Tropical Timber Market Report

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Top Story

Change underway in Japan's plywood industry

Over the past twelve months the structure of the plywood sector in Japan has changed drastically. The Japan Lumber Reports suggest there is a major restructuring of domestic production underway.

Because the yen has depreciated sharply imported plywood has become more expensive but importers cannot recover their costs as domestic demand is weak. Japanese plywood manufacturers are now producing more non-structural plywood in anticipation that housing starts are likely to continue to decline.

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Headlines

Central and West Africa

Buying set to continue through European holidays

Demand from Europe remains stable which is allowing exporters to maintain price levels. With the onset of winter in Europe building projects wind down and this, coupled with the traditionally slow market over the Christmas and New Year holiday period, usually heralds a weaker market and a downward pressure on prices.

Analysts suggest however, that this year, as European importers are carrying low stocks than in the past, it is possible they will continue buying to maintain their share of the market.

In many respects short-term buying favours Central and West African producers as their delivery times tend to be shorter than for their main competitors.

Widening price gap hints at new demand trend

Some producers report that they sense a trend to higher quality amongst buyers in Europe. It appears this is in response to designers and consumers being willing to pay a higher price for products that perform well are of good quality and appearance. This trend was first noticed in the panel market but since has been observed in the sawnwood market.

At the same time price competition has intensified for lower quality products which has resulted in a widening of the price range between top and bottom grades.

To some extent this mirrors the American grade patterns where the top quality products earn substantially higher prices compared to falling grades. This has not been a feature of the Central and West African trade but may become so say analysts.

Price conscious Middle East buyers yet to regain confidence

Middle East buyers remain reluctant to place long term orders because of the recent low priced offers for sawn meranti, buyers are not inclined to look beyond immediate needs to fill gaps in stock levels.

It is difficult to anticipate when confidence will rebuild in the very price conscious Middle East market. Despite the current cautious attitude on the part of buyers, demand is firm for decorative and higher quality timber and board products for the luxury sector of the construction industry.

Okoume millers look for alternative to Chinese market

Overall there are no major price changes to report as producers carefully juggle production and demand. Okoume is really out of favour at present as buyers for the Chinese market are on the side-lines. Okoume prices are weak and variable and exporters are looking for alternative markets.

ECOWAS – Intra-regional trade only 12%

The Economic Community of West African States (ECOWAS) is planning to establish Business Houses in all member countries to facilitate trade among the members.

ECOWAS executives have lamented the low level of intra-regional trade within the sub-region, noting that intra-regional trade in ECOWAS is still low at about 12 percent of total trade by members.

The ECOWAS Commissioner for Industry and Private Sector Promotion, S, Kalilou Traore, has said that regional business oriented trade bodies should be established at the regional level in an effort to boost trade.

Log Export Prices

West African logs, FOB		€ per m³	
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 m³
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	1010 ↑
	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

Air dry sawnwood tops exports

The Timber Industry Development Division (TIDD) of the Ghana Forestry Commission has released its August 2015 timber export report.

The report shows that Ghana earned Euro120.93 million from the export of 237,004 cubic metres of wood products during the period January to August this year.

This represents an increase of around 43% in volume and a 13% increase in value compared to the same period in 2014.

Wood product exports January-August.2015

	Jan-Aug, cu.m	%
Air dry sawnwood	90,490	38.2
Kiln dry sawnwood	43,180	18.2
Plywood*	33,593	14.2
Poles	21,262	9
Billets	19,281	8.1
Other wood products	29,198	12.3
Total	**237,004**	100

Source: TIDD

The top species exported during the period reported were; teak, wawa, ceiba, gmelima and papao/apa. The leading companies amongst the total 103 exporters were Logs and Lumber Ltd, Samartex Timber and Plywood Company Ltd, John Bitar and Company Ltd, Regent Industries Ghana Ltd and Ayum Forest Products Ltd.

Ghana's major export markets in the year to August included India, China, Germany, Nigeria and Burkina Faso. Wood product exports to regional African markets were valued at Euro18.49 million and included air and kiln-dried sawnwood, sliced and rotary veneers and plywood with over 70% of plywood going to Nigeria.

Weaker demand in Nigerian construction and housing markets

The construction industry represents one of Nigeria's main economic growth drivers and much of Ghana's timber exports to Nigeria are destined for the construction and housing sectors.

However, growth in these sectors is slowing. Falling crude oil prices and the impact of this on the economy is resulting in lower capital expenditure. This, in addition to persistent power supply constraints, is adding pressure to the construction industry and is affecting imports of wood products.

Nigeria's wood product imports dropped sharply from N4.4 billion in the first quarter 2015 to N3 billion in the second, the lowest level of wood product imports since the first quarter of 2013. This decline reflects weak domestic demand but factors such as a devalued local currency and tight foreign exchange liquidity have also had an impact.

Boule Export prices

	Euro per m³
Black Ofram	313⬇
Black Ofram Kiln dry	395⬇
Niangon	500⬆
Niangon Kiln dry	570⬆

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	373⬆	400⬆
Chenchen	330⬇	355⬇
Ogea	450⬇	400⬇
Essa	325⬇	380⬇
Ofram	350	350⬇

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

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.84⬇
Asanfina	1.40	0.63⬇
Avodire	1.15	0.34
Chenchen	1.10	0 .65⬆
Mahogany	1.30⬇	0.82⬆
Makore	1.60⬆	1.10⬆
Odum	1.76⬆	1.00

Export Plywood Prices

Plywood, FOB	€ per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	400⬇	535	615
9mm	393	460	510⬇
12mm	347⬇	463	450
15mm	450⬆	415⬇	374⬇
18mm	352⬇	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 m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	240	292⬆
Dahoma	444⬇	504⬇
Edinam (mixed redwood)	525⬇	580⬇
Emeri	450⬇	580⬆
African mahogany (Ivorensis)	630⬇	989⬇
Makore	700	874⬆
Niangon	516⬇	580⬆
Odum	660	829⬇
Sapele	642⬇	768⬇
Wawa 1C & Select	300⬇	400⬆

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

Industry sees competitive advantage in TPP

Details of the TPP agreement have just been released in all the signatory countries and analysts are having their first looks at the official documents.

The impact on the timber sector in Malaysia can now be assessed. Initial reaction from manufacturers is that Malaysian exporters may have an advantage over Indonesia, Thailand and Philippines who are not part of the TPPA.

On the other hand, Vietnam is is a participant in the TPP and a major competitor of Malaysian furniture exporters. This trade deal should be advantageous for companies shipping to other TPP countries as tariffs will be eliminated over time and other trade barriers should be dismantled.

Malaysia's export performance

Malaysia's Statistics Department has said September exports rose 8.8% to RM70.2 billion (approx. US$ 16.1 billion) from RM64.5bil a year ago, supported by continued demand in China and the European Union. For September a trade surplus of RM9.7 bil. was recorded. The main export products were electronic goods, wood products and natural rubber.

Sarawak first three quarter log production (cubic metres)

District	2015	2014
Kuching	161,004	40,356
Sibu	2,473,989	2,535,632
Bintulu	1,893,488	2,253,134
Miri	1,496,024	1,418,118
Total	6,024,506	6,247,239

Source: STA

Sarawak wood product exports
First three quarters (cu.m, except chips)

	2015	2014
Logs	2,051,929	2,316,050
Sawntimber	430,250	438,223
Plywood	1,337,438	1,714,490
Veneer	113,804	112,633
Mouldings	6,731	7,555
Dowels	477	880
Particleboard	62,473	92,546
MDF	126,430	126,784
Laminated board	8,940	11,892
Woodchips (tonne)	131,700	246,661
Other wood products	47,804	76,263
Total	4,317,976	53,990,011,653

Source: STA

Port Klang upgrading

Malaysia has developed a Shipping Master Plan which includes port refurbishment to address efficiency, pollution control and protection of the surrounding environment. A priority is addressing improving the transport infrastructure serving Port Klang.

