Tropical Timber Market Report

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Myanmar mulls log harvesting ban

A proposal has been submitted to the new government in Myanmar advising a halt to log harvesting. While there is no official announcement a senior official of the Myanma Timber Enterprise has been quoted as saying that his organisation intends to end its logging operations from the end of this fiscal year.

The private sector in Myanmar was shocked but is not opposed to a halt to logging to allow for conservation measures to be implemented but would prefer a phased approach allowing time to adjust production.

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Top StoryHeadlines

Central and West Africa

Demand appears to be firming

Producers have reported a few upward movements in FOB prices which is put down mainly to the increased activity in the EU construction sector. European building and construction industry reports suggest that business conditions are improving and most EU member states expect firmer demand for housing this year.

Overall, the level of trade is satisfactory and the modest upward trend in prices for some main export species signals generally stable market conditions reinforcing the view that market demand for tropical timber became firmer during the first months of the year.

Preferences for higher quality plywood

Export prices for West and Central African plywood are also showing signs of firming as European buyers especially are showing a preference for higher quality panels.

Plywood production for export in the region is modest and the price increases are demand driven as importers need to ensure compliance with the EUTR for face and back veneers and also for core veneers.

Contract volumes for China rising

There are positive demand trends in other consumer countries with China now proving to be a steady buyer with the volumes of contracts trending higher and prices firming.

Demand in Middle East markets is stable and contract volumes have settled back into the normal pattern prior to the bout of severe competition between African and SE Asian suppliers. The volumes being demanded are satisfactory say producers and, as always, pricing has to be very competitive for this market. Producer countries are experiencing a modest increase in demand and there are no reports of log supply issues.

Gabon slaps on high container scanning charges

Reports from Gabon are of government proposals for very high Customs charges for scanner inspection of export containers, almost Euro 150 for a 20ft container and around Euro 300 for 40ft containers.

Exporters in Gabon are complaining that charges at this level undermine their competitiveness with other countries that have low or no charges for scanning inspections. It is expected that timber exporters in Gabon will discuss this proposal with the government authorities.

It has come to the notice of millers in Gabon that a decision may be made requiring all sawnwood for export to be kiln dried but no official announcement has yet been made.

Log Export Prices

West African logs, FOB	Euro 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	315	315	220
Sipo/Utile	340	330	265
Tali	310-	310↓	-

Sawnwood Export Prices

West African sawnwood, FOB		Euro per m^3
Ayous	FAS GMS	410
Bilinga	FAS GMS	500
Okoumé	FAS GMS	350
	Merchantable	225
	Std/Btr GMS	290↑
Sipo	FAS GMS	610
	FAS fixed sizes	610
	FAS scantlings	640
Padouk	FAS GMS	910↓
	FAS scantlings	1000↓
	Strips	680
Sapele	FAS Spanish sizes	610
	FAS scantlings	620
Iroko	FAS GMS	630
	Scantlings	700
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	460
Moabi	FAS GMS	610
	Scantlings	630
Movingui	FAS GMS	420

Ghana

Most overland exports are plywood

According to statistics from the Timber Industry Development Division (TIDD) of the Forestry Commission for the first 10 months of 2015, a total of 43,830 cu.m of wood products was exported from Ghana by road (overland export) to ECOWAS neighbouring countries.

Plywood accounted for 42,450 cu.m or 97% of total overland exports. Other wood products exported included sawnwood and sliced veneer. The table below shows monthly details of overland exports from Ghana for the first 10 months of 2015.

Ghana earned Eur15.58 million from overland plywood exports during the 10 month period in 2015. The main destinations for Ghana's overland plywood exports were Nigeria, Burkina Faso, Togo, Benin, Mali and Niger. Nigeria has been the leading importing of Ghana's plywood accounting for around 90% each month.

Overland Export Volumes (cu.m)			
2015	Plywood	Sawnwood	Sliced Veneer
Jan	3,328	147	5
Feb	3,214	232	7
Mar	3,234	168	
Apr	5,369	129	
may	5,590	223	34
Jun	4,416	183	
Jul	4,097	185	
Aug	4,406		
Sep	4,709	17	
Oct	4,088	46	5
Total	**42,450**	**1,328**	**52**

Source:TIDD

The overland market for sawnwood was mainly in Niger, Togo and Senegal with Niger absorbing 57% of total first 10 month exports. Togo and Cote d'Ivoire have been the main market for sliced veneer overland exports.

