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.

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Top Story

Japan's furniture import trends

Production and sales from Japan's domestic wooden furniture manufacturers have been shrinking for more than a decade. Most of the decline is due to competition from imports.

It has been estimated that imports of bedroom, kitchen and dining-room furniture accounted for around 60% of the market in 2015.

The growth in imports from China and Southeast Asian countries continues to hollow out domestic wooden furniture manufacturing.

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Headlines

Central and West Africa

Slow rise in EU demand anticipated

For the first time this year minor sawnwood price movements have been reported, otherwise most markets are quiet and prices remain unchanged.

Thankfully, business in Europe continues at levels normal for this time of year when the construction/building sectors are affected by winter weather. West and Central African producers anticipate a slow but upward trend in sales to markets in Europe throughout this year.

No interest in small diameter okoume logs

Buyers for the Chinese market are on the sidelines due to the holiday period but there have been reports of small purchases of selected species but no-one is interested in large volumes of okoume.

Sales of okoume logs are limited to high quality and larger diameter logs at low price. There is absolutely no interest on the part of buyers in small and lower quality okoume logs.

It is not clear when or even if there will be revival in China's imports beyond the small volumes traded at present. There have been suggestions that the species mix for the Chinese market may be changing towards a different range of lower cost timbers.

Business in Middle East markets has, so far, not been affected by the declines in oil export prices which must be denting the reserves of oil exporters

Producers see growth potential in Mid-East markets

Purchases by buyers for the Middle East markets are of only moderate volumes as is usually the case. The sentiment amongst producers in Central and West Africa is that demand in the Middle East will remain stable with potential for growth as the year progresses, though prices in this market will be always under competitive pressure.

Falling timber exports affecting government revenues

Heavy seasonal rains are affecting production in the region especially in Gabon and Congo Brazzaville. Anecdotal evidence suggests both Gabon and Congo Brazzaville are feeling the effects on their economies of the lower level of timber exports which, in the past, generated substantial revenues from taxes and export levies.

Analysts point to a slowing in large infrastructure developments such as new roads and buildings as evidence of declining government revenues.

Log Export Prices

West African logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS)	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^3
Ayous	FAS GMS	410
Bilinga	FAS GMS	500
Okoumé	FAS GMS	350
	Merchantable	225
	Std/Btr GMS	270
Sipo	FAS GMS	610
	FAS fixed sizes	610
	FAS scantlings	640
Padouk	FAS GMS	930↓
	FAS scantlings	1020↑
	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

AGI says business confidence continues to fall

The inflation rate in Ghana rose to a record 19% in January this year, up from 17.7% in December last year. This was made known by the Deputy Government Statistician, Mr. Baah Wiredu, who attributed the increase mainly to a rise in non-food inflation components such as water, electricity and transport. Late last year utility prices were increased by more than 50%.

In a related development the Association of Ghana Industries (AGI), which has members from timber processing companies, said in a press release that its business confidence index dropped from 97.3 in the third quarter 2015 to 93.1 in the final quarter of the year. AGI attributed the drop to major challenges that industries faced including the high costs of electricity, inadequate power supply and currency instability

First FSC teak from Ghana

This year Form Ghana reached a milestone in plantation forestry with the first harvest of 3,000 cubic metres of teak from FSC certified plantations near Akumadan, the capital of Offinso North.

The teak plantations are managed by Form Ghana and have been certified since 2010. The plantations have been established and are managed with the help of Form International in the Netherlands.

The vision of Form Ghana is that reforestation of degraded forest land should be conducted to the highest standards for sustainable forest management, serving the needs of the local communities and restoring vital environmental services within an economically viable business model.

A recent press release from the company says it plans to reforest around at least 20,000 hectares of degraded forest reserve in Ghana, so far 7,000 hectares has been planted.

Finnish delegation discusses investments

Ghana's forest resource may soon receive a boost following a meeting between the Minister for Lands and Natural Resources and a business delegation from Finland. Minister Nii Osa Mills emphasised the country's forest potential with the visiting delegation.

The Minister said, though the country has lost much of its forest cover due to illegal mining activities, slash-and-burn agriculture and over-cutting for fuelwood efforts are being made on reforestation. Ghana had over 8.2 million hectares of forest cover, but this is currently estimated to be only 4.6 million hectares.

February prices

Prices for wood products remained unchanged as of 30 January.

Boule Export prices

	Euro per m^3
Black Ofram	380↓
Black Ofram Kiln dry	510
Niangon	455
Niangon Kiln dry	490

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	314↓	433
Chenchen	462	555
Ogea	474↓	537
Essa	511↓	561
Ofram	350	406

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

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.91
Asanfina	1.40	0.75
Avodire	1.90	0.34
Chenchen	1.10	0 .30
Mahogany	3.10	0.92
Makore	1.80	0.80
Odum	1.33	0.40

Export Plywood Prices

Plywood, FOB		€ per m^3	
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	508	535	615
9mm	407↑	450	613
12mm	369	463	450
15mm	450	436	400
18mm	353↑	383	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	203	320↓
Dahoma	467↓	514↓
Edinam (mixed redwood)	537	580
Emeri	477	515↓
African mahogany (Ivorensis)	633	1025↓
Makore	660	760↑
Niangon	687↑	873
Odum	660	900
Sapele	610↓	791↓
Wawa 1C & Select	400	370↓

Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	11.64	14.47	17.00
Odum	9.00	10.18	11.00
Hyedua	13.67	18.22	16.30
Afrormosia	13.72	13.93	17.82

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

Malaysia

Drop in oil revenues forces cuts to government spending

Logging operations, mills and factories ceased operations for the annual holidays as Malaysia celebrated Chinese New Year on 8 February, not in a very cheerful mood however as the collapse in oil prices is rocking Malaysia's economy. The country is the 26th ranked global oil producers at around 700,000 barrels a day and oil revenue is important for the economy.

In the face of falling revenues the government has been forced to adjust the federal budget. In the revised 2016 budget revenues are expected to drop between 3-4% which has forced a cut in spending which will have a knock-on effect on GDP.

Companies secure government promise to review foreign worker levy rate hike

Malaysia depends on foreign workers to sustain output in the construction, plantation and manufacturing industries and there are over 2 million registered foreign workers in the country. Estimates put the number of illegal workers at another 2 million.

The government has increased the levies on companies to try and reduce their dependence on foreign workers. Most hit will be the plantation and agriculture sectors.

Companies are complaining about the sudden steep rise in the levies and 55 business groups representing large and small enterprises have urged the Government to give up on its 300% rise in levies on foreign workers saying the magnitude of the increase was too high.

In a press release the Sarawak Timber Association said the timber industry "is highly dependent on the export markets, this sudden increase in the cost of doing business would certainly lead to an increase in the prices of Malaysian timber products and thus render them less competitive compared to similar products from our competitors such as Indonesia and Vietnam".

The government has announced it will re-view the proposed levy rates.

Orangutan habit protection brings results
Efforts by the Sabah State Administration to protect its wildlife especially the iconic orangutan seems to be successful as the number of orphaned animals arriving at the state run rehabilitation centre in Sipilok has dropped sharply.

Dr. Sen Nathan, the Centre's Director, said only two orangutan were brought to the centre in 2015 whereas 10 years ago the annual number was around 20.

The decline is put down to enforced protection of the animal's habitat such as in the Ulu Segama-Malua forest reserve, Dermakot as well as the Lower Kinabatangan wildlife sanctuary. Sen said that the Kabili forest reserve adjacent to the rehabilitation centre is home to dozens of saved orangutan which are now breeding.

Choose plantation species wisely says Chieg Minister
Sarawak Chief Minister, Adenan Satem, has called on holders of Licenses for Planted Forests (LPF) to be committed to establishing high quality plantations. In the past the emphasis was on the area planted but this led to the planting of species of low commercial value.

Adenan spoke on the need to select the correct species suited to the site and of a type that will yield timber for a wide range of products.

Nigeria and Ghana gateway to West African trade growth
MATRADE's Commissioner to West Africa, Saifuddin Khalid, said economic growth in West African countries is offering an opportunity for Malaysian exporters and that MATRADE will use English speaking Ghana and Nigeria as the base for business development in ECOWAS (Economic Community of West African States).

ECOWAS is a 15-member regional group with a mandate to promote economic integration in all fields of activity of the constituting countries. Member countries making up ECOWAS are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo.

Saifuddin noted that Malaysia enjoyed good relationship with countries in West Africa before the region was hit by political uncertainties in the 1990s, which led to Malaysian companies divesting their investments.

