

# Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to [ti@itto.int](mailto:ti@itto.int).

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## Top Story

### **Logistic costs in Indonesia higher than in neighbouring countries**

Planned investment in Indonesia's infrastructure is aimed at revitalising manufacturing. New power and transport projects are underway.

The Oxford Business Group in a press release says logistics costs in Indonesia remain higher than in many neighbouring countries.

The East Asia Forum estimates that average transport time per 100 km is 2.6 hours in Indonesia, compared to 1.4 hours in Thailand and 1.2 hours in China.

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## Central and West Africa

### Okoume log prices tumble from a good start in 2015

At year end it is of interest to review the way business has developed over the past 12 months. In 2015 the big loser in terms of FOB price has been okoume where log prices have fallen around euro 140 per cu.m since the start of this year.

Sapele and sipo LM grade FOB log prices are also down from levels early in the year by euro 85 and euro 66 per cu.m respectively.

On the other hand, ayous log prices are now higher by euro 20 per cu.m than at the beginning of the year. Padouk prices have also risen during the year and are up about euro 15 per cu.m.

However, prices for most of the other more popular timbers have finished up very little changed from 12 months earlier.

Looking back ten years to December 2005 illustrates that most popular log species did secure price gains over ten years, usually between euro 50 and euro 100 per cu.m for LM grade.

Due mainly to strong Asian demand sawn padouk (FAS) has been trading at over euro 500 per cu.m FOB higher than in 2005 and even okoume sawnwood is, today, some euro 50 per cu.m FOB higher priced than in 2005 despite being currently out of favour in the market.

### Mild weather sustains buying for EU markets

Over the past month prices have remained largely unchanged and analysts expect this stability to continue into the first quarter of 2016 as few positive developments in the established markets are expected.

Demand in Europe is currently holding up well, and although expected to become quieter during the traditional Christmas and New Year vacations, the relatively mild winter weather in Europe has allowed construction work to continue for longer this year.

### All eyes on China – the key to business in 2016

Producers appear to have settled into a general acceptance of the present low volume of business but this is affecting the financial results even of some major mills.

The main issue is that demand in China continues to be depressed and any buying is of small volumes and favouring stock replenishment of only the high quality premier species.

Analysts write “it is not easy to forecast how the market will perform in 2016. So much depends on how quickly the economy in China begins to resume steady growth and how quickly the housing market in the EU can be spurred back to life”.

## Log Export Prices

West African logs, FOB		€ per m <sup>3</sup>		
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)	200	200	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 <sup>3</sup>
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

### Encouraging nine month export results

The third quarter 2015 timber export report has been published by the Timber Industry Development Division (TIDD) of the Forestry Commission (FC).

This shows the cumulative volume of timber exported during the first three quarters of the year was 267,379 cu.m, up by 7% on the 249,846 cu.m in the same period in 2014.

The corresponding earnings for the first three quarters of 2015 was Euro135.02 million, up 37% year on year.

The top five export products for 2015 and 2014 are shown in table below;

Product	Volume (cu.m)		
	Jan-Sep 2014	Jan-Sep 2015	% Change
Lumber (AD)	88,580	102,779	16.03
Lumber (KD)	44,958	46,982	4.5
Plywood (Overland)	46,966	38,302	-18.45
Poles	14,759	22,618	53.25
Billet	18,167	21,788	19.93
Other Wood Products	36,415	34,911	-4.13
<b>Total</b>	<b>249,846</b>	<b>267,379</b>	<b>7.02</b>

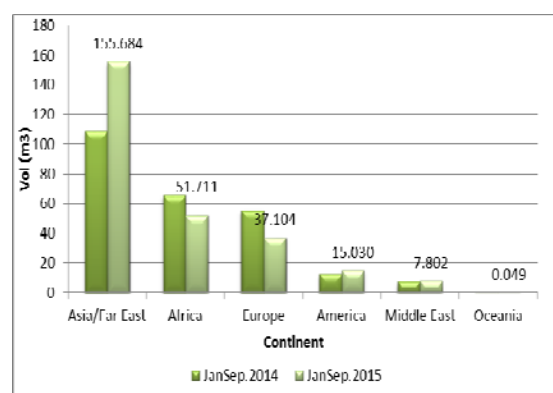
Source: TIDD

Overland = regional sales

Of the total volume of 267,370 cu.m exported in 2015, air-dried sawnwood (38.4%) and kiln-dried sawnwood (17.6%) accounted for 56% of the total. This was followed by overland sales of plywood to neighbouring countries (14.3%), poles (8.5%) and billets (8.1%).

Except for plywood, exports to ECOWAS countries declined however, for most other main export products increases were recorded compared to 2014. The export of poles and billets (small plantation logs) to Asian markets were significant in total exports at +53% and +19% respectively. Asian markets together accounted for almost 60% of total wood product exports.

The main export markets during the first three quarters of 2015 are shown below.



Source: TIDD

### Utility rate hikes shock businesses

The Ghana Public Utility Regulatory Commission (PURC) increased prices for water and electricity by 59.2% and 67.2% respectively effective 14 December 2015.

The price increases followed a nationwide consultation on adjustments to utility tariffs.

Nana Yaa Jantuah, the Director of Public Affairs of the PURC, said several factors such as consumer and investor interest, economic development in the country and the poor availability of services were among factors considered in adjusting the prices for utilities.

The price rises have caused a public outcry and the Association of Ghana Industries (AGI), the Industrial and Commercial Workers Union (ICU) and the Trades Union Congress (TUC) have said this decision was “unfortunate and unwarranted”.

Businesses have individually expressed dismay at the huge increase in prices. For many manufacturers, including timber companies which are already facing financial problems, the new prices for utilities could drive many out of business.

A portable power unit ‘Karpower barge’ from Turkey, has arrived off-shore. This unit is capable of providing about 225MW but energy experts say this cannot completely solve the country’s power problem and manufacturers must continue to rely on alternative power sources.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	345 ↑
Black Ofram Kiln dry	465 ↑
Niangon	472 ↓
Niangon Kiln dry	520 ↓

### Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	400 ↑	300 ↓
Chenchen	462 ↑	565 ↑
Ogea	487 ↑	590 ↑
Essa	523 ↑	540 ↑
Ofram	350	406 ↑

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

### Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19	0.91 ↑
Asanfina	1.40	0.75 ↑
Avodire	1.90 ↑	0.34
Chenchen	1.10	0.30 ↓
Mahogany	1.30	0.88 ↑
Makore	1.80 ↑	0.83 ↓
Odum	1.33 ↓	0.40 ↓

### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC	482	510	641
4mm	508 ↑	535	615
9mm	393	450 ↓	613 ↑
12mm	369 ↑	463	450
15mm	450	436 ↑	400 ↑
18mm	347 ↓	383 ↑	370

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

### Export Sawwood Prices

Ghana Sawwood, FOB	€ per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	492	564
Ceiba	203↓	355↑
Dahoma	485↑	536↑
Edinam (mixed redwood)	537↑	612↑
Emeri	477↑	554↓
African mahogany (Ivorenensis)	633↑	1089↑
Makore	660↓	750↓
Niangon	578↑	873↑
Odum	660↑	775↓
Sapele	815↑	833↑
Wawa 1C & Select	400↑	443↑

### Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	11.70↓	14.47	17.00
Odum	9.00↑	10.18	11.00
Hyedua	13.67	18.22	16.30↓
Afromosia	13.72	13.93	17.82

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

## Malaysia

### Export earnings rise on back of weaker Ringgit

In sharp contrast to a forecast slowing, Malaysia's exports surged 16.7% in October to RM75.8 billion (approx. US\$17.7 billion), the fastest pace of month on month growth since May 2014.

This performance was due to increased exports of manufactured goods to the markets of ASEAN, China, the EU and the US.

A statement from the Ministry of International Trade and Industry (MITI) said much of the improvement stemmed from a rise in exports to China followed by the EU. Exports to the US, Singapore and Australia also increased.

MITI said the main commodities that contributed to the rise in exports in October from a year ago were the 22.7% increase in electrical products which contributed 34.6% to total exports. It also noted the good performance recorded for wood product exports which increased close to 30% in value.

### Sarawak log exports falling

For the period January to October 2015 Sarawak exported 2,217,431 cu.m of logs worth RM1,471,154,724 (approx. US\$343 million).

In the same period Sarawak plywood exports reached 1,482,600 cu.m worth RM2,726,218,228 (approx. US\$635 million).

From January to October 2014 Sarawak exported 2,563,185 cu. m of logs worth RM1,709,427,780 along with 1,919,233 cu m of plywood worth RM3,228,824,079.

### Sarawak Log Production (January to October 2015)

Area	2015 cu m	2014 cu m
Kuching	51,365	51,365
Sibu	2,831,994	2,886,747
Bintulu	2,102,238	2,511,598
Miri	1,707,824	1,739,243
Total	6,693,421	7,188,953

Source: STA

### Biodiversity super highway

Malaysia wants to keep the Peninsula's forests linked together to establish a contiguous forest range from the Thai border to Johor, creating a biodiversity 'super highway'. It has been estimated that this plan will cost the Federal Government at least RM4 billion (approx. US\$934 million).

Natural Resources and Environment Minister, Dr. Wan Junaidi Tuanku Jaafar, said in a press interview, "the RM4bil. would go towards acquiring the land from the states to meet that goal. This amount is to create the corridor for all the clustered forested areas cut through by development and plantations".

