach between the two - now we need a collective solution at EU level". He also expressed concern about a "minimalist approach", noting that LCB "wants consistent demand for something that is more than an assurance of legality but instead assures sustainability".

Mr Boilley received firm support for this stance from a representative of Rougier, the French owned tropical wood company with large operations in Africa, who expressed frustration at the lack of automatic recognition for FSC certified timber in due diligence procedures developed in other EU member states such as the UK.

He wondered why FSC certificates issued to forest concessionaires in Africa could not be given equivalent status to FLEGT licenses, particularly as they assured not only legality but also conformance to a wide range of other sustainable forestry criteria.

In response, Alain Penelon speaking on behalf of the European Forestry Institute (EFI) noted that it's not possible simply to transform private-sector forest certification into a FLEGT License. The latter is required to be a national regulatory system and once operational must be applied to all exports of timber products within the scope of the VPA into the EU.

There must be equitable access to the licensing system for all operators wishing to export from the country. However Mr Penelon also noted that timber from FSC and equivalent third party certified concessions in Africa should, in practice, be readily recognised as negligible risk through standard EUTR due diligence procedures.

A government representative of the Republic of Congo also noted that the option of building private sector certification programs into the FLEGT licensing framework is acknowledged in their VPA with the EU. He noted that a process is currently underway to assess how far private certification standards align with the legality grid agreed nationally through the VPA process in the Congo.

There will also be an assessment of the extent to which private sector certification systems tracking and accreditation procedures conform to the requirements of FLEGT licensing system.

If the results of these assessments are positive, then the Congo would push for EU recognition of these certificates as FLEGT licenses. It was suggested that "if we have to wait for the entire national system to be finalised, the first FLEGT licenses will not be authorised [from the Congo] for at least 5 years".

Overcoming other barriers to EU market access

While there was a strong focus on the role of certification and FLEGT licensing, other presentations to the ATIBT forum highlighted other competitiveness issues that need to be addressed to ensure continued market access in the EU.

Rupert Oliver of the FLEGT Independent Market Monitoring (IMM) mechanism which is hosted by the ITTO and funded by the EC, reported on the results of a systematic review of factors impacting on the EU market for tropical timber.

The IMM review shows that there are many factors outside the scope of the FLEGT VPA process and forest certification systems have the potential to act as a drag on both the supply and demand of wood products from tropical countries in the next decade.

Prominent among these factors are the following: the continued weakness of the EU recovery following the global financial crises; the ongoing shift in global economic activity to emerging markets; continuous product innovation to broaden applications for temperate wood and non-wood products; the strong commitment of competitors to market development; the potential for increased production of hardwoods in Europe and other temperate countries; and the relative lack of freight infrastructure in most VPA partner countries.

According to Mr Oliver, the implication is that the process of FLEGT licensing, even when combined with the EUTR, cannot be regarded as a "magic bullet" that, on its own, will transform the EU market for wood products from VPA partner countries.

On the other hand, the review highlights that the VPA process has strong potential for overcoming some of the most significant existing obstacles to market development in the EU and beyond for wood products from VPA partner countries.

For example, by strongly emphasizing good governance—which aligns with lower commercial risk—the FLEGT VPA process can help remove barriers to inward investment in sustainable tropical timber industries.

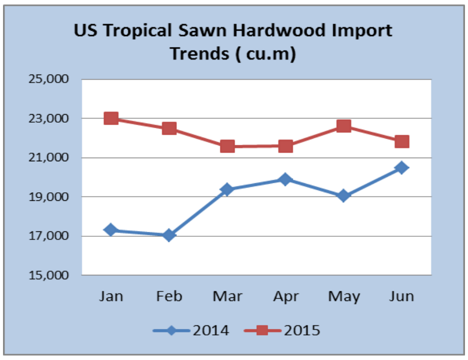
It can also help overcome market prejudice against tropical timber in the EU and turn around environmentalist campaigns so that they become a voice in support of the industry.

Details of the IMM market review, together with data on the share of timber from FLEGT VPA countries in specific sections of the EU market are contained in ITTO Technical Series 45 "Europe's changing tropical wood trade" now available on the ITTO website (see http://www.itto.int/technical_report/).