Popular species in regional markets are Ceiba, Dahoma, Ofram, Mahogany, Bombax, Makore, Akasa, Esia, Chenchen and Koto.

Ghana's overland exports to her neighbours and ECOWAS countries started as far back as the 1980's. The market share of exports from Ghana to ECOWAS countries is round 14% whereas to Africa as a whole it is around 20%.

Overland exports were initially to Burkina Faso and Togo but as the regional integration grew markets expanded. The trading currency for the regional marketing of Ghana's overland wood product exports are priced either in CFA or US dollars.

Businesses being crippled by high interest rates and rampant inflation

The Bank of Ghana (BoG) has set the 'prime rate 'at 26% and it is this rate at which commercial banks lend to businesses.

Naturally, businesses are very unhappy with such a high rate and the Association of Ghana Industries (AGI) has said its members find this crippling as it drives up production costs to uncompetitive levels.

The business community in Ghana is appealing to the new Governor for the BoG, Dr. Abdul Nasiru Issahaku, for a revision of interest rates for the survival of the manufacturing industries.

Boule Export prices

	Euro per m^3
Black Ofram	380
Black Ofram Kiln dry	446
Niangon	475
Niangon Kiln dry	490

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	380	433
Chenchen	462	522
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	Euro per sq. m	
	Face	Backing
Afrormosia	1.19	0.91
Asanfina	1.40	0.75
Avodire	1.60	0.34
Chenchen	1.00	0 .36
Mahogany	1.80	0.92
Makore	1.00	0.80
Odum	1.75	0.40

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	487	535	615
9mm	407	450	613
12mm	369	463	475
15mm	443	436	400
18mm	353	358	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	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	199	368
Dahoma	467	504
Edinam (mixed redwood)	537	580
Emeri	480	515
African mahogany (Ivorensis)	810	1025
Makore	660	830
Niangon	687	873
Odum	685	900
Sapele	610	791
Wawa 1C & Select	370	416

Export Added Value Product Prices

Parquet flooring 1st grade	FOB Euro per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	9.00	11.33	13.00
Hyedua	13.00	18.22	16.30
Afrormosia	13.72	13.93	17.82

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

Malaysia

Acute labour shortage in furniture sector

Malaysia's furniture industry risks losing international market share as output is falling due to an acute labour shortage.

Eric Lee, president of the Kuala Lumpur and Selangor Furniture Entrepreneur Association has warned that Malaysian exporters risked losing international market share to shippers in Vietnam and Indonesia.

Malaysian made furniture has a ready market in the United States, Japan and Europe. In these markets competition is fierce and if orders are not delivered on time exporters face penalties.

Lee is urging the Government to reconsider the ban on hiring workers from overseas. In February this year the Government suspended recruitment of all foreign workers after Malaysians complained foreign workers were taking jobs away from nationals.

However, in response to these complaints, Lee claimed that many furniture manufacturers have permanent job advertisements but Malaysians do not apply for the post available.

MTC to lead group to woodworking machinery supplies and accessories fairs

A press release from the Malaysian Timber Council (MTC) announced that, from 29 May to 4 June, it will lead a group of industrialists to two woodworking machinery supplies and accessories fairs in China: WMF 2016 (Woodworking Machinery and Furniture Manufacturing Equipment Fair) and WMA the International Exhibition on Woodworking Machinery Supplies and Accessories.

The mission's objective is to promote technological advancement in the Malaysian timber industry towards improved efficiency in wood processing and higher quality products and to promote product development and product diversification.

In addition the mission will focus on manufacturing solutions that assist woodworking and furniture enterprises in achieving sustainable, energy-efficient and fully digitalised production. Besides aiming to expose participants to the latest technology and product trends in the woodworking industry the mission is also meant to offer insights into diversifying the raw material supply base particularly from China.