For more see:
: http://www.nst.com.my/news/2016/02/126307/matrade-expand-malaysian-products-west-africa

Indonesia

EU says annul exclusions to allow FLEGT licensing scheme to go ahead
The EU has alerted Indonesia to the risk that the country would miss the opportunity to become the first in the world to achieve recognition of FLEGT licensed exports if the Ministry of Trade continues to allow the export of many wood products without the national SVLK license.

An extensive list of products were initially included in the VPA/FLEGT negotiations between Indonesia and the EU but the Ministry of Trade has removed the requirement for SVLK certification from several items produced by small and medium sized companies arguing they could neither afford nor have the capacity to cope with the requirements of the SVLK.

Indonesia had agreed to reinstate the SVLK to products earlier agreed by the end of 2015 but this deadline was not achieved.

Agus Sarsito, Indonesia's chief negotiator for the VPA and for the items included in the FLEGT scheme said the EU is ready to fully implement the VPA when Indonesia annuls the changes made to the product list.

Asmindo, the Indonesian Furniture Entrepreneurs Association says it recognises the benefits of SVLK certification since this will lead to FLEGT licensing and easy access to EU markets but wants furniture SMEs to be offered an easy and low cost way to comply.

AEC to bring tough competition to domestic furniture market
Domestic furniture producers see that they could lose their share of the domestic furniture market to ASEAN and other county exporters if the cannot become more competitive.

The launch of the ASEAN Economic Community (AEC) jolted Asmindo to begin gearing up for strong competition in the domestic market.

Asmindo will host the four-day Indonesia International Furniture and Craft Fair (IFFINA) in March targeting both local and global buyers and is aiming for contracts worth over US$400 million.

Cut in rubber exports could lead to fall in log availability

Indonesia, Malaysia and Thailand are the main exporters of natural rubber but as prices have plummeted the three have agreed to cut production and exports.

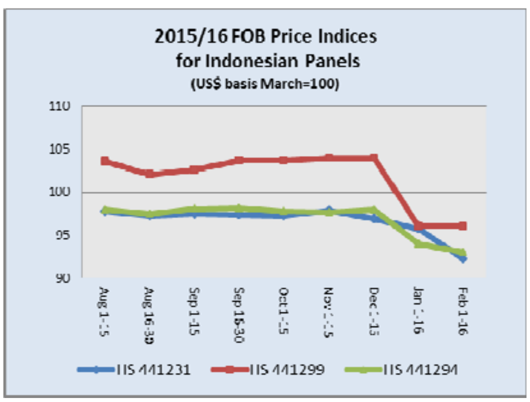
The three countries are strongly represented in the International Tripartite Rubber Council (ITRC) and will begin reducing exports by 615,000 tons in the six months to the end of August.

This cut could have a major impact on the availability of rubberwood logs harvested as plantations are replaced. If the pace of plantation replacement drops lower volumes of rubberwood logs will be available to millers and could send prices rising.

Chinese delegation examines SVLK

Putera Parthama of the Ministry of Environment and Forestry recently hosted a visit by a delegation from China led by Dr. Chen Shao Zhi, Director General of the Research Institute of Forestry Policy and Information, Chinese Academy of Forestry.

The Chinese government has an interest in Indonesia's timber legality assurance system (SVLK) and Indonesia proudly explained the working of the SVLK to the Chinese delegation.



Myanmar

Myanmar forestry and timber sectors to benefit from transparency

The Extractive Industries Transparency Initiative (EITI) has announced that Myanmar has been accepted as a 'Candidate' country to the EITI, the global transparency standard. Myanmar now joins 44 countries that have signed up to the EITI Standard which requires extensive information disclosure and measures to improve accountability in how natural resources are governed.

It is understood that Myanmar's timber sector will be included in the list of EITI and as such all statistics related to the sector will be provided to an independent auditor.

In an on-line statement Clare Short, Chair of the EITI, said: "Myanmar's admission to the EITI comes at a critical time as the country is now opening up its vast natural resources for foreign investment.

By implementing the EITI, the government has made a commitment to the people of Myanmar: that they will have the right see how these resources are managed. I encourage the government to make use of the EITI as a tool to inspire wider reforms and to enshrine transparency in government institutions."

For more see: https://eiti.org/news/myanmar-admitted-eiti-candidate

VPA and Myanmar/China MOU explained

On 1 February the Director General of Forest Department called a meeting of senior officials of MOECAF to explain the VPA negotiation. At the meeting the Deputy DG revealed the ultimate goal is a logging Ban. However, he did not clarify when such a ban would be introduced.

Analysts point out that the election manifesto of the new government addressed timber extraction and indicated it will be reduced but a logging ban was not mentioned. The timber industry plays a vital role in providing for domestic demand and in generating export earnings and a ban on all harvesting would have far reaching consequences.

Analysts point out that even now there many redundant working elephants and owners are facing a tough time supporting them.

The Deputy DG also provided details of the Myanmar/China MoU which he said has three objectives - to eliminate the illegal timber trade, to prevent forest fires along the border and to establish wood processing industries.

In another development, MOECAF has terminated cooperation with EcoDev, an outspoken environmental NGO. EcoDev played an important role in providing a means for civil society organisations to participate in the VPA preparation phase.

Sales in the local market

The Local Marketing and Milling Department of the Myanma Timber Enterprise recently sold teak logs (mixed Quality SG7 and lower) and hardwood logs to local mills.

Average price (Kyats) were as follows, teak logs (reject quality) 1,003,841, pyinkado logs 381,194, hnaw logs 317,849, thinwin logs 252,912 and kanyin logs 340,000.

India

Business conditions now easier for the construction sector

Considerable progress has been reported towards enhancing the ease of doing business the construction sector especially in urban areas. This, says a press release from Credai, stems from streamlining procedures, adoption of appropriate technology and by empowering urban local bodies to provide a wide range of approvals.

Progress on reforms were recently reviewed at a high level meeting convened by the Minister of Urban Development and Housing and Urban Poverty Alleviation Shri M.Venkaiah-Naidu.

Defence Minister, Shri Manohar Parrikar, Civil Aviation Minister, Shri Ashok Gajapati Raju, Minister of Environment, Forests and Climate Change, Shri Prakash Javdekar and the Minister of Tourism and Culture, Dr.Mahesh Sharma participated in the review meeting.

The Ministry of Environment, Forests and Climate Change has revised and simplified environmental standards that must be met. These will be made available after consultations with the Ministry of Urban Development.

For more see: http://www.credai.org/significant-progress-made-towards-improving-ease-doing-construction-business-urban-areas-pib

Private consortium to lead affordable housing drive

The International Finance Corporation (IFC) is leading a collaborative effort with major Indian housing sector companies to form an industry-led Sustainable Housing Leadership Consortium the focus of which will be on the affordable housing sector. The effort is part of IFC's Eco-cities programme supported by the European Union.

The Economic Times of India reports that Mahindra Lifespace Developers Limited, Shapoorji Pallonji Real Estate, Tata Housing Development Company, and VBHC Value Homes Private Limited will participate.

Johann Hesse, Head of Cooperation of the European Union in India said "Buildings contribute to about 30-40 percent of energy consumption in many Indian cities and about 22 percent of the country's annual greenhouse gas emissions.

The founding members of the consortium have committed to make 100 percent of their housing portfolio sustainable by 2017 through appropriate green-building certifications.

For more see:
http://economictimes.indiatimes.com/articleshow/50838711.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Plywood industry sourcing alternatives to gurjan

Indian consumers are accustomed to red colored face and back veneers, mostly imported gurjan, for the panel products. Plywood manufacturers depended on imports of gurjan from Myanmar since domestic sources of suitable Dipterocarpus timbers were insufficient to meet the requirements of the plywood sector.

Now that Myanmar has banned log exports Indian manufacturers are facing a problem in securing peeler logs of a colour to satisfy consumer preferences.

There are two ways to overcome this problem; encourage consumers to accept domestic and imported timbers of another colour with properties similar to gurjan or identify alternative large sized, red coloured timbers suitable for peeling.

Trials have been conducted with okoume and sapelli and a measure of market acceptance has been reported. In addition some timbers from Malaysia, Papua and New Guinea and Solomon Islands have been found acceptable.

The timbers being assessed include amoora antiaris, calophyllum, campnosperma, erima, grey canarium, hoop pine, klinki pine, labula litsea, lophopetalum, mersawa, pink satinwood, red cedar, planchonella, silkwood, maple, silver ash and sloanea.