North America

Virola sawnwood imports up in June

Total US sawn hardwood imports fell 56% from May to June, but tropical sawnwood imports declined by only 3%. The steep decline in temperate sawnwood imports was in imports (of unspecified species) from Bolivia.



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

Canada is the US' largest hardwood supplier, and its shipments grew in June. Imports from Brazil and Germany, the second and third-largest suppliers, fell 56% and 40%, respectively.

The US imported 21,823 cu.m. of tropical sawnwood in June, a 18% increase in year-to-date imports from the same time last year.

Balsa imports from Ecuador grew in June, but year-to-date imports of balsa remain below 2014 levels.

Imports from Brazil were almost unchanged from the previous month. Ipe sawnwood imports from Brazil were slightly down from May, but virola imports increased. Year-to-date imports from Brazi were up one third from June 2014.

Sapelli and acajou d'Afrique imports from Cameroon fell in June. However, year-to-date total sawnwood imports from Cameroon were twice as high as in June last year.

Malaysia showed a similar month over month decline due to lower keruing shipments, but year-to-date imports from Malaysia remain 25% higher than in June 2014.

By species balsa (3,971 cu.m.) and sapelli (3,825 cu.m.) were the main imports in June, followed by ipe sawnwood (2,801 cu.m.). Mahogany sawnwood imports were unchanged from May at 1,966 cu.m. Virola imports more than doubled in June to 1,067 cu.m.

Higher Canadian imports from Brazil in June

The value of Canadian imports of tropical sawnwood increased by one third month-over-month to US$2.04 million in June. Year-to-date imports remain below 2014 levels (-30%).

The import growth in June was mainly in sapelli, red meranti and other, unspecified species. Balsa sawnwood imports declined from May, but it remained the most significant species (by value) imported into Canada.

US sawn hardwood imports from Brazil increased in June to US$386,425. Imports from Congo (formerly Brazzaville) were US$291,815, up 53% year-to-date from June 2014.

Indonesia supplied US$192,868 worth of sawnwood to Canada in June. Year-to-date imports from Indonesia were almost unchanged from June last year.

Tropical sawnwood imports from smaller supplier increased in June. Much of the increase was in imports from Europe, Mexico and Thailand.

American hardwoods promotion continues in Middle East

The American Hardwood Export Council (AHEC) and the National Hardwood Lumber Association (NHLA) will host seminars in Amman and Dubai in September. The seminars target wood importers, manufacturers and end users and aim to promote the understanding of American hardwood properties, grades and potential applications.

The seminars are free, and the Jordanian Furniture Exporters Association has partnered with AHEC for the seminar in Amman.

Demand for US hardwoods in the Middle East has continued to grow in recent years. US exports of sawn hardwood to its four largest markets in the region – United Arab Emirate, Saudi Arabia, Jordan and Qatar – was 35,084 cu.m. in 2014, up 22% from 2013. Year-to-date exports in 2015 to the four countries were 42% higher than last year. By comparison, total year-to-date US exports of sawn hardwood declined 10% from 2014 to 2015, making the Middle East one of the fastest growing markets for US hardwood exporters.

Much of the Middle East's growing demand for hardwoods is for interiors of new buildings and in furniture manufacturing. Renovation of existing buildings is a growing market for American hardwood products.

Large-scale transformation of temperate forests likely

Many areas of temperate forest will likely change substantially due to climate change and a combination of disturbances and stress factors. This is the conclusion of a study by the US Forest Service and US Geological Survey published in the scientific journal Science (Temperate forest health in an era of emerging megadisturbance).

Wildfires, severe droughts and warmer temperatures in particular increase tree stress and forest mortality. Some temperate forests in the US could convert to grassland or shrubland within the next decades.

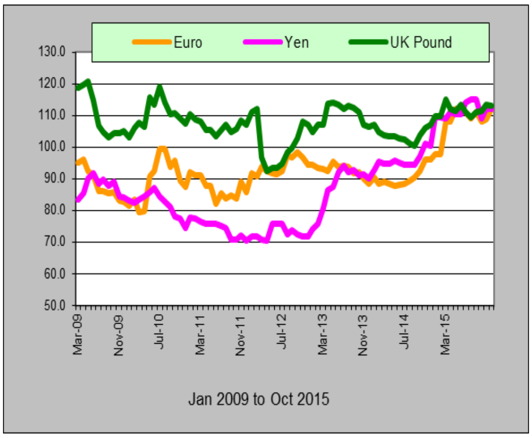
The potential for timber production will be reduced or lost, while important ecosystem services such as watershed protection and carbon storage will be compromised. The study recommends further research to identify vulnerable forests in the US and assist forest managers in transitioning to new ecosystem states.