For more see:
http://mtc.com.my/wp-content/uploads/2016/04/Press-Release-MTC-TA-RBM-to-China.pdf

Malaysia and EU to resume for a FTA talks

In May this year Malaysia and the EU will resume negotiations for a Free Trade Agreement. The first round of discussions began some time ago but were suspended to free up Malaysian negotiators involved in Trans Pacific Partnership (TPP) talks. The EU is the second largest investor in Malaysia and Malaysia's third largest trading partner.

In welcoming the resumption of talks with the EU, Rebecca Fatima Sta. Maria, Secretary-General in the Ministry of International Trade and Industry, said Malaysian negotiators now have more experience in negotiating as a result of participating in TPP meetings. In advance of talks with the EU Fatima said the government will be seeking opinions of civil society groups.

Sarawak joint venture to produce pellets for South Korea

A new company has started operations in Sarawak to supply wood pellets in support of South Korea's renewable energy drive. Green Pellet Sarawak (GPS) is a joint venture company between the Sarawak Timber Industry Development Corporation, Cellmark AB of Sweden and local investors.

GPS is set to become one of the largest wood pellet plants in S.E Asia. The new pellet plant has been built in Bintulu and produces pellets from mill residues. This plant has been welcomed as it supports the State government plans for environmentally sound utilisation of wood residues.

Plywood prices

Plywood Traders in Sarawak reported the following export prices:

Floor base FB (11.5mm)	US$580/cu.m FOB
Concrete formboard panels	
CP (3' x 6')	US$500/cu.m FOB
Coated formboard panels	
UCP (3' x 6')	US$580/cu.m FOB
Standard panels	
S Korea (9mm and up)	US$410/cu.m FOB
Taiwan P.o.C (9mm and up)	US$390/cu.m FOB
Hong Kong	US$410/cu.m FOB
Middle East	US$380/cu.m FOB

Indonesia

First ever FLEGT licensing scheme

Indonesian President Joko Widodo, European Commission President Jean-Claude Juncker, and European Council President Donald Tusk have agreed to move swiftly towards reducing illegal logging and promoting trade in legally produced timber between the EU and Indonesia through the start of the first-ever Forest Law Enforcement, Governance and Trade (FLEGT) licensing scheme.

This comes as all parties agreed that Indonesia is fully ready to implement the Indonesia-EU Voluntary Partnership Agreement (VPA). The two Parties are now in a position to move swiftly towards a fully operational licensing system making Indonesia the first country to pass this final hurdle. Indonesia has been negotiating the VPA with the EU for over a decade and the agreement in Brussels means is the final step in this long process.

Indonesia is not alone in partnering with the EU to address illegal logging. Many other countries are negotiating VPAs with the EU. Together these countries account for about 80% of the tropical timber traded to the EU.

For more see:
http://www.flegt.org/flegt-new-era?utm_source=Apsis%20newsletter&utm_medium=email
and
http://ec.europa.eu/environment/pdf/21_04_2016_en.pdf

Use infrastructure budget to maximum benefit
Sofyan Djalil, Minister of National Development Planning as well as Head of the National Development Planning Agency (Bappenas), has said poor planning of infrastructure developments are holding back growth.

The problem, according to the Minister, is inadequate coordination between ministries, government agencies, the central government and regional governments.

Approximately US$25 billion was approved in the 2016 national budget for infrastructure development, around 15% of all public spending and an increase on the allocation in 2015. The rise in spending on infrastructure was made possible by savings when fuel subsidies were cut.

To improve the impact of infrastructure spending starting in 2017 the central government will more closely monitor whether beneficiaries of the budget have well designed infrastructure integrated in development aims; those that do not will not receive funding.

In 2017 the central government will require the submission of infrastructure spending plans for assessment and approval.

For more see:
http://www.indonesia-investments.com/finance/financial-columns/non-optimal-public-spending-on-infrastructure-development-in-indonesia/item6742

Splendour of Minangkabau – INACRAFT theme
At the opening ceremony of the Jakarta International Handicraft Trade Fair (INACRAFT), Indonesian Handicraft Exporters and Producers Association (ASEPHI) Secretary-General Sugiarto, said Trade Ministry data, shows his sector contributed a relatively large portion of export earnings from the non-oil/gas industries.