Expansion of conservation area in Sarawak

It has been revealed that the Malaysia/Indonesia trans-boundary conservation area (Lanjak Entimau/Betung Kerihun) will be expanded and new Totally Protected Areas (TPA) will be established within the area called the Heart of Borneo in Sarawak which extends to almost 20 million ha.

The Sarawak State Chief Minister commented that the Heart of Borneo project will be integrated into State policy in support of sustainable forest management and conservation of nature. Concession holders operating in the Heart of Boneo are have been advised to secure forest management certification by 2017.

Plywood export prices

Plywood traders in Sarawak reported export prices:
Floor base FB (11.5mm) US$ 570/cu.m FOB
Concrete formboard panels CP (3' x 6')
US$ 520/cu.m FOB
Coated formboard panels UCP (3' x 6') US$ 600/cu.m FOB
Standard panels
S Korea (9mm and up) US$ 400 – 410/cu.m FOB
Taiwan (9mm and up) US$ 410/cu.m FOB
Hong Kong US$ 420 FOB/cu.m

Indonesia

Third quarter growth set to hold at 4.7%

The latest forecasts from the World Bank indicates that economic growth in Indonesian during the third quarter was just below target at 4.7% and is likely to remain at this level for the final quarter of the year.

External factors such as falling commodity prices and weakening global trade are having a major impact on growth prospects.

For 2016, the World Bank expects growth to rise to just over 5% provided factors such as an interest rate hike in the US, further weakness in the Chinese economy economic slowdown and the falling rupiah/dollar exchange rate do not have any greater impact than is being felt at present.

SVLK saga continues

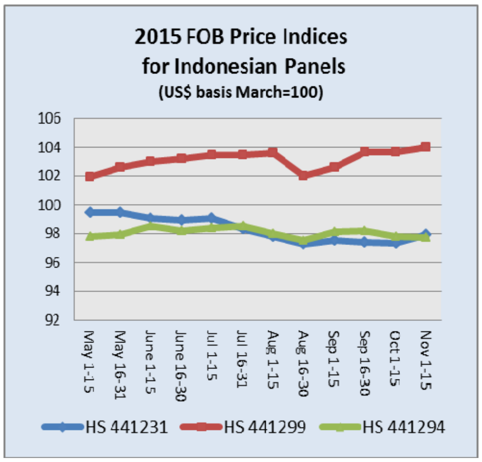
The Indonesian Ministry of Trade has reiterated that the SVLK is a heavy burden for small and medium sized companies and continues to seek an agreement for easing the regulations on a range of products.

The Ministry argues that even if companies are not SVLK certified they must still ensure and be ready to offer proof of the legal source of their raw materials. However, Arlinda, a trade specialist in the Ministry of Trade said her Ministry totally supports the SVLK but suggests means must be found to assist the SMEs.

President - No more projects on peatland

Indonesian President, Joko Widodo, has instructed the Minister of Environment and Forestry to stop issuing licenses for agricultural use of peatland. The Minister is also charged with undertaking a review licenses on peatland as part of the government's efforts to address the issue of peatland fires.

It has been reported that the President wants to put a stop to the conversion of forests and peatland to agricultural or tree crops.



Myanmar

Business look forward to a new era in Myanmar

National elections were held in Myanmar on 8 November and timber trade news paled as the nation focused on election campaigning. The National League for Democracy (NLD) is set to form a new government and the private sector is optimistic that a positive new chapter will begin for businesses in the country.

Foreign investment inflows continue

The domestic newspaper, Daily Eleven, quoting the Ministry of Commerce, reported that inflows of foreign investment amounted to US$3.2 billion in the first six months of this fiscal year (i.e. up to September). Investments were directed towards the energy (gas and oil) sectors, manufacturing, mining, transport, and communications, hotel and tourism, real estate, livestock fisheries and agriculture, services and construction.

EU–Myanmar trade expands

The Ministry of Commerce has reported that in the first six months of the 2015-16 fiscal year trade between Myanmar and the EU was worth around US$328 million.

Myanmar's imports in the same period totaled US$185 million while exports to the EU were US$143 million. Dr Maung Aung, Adviser to the Ministry of Commerce in a statement said "Myanmar now has a lot of trade opportunities but even though nine countries have given us permission, such as Russia, Turkey, Norway and Australia, we have not yet the capacity to properly supply the demands of those markets."

A trader commented that Myanmar has a long way to go to match international production standards.

Special Open Tender

The following timber was sold by Myanma Timber Enterprise (MTE) by special open tender on 26 October 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).

Sawing Grade teak log tender prices Yangon

Grade	H. tons	Avg. US$/ton
SG-1	24	5249.00
SG-2	46	3770.00
SG-4	108	3011.00
SG-5	51	1948.00

Average teak logs prices 2015 (US$/H.ton)

2015	SG-1	SG-2	SG-4	SG-5	SG-6	SG7
April	-	5022	2788	2903	2559	1511
May	5385	4889	3286	2713	2454	1756
June	5489	4120	3450	2740	2331	1560
July	5660	4909	3820	2251	2217	1891
August	5511	5080	3726	2768	2098	1551
Sept.	5509	4778	3766	2547	-	-

India

RBI identifies challenges to growth

Shri S. S. Mundra, Deputy Governor, Reserve Bank of India (RBI), recently addressed the challenges to growth in the country and the text has been provided in a press release.
See:
https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=975

The key challenges were identified as

- lack of investment in infrastructure- both physical and financial
- high level of Financial Exclusion
- skill gap, which has implications for employability
- decline in gross capital formation and a dwindling domestic savings rate

The Government and the RBI have been taking steps to address these issues bearing in mind there needs to be a balance struck between promoting investment in 'capital intensive' or 'labour intensive' companies in the manufacturing and service sectors.

This, says Mundra, is necessary because of the sheer size of the educated workforce in the country for which jobs must be provided.

Currently, the contribution of the service sector to growth has grown to around 57 % of GDP. The growth in output in the services sector can largely be attributed to rapid development of skill intensive services such as information technologies. However, questions have been raised about the quality and sustainability of this service-sector growth but the thrust of the government on 'digital India' and skill development will support continued expansion in this area.

Mundra continues "A crucial piece of the growth continuum would emerge from continued migration of people to urban areas. This would fuel demand for housing, transportation, electricity, education, healthcare facilities, etc.

Governments/ Municipal bodies would also need to invest in creation of roads, sewage systems, water supply facilities, etc. While focus on impending urbanization is critical, the rural economy should continue to remain an area of focus as more than 60% people would continue to live in rural areas."

'Housing for all' project gets boost from Canada

Indian officials have reported that the Canada Pension Plan Investment Board (CPPIB) fund has established an office in Mumbai and is planning to invest in the housing sector in the country. In a press release CPPIB says they are considering an initial investment of US$ 2 billion.

Continuing, a spokesperson for CPPIB said the Plan already has significant investments in the country involving infrastructure, real estate and financial services and that the new office in Mumbai will allow CPPIB to build important partnerships and access investment opportunities that may not otherwise have been available.

See: http://www.cppib.com/en/public-media/news-releases/2015/cppib-india-office.html

Auction of domestic teak and hardwoods

The second round of auctions for the current season has been concluded at Forest Depart Depots in Surat and Vyara. Around 12,000 cubic metres of good quality domestically grown teak and some non-teak hardwoods was on offer.

Despite prices for imported plantation teak easing auction prices were firm. Locally grown teak is always preferred by millers as the quality is higher, the sap is smaller, the form is good and the girths are larger all of which contribute to better recover rates in the mill.