Currently alternatives to gurjan account for around 40% of the timbers used for peeling.

Prices for locally sawn hardwoods

Some price changes have been observed due to the depreciation of Rupee.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1950-2150
Balau	1750-1850
Resak	1200-1400
Kapur	1750-1850
Kempas	1200-1300
Red Meranti	1200-1350
Radiata pine AD	750-850
Whitewood	675-800

Price variations depend mainly on length and cross section

Prices for imported plantation teak, C&F Indian ports
Analysts report several price changes reflecting variation in the size of the logs shipped.

Mexico has joined the ranks of plantation teak shippers to India.

Recent weakness in the rupee exchange rate has raised the landed cost and manufacturers are attempting to pass on price increases.

	US$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-614
Benin sawn	530-872
Brazil logs	321-665
Brazil squares	370-556
Cameroon logs	406165-
Colombia logs	426-775
Congo D. R. logs	451-761
Costa Rica logs	320-780
Côte d'Ivoire logs	298-756
Ecuador squares	254-564
El-Salvador logs	381-732
Ghana logs	276-434
Guatemala logs	360-451
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	515
Nicaragua logs	402-505
Nigeria squares	321-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	488-857
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	557-680
Uganda logs	411-576
Uganda Teak sawn	680-900

Myanmar teak flitches resawn in India
There has been no change in pricing over the past two weeks. Imports of large sized flitches from Myanmar are helping sustain teak stocks.

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
The depreciation of rupee has resulted in changes in domestic prices.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft^3
Beech	1250-1350
Sycamore	1500-1650
Red oak	1500-1650
White Oak	1900-2100
American Walnut	3500-3700
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1650-1850
Douglas Fir	1350-1450

Price variations depend mainly on length and cross section

Plywood market trends
The cost of imported plywood is rising as the rupee weakens but prices for locally manufactured plywood remained unchanged.

As reported earlier gurjan a face and back veneer is being replaced such that at present gurjan accounts for only 40% of total veneer production.

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	Rs55.80	RS.68.00
19mm	Rs.64.60	Rs.76.30
5mm Flexible ply	Rs.40.00	

Brazil

'Orchestra Brazil' a success story

Companies participating in 'Orchestra Brazil' increased exports by 9% in 2015 compared to 2014.

The 'Orchestra Brazil' project supports the furniture sector and has grown out of cooperation between the Bento Gonçalves Furniture Industry Union (Sindmóveis) and the Brazilian Trade and Investment Promotion Agency (Apex-Brazil).

One factor explaining the growth was the number of markets targeted through the project and the rise in the number of companies participating in the project.

The markets which contributed most to the positive performance in 2015 were the United States, the main destination at 13.7% and Bolivia for which exports more than doubled making Bolivia the second most important market within the Orchestra Brazil Project. Other significant markets were Mexico (9% growth), Uruguay (11% growth), Canada (120% growth), Guatemala (4.2%), Turkey (72.6%), Spain (277.8%) and Belgium (63.6%).

The Orchestra Brazil Project has functioned since 2006 and promotes competitive furniture suppliers in international markets. Market studies, prospecting missions as well as participation in major trade fairs have been conducted. Currently, 62 companies are associated with the Project and for 2016 the priority markets are South Africa, Argentina, Bolivia, Chile, Colombia, the United States, Mexico, Peru, Turkey and Vietnam.

Rio Grande do Sul Furniture exports down in 2015

2015 was not good for furniture exporters in Rio Grande do Sul State, as exports dropped over 15% according to the Ministry of Development, Industry and Foreign Trade (MDIC). In 2015 the furniture industry earned US$183.5 million from exports compared with the US$216 million in 2014.

The main export destinations were the UK, Peru and Paraguay. The US market was ranked fourth and accounted for just over 10% of total state furniture exports.

Rio Grande do Sul lost the leadership in the ranking of furniture exporters in the country. Manufacturers in the state closed 2015 in second place accounting for 30.5% of foreign sales compared to the 34.3% achieved by manufacturers in the state of Santa Catarina. Other top states in terms of furniture exports were the State of Paraná (13.7%) and the State of São Paulo (11.5%).

Weak international demand coupled with the tough economic conditions in the country and the impact of these on production has been cited as the reason for the decline in export furniture output.

The furniture industry in Brazil faces many uncertainties and challenges in the year ahead. To offer competitive products analysts point out that there is a need for the sector players to invest in product differentiation, added value production technology and design innovations..

Inspection nets illegal timber

Agents of the Jaru Biological Reserve, with support from the Amazon Region Protected Areas Program (ARPA), the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Rondônia Military Police, conducted operations in the eastern part of the Amazon Reserve spanning Rondônia and Mato Grosso. The operation resulted in the seizure of almost 1,000 cubic metres of illegally logged timber.

The aim of this operation was to monitor the implementation of management plans in the area and to clamp down on any offenses such as illegal logging, deforestation, illegal mining and hunting.

The inspection team decided the seized timber had to be destroyed because it was too expensive to transport the timber to the nearest mill (240km) because of the poor condition of the road due to heavy rains.

Usually the seized timber is auctioned but in this case IBAMA chose to destroy the timber to prevent it being recovered if left on-site.

Digital aid for forest management

The Brazilian Agricultural Research Corporation (EMBRAPA) will conduct a training course on the Digital Modelling of Logging (MODEFLORA) for professionals of the Institute of Management and Forest Certification (IMAFLORA), the agency responsible for forest certification in Piracicaba, São Paulo.

The MODEFLORA model was developed by EMBRAPA in 2008 and it has been tested on 32,000 ha of forest areas designated for logging. One of the main advantages of the technology is accuracy of information generated in forest management activities.

The technology uses the Global Positioning System (GPS), the Geographic Information System (GIS) and Remote Sensing (RS) for the location of trees and provides for micro-zoning of the area. This is of great help for forest management planning.

The information contributes to activity planning and accurate execution of fieldwork.

Another advantage is that working with accurate digital data reduces the incidence of inventory errors and cuts the cost of conducting mapping. EMBRAPA says cos saving can be as much as 30%.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	700
Jatoba	348
Massaranduba	317
Muiracatiara	330
Angelim Vermelho	291
Mixed red and white	184
Eucalyptus (AD)	171
Pine (AD)	123
Pine (KD)	139

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	481
10mm WBP	381
15mm WBP	332
4mm MR	432
10mm MR	320
15mm MR	298

Prices do not include taxes
Source: STCP Data Bank

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	144
Jatoba	81
Massaranduba	85
Miiracatiara	87
Angelim Vermelho	80
Mixed redwood and white woods	69

Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	209
15mm MDF	292

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1451
Jatoba	973
Massaranduba	772
Muiracatiara	765
Pine (KD)	209

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)	323
12mm C/CC (WBP)	293
15mm C/CC (WBP)	291
18mm C/CC (WBP)	288

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,608
	Jatoba	1,613

Source: STCP Data Bank

Peru

ADEX arranges furniture technology mission to Brazil

In support of domestic furniture manufacturers the Association of Exporters (ADEX) is arranging to guide a group of company representatives to visit machinery manufacturers, suppliers of finishes and designers in Brazil.

From 30 April to 7 May this year the group will visit suppliers in the city of Beto Goncalves in Southern Brazil. The aim is to lay the foundation for cooperation for training and technology exchange.

FENAFOR 2016 Lima

Registrations are now open for the biannual furniture fair FENAFOR which will run from 27 to 29 October 2016 in Lima. The organisers are optimistic that the years' fair will be the biggest yet. According to the statement from the organizers there will be business delegations from Italy, Germany, Taiwan P.o.C, Turkey, Brazil and Argentina amongst others.

During the fair there will be business conferences, presenations by specialists, consultants and forest entrepreneurs.

Productivity and competitiveness to be raised

The World Bank Board has approved two projects to promote productivity in Peru. This comes at a time when international demand is weakening so it becomes more important for the country to raise productivity and improve competitiveness.

The Bank initiative will focus on private sector training and competitiveness as well as on strengthen n public-private communication and partnerships.

The Bank project can draw on over US$1 billion from its fund for Boosting Human Capital and Productivity Development Policy Financing which seeks to support the Government of Peru in its efforts to strengthen the quality of public education and improve the business environment for enterprises. Project resources can also be used to implement simplified customs procedures that facilitate exports and access to international markets.