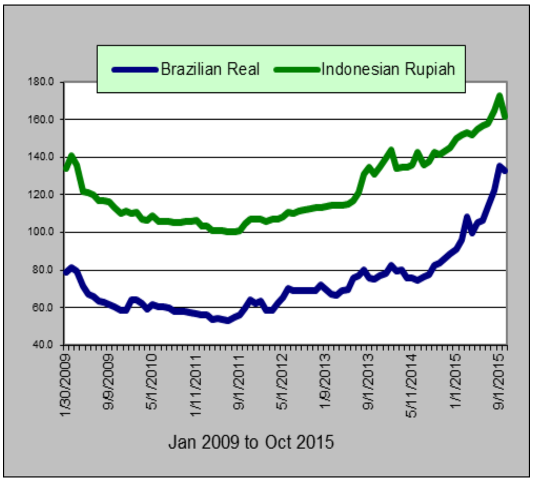
US Dollar Exchange Rates

As of 25th October 2015

Brazil	Real	3.909
CFA countries	CFA Franc	591.75
China	Yuan	6.3614
EU	Euro	0.9154
India	Rupee	65.186
Indonesia	Rupiah	13750
Japan	Yen	121.10
Malaysia	Ringgit	4.2574
Peru	New Sol	3.2773
UK	Pound	0.65528
South Korea	Won	1134.99

Exchange rate indices (Dec 2003=100)



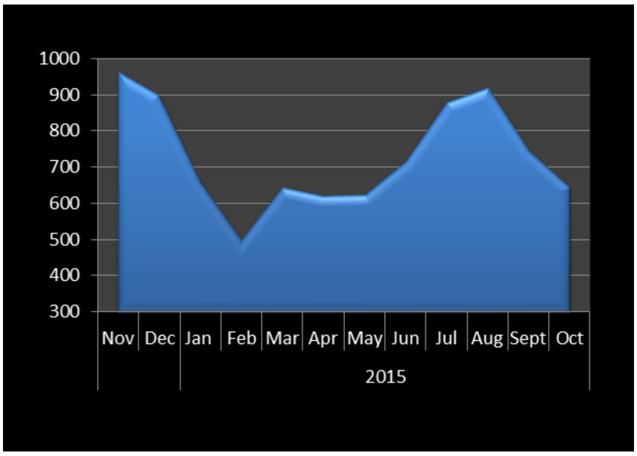


Abbreviations and Equivalences

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
Nov 2014 – Oct 2015

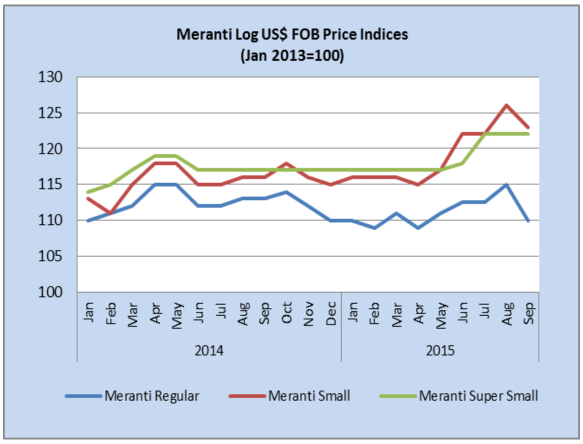


Data source: Open Financial Data Project

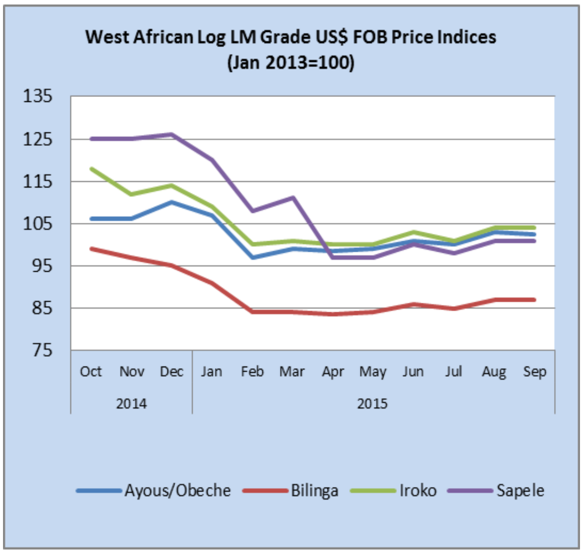
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