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

Teak logs	Per cubic foot
A quality for ship building	Rs.2900-3000
B quality for ship building	Rs.2800-2900
A for sawing	Rs.2700-2800
B or sawing	Rs.2600-2700
A Long length logs	Rs.2400-2500
B Long length logs	Rs 1800-1900
A 15 ft.& longer	Rs 2200-2400
B 15 ft.& longer	Rs1600-1700
Long length, Medium Quality	Rs 1400-1500
Short Length, Medium Quality	Rs 1300-1400
Short Length, Thin logs	Rs 1100-1300

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

Good quality non-teak hardwood logs, 3 to 4 meters long having girths 91cms and up of haldu (Adina cordifolia), Laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium fetched higher prices than in the previous auction in the range of Rs.800-900. Prices for medium quality logs were in the range of Rs.300-400 per c.ft.

The next round of auctions will be held in the North and South Dangs Divisions and the indications are that a large volume of logs will be available.

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	304-628
Benin sawn	530-872
Brazil logs	375-596
Brazil squares	370-556
Cameroon logs	405-538
Colombia logs	262-811
Congo logs	451-500
Costa Rica logs	320-780
Côte d'Ivoire logs	277-552
Ecuador squares	330-564
El-Salvador logs	381-934
Ghana logs	273-500

Guatemala logs	360-646
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Nicaragua logs	402-505
Nigeria squares	286-388
Panama logs	381-430
PNG logs	443-575
Sudan logs	468-620
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-542
Trinidad and Tobago logs	557-680
Uganda logs	411-542
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

Myanmar teak logs sawn in India

Despite the decline in stocks purchased before the log export ban 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 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

Domestic plywood prices

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	

Expanding middle class driving up furniture imports

The Indian furniture market is estimated to be worth around US$18 billion annually and of this wooden furniture accounts for about 30% and imports of wooden furniture comprise a large proportion of this.

India is a significant importer of furniture and in 2014 had an approximated 16% share of the global furniture market with imports coming primarily from the EU (Italy, Germany and Spain), China, South Korea, Malaysia, Indonesia, Philippines and Japan.

Furniture imports in India have been growing over 50% annually since 2009, the main driver being increasing investment in housing and commercial properties. Higher incomes and an expanding middle class residing in urban areas has also resulted in demand for imported furniture.

Brazil

Brazilian competitiveness in the world trade

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) recently reported on its participation in the first Foreign Trade Forum – Southern Region For Export, held in Florianopolis, Santa Catarina State.

The objective of the Forum was to discuss issues related to the international trade from Southern Region producers, the impact of the current state of the global economy and Brazil's exchange rate policy. Leaders from the production sector, exporters, logistics companies, representatives of ports and other transport sectors attended the Forum.

Participants from the production sector suggested structural changes and policies were needed to achieve a positive trade balance. They assessed the global market situation and Brazil's position in trade agreements and innovation as drivers of a competitive national forest industry.

Another topic discussed was "Opportunities and Barriers for Exports", which listed the main obstacles and potentials for improvement of Brazil's performance as a world player.

Timber exports Improve, but production costs rise

Brazilian exports of processed wood products continue to grow as manufacturers actively seek new markets as domestic demand is poor. The export drive has been helped by the appreciation of the US dollar.

Between January and September, exports increased 22% compared to the same period in 2014. This was the largest increase recorded since 2008, according to ABIMCI.

See: For more see: http://www.abimci.com.br/abimci-participa-do-forum-sul-for-export/

The new emphasis on exports can be gauged by the proportion of total production that is exported. In the plywood industry, for example, about 55% of processed wood was exported in the first half of 2014. In the same period in 2015, processed wood exports were around 60% of total production.

For sawnwood the estimated increase was from 12% to 15%. Up to September this year sawnwood exports have increased by over 30% year on year.

Despite the positive performance in international trade profitability in the sector remains flat. The sharp rise in production costs as energy prices rise, wages are driven up and interest rates continue to climb is having a negative impact on profits.

ABRAF and ABIMCI partnership

ABIMCI and Brazilian Association of Formaldehyde and Derivatives Producers (ABRAF) have established a partnership to exchange information on developing joint action for the sector's growth.

The objective is for companies in the chemical sector represented by ABRAF to become part of the Committee called "Smart Home", composed of various entities representing the civil construction and timber sectors as well as the Federation of Industries of Paraná State (FIEP) which has been working to develop a wood frame construction system in Brazil.

This partnership is considered an important step forward in the search for joint solutions and to tackle the profitability crisis in the timber sector.

The major hurdle holding back growth in wood product manufacturing is the low level wood consumption in the domestic market, especially for products such as plywood for civil construction.

To address this problem ABIMCI is promoting the National Program for Wood Quality (PNQM) and Sectoral Quality Program of Wooden Door for Buildings (PSQ-PME) which define the technical requirements for products used in civil construction.

Research on forest regeneration and silviculture in Brazil

The value of wood and non-wood products harvested in both natural and plantation forests in the country amounted to R$ 20.8 billion in 2014 according to research published by the Brazilian Institute of Geography and Statistics (IBGE).

In addition, economic activity as a result of forest harvesting was estimated to be worth around R$ 16 billion. Of this harvesting of timber and non-timber products from only Brazil's natural forests alone generated a value of R$ 4.6 billion.

IBGE´s research titled 'Production, Extraction and Silviculture' indicates that the value of timber production from forest plantations reached R$ 15.9 billion and timber from natural forests reached R$ 3.2 billion. According to IBGE, of the total 146.5 million cubic meters of roundwood extracted in 2014, 91% originated from planted forests.

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

Forestry sector growth to generate thousands of jobs

The development of the forest sector in Peru could create one million direct and indirect jobs according to the head of the Ministry of Production (Produce), Piero Ghezzi.

He said that in Peru there are about two million hectares of land suitable for plantation forestry and this offers a great potential. This was made known when Ghezzi participated in an international forum "Investment Promotion in Commercial Forest Plantations in Peru".

The potential of the plantation industry is attracting a lot of interest from investors and could become one of the new engines of growth for Peru.

Enforcing illegal logging laws

Legislative Decree No. 1220, which authorises action against illegal logging, reflects the determination of the Government of Peru to combat and eradicate illegal harvesting and protect the forest resources.

The call for tough enforcement was made by Cesar Paredes Fourment, the High Commissioner on Combating illegal logging within the Council of Ministers (PCM). He reiterated that the Decree states that the Special Prosecutor for Environmental Matters (FEMA) is the entity responsible for interdicting illegal logging.

The High Commissioner further confirmed that under the Forestry and Wildlife Law (Law No. 29763) the authority responsible for combating illegal logging has been transferred from regional governors to the forestry authority.

Advancing cooperation in forestry between Peru and Colombia

During the Presidential Meeting between Peru and Colombia in Medellin cooperation between the two on forestry was highlighted.

In the First Bi-national meeting the Agency for Supervision of Forest Resources and Wildlife (OSINFOR) signed an agreement with the Ministry of Environment, Housing and Territorial Development (MADS) in Colombia to establish a Plan of Action set to contribute to sustainable forest management and legal timber trade.

In this regard, the Presidential Declaration after the Medellin meeting has, in paragraph 9, highlights on adoption of a Plan of Action 2015-2016 for the sustainable use of forest resources and wildlife.

The annexes to the declaration set new commitments for concrete actions to continue joint work in coordination between the Peruvian and Colombian forestry sector.