For more see: http://www.worldbank.org/en/news/press-release/2016/02/11/world-bank-supports-peru-to-promote-productivity-and-strengthen-fiscal-management

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	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", 6-13 length Asian market	405-449
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	468-526⬆
Grade 2, Mexican market	365-402⬆
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

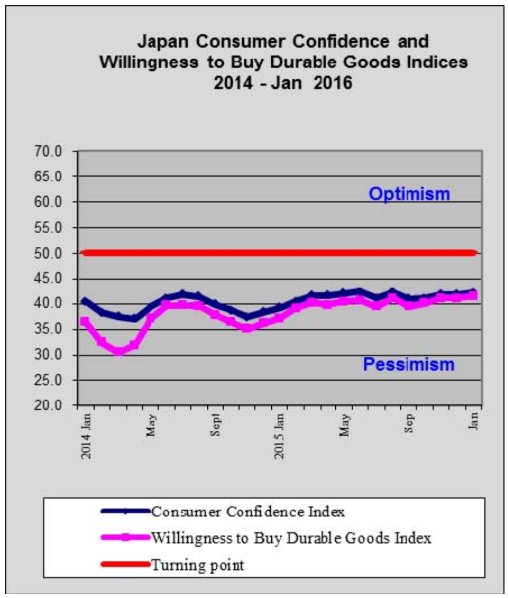
Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	950-1094
	Asian market	1033-1069⬆
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
2x13x75cm, Asian market		732-815

Japan

Slight year on year improvement in confidence

Data from Japan's Cabinet Office is showing that the consumer confidence index improved slightly in January. The overall index rose to 42.1 while the willingness to buy durable goods also rose very slightly.

Compared to a year earlier the January 2016 data reflects a slightly more positive mood on the part of consumers however, all the indices are well below 50 which is the dividing line between positive and negative sentiment

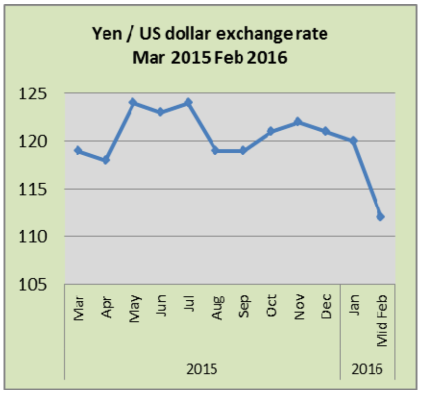


Data source: Cabinet Office Japan

The Japanese government has kept its assessment of the economy at "recovering moderately" and this was borne out by an improvement in the job market.

It is unlikely the positive mood will prevail however as the yen strengthened sharply in the first weeks of February threatening the profitability of exporters. A massive wave of yen buying forced up the yen from around 120 to the US dollar to 112 to the dollar at one point during the second week of February.

Fears on the direction of the global economy exacerbated by slowing growth in China and plummeting oil prices have driven money to the yen as a safe haven.



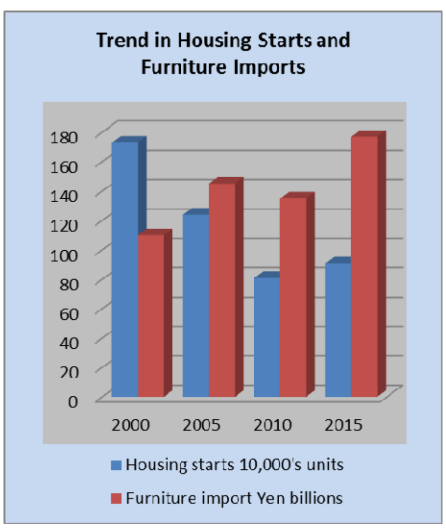
Japan's furniture import trends

Production and sales have been shrinking in Japan's domestic wooden furniture manufacturing sector for more than a decade. Most of the decline is due to competition from imports and the inability of local manufacturers to upgrade their processing methods and raise productivity.

Wooden furniture imports continue to gain market share; it has been estimated that imports of bedroom, kitchen and dining-room furniture accounted for around 60% of the market in 2015. The growth in imports from China and Southeast Asian countries continues to hollow out domestic wooden furniture manufacturing.

The figure below shows trends in housing starts and imports of wooden office, kitchen and bedroom furniture. At first sight there appears to be a contradictory inverse relationship between trends in housing (falling) and imports (rising). Rather than a statistical anomaly, however, this reflects the rapid growth in the market share captured by imports.

Housing starts and furniture imports, Japan, 2000 –2015



Data sources: Ministry of Land, Infrastructure, Transport and Tourism and Ministry of Finance, Japan.

The Japanese furniture market was worth around yen 900 billion in 2005, and imports of wooden office, kitchen and bedroom furniture accounted for about 16% of all domestic sales. By 2015, the size of the market had fallen to around yen 700 billion, and imports accounted for over 25% of the market.

Data from Japan's Ministry of Internal Affairs and Communications show that purchases of wooden chests of drawers, a main item in the traditional "bridal furniture set", have dropped dramatically over the past 15 years. On the other hand, household spending on dining-room furniture has been fairly stable—although relatively small compared with spending on bedroom items.

In the past, the bridal market was a main driver of growth in Japan's furniture sector. It was usual for the bride's family to buy a three-piece furniture set consisting of a wardrobe, a Japanese-style chest of drawers, and a dressing table.

Today, the traditional dressing-table has been replaced by western-style chests of drawers and, because many newly built houses and apartment have built-in closets, demand for free-standing wardrobes has faded. This, combined with the decline in the number of marriages, has upended the established demand patterns for wooden furniture in Japan.

Bedroom furniture

China's exports of bedroom furniture to Japan accounted for 57% (by value) of all wooden bedroom furniture imports in 2015. The second-ranked supplier last year was Viet Nam, with 28% of all imports, and other Southeast Asian countries made up around 8%. The combined market share of these three suppliers in 2015 was over 90%, the balance coming mainly from Europe and North America.

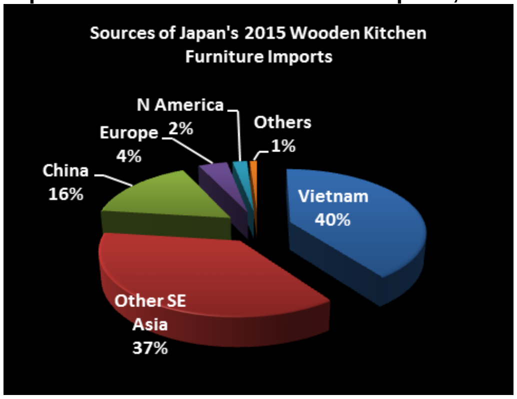
Kitchen furniture

Fitted kitchens are now a standard feature of newly constructed houses and apartments, and the replacement kitchen market is growing strongly as owners of existing homes embrace renovation to avoid the cost of demolition and rebuilding (once a feature of the Japanese housing sector).

In the early days of kitchen modernization, European and North American makers of kitchen units and cabinets found a ready market in Japan. It took suppliers in Asia only a short time to grasp the opportunity, however, and they began growing their market share.

Manufacturers of kitchen furniture in Viet Nam have secured a significant part of the market (41% in 2015), as have shippers in Indonesia, Malaysia and Thailand. Demand for European kitchen furniture tends to focus on German and Italian lines in the up-market housing sector.

Japan's wooden kitchen furniture imports, 2015



Data source: Ministry of Finance, Japan

Hollowing out the furniture manufacturing base

Japan's domestic furniture manufacturing sector has declined as Japanese companies—even small and medium-sized companies—have shifted production outside Japan to countries where production costs are lower, populations are growing and there is good infrastructure and communications. In Japan's wooden furniture market, relocated Japanese companies are responsible for much of the export trade from China and Southeast Asia to Japan.

China was once the preferred destination for relocating Japanese companies—it is close to Japan and has good shipping connections. Moreover, wages and energy costs have been much lower than in Japan, and domestic demand has grown rapidly. This has now changed, however: rising wages, labour disputes, and the re-emergence of bitter historical issues are causing many Japanese companies to look elsewhere for their investments.

Viet Nam has attracted Japanese companies, and the trade relationship between the two countries is very close. Viet Nam's overall exports to Japan are now almost 10% of all its exports, ranking second after North America. The main products exported to Japan are garments, seafood, wood products and electronics. In 2015, around 1000 Japanese companies had production capacity in Viet Nam.