## Indonesia

### Indonesia and China cooperation on legal timber sales

Indonesia and China have agreed to promote a two-way sustainable timber trade. It has been reported that the authorities in China have indicated they would now only allow verified legal wood products to enter the country and that SVLK certificates would be recognised as providing evidence of legality.

The agreement was forged when an Indonesian delegation led by Putera Parthama, Director General of Sustainable Forest Management, Ministry of Environment and Forestry, met with his counterpart, Deputy Director General of International Cooperation, China State Forestry Administration during the Climate Change Conference in Paris. China is a main market for Indonesian wood products and over the past 12 months imported wood products worth around US\$2 billion.

See: <http://silk.dephut.go.id/index.php/article/vnews/137>

### FLEGT licenses soon says EU

The EU Ambassador to Indonesia, Vincent Guerend, has reiterated that the EU is ready to ratify the VPA with Indonesia and that this would lead the way for FLEGT licensed wood products to enter the EU market without importers having to comply with the 'Due Diligence' requirements of the EU timber regulation.

The FLEGT implementation, said Guerend, would benefit Indonesia, which currently has a 40-percent market share in the EU tropical timber market. However, he said that until the FLEGT licenses are issued timber products must be accompanied by the required V-legal certificates.

### Use only SVLK timber says National Development Planning Agency

The National Development Planning Agency (Bappenas) is preparing a presidential regulation that would require all wood products used in government projects to meet the national timber legality assurance system. The Director of Bappenas, Basah Hernowo, said this regulation would encourage improved sustainability and good forest governance.

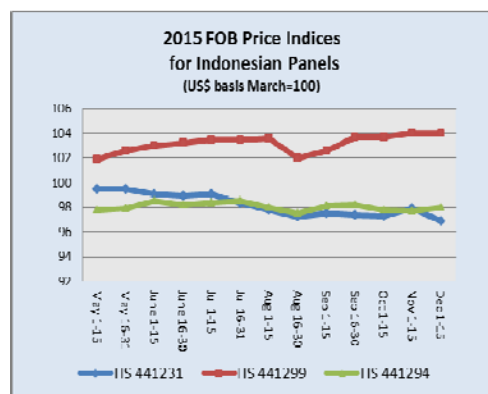
### Logistic costs higher than in neighbouring countries

Planned investment in Indonesia's infrastructure is forging ahead as new power and transport projects get underway.

The Oxford Business Group in a press release says "Logistics costs also remain higher than in many neighbouring countries, with the average transport time per 100 km at 2.6 hours in Indonesia, compared to 1.4 hours in Thailand and 1.2 hours in China, according to the East Asia Forum."

According to a recent study by the OECD, a 10% increase in physical infrastructure stock in China led to a 2-4% increase in GDP.

[http://www.oxfordbusinessgroup.com/news/indonesia-upgrade-and-expand-key-infrastructure?utm\\_source=Oxford%20Business%20Group&utm\\_medium=email&utm\\_campaign=6561979\\_EU%20-%20Indonesia%20-%2015%2F12%2F2015%20-%20Indonesia%20to%20upgrade%20and%20expand%20key%20infrastructure&utm\\_content=Indonesia-EU-15%2F12%2F2015&dm\\_i=1P7V,3WN97,KV886Z,E30MO,1](http://www.oxfordbusinessgroup.com/news/indonesia-upgrade-and-expand-key-infrastructure?utm_source=Oxford%20Business%20Group&utm_medium=email&utm_campaign=6561979_EU%20-%20Indonesia%20-%2015%2F12%2F2015%20-%20Indonesia%20to%20upgrade%20and%20expand%20key%20infrastructure&utm_content=Indonesia-EU-15%2F12%2F2015&dm_i=1P7V,3WN97,KV886Z,E30MO,1)



## Myanmar

### Withdrawal of company licenses revisited

Further to the decision by the Directorate of Investment and Company Administration (DICA) on de-registering non-operational companies it has been learnt that the DICA will now issue a revised company list after a number of complaints from active businesses named on the original list as being non-operational.

Some companies confirmed that they are currently active in Myanmar and that they have already submitted documentation notifying the DICA.

Others said that in some cases old company names are included in the DICA list and this is leading to confusion among clients.

The DICA has released an updated list and will give companies one month to confirm whether or not they are still in business before de-registering them.

### Special Open Tender sales report

Below are the results of the Local Marketing Department (LMD), Myanma Timber Enterprise (MTE) Special Open Tender sales in November 2015.

Logs volumes are expressed in hoppus tons (H.tons) and conversions (and sawn teak including hewn timbers) are shown in cubic tons (C.tons).

The LMD has had success with its monthly tender sales which are reported to be quite popular amongst local timber buyers. Logs, sawn-wood and hewn timber are sold in Myanmar Kyats (MMK). The tables below show some of the interesting prices from the recent sales.

The volume sold by LMD in October was about 27,000 tons and in November volumes fell to 17,500 tons. The quantity purchased may be cut into various sizes and specifications for export as well as domestic use.

### MTE LMD Hardwood log prices November 2015

Area/Depot	Species	MMK(000's) per ton
Kachin	Kanyin	291
Shan	Sagawa	350
Shan	Kanyin	350
Shan	Taukkyant	290
Shan	Yemane	400
Shan	Hnaw	360
Shan	In	370

Prices are shown in Myanmar Kyats (MMK) thousands.

Kanyin (*Dipterocarpus spp*); In (*Dipterocarpus tuberculatus*); Taukkyant (*Terminalia tomentosa*); Hnaw (*Adina crdifolia*); Sagawa (*Michelia champca*); Yemane (*Gmelina arborea*)

A Tender for high grade teak logs such as 3rd Quality, SG1, SG2, SG4 was not conducted in November as at the previous sale only one bid was made. Analysts say that domestic millers have a considerable stock of timber already and with the strengthening of the US dollar they are probably unwilling to buy more for the time being.

The LMD is mulling waiting to sell the higher grades of teak logs until demand improves. However, with the financial year coming to a close (March 2016) analysts wonder how long they can wait.

No sales by the LMD means less dollar earnings which could mean the LMD fails to meet its earnings target.

The problem is that demand is weak as the supply of good quality teak for the EU has fallen. Currently most teak milled domestically is shipped to India.

There are still reports of illegally harvested tamalan and padauk timber being seized. As recent as 29 November a truckload of hewn tamalan possibly heading to the border was seized in Loilem District, Shan State.

#### MTE LMD Hardwood log prices November 2015

Area/Depot	Species	MMK(000's)/ton
Sagaing	Kanyin	410
Sagaing	Pyinkadoe	350
Sagaing	Ingyin Thitya	435

#### LMD Teak conversions sales 27 November 2015

A total quantity of 103 cubic tons sawn teak was sold by open tender. Average prices are shown below:

	Grade	Avg US\$/ton	Remarks
Boards	First & Second	5,250	2"x7"-12:" x 6' & up
Flitches	Second	5,198	3"-4" x 7"-12:" x 6' & up
Squares	Market	2,933	10"&upx10"&upx 6' & up
Posts	Market	2,086	6"/9" x 6"/9" x 10' & up
Scantlings	Second	1,522	Length 3'/5.5'
Scantlings	Second	1,322	Length 1.5'/2.5'
Scantlings	Third	670	All lengths

## India

#### E-commerce to grow 10-fold in 5 years

The Federation of Indian Chambers of Commerce and Industry (FICCI) has released a report on the potential of India's e-commerce market. The report was prepared in cooperation with the consultancy firm KPMG.

The report says India's e-commerce market could expand 10-fold over the next 5 years and could be worth US\$100 billion at that time. The forecasts are based on the assumption that increasing internet infrastructure and the affordability of smartphones will drive this growth.

More information on the FICCI/KPMG report 'Direct selling; Mapping the industry across Indian states' can be found at: <http://www.ficci.com/ficci-in-news-page.asp?nid=10726>

#### Government pressing ahead with new housing regulations

In a press release the Confederation of Real Estate Developers Association of India (CREDAI) reports the government intends to pass a crucial real estate bill aimed at curbing malpractices and improving transparency in the sector through a regulatory mechanism.

The press release continues "The Housing and Urban Poverty Alleviation (HUPA) Ministry has accepted all the amendments proposed by the Rajya Sabha Select Committee in the Real Estate (Development and Regulation) Bill, 2013, and is readying to move the amended legislation for the cabinet's approval.

The bill seeks to set up a regulatory framework that will govern contracts between home buyers and sellers. A regulator to curb malpractices in the real estate sector"

For more see:

<http://www.credai.org/sites/default/files/Govt%20wants%20pass%20of%20Real%20estate%20bill.pdf>

#### 2015 survey – India's forest and tree cover at 24% of land mass

According to Prakash Javadekar, Minister of Environment, Forest and Climate Change, India's forest cover has increased by 5,081 sq km and these forest represent a huge carbon sink.

The release of estimates of India's carbon stock was provided to delegates at the recent climate change conference (COP 21). The Minister stated that India remains committed to increasing its carbon sink capacity.

An update on India's Intended Nationally Determined Contributions (INDC) released during COP21 envisages the creation of additional carbon sink capacity.

The latest assessment is based on the Forest Survey of India, a biennial assessments of the forest cover for the country launched in 1987. The current report was published on 4 December 2015.

While the total forest cover in the country has increased by 3, 775 sq km, the area of tree cover has gone up by 1, 306 sq km, according to latest survey. The 2015 survey reports total forest and tree cover at 79.42 million hectares or just over 24% of the geographical area.