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

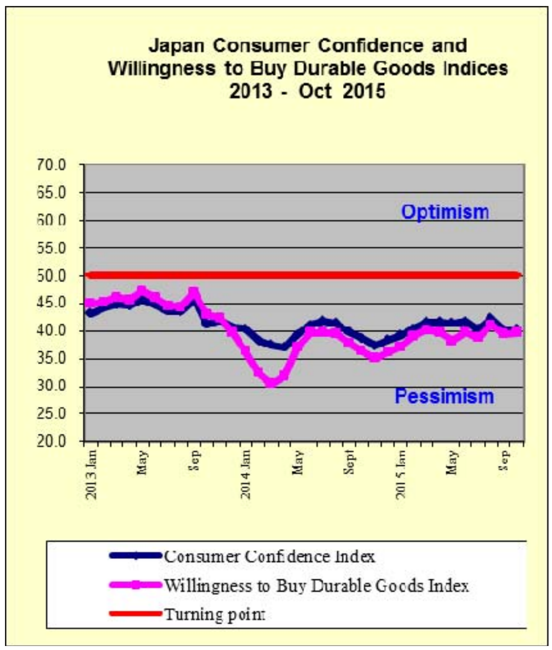
Japan

Lower petrol prices and employment prospects lift consumer confidence

Japan's Consumer confidence index rose in October largely reflecting lower petrol prices and the employment environment. Cabinet Office data shows the overall index almost 1 point up from the previous month. This comes as a welcome improvement after the decline in September.

The overall index is made up of four components of consumer attitudes. Their view of income growth prospects rose as did their attitude towards purchases of durable goods. The Cabinet Office indices for October were as follows

- Overall livelihood: 39.6 (up 0.8 from September)
- Income growth: 40.0 (up 0.6 from September)
- Employment:45.9 (up 1.0 from September)
- Willingness to buy durable goods:40.3 (up 1.2 from September)



Source: Cabinet Office, Japan

Inflation target pushed forward

In an effort to explain why the 2% inflation target has been pushed to the end of the next fiscal year the Bank of Japan (BoJ) has cited falling oil prices but now cites falling housing rent and public service fees.

Bank analysts point out that unchanged rents and power, water rates and public transport charges are tending to undermine what they say are positive trends to higher inflation. This scenario is explained in the BoJ semi-annual outlook report.
http://www.boj.or.jp/en/mopo/outline/qqe.htm/

The BoJ is facing mounting pressure to act as many analysts feel the modest wages increases that have been recorded are not enough to boost household spending which is central to beating deflation.

September machinery orders beat expectations

The value of orders for new and replacement machinery by private and public sector enterprises is a closely watched indicator of manufacturing and market sentiment. Because of the weak August numbers analysts did not expect much cheer from the September figures but were surprised.

The latest Cabinet Office data shows that in September the value of orders for machinery received by major manufacturers in Japan increased by 9.5% from August. However, despite the positive news the July-September orders fell 4% compared with the previous quarter.

In the October-December period total machinery orders are forecast to rise modestly but private sector orders could be maintained at around 3% says the Cabinet Office report.

For more see:
http://www.esri.cao.go.jp/en/stat/juchu/1509juchu-e.html

Economists would like to see a more positive trend in machinery orders as it is this that ultimately signals that jobs are being created and economic growth is anticipated by manufacturers. The forecast for weakening orders in the third quarter of this fiscal year signals tough times ahead for the BoJ and government.

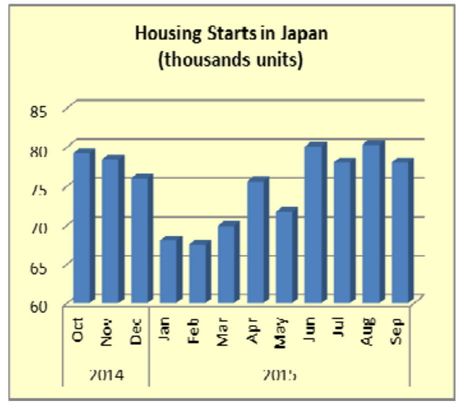
Widening gap in regional land prices

Construction work for the 2020 Tokyo Olympics is already having an impact on land prices in Tokyo and on the availability and hence wages for construction workers. As order books of construction companies fill new customers are being asked to pay higher rates or are being told start dates will be delayed.

The Land Ministry in Japan has shown that construction prices topped yen 220,000 per square meter in April, a price not seen since the bubble days.

Despite the rise in land prices in the urban areas nation-wide the average price of commercial land fell up to April marking the eighth consecutive year-on-year fall. Prices for residential land also declined, the 24th annual decrease.

Analysts point to the widening gap between prices in the main regional cities where prices are rising and prices in those areas not getting a boost for government spending.

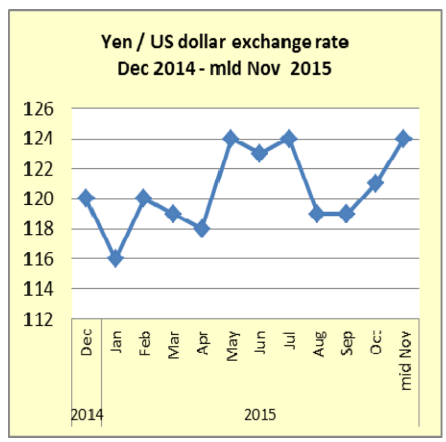


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Yen slips as likelihood of US rate hike rise

Another round of quantitative easing by the Bank of Japan (BoJ) had been anticipated but did not materialise. Had the BoJ moved with more cash into the economy the yen would have weakened to give a further boost to exports which has been lackluster since the Chinese economy slowed.

It was only the better than forecast jobs data for the US that recently moved the yen lower. The improvement in employment in the US is thought to have given the Federal Reserve the confidence to come with an interest rate rise before year end.

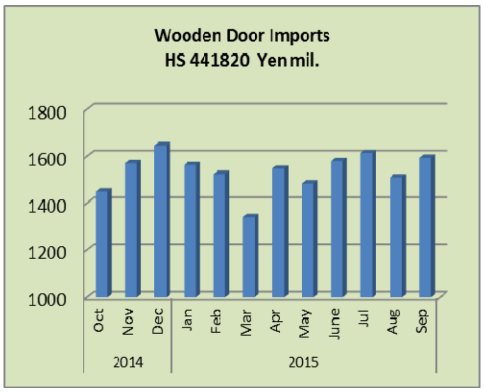


Import round up

Doors

Year on year September 2015 door imports rose by around 10% and compared to August, September imports were up just over 5.5%. Japan's September door imports wereamongst the highest for the year however average monthly imports in the first three quarters of 2015 were down 9.5% compared to the average monthly imports in 2014.

The top suppliers remain China and the Philippines followed by Indonesia.

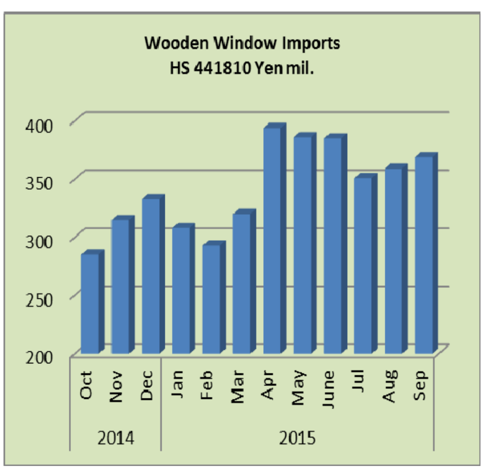


Data source: Ministry of Finance, Japan

Windows

In the first three quarters of 2015 the average monthly imports of wooden windows was down 23% compared to the same period in 2014. However, September imports were up 5.7% year on year and compared to a month earlier September imports rose 3%.

China continues as the number one supplier followed by the Philippines and the US. The top three supplires accounted for over 80% of all wooden window imports in September.

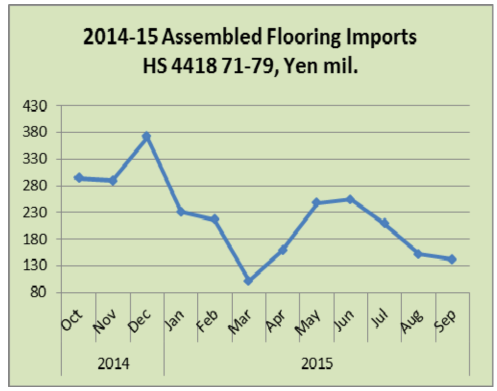


Data source: Ministry of Finance, Japan

Assembled flooring

Year on year Japan's imports of assembled flooring fell a massive 56% and compared to levels in August this year September imports were down 6.6%.