Expansion of single person homes creates opportunities

Trends in Japan's housing sector are central to the future of the furniture manufacturing sector (whether domestic or off-shore). Japan's population is aging and shrinking due to a low birth rate. The population peaked in 2005; the number of households is increasing for now but is projected to decline after 2019. The number of people aged over 65 years is expected to level off in 2025 and decline from 2040.

Superimposed on these trends is the expectation that the population of greater Tokyo, which is rising, will begin to fall in about ten years, when the number of households will also begin to fall.

The other major force to influence furniture demand is the current upward trend in one-person households, driven by changes in culture and lifestyles, which should peak in 2030. Young professionals are shying away from early marriage in order to focus on their careers. Since 1973 there has been a 33% decline in the number of people getting married; moreover, the divorce rate is rising fast.

As the numbers of divorcees and never-married adults increase, single-person households are the fastest-growing household group and will eventually become the largest such group in Japan. Singles need less space and can therefore save on rent and house-building costs.

When space is limited, furniture needs to be both pleasing and practical. Storage cabinets are popular among singles in small homes, and many guides to living in small spaces—with a focus on storage techniques—are available.

Demolish and rebuild or renovate

Typically in Japan, detached wood-frame homes around 30 years old are considered worthless by lenders and by those looking to buy. This rapid depreciation is more a reflection of tradition than the soundness of residences, however—homeowners in Japan were raised to believe that wood-frame homes do not last and must be demolished and replaced.

Understanding the extravagant waste of resources such a tradition has created, the Japanese government has introduced measures to encourage lenders to place a value on renovated homes and apartments and extend the depreciation of homes to around 50 years. The house and apartment renovation market is booming as small, medium-sized and even major developers are realizing its potential.

Room for innovation and creativity

There is potential for segments of the Japanese furniture market to grow, especially for competitively priced items designed for singles in small spaces, such as drawers, cabinets, fold-away dining tables and dining chairs. Manufacturers offering a range of styles—from traditional Japanese to Scandinavian—will find an ideal market base if the focus is on the tasteful use of colour and simple designs at reasonable prices.

Japanese consumers have always been rather predictable and generally looked on low-priced goods with disdain, preferring to shop in recognized national-brand stores and outlets and prepared to pay for quality.

Now, however, they have started behaving like their overseas counterparts, who for years have enjoyed discount stores (including, in recent years, online stores) finding low priced, serviceable items that will last until individual tastes or fashion dictate replacement.

This fundamental shift in the attitudes and behaviour of Japanese consumers has been reinforced by the current state of the national economy and the impact this is having on incomes and job security. It is likely to continue, even when the country's economic prospects eventually improve.

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

North American log and lumber import in 2015

According to tallying organizations' rough estimated record, log import from the North America in 2015 was 2,444,000 cbms, 19.8% less than 2014. This is sizable drop compared to the lumber import.

Based on the Japan Lumber Importers Association's records lumber imports from the North America for the first eleven months was 2,089,000 cbms, only 1.4% less than 2014. The largest reason of decreased log import is drop of Douglas fir log demand by plywood mills in 2015.
Plywood mills had production curtailment program last year so that log demand declined considerably.

Actually, log import from Canada in 2015 dropped more than 30%. Canadian Douglas fir logs are mainly used by plywood mills in Japan. Market of Canadian Douglas fir logs for lumber manufacturing has been steady as the supply got tight since late last year so the prices remain firm. Inquiries from plywood mills continue dull and slow. This is two straight years to show decline of log import from North America.

Increasing import of fuel for biomass generation

After Japan's FIT system (fixed price purchase system for renewable energy) started in 2012, many wood biomass power generation plants started and import of fuel is rapidly climbing.

Wood pellet and PKS (palm kernel shell) are two main items then import of wood chip unsuitable for paper making is expected to increase largely from now on.

Import of wood pellet for the first eleven months of 2015 was 180,863 ton, 104.1% more than the same period of 2014. By source, 113,874 ton from Canada, 37.4% more than 2014 and 47,055 ton from China.

At present, the main users of imported wood chip is major electric power companies, which use wooden fuel with coal burning to reduce emission of CO_2. Domestic production of wood pellet in 2014 was 126,035 ton, 14.5% more than 2013.

Plywood

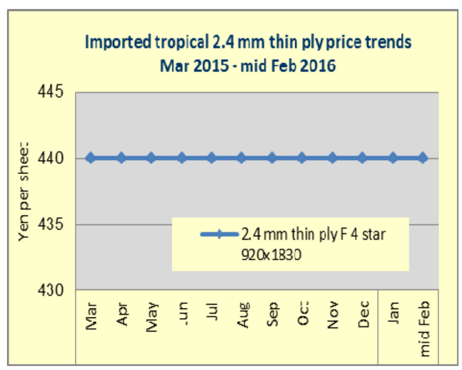
Shipment of domestic softwood plywood continues busy. Increasing shipment for precutting plants has continued since last fall and the direst supply from the manufacturers got tight in last December and precutting plants looked for plywood in wholesale channels so the wholesalers are now anxious to secure the volume.

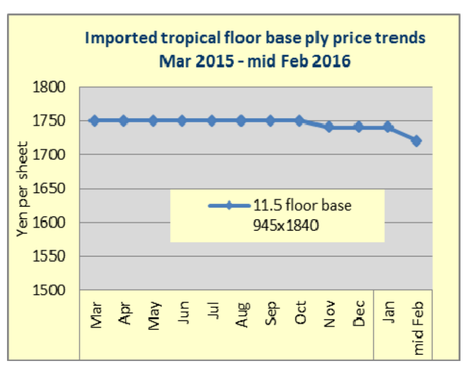
Actually precutting plants made trade of necessary items among them in December. Delivery period from the manufacturers to precutting plants was uncertain last year but now orders placed in early this month are promised to be delivered by the end of this month.

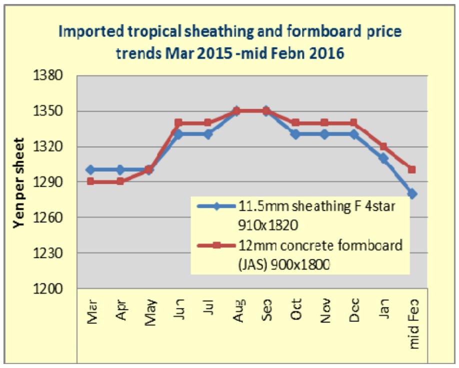
Operations of precutting plants will was busy until end of January but they seem to slow down compared to real busy December so plywood demand will not be as busy as before then.

Import plywood market continues bearish. The movement of imported plywood has been slow since last August then the importers and wholesalers reduced the prices to move the inventories in December but the demand for imported plywood is considerably reduced so the users are in no hurry to procure. They would rather wait until discount sale comes and purchase is very limited to immediate needs only.

Therefore, if the prices are lowered, the inventories can be moved. The importers are anxious to move the inventories before book closing in March but decision is hard since discount sale means to lose money. The prices have steadily been dropping little by little.







Sumitomo Forestry bought out American house builder

Sumitomo Forestry Co., Ltd. (Tokyo) announced that it bought 60% of share of DRB Enterprises, which owns Dan Ryan Builders (DRB) group in Maryland. DRB is a major house builder on the East Coast and South of the United States. Purchase amount is about 10 billion yen.

New housing starts in Japan will continue declining by dropping birth rate and aging of the population so Sumitomo Forestry has been developing housing business in foreign countries and by capital participation to the DRB, it intends to be one of top builders in the States.

DRB is middle class builder to sell units built for sale in six states of Maryland, Pennsylvania, Virginia and others with annual sales of 1,248 units or 295 million dollars in 2014 and is ranked as 35th in the States. Employees are 299.

Sumitomo Forestry has been developing housing business through Henry U.S.A. group, Gehan Homes group and Bloomfield Homes group mainly in the West and the South of the States. Now with DRB is under wing, the East and the South are covered. Sumitomo Forestry plans to have about 5,000 units of house sales in the States then with house sales in Australia, total overseas houses would be about 8,000 units.

Nihon Flush expands sales in China

Nihon Flush Co., Ltd. (Tokushima prefecture) plans to increase sales to marketing agents of building materials in China.It has 30 marketing agents in China and it plans to expand sales with its brand 'Nichimon'.

The company manufactures and markets systemized building materials like interior doors and have been supplying materials to large developers like China Vanke Co., Ltd.Present sales amount in China is about eight billion yen, which is about 60% of the company's total sales amount.