### Prices for imported plantation teak, C&F Indian ports

The volume of larger girth logs increased recently and this has lifted the landed costs from several suppliers.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	282-594
Benin sawn	530-872
Brazil logs	370-665
Brazil squares	370-556
Cameroon logs	405-772
Colombia logs	426-775
Congo D. R. logs	451-500
Costa Rica logs	320-780
Côte d'Ivoire logs	418-568
Ecuador squares	318-564
El-Salvador logs	381-732
Ghana logs	352-8740
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	286-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	468-520
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	285-590
Trinidad and Tobago logs	557-680
Uganda logs	411-51
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

Prices are unchanged from the end of November

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1600-1750
Balau	1500-1600
Resak	1200-1400
Kapur	1350-1450
Kempas	1200-1300
Red Meranti	1100-1250
Radiata pine AD	625-750
Whitewood	625-750

Price variations depend mainly on length and cross section

### Myanmar teak logs sawn in India

No price movements have been reported

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 <sup>3</sup>
Beech	1400-1450
Sycamore	1400-1450
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2400-3000
Hemlock clear grade	1300-1400
Hemlock AB grade	1200-1300
Western Red Cedar	1600-1650
Douglas Fir	1250-1350

Price variations depend mainly on length and cross section

### Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	39.5
6mm	52.5
9mm	66.5
12mm	82
15mm	109
18mm	114.5

### Domestic ex-warehouse prices for locally manufactured MR plywood

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

## Brazil

### Forest products contribute to trade surplus

Between January and November 2015 Brazil accumulated a US\$13.5 billion trade surplus according to the Ministry of Development, Industry and Foreign Trade (MDIC). Over the past eleven months, Brazilian exports reached US\$174.4 billion and imports reached US\$160.9 billion.

The main products exported were agri-business-related and just 16 products earned the country US\$65.6 billion or close to 40% of total export earnings. Forest products are among the 16 top products exported and over the past eleven months, pulp exports reached US\$5.1 billion (4.7% more than in 2014).

Exports of paper and paperboard increased to US\$1 billion, up 3.4% year on year. Sawnwood exports totalled US\$416 million, (+9.2% year on year).

The increase in exports is due mainly the depreciation of the Brazilian Real as competitiveness was improved. Another factor driving up exports was the poor domestic demand which drove manufacturers to actively promote sales overseas.

### Paricá plywood, potential for export

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), in collaboration with paricá plywood manufacturers, has published a 'Paricá Plywood Catalog', considered a tool for further promotion of this product. The catalog is part of a strategy by producers in the Northern Region who have invested in paricá plantations.

The new promotional material says paricá plywood is a sustainable product from the Amazon Region with competitive advantages such as being lightweight, strong and produced to a high technical standard.

Currently, around 95% of the paricá plywood production (about 16,000 cu.m/month) is for the domestic market, especially for the Northern, North-eastern, Central-Western and parts of the South-eastern Region.

According to the Association of Timber Industries of Rondon do Pará Municipality (SIMARP), paricá plywood manufacturers anticipate growing demand for this product in the domestic market and see an export potential, especially in the furniture manufacturing sector where there is a demand for light weight panels.

### Furniture industry turns to customisation to stay profitable

2015 has been difficult for almost all industrial sectors in Brazil including the furniture sector. Furniture manufacturers have seen markets weaken and prices being driven down which has led to very tough decisions on production cost control.

Local analysts suggest there has been a decline of around 18% in furniture production in Western Santa Catarina State, one of the biggest furniture clusters in the country. Sales have dropped by as much as 40% in some market sectors and the impact on unemployment continues to worsen.

Increases in power charges and taxes have severely affected profitability and has driven manufacturers to develop innovative customer/utility-oriented products, customise their products to the need of consumers by emphasizing value comfort and develop affordable design.

Sadly, it is reported that overall productivity in manufacturing is declining which pushes up the prices that consumers are expected to pay but in the current economic climate in the country this is a hard sell.

### Monitoring techniques for selective logging

The National Institute for Space Research (INPE) has developed a monitoring technique for selective logging (DETEX) designed to control and monitor logging in forest concession areas in partnership with the Brazilian Forest Service (SFB). The objective is to deter illegal logging and verify if concessionaires are operating within their forest concessions.

The DETEX methodology was developed by the SFB, Environmental Institute of Mato Grosso do Sul State (IMASUL), Brazilian Agricultural Research Corporation (EMBRAPA), Municipal Environmental Secretariat of Trairão / PA, Federal Rural University of Amazonia (UFRA) and Federal University of Pará (UFPA).

### Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipé	662
Jatoba	337
Massaranduba	306
Muiracatiara	318
Angelim Vermelho	282
Mixed red and white	178
Eucalyptus (AD)	166
Pine (AD)	120
Pine (KD)	134

Source: STCP Data Bank



#### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	465
4mm WBP	371
10mm WBP	323
15mm WBP	418
4mm MR	311
10mm MR	290
15mm MR	

Prices do not include taxes

Source: STCP Data Bank

#### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	136
Ipê	76
Jatoba	80
Massaranduba	84
Muiracatiara	77
Angelim Vermelho	67
Mixed redwood and white woods	

Source: STCP Data Bank

#### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	206
15mm MDF	288

Source: STCP Data Bank

#### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1438
Jatoba	992
Massaranduba	791
Muiracatiara	774
Pine (KD)	212

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

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	337
12mm C/CC (WBP)	298
15mm C/CC (WBP)	294
18mm C/CC (WBP)	290

Source: STCP Data Bank

#### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,575
Jatoba	1,609

Source: STCP Data Bank

## Peru

### Falling investment in construction hits manufacturing output

Central Reserve Bank of Peru (BCR) Governor, Julio Velarde, has forecast the Peruvian economy would expand by 2.9% in 2015 and continue strong growth into 2016.

In a press release the BCR report GDP grew 3% in October 2015 with output in the primary sectors growing over 7%, driven by metal mining (16%) and the agriculture sector (4%).

Output in the manufacturing sector declined in October and between January to October, output in the manufacturing sector fell 2.6% being hit by slowing construction sector growth, the result of a drop in both public and private investment.

See: <http://www.bcrp.gob.pe/eng-docs/Publications/Weekly-Reports/2015/weekly-report-47-2015.pdf>

### Seizure of illegal timber

Just as the Peruvian delegation contributed to the development of forest conservation forest policies at the Climate Change Conference in Paris authorities at home seized a large consignment of what was determined as illegally harvested timber ready to be shipped out of the country.

In Paris, the delegations from Peru, Ecuador and Colombia discussed how to strengthen initiatives taken under the Pact for Legal Timber under the framework of COP21.

See: <http://www.peruthisweek.com/news-peru-confirms-sustainable-forest-development-at-cop21-108417>

### Private fund to reforest the Amazon

The fund management company LXG Asset Management announced the creation of the first private equity fund dedicated to the reforestation of the Amazon. This vehicle is called LXG Re-forest Amazon Fund.

The fund has purchased 250 hectares of deforested lands from ranchers and farmers in the Madre de Dios region. The goal is to plant two species, teak and bolaina (Guazuma crinita) a timber has an established domestic market.

Martin Farina, a spokesperson from LXG Asset Management said "the Peruvian Amazon has climatic conditions that allow us to have a wide diversity of species and plant trees that grow fast".

See: <http://elcomercio.pe/economia/peru/crean-primer-fondo-privado-reforestar-amazonia-noticia-1862699>

### Communities deliver independent forest monitoring

The latest newsletter from the EU FLEGT Facility and the EU FAO FLEGT Programme describes how an independent monitoring project in Peru is helping to prevent conflict and improve forest governance through facilitating dialogue between public institutions, the private sector and indigenous groups.

The news item says, "The project Veeduría de San Martín (San Martín Monitoring) is being implemented in the northern San Martín Region, bringing together government and regional representatives with the NGO CEDISA (Asociación para la investigación y Desarrollo Integral). Indigenous peoples are directly involved through the Selva Peruana's Interethnic Organisation for Development (Asociación Interétnica de Desarrollo de la Selva Peruana).

The San Martin Region has a large framework of policies and regulations to support forest management, including a territorial policy to achieve democratic governance. Two regional decrees from 2014 called for the implementation of the indigenous forest monitoring system which is now being put in place.

This is the fifth monitoring system to be implemented in Peru. It will take into account issues including timber legality and land management and includes early warning systems to prevent and handle social conflicts.

San Martin Monitoring will play an important role in improving forest governance in the region, and will contribute to work to validate the extent to which San Martin is in compliance with Reducing Emissions from Deforestation and Forest Degradation (REDD+) safeguards.”

For more information contact Teddy Peñaherrera, Project Coordinator, at tpenaherrera @ hotmail.com.