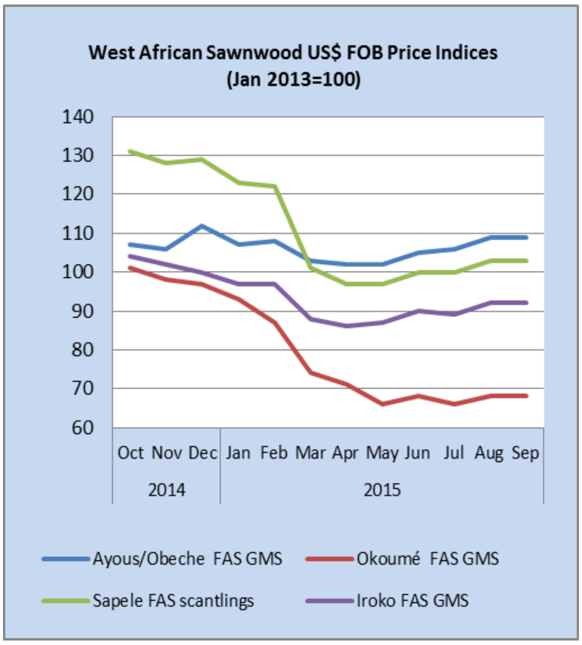
Price indices for selected products

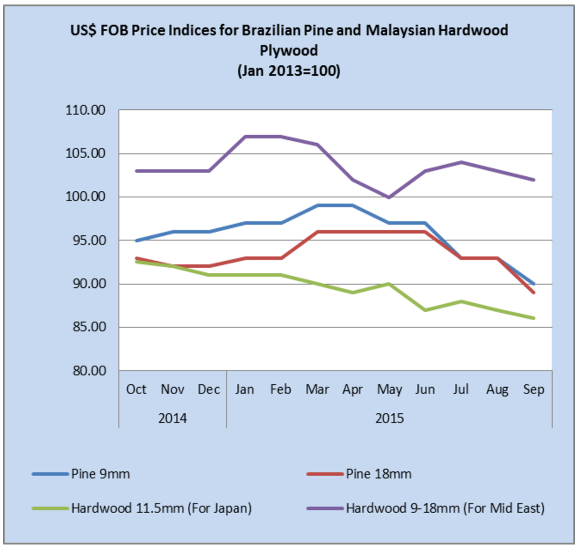
The following indices are based on US dollar FOB prices.

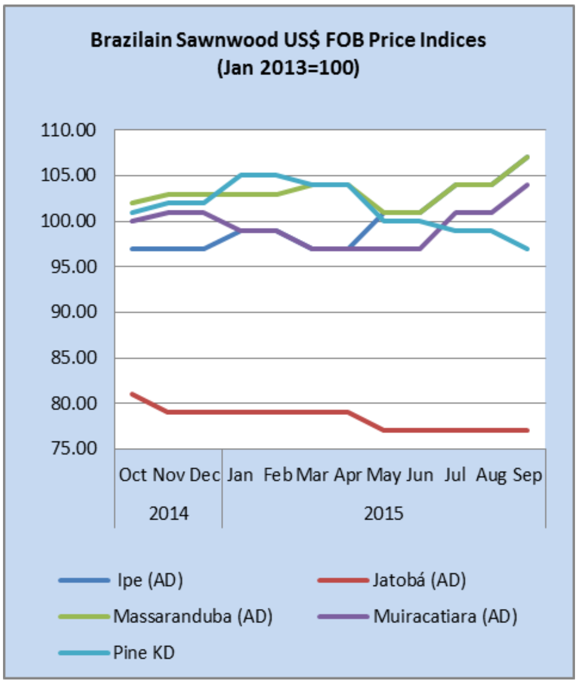


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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