When comparing average monthly imports in 2014 with the same period in 2015 the 23% decline gives an indication of the weakness in the Japanese housing market.



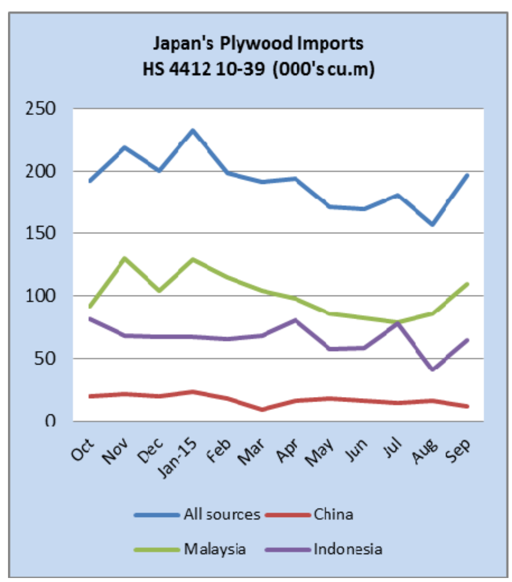
Data source: Ministry of Finance, Japan

Plywood

Suppliers in three countries, China, Malaysia and Indonesia account for almost all Japan's plywood imports. Plywood imports have steadily fallen since the beginning of 2015 but September marked a turning point as import volumes from Malaysia and Indonesia jumped. However, overall imports of plywood remain very subdued.

Year on year September imports were down 11% but the fall was not evenly spread across the three main suppliers. Year on year imports from China crashed 45% while imports from Malaysia dropped almost 20% and imports from Indonesia fell 13.5%.

Average monthly plywood imports in the first three quarters of 2015 were down 42% on the avaerage for the same period in 2014.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports

		China	Malaysia	Indonesia
		000's cu.m		
2014	Jan	31	146	97
	Feb	21	121	70
	Mar	24	125	91
	Apr	27	144	83
	May	26	131	81
	Jun	24	113	84
	Jul	23	109	88
	Aug	16	95	67
	Sep	21	121	74
	Oct	19	92	81
	Nov	21	130	68
	Dec	20	104	67
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2

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

Change underway in Japan's plywood industry

In last one year supply structure of plywood has drastically changed and seems that transition is taken place in the market. Rapid appreciation of yen since August 2014 pushed cost of imported plywood up and difficulty passing hither cost on to the sales prices accelerate use of lower cost domestic soft wood plywood.

Domestic plywood manufacture have been developing non-structural plywood as future housing start are likely to decline and production and shipment of such product have been increasing.

In particular, softwood floorbase are expected to expand and shipment of concrete forming panel for coating is steadily increasing.

There is no statistic for softwood non-structural plywood so exact figure are not certain but according to the statistic the Ministry of Agriculture, Forestry and Fishery monthly average production of concrete forming plywood for the first 8 months of this year is about 4,500 cu.m., 57.2% more than the same period of the last year. Monthly production of softwood concrete forming panel for coating in 2015 is estimated about 4,000cu.m.

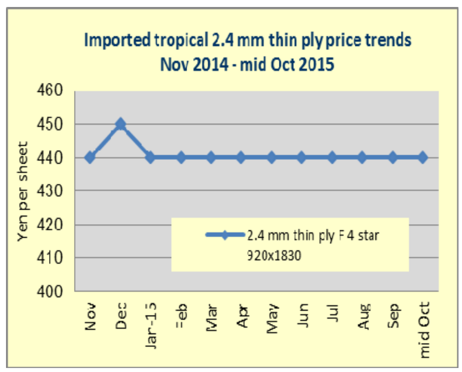
Monthly production of floorbase is estimated about 6000cu.m. but it appears to be about 10000 cu.m. by all the plywood manufacturers as the Japan Forest Product Journal made survey through major plywood manufactures and volume was over 8000cu.m. by responders.

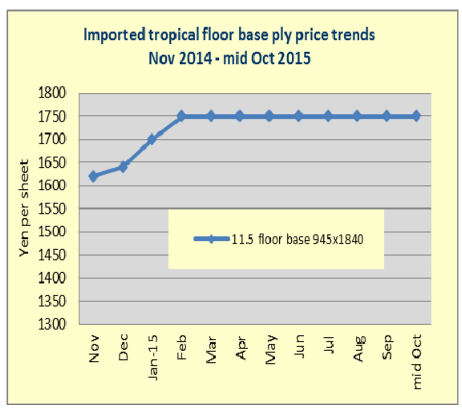
In short, domestic plywood is replacing imported hard wood plywood on both floor base and concrete forming.

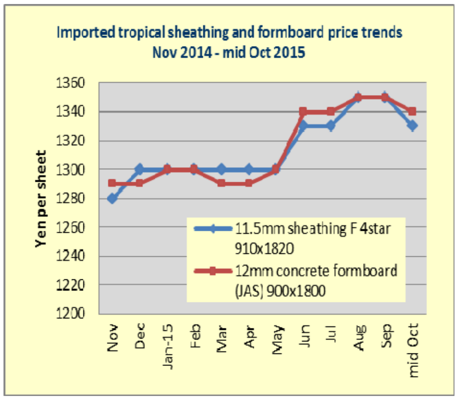
Plywood

Market of imported plywood is weak. There were some low price spot offers in late September for book closing purposes by the importers so market prices dropped by one notch. The movement dwindle in September and October.

Despite record low level of import market does not react at all. Then the arrivals increased. Malaysia supply in September was 112,000cu.m. the highest since last February after monthly arrivals had continues with 80,000 cu.m. level for four straight month from May through August.







China

Children's furniture industry cheers two child policy

The government recently announced an official end to the one-child policy. Now couples will be allowed to have two children which has prompted children's furniture manufacturers cheer anticipating a growth in sales.

The one-child policy was first eased in November 2013 after the Third Plenary Session of the party congress when it was decided that couples would be allowed to have two children if one of the parents is an only child.

Free trade zone in Manzhouli Port

China has signed many free trade agreements as part of it trade development strategy. Current agreements cover 22 countries and regions such as the ten ASEAN countries, New Zealand, Singapore, Pakistan, Chile, Peru, Costa Rica, Iceland, Switzerland, South Korea and Australia. The easing of trade regulations between the mainland and Hongkong and Taiwan P.o.C continues.

The establishment of free trade zones is also part of China's foreign trade strategies and favorable policies for free trade zone have encouraged export-oriented enterprises to relocate to these zones.

The Chinese government has a free trade agreement with South Korea and is negotiating with Japan. Both South Korea and Japan are important trade partners and much of the trade with these two countries is through Manzhouli Port. With a free trade zone in Manzhouli port processing and re-export will be facilitated.

Northeast Asia wood trading center

An event to attract participants to the Northeast Wood Trading Center was held recently in Jiubing town, Fushun County, Liaoning province. Work on this centre began in May 2014.

Jiubing town is known as a major flooring production centreas there are more than 130 wood products processing enterprises of which 13 have an annual turnover of more than RMB5 million.

Mills in the town have the capacity to produce around 50 000 cubic metres of carbonized wood, 7 million cubic metres of planed timber, 5 million square metres of solid wood flooring and a huge amount of composite flooring.

It has been announced that RMB 5 billion will be invested in the trading centre to facilitate electronic on-line trading of wood products. In support of the new centre the local infrastructure will be upgraded.

Bar code information to protect 'redwood' consumers

In order to protect the interests of 'redwood' consumers redwood product manufacturers in Zhejiang have established a product traceability system.

Consumers can obtain redwood product information including raw materials, photos and styles by scanning a code attached to the product.