#### Export Sawwood Prices

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

	US\$ per m <sup>3</sup>
Peru Sawwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	462-544↑
Grade 2, Mexican market	413-449↑
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 Sawwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	464-521↑
Grade 2, Mexican market	361-398↑
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	394-444

#### Domestic Sawwood Prices

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

#### Export Veneer Prices

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

#### Export Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB Callao (Mexican Market)	
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)

	US\$ per m <sup>3</sup>
Iquitos mills	
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

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

#### Export Prices for Added Value Products

	US\$ per m <sup>3</sup>
Peru, FOB strips for parquet	
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

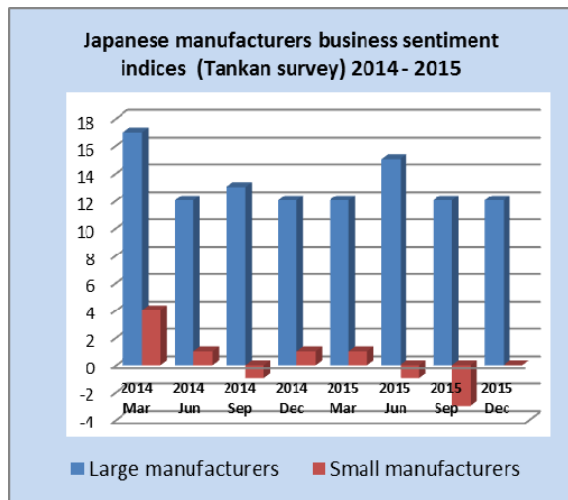
### Business sentiment steady – an improvement seen for small enterprises

In the December quarterly Tankan survey of business sentiment large companies indicated their perception of business conditions was firm and unchanged from the September survey.

This seems to indicate that the fears of a sharp decline in sentiment due to economic uncertainty in China were unfounded. Large businesses maintained their stance that investment will continue through to the end of the fiscal year in March 2016.

What is equally surprising is that small companies, which have suffered most in recent times, are suggesting they see trading conditions improving slightly.

The Tankan's sentiment indices are derived by subtracting the number of respondents who say conditions are poor from those who say they are good. A positive reading means optimists outnumber pessimists.



Data source: Bank of Japan

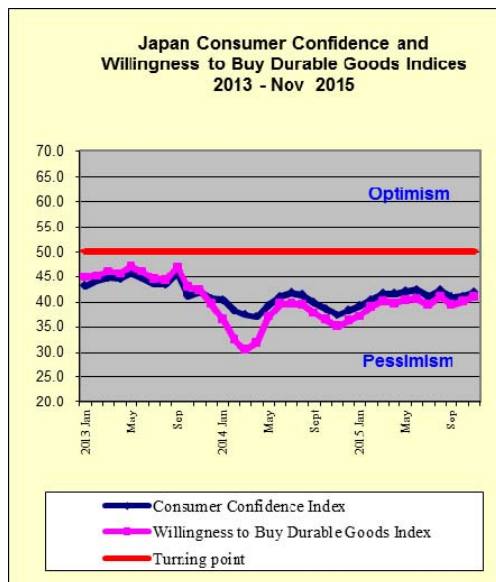
**Unexpected improvement in consumer confidence**

Japan's Cabinet Office has released the Consumer Confidence Survey results for November. To the surprise of analysts an unexpected rise has been reported with the overall index climbing to a two year high.

The November index came in at 42.6, up 1.1 points from October but still well in negative territory.

Looking at the various elements used to compile the overall index it is seen that the Livelihood Index improved as did the indices for perceptions of Income Growth and Employment Prospects. The index for Willingness to Buy Durable Goods (which includes furniture) rose to 41.6 (up 1.3 from October). However, all indices are below 50, the threshold between pessimism and optimism.

For the full survey results see: <http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>



Source: Cabinet Office, Japan

**Another data reversal, this time GDP**

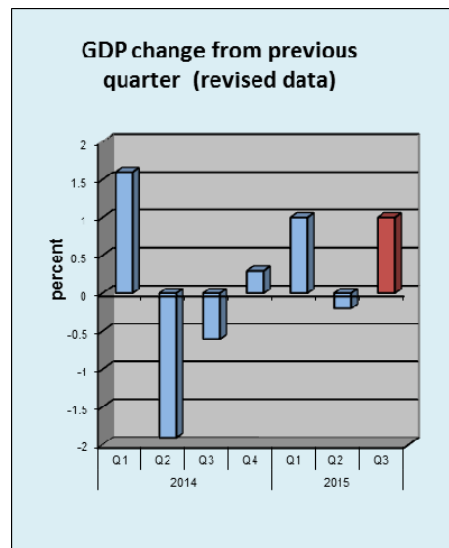
Revised data on GDP recently released by the government reverses the preliminary results on third quarter GDP growth. The revised data indicates that not only is Japan not in recession but third quarter growth was strong.

Based on third quarter data Japan is looking at an annualised growth of just over 1% for 2015, a remarkable achievement and lends support to the policies adopted by the Bank of Japan (BoJ).

At the time of the release of the revised GDP data analysts assumed this would mean the BoJ would be in no hurry to launch a further easing of monetary policy any time soon so it was a surprise when the BoJ announced a new stimulus package in early December.

Behind the revised data was evidence of increased investment, instead of driving down growth the revised figures reversed the trend and pushed up GDP growth in the third quarter.

Investment was the main force behind the revisions: it was amended from a quarter on quarter fall of 1.3 per cent to a rise of 0.6 per cent. Instead of subtracting 0.7 percentage points from annualised growth, therefore, it added 0.3 percentage points.



Data source: Cabinet Office, Japan

**Annualised housing starts fall below 900,000**

October housing start data from the Ministry of Land, Infrastructure, Transport and Tourism show a continuing decline for the second consecutive month.

October housing starts were the lowest since June this year and were down 2.5% from the same month last year.

As of October annualised housing starts stood at 862,000 down from the September forecast of 900,000.

Looking ahead for the balance of the year prospects do not look good as orders placed with construction firms are well down (-25%) compared to the same period last year.

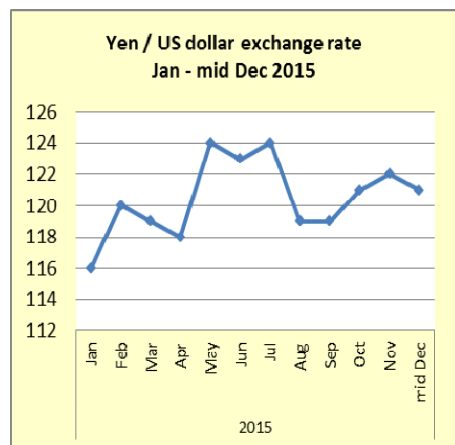
For more see:  
<http://www.mlit.go.jp/toukeijouhou/chojou/stat-e.htm>

**US rate hike already factored in**

Early in the month of December the yen rose against the dollar as the BoJ hinted it had no plans to expand its monetary easing stance. But the recent decision to introduce new stimulus measures pushed the yen down for a short period.

However, the actions of the BoJ were largely overshadowed by the decision of the US Federal Reserve to raise interest rates in the US.

This move was widely expected and its likely effect had already been built into exchange rates. Japan's Minister in charge of Economic Revitalisation, Akira Amari, said that markets are taking the rate hike favourably after having already factored-in concerns over the move's impact on emerging economies.

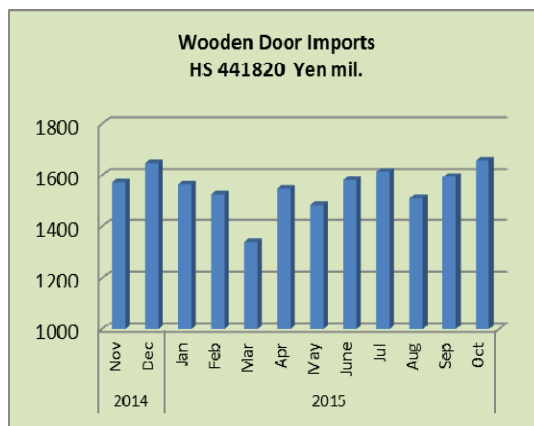


**Import round up**

**Doors**

Year on year October 2015 door imports rose 14% and October marked the third consecutive monthly increase in wooden door imports. China remains the main wooden door supplier to Japan followed by Philippines and Indonesia.

The top three suppliers accounted for around 88% of all wooden door imports in October.

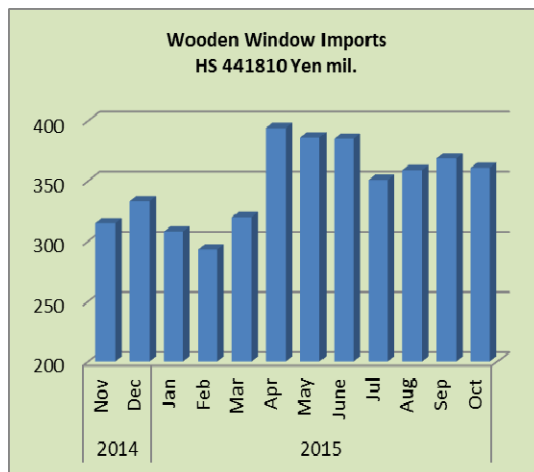


Data source: Ministry of Finance, Japan

**Windows**

In October 2015 the top suppliers of wooden windows to Japan were China and Philippines, together they accounted for approximately 70% of all wooden window imports. China remains the main supplier of wooden windows to Japan. October 2015 imports of wooden windows were the highest for the past twelve months.

October 2015 imports were up 27% year on year and monthly import values have risen since August.

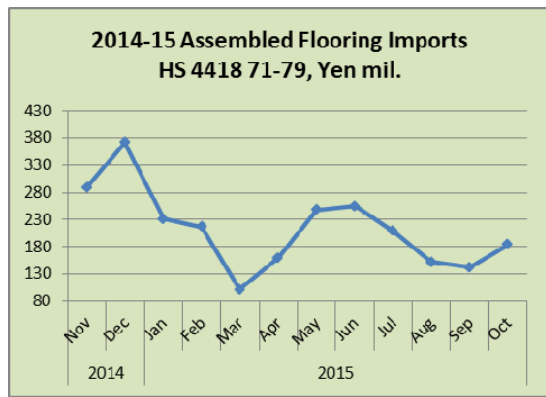


Data source: Ministry of Finance, Japan

**Assembled flooring**

Year on year, Japan's October 2015 imports of assembled flooring broke the downward trend seen since July. October assembled flooring imports were up almost 30% on September levels but year on year they were down a massive 37%.