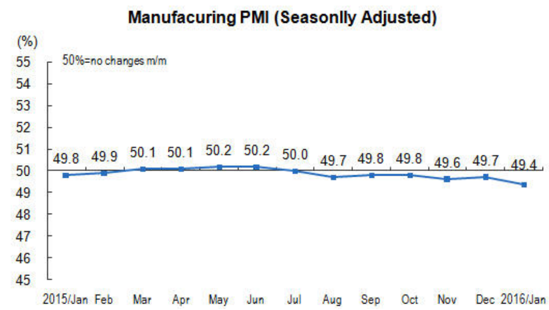
Supply to large developer like Vanke gives reliability of the products and there are more requests from other companies to have business with Nihon Flush so the company decided to expand the more sales in China. In two to three years, the sales amount in China would be as big as 10 billion yen.

China

Persistent weakness in manufacturing drives down PMI

Overcapacity, weak international and domestic demand and deflationary pressures have converged to drive down sentiment in the manufacturing sector in China.

The National Bureau of Statistics of China (NBS) recently released the manufacturing purchasing managers index (PMI) which was shown to have fallen to 49.5 a drop of around 0.3% from a month earlier. A figure below 50 portrays a negative sentiment.



Source: National Bureau of Statistics, China

The press release from the NBS says among the five sub-indices composing PMI, the production index and supplier delivery time index were above the negative threshold. The new orders index, employed person index and main raw materials inventory index were all lower than the threshold. This latest data underscores the persistent weakness in the Chinese economy.

For more see:
http://www.stats.gov.cn/english/PressRelease/201602/t20160201_1314222.html

South Korea imposes anti-dumping duty on Chinese plywood

The South Korean Trade Committee has informed Chinese authorities that it has made final determination of anti-dumping duties on Chinese softwood plywood. South Korea will introduce a duty of between 4.22% to 7.15% on plywood imported from named Chinese exporters. South Korea first began the latest anti-dumping investigation of Chinese companies early last year.

In related news, in response to complaints lodged in January this year by the European Panel Federation the European Union will conduct an anti-dumping investigation of China's plywood. The HS code of the products involved is HS 44123110 (decorative plywood). The investigation will cover the period January 1, 2012 to December 2015.

Cooperation on forestry between China and Central and Eastern Europe

Recently China's State Forestry Administration (SFA) signed a memorandum of understanding on forestry cooperation with forestry departments in 5 Central and Eastern European countries.

This cooperation will begin with a high level Forestry Cooperation Conference in Slovenia in 2017. The Ministry of Agriculture, Forestry and Food in Slovenia will coordinate the cooperation and technical exchanges.

Largest importer of OSB in China

Beijing New Building Materials (Group) Co., Ltd is the largest importer of OSB in China and imports mainly from Romania, Canada, Germany, Brazil and the US.

The OSB imports of Beijing New Building Materials (Group) Co., Ltd from Romania were 18,400 cubic metres, accounting for 23% of Romanian exports. The OSB imports of the Group from Germany totalled 9,100 cubic metres, The group also imports Brazil and in 2015 imports totalled 19,335 cubic metres. OSB imports from Canada and the USA amounted to 46,000 cubic metres and 9300 cubic metres respectively.

Record wood product exports through Suifenhe Port

Wood product exports through Suifenhe Port were worth US$106 million in 2015, a record high. The major destinations were Japan and South Korea and products shipped included wood-based panels, laminated lumber, flooring and veneer. This Port is of growing importance as it provides for convenient clearance and high efficient quarantine and supervision.

Timber production in Guangxi - one third of the national total

The output of commercial timbers from the Guangxi Zhuang Autonomous Region totaled 25.5 million cubic metres in the period of the Twelfth Five Year Plan and accounted for one third of the national total becoming the largest timber producer region in China. The value of this output has been estimated at RMB430 billion. The main timbers produced were eucalyptus, pine and cedar.

Furniture exports from RMB 2 to 5 billion in a few years

In another assessment of output it has been found that according to Zhanjiang Customs the value of furniture exports by manufacturers in Zhangjiang city rose to RMB5.4 billion in 2015, a year on year increase of 11%.

Customs statistics show that furniture exports from Zhanjiang have continued to rise moving from nearly 2 billion yuan in 2012, 3 billion yuan in 2013, 4 billion yuan in 2014 and over 5 billion yuan in 2015.

Furniture exports by private enterprises during the Twelfth Five Year Plan period(2011-15) rose to RMB9.72 billion. The main markets furniture exports were ASEAN countries, the US, the United Arab Emirates and the European Union.

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

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 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

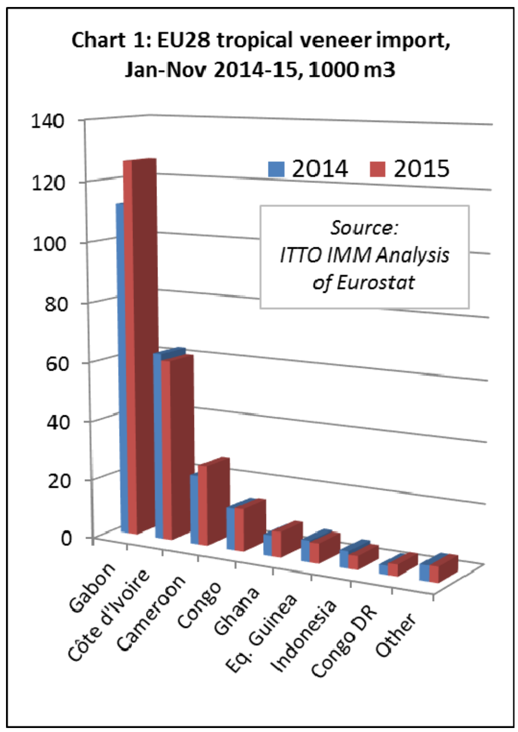
Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

Europe

EU imports of tropical veneers rise in 2015

EU imports of tropical veneers increased by 7% to 257,700m3 in the first 11 months of 2015, with growth driven primarily by rising trade between Gabon and France. Growth in volume was matched by a 6% increase in value to €162 million.

EU imports from Gabon increased 13% to 126,300m3 during the first 11 months of 2015. Since okoumé log exports were banned by Gabon in 2010, the southern European okoumé plywood sector – now much diminished – relies more heavily on imports of veneer.



Source: Forest Industries Intelligence analysis of Eurostat

Demand for okoumé plywood has picked up in Europe in 2015 due primarily to recovery in the Netherlands building industry and slow improvement in the French market.

The French company Rougier which produces okoumé veneers and plywood in France and Gabon, booked an 11.8% increase in revenues in its European business during the first nine months of 2015 and reports an improved economic climate in Europe.

In addition to Gabon, EU imports of tropical veneer also increased during the first 11 months of 2015 from Cameroon (+16% to 27,100 m3), Congo (+2% to 14,500 cu.m), and Ghana (+22% to 8,600 cu.m). However imports from Ivory Coast declined 3% to 60,800 cu.m (Chart1).

Imports into France and Italy, now the largest EU markets for tropical veneer, both registered double-digit increases between January and November 2015, rising 14% to 104,791cu.m and 16% to 60,737m3, respectively. There were also significant increases in imports by Greece (+25% to 14,467 cu.m) and Romania (+43% to 14,034 cu.m).

Of the five largest EU markets for tropical veneer, Spain (-16% to 32,411 cu.m) was the only to report declining imports in the first 11 months of 2015. However imports also declined into Germany (-17% to 12893 cu.m) and Belgium (-47% to 6343 cu.m) during the period.

The German veneer association IFN concluded during its annual meeting in June 2015 that veneers were increasingly becoming a niche product in the German market – a startling conclusion in a country which little more than a decade ago was at the very centre of the global veneer industry.