Sharp increase in fumigated logs at Manzhouli Port

According to Manzhouli Entry-Exit Inspection and Quarantine Bureau so far this year the volume of logs requiring fumigation amounted to around 65,000 cubic metres. This is seven times more than in the same period last year.

The main reasons for sharp increase in fumigated logs at Manzhouli Port are the fast and low cost fumigation capacity (handling capacity has been increased at Manzhouli Port) and strong demand for fumigated logs from processing enterprises.

After fumigation, logs may be transported to other provinces in Northeast China, Shandong, Hebei, Sichuan, Qinghai and Ningxia provinces.

Lanshan port – a new timber trading centre in Northern China

It has been reported that Lanshan Port will become significant timber trading centre in Northern China as a result of State Forestry Administration (SFA) approval for the building of a national timber trade and processing zone at the port.

This zone extends over 56,700 square metres capable of handling around 2 million cubic metres annually. It is anticipated that a further 24 national timber fumigation treatment zones with a capacity to handle 1 million cubic metres will have been completed and operated by the end of 2015.

On completion of construction logs from Canada, the US, Russia, Japan, New Zealand and Australia will be fumigated in the zone.

Lanshan Port is located in northern corner of Yellow Sea in Haizhou Bay and is southeast of Rizhao city, Shandong province which is one of the export ports for the new eastern bridgehead of the Asia-Eurasian Continental Bridge.

Eucalyptus production to exceed 30 million cubic metres

Currently eucalyptus is the third most available plantation timber in China. The area of eucalyptus plantations is around 4.5 million hectares accounting for just 2% of China's forest area.

However, the annual timber output from these eucalyptus plantation will exceed 30 million cubic metres making up around 27% of the annual domestic timber output. It is estimated that more than 10 million jobs are supported along the eucalyptus supply and manufacturing chain.

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

EU auditors’ critique of FLEGT

According to an assessment by the European Court of Auditors (the Court) published in October, the EU FLEGT action plan to tackle the problem of illegal logging is not sufficiently well managed, designed and targeted.

The special report “EU support to timber‑producing countries under the FLEGT action plan” criticises both the implementation of the EU Timber Regulation (EUTR) and the FLEGT Voluntary Partnership Agreement (VPA) process.

While the Court acknowledges the European Commission (EC) “conceived the FLEGT action plan in an innovative way and identified possible measures to be taken” by addressing both supply and demand side issues of illegal logging and related trade, it also identifies shortcomings in implementation.

According to the Court, the EC “did not devise an appropriate work plan with clear objectives, milestones and a dedicated budget”.

Danger of “FLEGT fatigue“

The Court finds it particularly problematic that, although it has been 12 years since the action plan was presented and despite FLEGT-related financial support to timber-producing countries of around €300 million between 2003 and 2013, there is still no FLEGT licensing system in operation – and several target dates for the introduction have not been met.

As a result, the court highlights a “danger of ‘FLEGT fatigue’ setting in, as countries become frustrated with the lack of progress and are able to find other less stringent markets for their products”.

Following the adoption of the Action Plan, the EC and member states drew up a list of priority countries to target for participation in the FLEGT licensing scheme. However, it was also agreed that the EU “should remain open to trade negotiations with all countries that expressed an interest”.

As a result, practically all interested countries – currently 26 – have become involved in the process to some extent and, according to the Court, “the limited financial and technical support has been spread over a large number of countries, some of which were not the key ones for tackling illegal logging or were most unlikely to develop the level of governance necessary to arrive at a licensing system in the short to medium term. This diluted the support”.

In this context, the Court particularly criticised high levels of funding for Liberia and the Central African Republic (CAR) on the grounds that they are minor timber suppliers to the EU market and are not expected to develop a functioning FLEGT-licensing system in the foreseeable future.

This is contrasted with Ivory Coast, which delivers timber worth about €166 million per year to the EU (roughly seven times as much as Liberia and CAR combined) which has not so far received any financial assistance in connection with VPA.

Moreover, the Court observes that the EC had early identified important producing, processing and trading countries like China, Russia, India, South Korea and Japan, as crucial for the implementation of FLEGT objectives. However, these countries are currently not pursuing a VPA and, according to the Court, bilateral policy dialogue with them has produced limited results.

The Court also found that "projects aimed at strengthening the capacity of public authorities were not effective" and the main projects examined were problematic. In Cameroon and Indonesia, for example, the financially most significant projects did not bring the desired results – which were to establish a timber tracking system and to improve forest law enforcement and governance, respectively.

The main problems identified affecting the achievement of project objectives were "insufficient assessment of project risks and constraints, improper design, weak project management and monitoring, and coordination problems between project partners".

The Court was critical of alleged delays in implementation of EUTR, noting that it is still not fully implemented in certain member countries – such as Spain, Greece, Romania and Hungary.

The Court commented that: "An earlier adoption of the Regulation would have passed on a clear message, in the initial stages of the action plan, that the EU was taking the lead in the fight against illegal timber exports. This would also have acted as an additional incentive to countries wishing to participate in the VPA process".

FLEGT strengthens civil society

More positively, the Court noted that FLEGT had contributed significantly to strengthening of civil society organisations and improved transparency in the forestry sector of VPA partner countries.

In Cameroon, for example, civil society organisations have been recognised as legitimate partners by the government since the signing of the VPA agreement. As a result, "local and international NGOs now have the possibility to influence the country's forestry policy".

The Court also took a closer look at the six VPA partner countries that are currently in the implementation stage of the process. It confirmed earlier reports and assessments that Indonesia and Ghana have made significant progress and are aiming to have their systems ready for licensing in the near future.

However, according to the Court, there has been less progress in other VPA partner countries. Cameroon is struggling with the complexity of its forestry law. The country was supposed to start issuing FLEGT licenses in 2015, according to the schedule set in the VPA.

However, neither the timber tracking system, which is now being developed in a second attempt by the German development aid agency Deutsche Gesellschaft für Internationale Zusammenarbeit, nor the timber-licensing scheme are yet in place.

The Court concludes that in Cameroon "many challenges are thus to be overcome before full FLEGT licensing can be achieved".

Progress in Congo has been slow since the VPA was ratified in May 2010, according to the Court, mainly due to governance issues. Liberia, too, is still struggling with illegal logging, an abuse of private use permits and weak capacity of the forest administration services. And in CAR the civil war "has stalled all government action. Many areas of the country lie outside the control of the forest administration services, thus hampering the VPA implementation process".

Of the nine countries currently negotiating a VPA with the EU, the report highlighted activities in Malaysia. The country was one of the first to pursue a VPA but negotiations have not yet been completed due to "difficulties of applying a VPA throughout the whole country and in Sarawak in particular".

However, Malaysia makes, in the absence of a VPA, "extensive use of public and private certification schemes".

Insufficient use of possible synergies between FLEGT and private certification schemes was another issue identified by the Court. Private certification schemes have helped fill "the void created by the absence of FLEGT licensing".

According to the Court, they contribute significantly to meeting the due diligence requirements of the EUTR. And they could also be more widely recognised as a part of the VPA licensing process.

Recommendations for improvement

The EC and others connected with the action plan can take comfort from the fact that the Court at no point suggests that the EU should reduce support for the process. Instead it recommends various actions to strengthen implementation and better target resources.

The Court encourages the EC to draw up a work plan for all components of the FLEGT action plan for the period 2016-2020. The plan should set out "clear and specific objectives, priorities, deadlines and a budget for EU support in timber-producing countries".

The objectives should be set realistically and “take into account the capacities of countries and their specific limitations”.

Moreover, the EC should urgently insist on the implementation of the EUTR in all Member States. And it should also consider making more use of reputable private certification schemes.

The EC should also take steps to ensure resources are more clearly allocated “where they are likely to have the greatest impact in tackling illegal logging and related trade”. In countries that are unlikely to reach the standards required by a VPA in the foreseeable future, the EC should focus on supporting forest governance “without necessarily signing a VPA”.