China alone accounted for 60% of Japan's October 2015 imports of assembled flooring and if imports from the other three main suppliers, Thailand, Indonesia and Vietnam are included then 84% of all assembled wooden flooring is accounted for.



Data source: Ministry of Finance, Japan

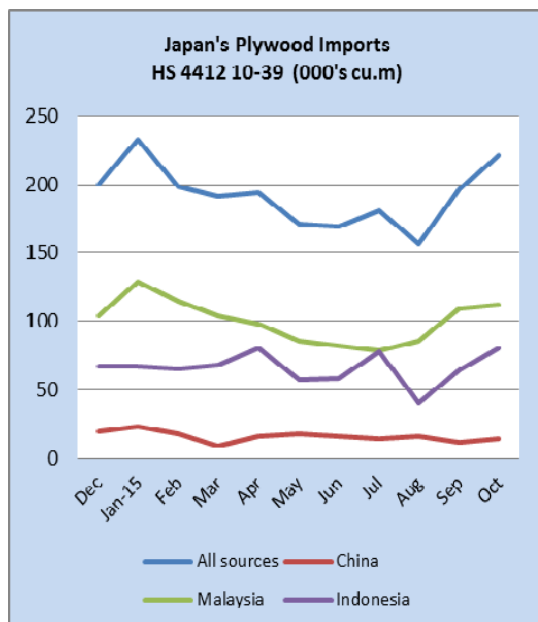
### Plywood

Suppliers in three countries, China, Malaysia and Indonesia account for almost all Japan's plywood imports.

The volume of plywood imports in October 2015 were up 7% year on year and October marked the third straight rise in imports from Malaysia and Indonesia. China ships plywood to Japan but the volumes are small, around a quarter of that shipped by either Malaysia or Indonesia.

Year on year October plywood imports from China were down 26% while, in contrast, shipments from Malaysia to Japan rose by almost the same amount (22%).

Japan's plywood imports from Indonesia have been rather erratic since mid year but have increased since August this year.



Data source: Ministry of Finance, Japan

### Main sources of Japan's plywood imports

		000's cu.m		
		China	Malaysia	Indonesia
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
	Oct	14	112	80

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>

### Plywood market news

Domestic softwood plywood market is firm. Since middle of the year, shipment has been increasing and the manufacturers' inventories continued dropping. After middle of November, the shipments by major manufacturers have started delaying in Kanto region.

Wholesalers, which have been regularly purchasing from the manufacturers, complain that purchase is getting difficult. In Western Japan, this firm trend has been continuing since last summer so all the plywood manufacturers announced price increase one after another.

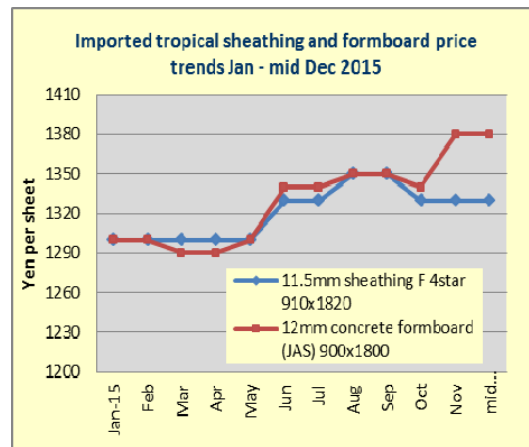
In Eastern Japan, delay of deliveries by low manufacturers' inventories has started since October and deliveries to precutting plants started delaying in November, particularly for special items.

By extreme low inventories, the manufacturers ship out real fresh products so it is getting hand to mouth situation.

October's softwood plywood production was 228,600 cbms, 4.3% more than October last year and 5.9% more than September but the shipment is more than the production at 244,100 cbms, 10.2% and 6.3% more.

The shipment exceeded 240 M cbms since June and July so the inventories further dropped down to 134,200 cbms, 15,000 cbms less than last month. In the market in Tokyo, 12 mm 3x6 panel prices are 870 yen per sheet delivered.

Meantime, imported plywood business continues struggle. In Tokyo market, the movement has been slow and it is hard to bring the prices to the cost level. The importers and wholesalers carry high cost inventories and it is very difficult to generate profit in depressed sales prices. Top prices of concrete forming for coating are 1,480-1,500 yen per sheet delivered in Tokyo market



### Daiken to build door plant in Indonesia

Daiken Corporation (Osaka) announced that it would build a new door manufacturing plant in Surabaya, Indonesia. It also established a subsidiary company, Daiken Dharma Indonesia, which manages and markets the products a new plant manufactures.

It is joint venture business with Dharma Satya Nusantara (DSN), which was established in 1980 for manufacturing oil palm, wood products and plywood. The plan is to start manufacturing in July 2016 then target of sales by 2020 would be three billion yen.

Production plan is to manufacture interior door of 180,000 sets a year by 2020. Total capital is about 770 million yen. Daiken puts up 70% and DSN 25%. Balance of 5% is by local companies.

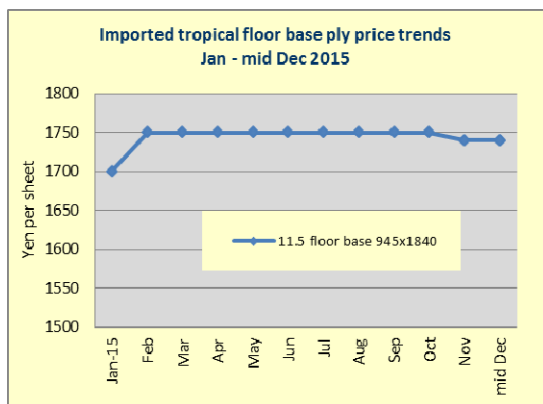
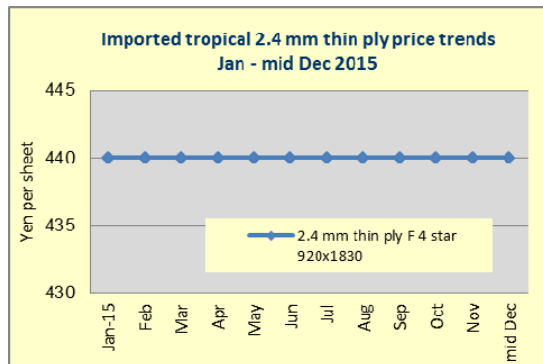
Size of property is 19, 059 square meters with building of 8,970 square meters. Initial number of employees will be about 70.

Indonesia has 4th largest population in the world with strong economic growth and it is expected that demand of housing for wealthy and medium income people is expected to grow rapidly and interest to high quality and unique design products is rising.

To promote sales in Indonesia, Daiken opened the office in Jakarta in 2012 and started market research. In 2014, it set up a joint venture company for marketing interior building materials and started selling the products to local companies and Japanese general construction companies and developers.

Now Daiken establishes continuous operation from manufacturing, marketing and actual application works as contractor.

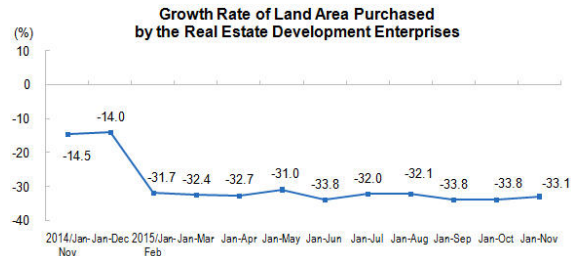
Daiken made up long range business plan and overseas business expansion, particularly in South East Asia is one of the targets and this is one of the plans.



## China

### 33 percent fall in real estate development

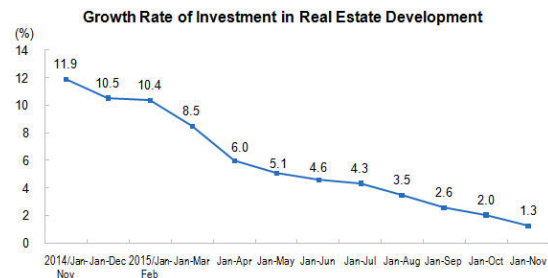
In the first eleven months of this year the area of land purchased by real estate developers' fell 33% compared to the same period last year. In November the pace of decline eased slightly for a month earlier.



Source: National Bureau of Statistics, China

The pace of investment in real estate development in the first eleven months of 2015 was just over 1% more than a year earlier. Investment in residential buildings grew modestly and accounted for 67.4% of all real estate development investment.

In sharp contrast to the weak housing data November retail sales of consumer goods grew by 11% year-on-year.