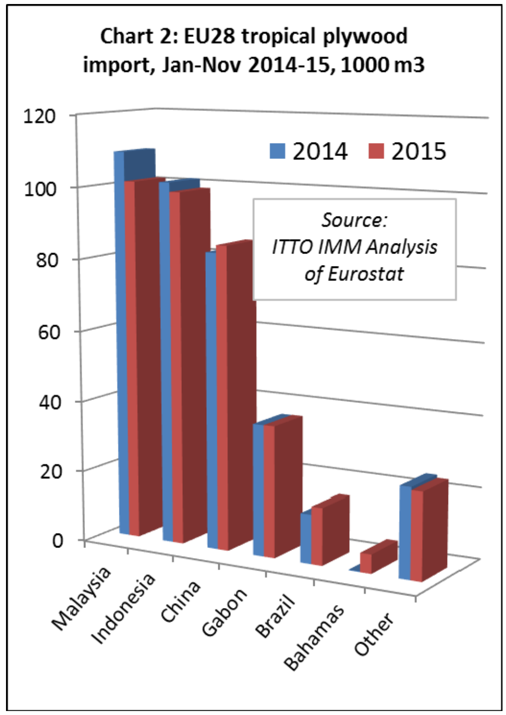
EU tropical plywood imports static in 2015

The EU imported 367,000 m3 of tropical plywood in the first 11 month of 2015, the same as in the previous year. However there was growth in EU import value of plywood (+8.7% to €194.1 million) during the period as import prices were higher in 2015 due to the weak euro. The euro was on average 16% down on the dollar in 2015 compared to 2014.

EU imports of plywood in the first 11 months of 2015 were down from both Malaysia and Indonesia, the two largest suppliers. Imports from Malaysia were 7% less at 101,200m3 during the period.

EU imports from Malaysia were nearly matched by those from Indonesia which, at 98,900 cu.m, were only 2% less than the previous year.

China supplied 85,000 cu.m of plywood with a tropical wood face to the EU in the first 11 months of 2015, 3% more than the same period the previous year. There was also a 16% rise in imports from Brazil but, at only 16,100 cu.m, the volume remains low.



Source: Forest Industries Intelligence analysis of Eurostat

Contrasting 2015 plywood market trends between EU member states

EU markets for tropical hardwood plywood showed contrasting trends in 2015. The relatively large UK market was flat and the Netherlands was buoyant, but most other markets were declining.

The UK imported 142,600 cu.m of tropical plywood in the first eleven months of last year, 1% more than the previous year. The latest data suggests a small surge in UK imports in the last quarter of 2015. After the first three quarters, UK imports of tropical plywood were 4% lower than the year before.

Overall market conditions in the UK were not as buoyant in 2015 as they were in 2014. The UK Timber Trade Federation reports an overall reduction in wood product imports by 3.1% for the period from January to November 2015, blaming a slow-down in UK construction as a main factor behind this trend.

In relation to hardwood plywood, including both temperate and tropical, the TTF records a 10.8% increase in imports during the period.

This is mainly due to a rise in imports from China. UK imports from Indonesia also increased slightly, from a small base, but Malaysia suffered a significant loss of share in the UK plywood market last year.

The frequently mentioned recovery in the Dutch economy and building sector is reflected in a 23% jump in imports of tropical plywood to 59,548 cu.m in the first 11 months of 2016. As in the UK, there was an uptick in plywood imports into the Netherlands in the last quarter of 2015.

Last year, the Netherlands overtook Belgium to become the second largest EU importer of tropical plywood.

Other EU markets for tropical plywood were declining last year. Imports fell into Belgium (-11% to 59,466 cu.m), France (-1% to 42,034 cu.m), Germany (-17% to 21,859 cu.m) and Italy (-7% to 20,396 cu.m).

German importers interviewed at the timber trade federation GD Holz's Branchentag trade show in November reported weakness in tropical plywood sales last year. Raw plywood from Indonesia and Malaysia, in particular, was replaced with more competitively priced hardwood plywood from Russia and Eastern Europe.

The only grade from South-East Asia mentioned as selling well in Germany was film-faced 4 mm panels from Indonesia.

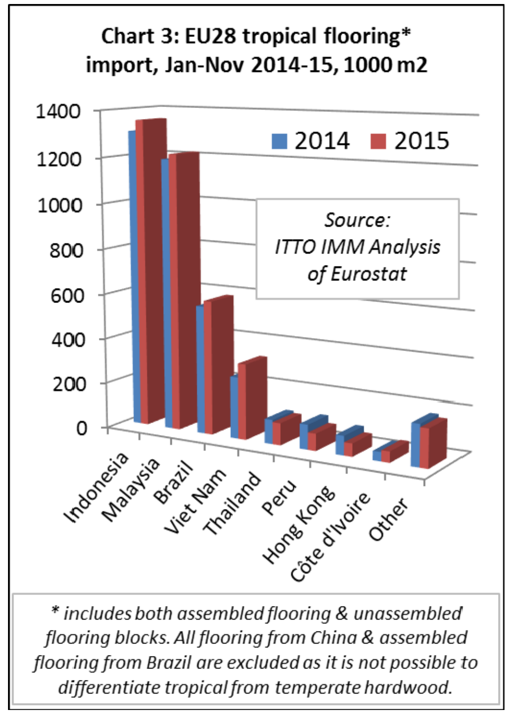
French imports drive rise in EU tropical wood flooring imports

There was significant growth in EU import value of tropical wood flooring (+18.7% to €89.7 million) in the first eleven months of 2015. However, at 3.94 million sq.m, EU imports of tropical flooring were only 2% more than the year before.

Imports of wood flooring from tropical countries are also small in relation to both domestic production (around 63 million sq.m in 2014) and imports from China (18.7 million sq.m in 2014).

There was a rise in imports from both Indonesia and Malaysia, the two largest tropical suppliers of wood flooring to the EU. Imports increased from Indonesia by 3% to 1.35 million sq.m and by 2% from Malaysia to 1.22 million sq.m in the first 11 months of 2015.

Between October to November EU imports from Indonesia were slowing but picking up pace from Malaysia.



Source: Forest Industries Intelligence analysis of Eurostat

EU imports of flooring from Viet Nam also gained ground in the first eleven months of last year, rising 23% to 329,800 sq.m. Imports from Brazil also increased by 5% to 588,200sq.m.

These gains offset a fall in imports from several smaller tropical suppliers of flooring to the EU including Thailand (-9%), Peru (-31%) and Hong Kong (-32%) (Chart 3).

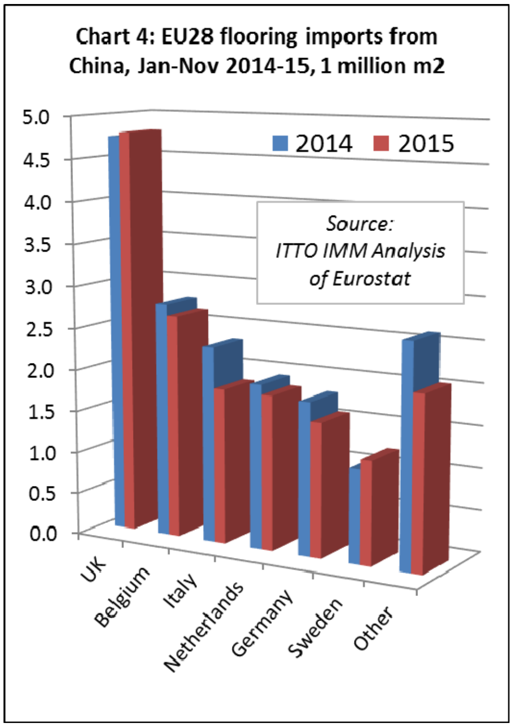
The rise in EU tropical wood flooring imports in 2015 is primarily due to France, by far the largest market for this commodity accounting for around one quarter of all EU imports. Imports into France increased 28% to 850,200sq.m in the first 11 months of 2015.

During the same period, there was a rise in tropical wood flooring imports by the UK (+1% to 498,098 sq.m), Italy (+6% to 408,855 sq.m) and the Netherlands (+39% to 330,440 sq.m). However imports declined sharply into Belgium (-30% to 540,169 sq.m) and Germany (-13% to 381,565 sq.m).

Imports of flooring from China are excluded from Chart 2 only because it is not possible to differentiate tropical from temperate wood in the flooring statistics.

However China is by far the largest external supplier of flooring products to the EU, much consisting of assembled multi-layers panels, and volumes over-shadow imports from tropical countries. An unknown proportion will contain tropical wood.

EU imports of wood flooring from China (including all products faced with real wood but excluding laminated flooring) were 16.0 million sq.m from January to November 2015, down 8% from 17.4 million sq.m in the same period of 2014. This follows a 5% gain in EU imports of Chinese flooring to 18.7 million sq.m for the whole of 2014.



Source: Forest Industries Intelligence analysis of Eurostat

In the first 11 months of 2015, EU imports of Chinese flooring were stable into the UK at 4.8 million sq.m and increased 10% to 1.2 million sq.m into Sweden.