The Court recommends that the Commission evaluate the FLEGT process more often and produce a progress report every two years, which should include “an assessment of VPA implementation, scheduled deadlines, difficulties encountered and measures taken or planned”.

The EC has yet to publish a full response to the Court’s conclusion. However the BBC, quoting an EC representative, reports that the EC is disputing some of the findings and that they "will pursue its efforts to improve efficiency, effectiveness and economy".

The EC “recognises the need to develop more specific objectives, milestones and a common roadmap", according to the BBC article.

NGO defence of FLEGT Action Plan

While the EC has yet to respond formally, there has been a vigorous defence of the FLEGT action plan by European civil society since publication of the Court’s report.

Saskia Ozinga of FERN, an organisation which co-ordinates NGO campaigning activity on forestry at EU level, commented that: “while progress in some countries has been painfully slow, the FLEGT action plan remains the EU's most effective policy on tropical forests to date”.

Ms Ozinga observes that: "the auditors have looked at FLEGT as one simple programme with one simple aim [i.e. FLEGT licensing], when in fact the situation in different timber-producing countries varies greatly.

The first VPAs were only signed four years ago, so to expect deep-seated, fundamental governance changes in such a short time is unrealistic. The auditors appear to be underestimating the enormity of this task."

The fact that an influential NGO was so quick to defend the FLEGT action plan seems significant given a clear intent of the plan is to improve market acceptance of legal and sustainable tropical timber in the EU.

There is now a strand of opinion running through the European environmental movement that the legal timber trade is part of the solution, rather than part of the problem, to serious forest problems like illegal logging and deforestation.

This is contrary to the situation that prevailed when the action plan was launched 12 years ago when the focus was still more on tropical timber bans and boycotts.

Giving civil society a central place in the action plan and VPAs has been a significant factor encouraging this change of attitude.

It’s also notable that European media commentary of the Court’s conclusions – rather than simply regurgitating platitudes about the alleged destructive effects of timber harvesting – has drawn attention to broader issues of tropical forest management.

For example, The Parliament, a political magazine, quotes European MEP Paul Brannen who said the report is "well-timed. Not only can it hopefully influence the revision of FLEGT due early next year, it also comes just before world leaders start to arrive in Paris for the global climate conference.

A particularly notable development since the FLEGT Action Plan was agreed in 2003 is that the main driver of illegal logging has changed. The reason why trees are cut down in developing countries these days is to make space for agriculture, mostly soy plantations and grasslands populated by cattle to feed Europe's growing appetite for beef. Newly-revised FLEGT must take this game-changer into account".

Overall the signs are that the EU wants to remain heavily engaged in tropical forest issues. But, following a deep recession and significant decline in imports of tropical timber products, it now has to look hard at ways to sharpen tools to increase the efficiency and effectiveness of policy engagement.

North America

Tropical sawnwood imports higher than any time since US recession

The US imported 26,851 cu.m. of sawn hardwood in July, up 23% from June. Monthly import volumes were at the highest level since the 2007-2009 recessions.

The largest growth was in imports of teak (2,552 cu.m.), acajou d'Afrique (2,546 cu.m.) and balsa (5,332 cu.m.). Imports of keruing and ipe were also up in July.

	July imports cu.m	% change Jun-Jul
Total imports	26,851	23%
Ecuador	5,300	36%
Brazil	4,279	-2%
Cameroon	3,377	15%
Malaysia	2,560	35%
Rep. of Congo	1,789	8%
Peru	113	-56%
Indonesia	930	-19%
Ghana	829	-44%
Cote d'Ivoire	239	-39%
Other	7,435	96%

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

Imports from Brazil declined month-over-month despite higher ipe shipments. Imports of virola, jatoba and other species from Brazil decreased. Sawnwood imports from Malaysia grew 35% in July. Keruing imports grew to 1,832 cu.m. and teak imports to 289 cu.m.

Cameroon shipped less sapelli sawnwood to the US (1,774 cu.m.) in July, but imports of acajou d'Afrique grew to 1,412 cu.m. Year-to-date imports from Cameroon were twice as high as in July 2014.Among the smaller suppliers Guatemala exported significantly more sawnwood to the US in July (1,542 cu.m.).

	Jan-Jul cu.m
Balsa	27,870
Sapelli	28,223
Acajou d'Afrique	15,651
Keruing	13,733
Ipe	20,998
Mahogany	9,995
Virola	6,319
Meranti	5,704
Cedro	4,937
Jatoba	2,454
Teak	4,617
Iroko	481
Padauk	220
Aningre	464
Other tropical	18,240

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

Lower Canadian tropical imports except sapelli

In contrast to the upturn in US imports of tropical sawn hardwood, Canadian imports fell in July. The decrease reflects the moderation in new home construction and in the overall economy.

The value of Canadian imports of tropical sawnwood was US$1.62 million in July, down 21% from the previous month. Year-to-date imports were 30% lower than at the same time in 2014.

Imports of sapelli increased to US$481,850 in July, while imports of all other species fell. Year-to-date imports of sapelli were lower than at the same time last year.

Cameroon benefited from Canada's higher sapelli imports. Imports from Cameroon grew to US$411,428 in July. Sawnwood imports from Ghana also increased, while most other countries exported less to Canada.

Softwood Lumber Agreement expires

The Softwood Lumber Agreement between Canada and the US expired in October and negotiations have not started for a new trade agreement. The softwood lumber dispute is one of the longest and largest trade disputes between the two countries, with US producers accusing Canada of subsidising soft sawnwood production.

The US has shown little interest to sign a similar agreement because current market prices and limited Canadian wood supply have changed the trading environment. The US is Canada's largest market for softwood sawnwood accounting for 66% of total exports in 2014, which accounts for about one third of total US consumption.

The agreement included export charges for Canadian producers. It provided a stable trade environment that ended with the agreement's expiry, although a clause prevents either country from taking trade action against the other until October 2016.

A recently published report by the Canada West Foundation (Branching out: preparing for life without a softwood lumber agreement) recommends further market diversification for Canadian producers.

Canada may be able to use the Trans-Pacific Partnership (TPP) agreement to export more into growing markets, especially Vietnam, Thailand, Indonesia and Mexico. Canada already has the largest import share for sawn softwood in the Philippines.

Joint Canada-US initiatives to expand global market for softwood

The US federal government focus is not on sawnwood but on the TPP agreement, which is controversial in the US and still needs approval by congress.

The US President may even delay the vote on the TPP until after the next presidential election in November 2016.

Since the Softwood Lumber Agreement agreement expired Canadian producers are no longer charged export duties. While some analysts expected a flood of Canadian sawnwood and falling prices, so far prices have increased although from a lower level than at the same time last year. It may be that sawmills did not anticipate the demand generated by strong housing starts.

Canadian companies in the meantime have been acquiring mills in the US. Over the last decade more than 35 softwood mills in the US South and West were sold to Canadian producers.

ACCOYA passes evaluation on decay resistance

ACCOYA has received an evaluation report from the ICC Evaluation Service that provides evidence that the product meets building code requirements. ACCOYA is an acetylated wood product that uses temperate hardwoods or softwoods. Reports from the ICC Evaluation Service are accepted in the US and Canada.

The evaluation included preservative treatment, decay resistance, termite resistance, corrosion and structural performance. Based on the report, ACCOYA wood may be used in above ground or contact ground locations, such as decking, docks and boardwalks.

Revised Flame Spread Performance code

The update Design for Code Acceptance provides building code accepted flame spread ratings for various wood products and species which are normally used as interior finishes for walls, ceilings, and floors in buildings. The ratings offer designers the latest information when specifying wood finishes for interior wall, ceiling and floor surfaces.

The revisions incorporate new testing procedures that replace many of the flame spread classification values obtained in the 1970s. For some wood species this has resulted in a change in classification.