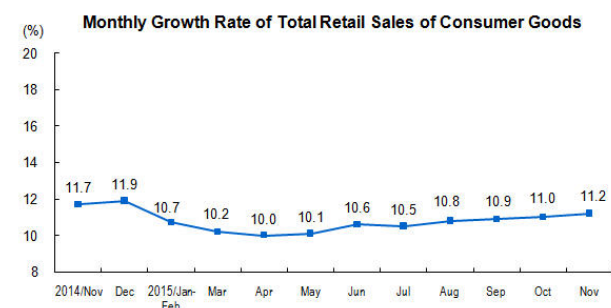
Source: National Bureau of Statistics, China

For more see:

[http://www.stats.gov.cn/english/PressRelease/201512/t20151216\\_1290619.html](http://www.stats.gov.cn/english/PressRelease/201512/t20151216_1290619.html)

See:

[http://www.stats.gov.cn/english/PressRelease/201512/t20151216\\_1290620.html](http://www.stats.gov.cn/english/PressRelease/201512/t20151216_1290620.html)



Source: National Bureau of Statistics, China

### Furniture company joins UN Global Compact

China's Futiansi Sijunzi Classical Furniture Co., Ltd was invited to join the UN Global Compact in September this year and became the first of China's redwood furniture enterprises to be a member of the Compact.

The UN Global Compact claims to be the world's largest corporate sustainability initiative with 80,000 corporate participants and other stakeholders in around 170 countries. The Compact supports companies to:

- Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and
- Take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

The UN Global Compact was launched by the previous UN Secretary-General Kofi Annan in an address to the World Economic Forum on January 31, 1999, and was officially launched at UN Headquarters in New York on July 26, 2000.

See: <https://www.unglobalcompact.org/> and [http://www.ptsjz.com/news\\_detail/newsId=154.html](http://www.ptsjz.com/news_detail/newsId=154.html)

### China the largest importer of Congo Basin timber

China has become the largest importer of timber from the Congo Basin with some 2.9 million cubic metres (RWE) being imported in 2014. This amounts to over 75% of total timber exports from the Congo Basin and exceeds the 2 million cubic metres imported by member states of the EU.

Most of the logs exported from Gabon, Congo Brazzaville and Equatorial Guinea are destined for China.

China imported 95% of the logs produced from Equatorial Guinea, 85% of logs from Congo Brazzaville, 78% of the logs from the Central African Republic, 76% of the logs from the Democratic Republic of the Congo, 64% of the logs from Gabon and 63% of logs from Cameroon in 2014.

### Guigang city - Centre of plywood industry

Guigang city is an important wood panel processing base and an important wood products trade distribution centre and in the the first three quarters of 2015 the value of production (mostly plywood) reached RMB14 billion.

There are some 2,680 enterprises in the city producing rotary cut veneer and plywood and these mills have a total production capacity of more than 4.5 million cubic metres.

Analysts estimate that around one third of the national output of formboard is produced by enterprises in the city.

Thirty seven (37) plywood enterprises in the city account for over 40% of total exports and ship to South Korea, Japan, Singapore, Australia, the United States, Thailand, Hong Kong and Taiwan.

#### Wood products trade between China and Vietnam

Despite China's growing trade deficit with Vietnam the wood products trade earns a huge surplus.

The Secretary General of the Vietnam Wood and Forest Products Processing said that the wood products trade between China and Vietnam generates a surplus of around US\$600 million annually.

It is estimated that Vietnam exported nearly US\$1 billion of wood products to China from 2012 to 2014 and the country was ranked third behind the United States and Japan.

In the first half of 2015 the value of Vietnam's wood product exports to China reached US\$425 million, mainly from the supply of wood chips, logs, sawnwood, wood based panels and furniture.

See:

<http://hochiminh.mofcom.gov.cn/article/jmxw/201509/20150901113917.shtml>

#### Houjie city furniture popular in South Africa

Wood products traders in Dongguan City, Guangdong Province have been inspired by news that China will provide US\$60 billion in aid to African countries over the next three years.

Houjie city furniture exporters have explored the South African market and the local administration launched a Houjie Furniture South Africa Initiative in October which resulted in the establishment of direct-sale and franchise stores in South Africa.

There are plans to build a Dongguan Furniture Products Exhibition Center in Johannesburg, Pretoria and Durban in South Africa specifically for Gongguan furniture 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
<b>yuan per tonne</b>		
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	7000-7500

Sawnwood		yuan/tonne
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

### 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

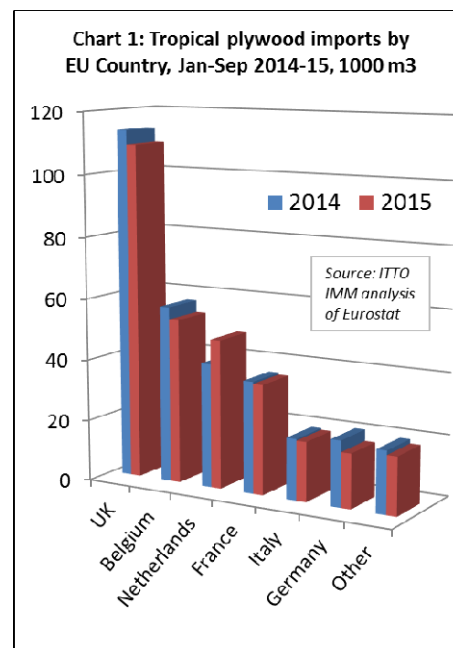
Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

## Europe

### European imports of tropical plywood down 2%

The EU imported 302,828cu.m of tropical plywood in the first nine months of 2015, 2% less than the same period in 2014.

EU demand for tropical plywood in 2015 has been negatively affected by the weakness of the euro relative to the US dollar, slow growth in the building sector in most European countries, as well as lower prices and short lead times for competing temperate plywood products from Europe, Russia and China.



Imports of tropical plywood into the UK were 109,093cu.m in the first nine months of 2015, 4% less than the same period in 2014.

Imports also declined into Belgium (-6.7% to 53,569cu.m), France (-1.7% to 35,746 cu.m), Italy (-2.6% to 19,384cu.m) and Germany (-17.2% to 17,705cu.m) during this period (Chart 1).

Of the six main tropical plywood consuming countries in Europe, only the Netherlands increased imports during the first nine months of 2015, by 20% to 48,471cu.m.

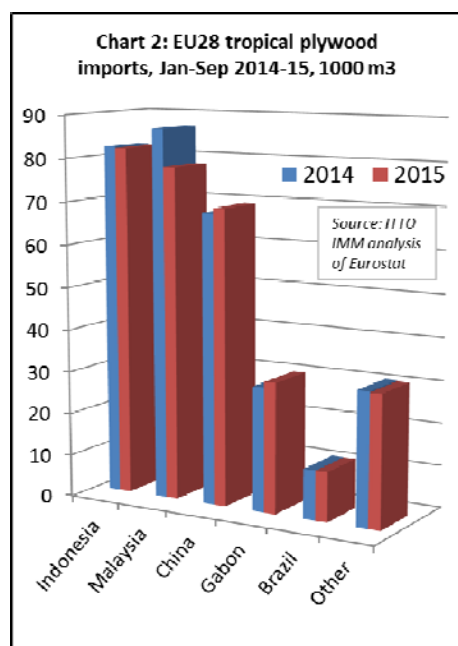
This aligns with the trend in imports of other tropical wood products into the Netherlands, including sawn wood, joinery and flooring, all of which have increased significantly in 2015.

After several years of decline, the Netherlands market for tropical wood has bottomed out and appears to be on the way to sustained recovery.

#### EU plywood imports from Malaysia fall 10%

Much of the decline in EU imports of tropical plywood during the first nine months of 2015 was due to lower deliveries from Malaysia, which fell 10% to 78,148cu.m.

Tropical plywood imports from Indonesia, at 82,053 cu.m., were close to the level of the previous year (Chart 2).



Indonesia's comparatively good performance is mainly due to recovery in the Netherlands and increasing sales in the UK. However Indonesian plywood has been losing market share in Germany this year, both to alternative European and Russian plywood and to wood plastic composites.

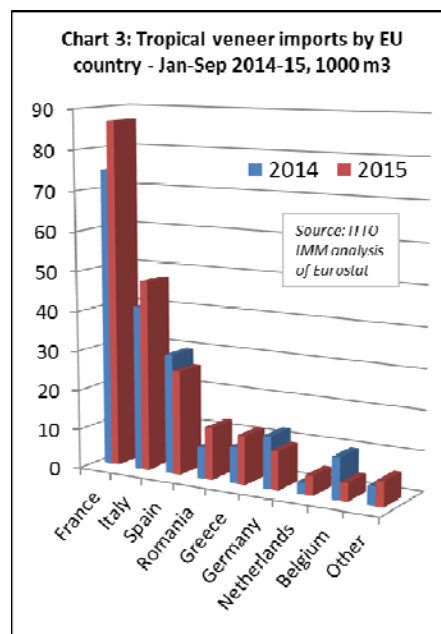
Of the three remaining large suppliers of tropical plywood to the EU, imports in the first nine months of 2015 increased from China (+1,9% to 69,346cu.m) and Gabon (+4.8% to 30,627cu.m) and remained stable from Brazil (at 11.646cu.m).

#### France and Italy increase tropical veneer imports

EU imports of tropical veneers increased 8.8% to 311,372cu.m in the first nine months of this year, mainly due to recovery in the traditional markets in France and Italy which together account for almost half of the EU's tropical veneer imports.

Imports increased into France by 16.4% to 86,915cu.m and Italy by 15.9% to 47,725cu.m. There were also gains in imports by Romania (+64.8% to 13,073cu.m) and Greece (+32.9% to 12,235cu.m).