However Chinese wood flooring imports were down 4% into Belgium at 2.7 million sq.m, down 21% into Italy at 1.9 million sq.m, down 6% into Netherlands at 1.8 million sq.m, and down 12% into Germany at 1.6 million sq.m (Chart 4)

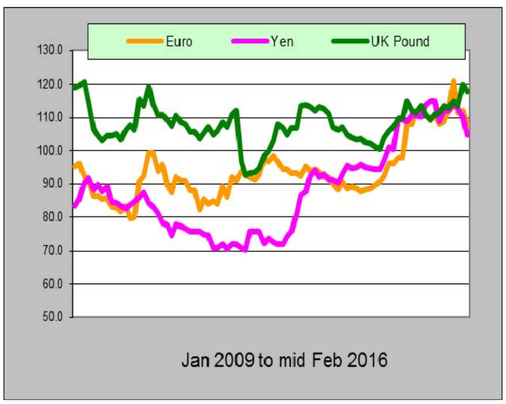
The decline in EU imports of Chinese flooring in 2015 was therefore concentrated in euro-zone countries and is most likely due to the weakness of the euro which boosted the competitiveness of domestic producers.

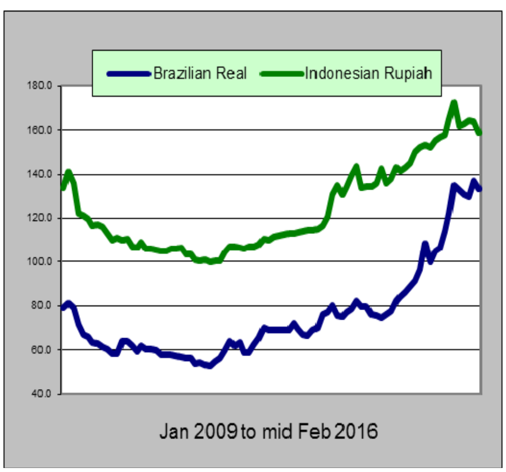
US Dollar Exchange Rates

As of 10 February 2016

Brazil	Real	3.9285
CFA countries	CFA Franc	581.78
China	Yuan	6.5745
EU	Euro	0.8856
India	Rupee	67.861
Indonesia	Rupiah	13457
Japan	Yen	113
Malaysia	Ringgit	4.1266
Peru	New Sol	3.5
UK	Pound	0.6886
South Korea	Won	1189.23

Exchange rate indices (Dec 2003=100)



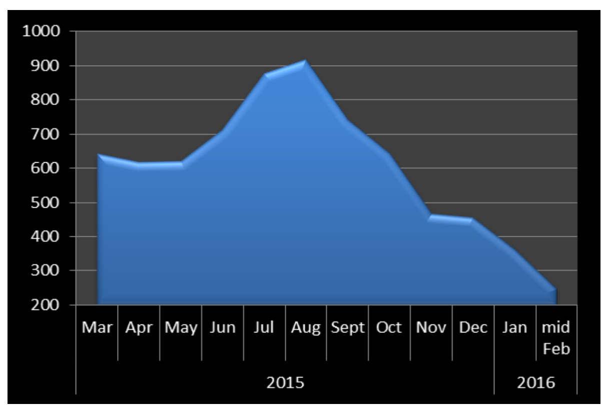


Abbreviations and Equivalences

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
March 2015 – mid February 2016

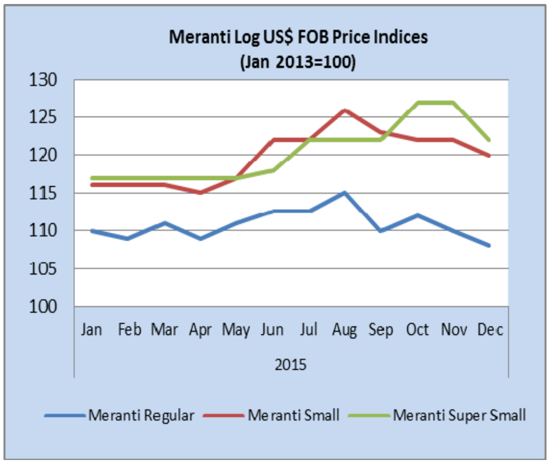


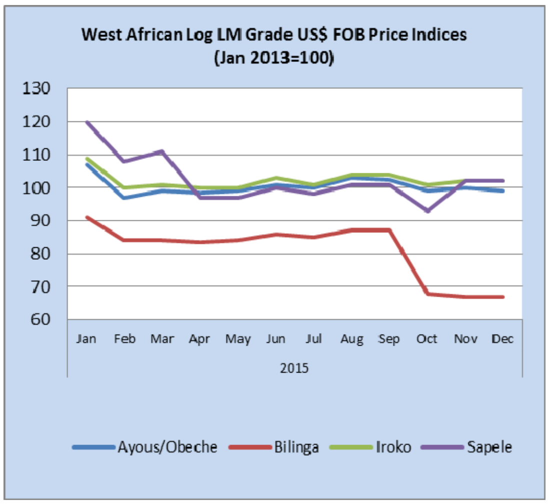
Data source: Open Financial Data Project

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

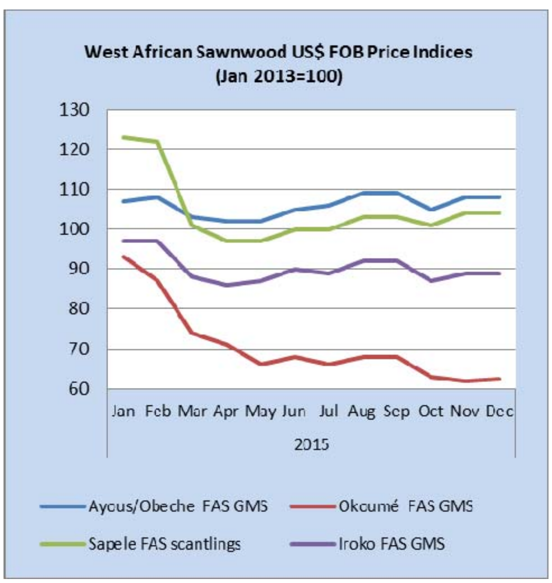
Price indices for selected products

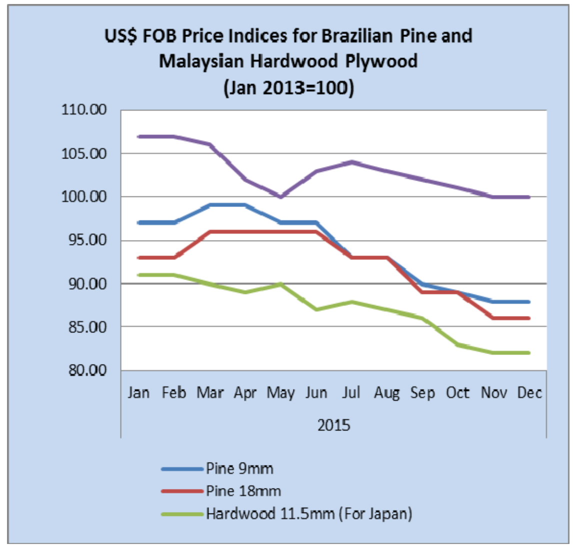
The following indices are based on US dollar FOB prices.

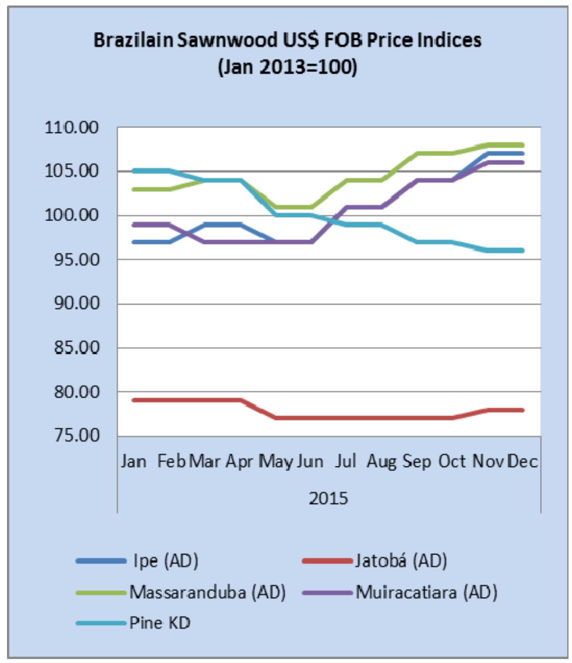




Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.

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