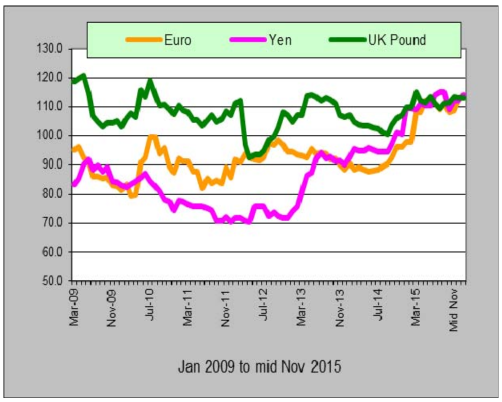
The free report can be downloaded at:
http://www.awc.org/codes-standards/publications

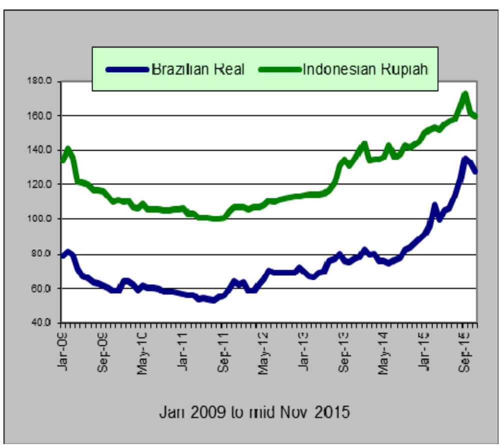
US Dollar Exchange Rates

As of 10th November 2015

Brazil	Real	3.7639
CFA countries	CFA Franc	612.13
China	Yuan	6.3689
EU	Euro	0.9308
India	Rupee	66.063
Indonesia	Rupiah	13587
Japan	Yen	122.86
Malaysia	Ringgit	4.3583
Peru	New Sol	3.3138
UK	Pound	0.6574
South Korea	Won	1155.23

Exchange rate indices (Dec 2003=100)



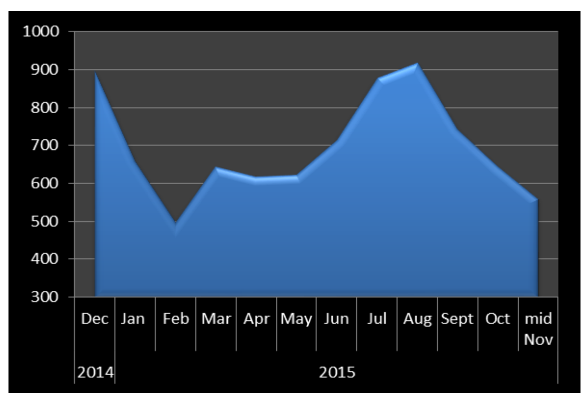


Abbreviations and Equivalences

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

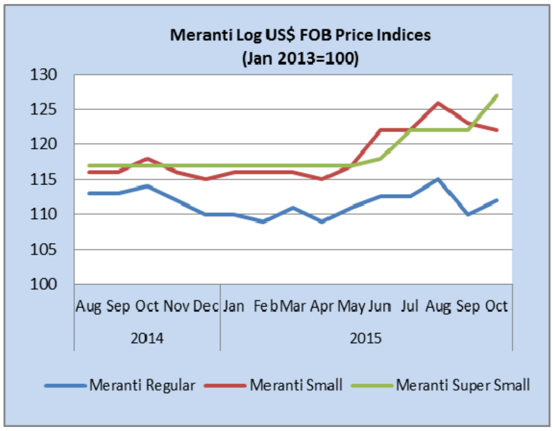
Baltic Supramax Index
Nov 2014 – Oct 2015



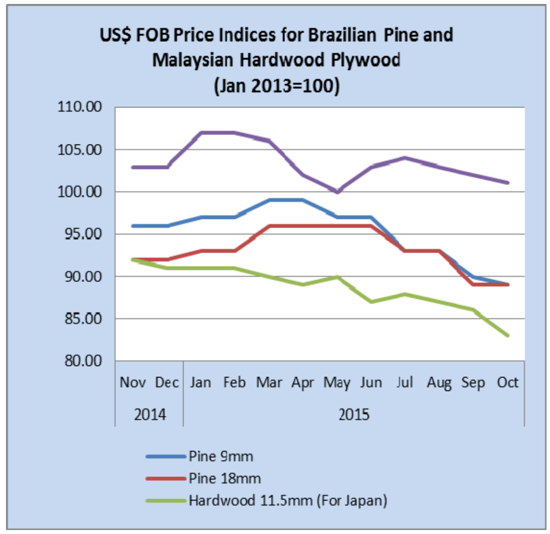
Data source: Open Financial Data Project

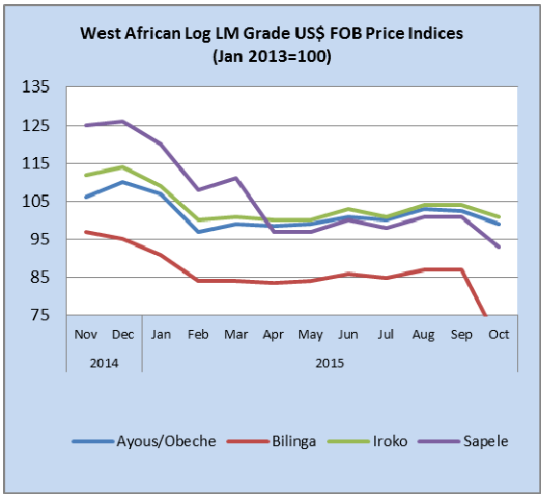
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

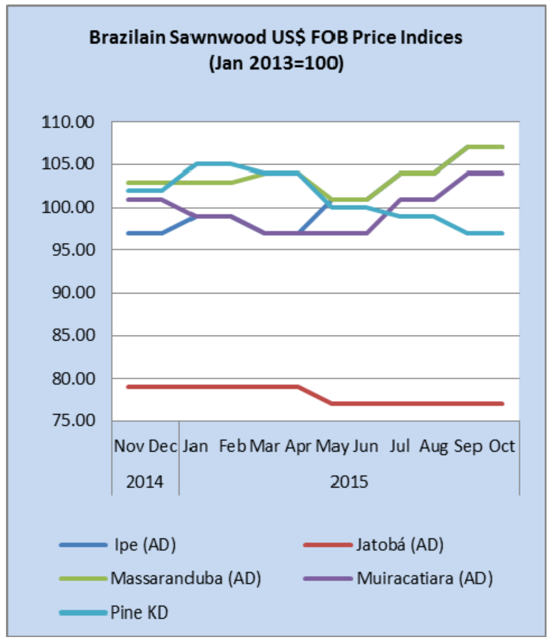
Price indices for selected products
The following indices are based on US dollar FOB prices.



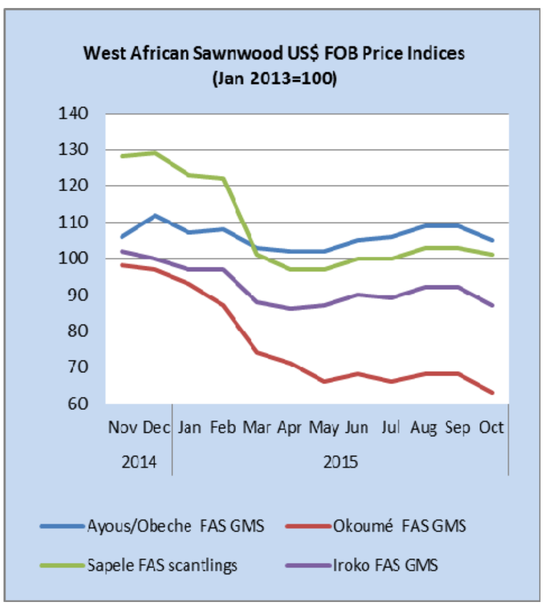
Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.



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