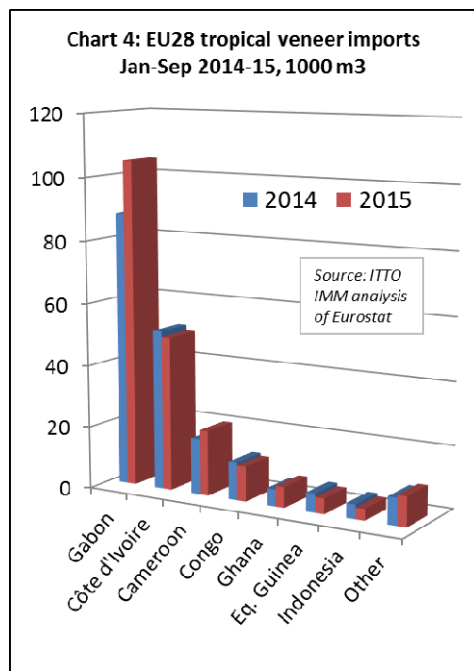
However there was a sharp decline in imports into Spain (-12.9% to 26,166cu.m) and Germany (-26.2% to 9,659cu.m) during the same period (Chart 3).



Much of the increase in EU imports of tropical veneer during the first nine months of 2015 was due to a sharp rise in deliveries from Gabon (+19.2% to 104,987cu.m) (Chart 4).

French and Italian okoumé plywood producers, sourcing veneer primarily from Gabon, have benefitted from improved demand this year.

Demand has recovered in the Netherlands, while some improvement is also reported in both the French and Italian domestic markets.



Besides Gabon, Cameroon (+16.3% to 20,866cu.m) and Ghana (+21.1% to 6,600cu.m) also stepped up deliveries of tropical veneer to Europe during the first nine months of 2015.

However, imports from all other major supply countries declined this year, including from Ivory Coast (-3.6% to 49,469cu.m), Congo (-7.0% to 11,249cu.m), Equatorial Guinea (-17.3% to 4,953cu.m) and Indonesia (-21% to 3,673cu.m).

#### Tropical wood flooring imports shift from Belgium to France

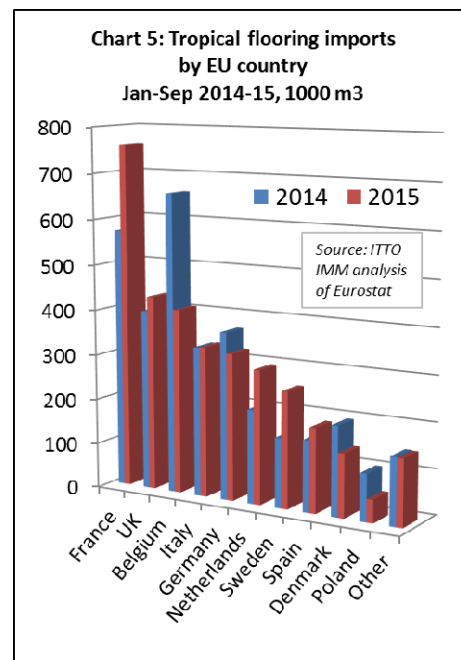
Total EU imports of wood flooring from tropical countries were practically unchanged (+1% to 3.327 million sq.m) in the first nine months of 2015. However import trends varied widely between European countries.

Most notably imports into France increased 32.9% to 760,784 sq.m, a gain offset by a 38.3% decline to 407,264 sq.m in imports by Belgium (Chart 5).

These trends are more likely due to alterations in distribution networks for wood flooring in north-western Europe than to any significant change in consumption levels.

The European Federation of the Parquet Industry (FEP) reports that wood flooring sales in France were merely stable in the first nine months of this year; an increase in sales by around 3% in the first few months was followed by a satisfactory second and a weaker third quarter.

FEP also reports stable sales and consumption of wood flooring in Belgium in the first nine months of this year.



UK imports of wood flooring from tropical countries increased 8.2% to 430,659 sq.m in the first nine months of 2015. This aligns with FEP estimates that overall wood flooring sales in the UK increased by around 5% in the first nine months of this year.

Italian imports of wood flooring from tropical countries were stable at 330,829 sq.m in the first nine months of 2015, also in line with FEP estimates of stable overall wood flooring consumption in Italy.

Imports of wood flooring from tropical countries into Germany declined 12.2% to 323,661 sq.m in the first nine months of 2015. FEP reports that luxury vinyl tiles (LVT) remain a strong competitor to wood flooring assortments in this market.

However, the total market for wood flooring in Germany appears to be performing better than the tropical wood segment. FEP records stable sales of all wood flooring in Germany in the first nine months of 2015. The German market continues to see a strong trend of using oak in both flooring and furniture.

In the Netherlands, recovery in the building sector is reflected in a 42.6% increase in imports (to 295,344 sq.m) of wood flooring from tropical countries in the first nine months of 2015.

Unlike Germany, imports of wood flooring in the Netherlands from tropical countries increased more rapidly than overall demand. FEP records no more than a 2% increase in overall wood flooring sales in the Netherlands during the period.

However FEP confirms that the Dutch housing market has "a better outlook than in the last seven years".

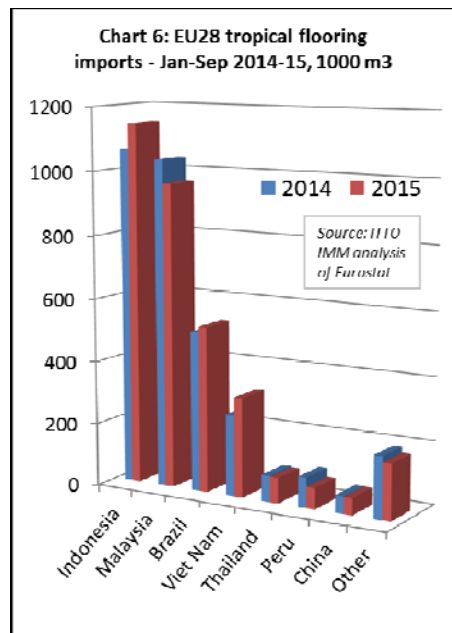
Sweden (+66.4% to 255,746 sq.m) and Spain (+18.5% to 186,178m2) also registered significant increases in wood flooring imports from tropical countries in the first nine months of 2015, although from a very small base.

In contrast, imports declined sharply into Denmark (-29.1% to 139,810 sq.m) and Poland (-51.5% to 50,486 sq.m), despite FEP reporting a slightly positive development in overall wood flooring sales in both countries during the same period.

**Indonesia, the largest supplier of wood flooring into the EU**

Indonesia is currently the single largest tropical supplier of wood flooring into the EU market. EU imports from Indonesia increased 7.6% to 1.144 million sq.m in the first nine months of 2015. Imports also increased from Viet Nam (+22.4% to 315,903 sq.m) and Brazil (+3.7% to 526,114 sq.m) during the same period.

However imports fell from Malaysia (-7.0% to 963,560 sq.m), Thailand (-4.1% to 80,609 sq.m), Peru (-29.9% to 66,562 sq.m) and China (-2.3% to 53,497 sq.m) (Chart 6).



**North America**

**Ipe sawnwood imports jump**

US sawn hardwood imports declined by 5% in September from the previous month to 63,908 cu.m. The decrease was mainly in tropical imports, which fell 19% to 19,223 cu.m. following record import levels in August.

Imports of temperate species grew 2% in September.

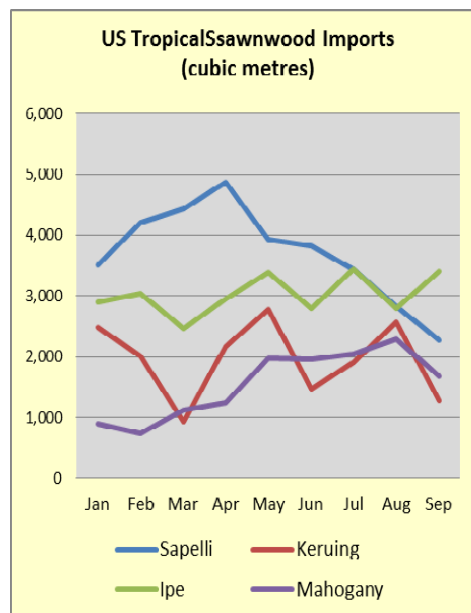
Imports of almost all tropical species declined, with the exception of ipe (3,398 cu.m.), meranti (876 cu.m.) and teak (228 cu.m.). Ipe imports were higher in September than any other time since August 2012.

Keruing sawnwood imports fell 50% from August to 1,278 cu.m., but year-to-date imports remain almost one third higher than in September 2014.

Only balsa, cedro and virola showed lower year-to-date imports in September compared to last year.

Imports from Brazil declined month-over-month despite higher ipe shipments. Imports of virola, jatoba and other species from Brazil decreased.

Imports from most other countries also declined in September with the exception of Ghana. Imports from Cameroon decreased by one third to 2,070 cu.m. Malaysian shipments to the US fell 39% to 1,760 cu.m.



**Canadian tropical sawnwood imports flat**

The value of Canadian imports of tropical sawnwood was nearly unchanged in September from the previous month at US\$1.65 million. Year-to-date imports were one third lower than in September 2014.

Imports of sapelli were up 8% in September (US\$337,080). Imports of virola, imbuia and balsa (combined), and mahogany decreased by 37% and 73%, respectively.

Cameroon was Canada's largest supplier of tropical sawnwood in September at US\$488,149 due to high demand for sapelli.

Imports from Brazil were worth US\$334,994, up from August, but significantly lower than at the same time last year.

**Mild weather good for US construction sector**

The US economy suffered when winters were unusually cold in 2013/14 and again last winter. GDP growth was only 0.6% in the first quarter of 2015 partially because of severe winter weather.

In 2014 the economy even contracted in the first quarter and supply chains were disrupted due to heavy snowfall. This mild winter weather may boost 2016 GDP growth by as much 0.5 percent, according to the International Monetary Fund. A strong El Nino weather phenomenon would extend the construction season and boost consumer spending.

#### **US firm buys Brazil's Companhia Madeireira**

Advantage Trim & Lumber, a hardwood decking, flooring and sawnwood dealer based in Buffalo, New York, has completed the purchase of Brazilian Companhia Madeireira, according to the Woodworking Network.

The Brazilian company is FSC-certified and one of the largest sawn hardwood manufacturing plants in Northern Brazil. It produces flooring, decking, deck tiles and cabinet grade sawnwood.

Easier compliance with the Lacey Act was a major reason for the purchase, according to a statement by Advantage Trim & Lumber. Advantage will have direct control of the supply chain to ensure the legitimacy of wood permits. Better control of quality and pricing is also expected from owning and upgrading the production facility in Brazil.

Advantage has several other production sites in the US and sells hardwood products online in North America and internationally.

#### **Merger to create largest US private land owner and forest products company**

Weyerhaeuser will purchase Plum Creek Timber according to a 8 November announcement. Both companies manufacture wood products and are the two largest timberland owners in the US.

Weyerhaeuser manufactures a variety of wood building products while Plum Creek has wood product mills in the US Northwest. Both operate as real estate investment trusts.

The new company will keep the Weyerhaeuser name. It will be worth \$23 billion and manage around 53,000 square kilometres of timberland primarily in the US. It will be the largest forest products and land company in the US.

The deal is expected to attract larger investor interested in timberland. It would also create annual cost synergies worth US\$100 million and better ability to take advantage of the US housing market recovery, according to a statement by Weyerhaeuser.

#### **US mill owner pleads guilty to violating Lacey Act**

A mill owner in Washington State has pleaded guilty to violating the Lacey Act. The mill purchased maple cut illegally on national forest land. The mill owner admitted he suspected that the wood had been illegally cut. He faces up to five years in prison, a US\$250,000 fine and at least US\$159,000 in restitution when sentenced in February 2016.

Three men have also been charged of illegally cutting down the trees. Those who purchased products milled from the illegal logs have not been prosecuted.

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

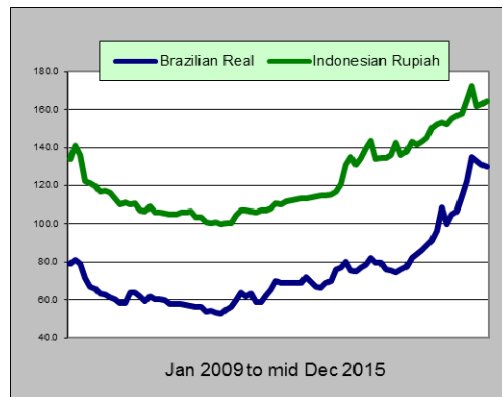
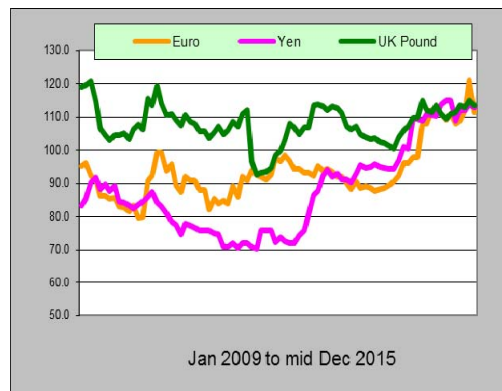
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## US Dollar Exchange Rates

As of 10<sup>th</sup> December 2015

Brazil	Real	3.8126
CFA countries	CFA Franc	605.35
China	Yuan	6.4302
EU	Euro	0.9131
India	Rupee	66.756
Indonesia	Rupiah	13962
Japan	Yen	121.57
Malaysia	Ringgit	4.275
Peru	New Sol	3.3705
UK	Pound	0.6596
South Korea	Won	1179.06

Exchange rate indices (Dec 2003=100)

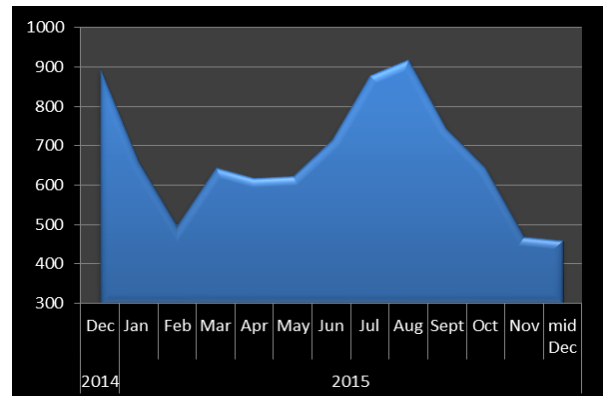


## Abbreviations and Equivalences

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  
Dec 2014 – mid Dec 2015

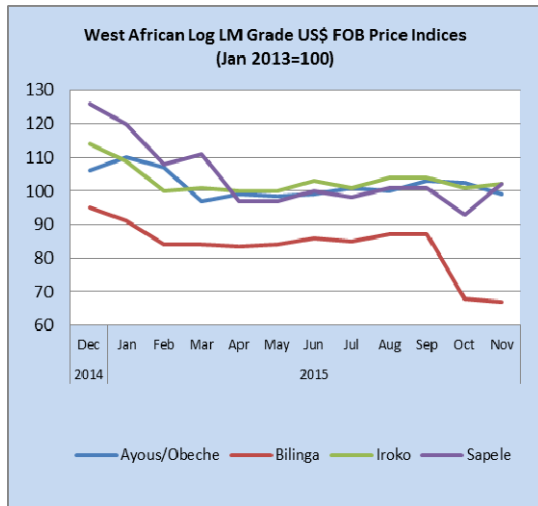


Data source: Open Financial Data Project

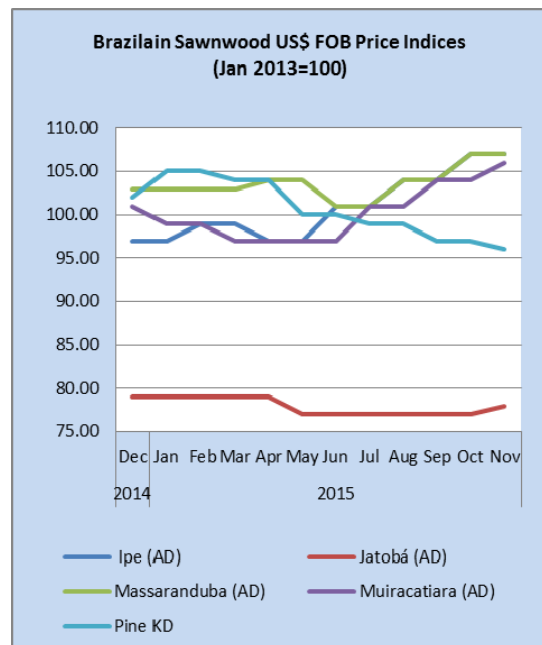
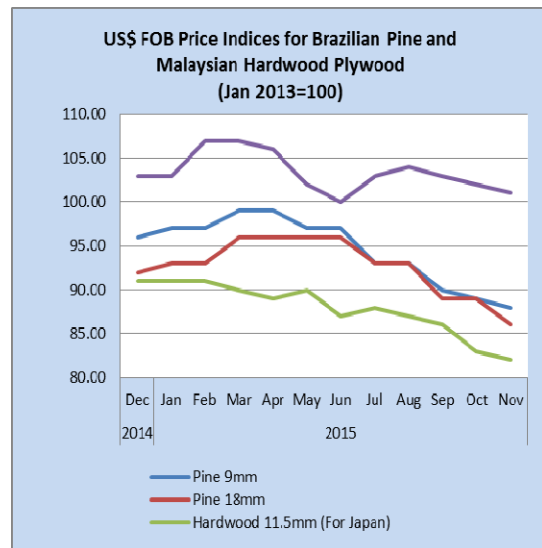
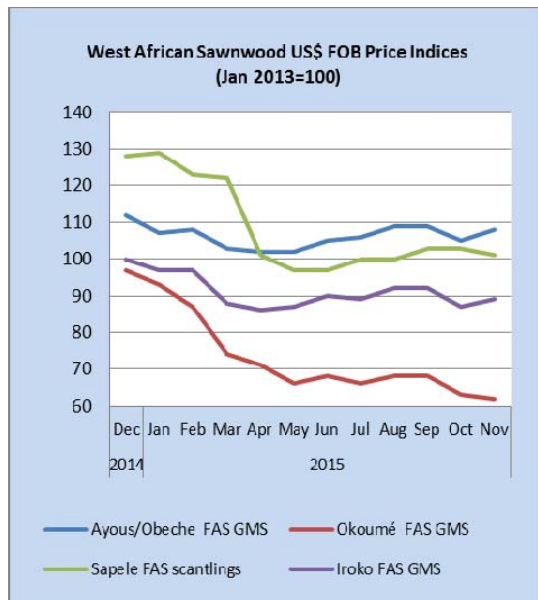
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**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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