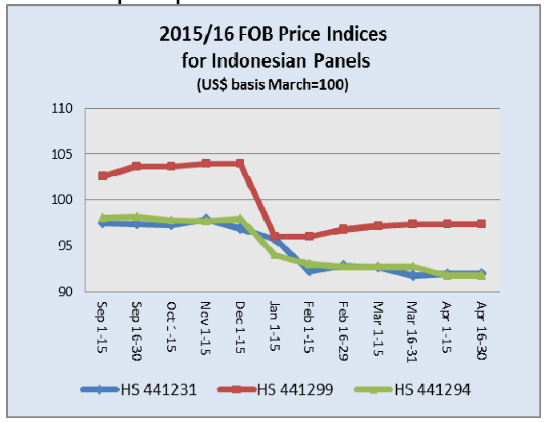
Indonesian handicraft exports were worth over US$700 million in 2015. For the first two months of this year handicraft exports amounted to US$114 million, up 3.7% year on year. The 18th INACRAFT exhibition was themed “The Splendour of Minangkabau” and promoted the rich cultural heritage of West Sumatra.

INACRAFT 2016 was organized by the Association of Exporters and Producers of Indonesian Handicraft (ASEPHI) in cooperation with PT. Mediatama Binakreasi .

Lowering the cost of living
The government has decided to lower fuel prices and public transportation fares to bring down the cost of living.

Bank Indonesia Economy and Monetary Policy Executive Director, Juda Agung, has indicated that the Bank forecasts deflation of around 0.3 percent as a result of the roughly 4% reduction in fuel prices and a 3% drop in transportation fares.

Indonesian panel price indices



Data source: License Information Unit in http://silk.dephut.go.id/

Myanmar

Harvesting ban proposed by Forestry Department
The Director General of the Forestry Department has submitted a proposal to the new government advising a halt to log harvesting. While there is no official announcement as yet a senior official of the Myanma Timber Enterprise (MTE) has been quoted as saying that his organisation intends to end its logging operations from the end of this fiscal year,

The plan submitted by the Forestry Department proposes the ban in 68 Districts. Prior to 2014 the annual log harvest was over 1 million tons but in 2014 this was reduced to around 60,000 tons of teak and 670,000 tons of other hardwood in.

The proposal from Forestry has been welcomed by the chairman of the NGO Forest Resource Environment Development and Conservation Association (FREDA) who was quoted in the local press as urging a halt to both teak and hardwood harvesting.

The private sector in Myanmar was shocked by this proposal. Domestic log stocks have been estimated at around 200,000 tons of teak logs and 500,000 tons of other hardwoods. These stocks are in the hands of just a few millers and analysts estimate this volume could meet domestic demand for about two years.

Analysts say most of the private sector are not opposed to the halt to logging to allow for conservation measures to be implemented but would prefer a phased approach allowing time to adjust production and the workforce. A harvesting ban will have a severe impact on employment in the sector.

It is becoming apparent that the Forestry Department is taking control of decisions on harvests once the prerogative of the MTE. A harvest moratorium would severely affect the income of the MTE and could result in a restructuring of the organisation.

Focus on income undermined resource management

The Center for People and Forests (RECOFTC) and The Nature Conservancy has released details of their assessment of the reasons for the massive loss of forest cover in the country.

The report cites Myanmar's political and economic isolation as a factor which it said led to weak natural resource management. A focus on revenue generation without taking account of productive capacity was cited as another reason for the extent of deforestation.

U Barber Cho, the consultant for the latest assessment said "Overharvesting and weak forest governance, agricultural expansion and shifting cultivation, forest conversion to plantation and infrastructure development were drivers of deforestation,"

The assessment provides an overview of the forestry sector in Myanmar and is aimed at helping the forestry sector develop in a sustainable manner. A wide range of problems were identified including ambiguity and contradictions in the legal framework and weak monitoring by government agencies.

In related news, three organization, ALARM of Myanmar, the Smithsonian Institute and the American Museum of National History jointly issued findings on deforestation in Myanmar.

The three say Myanmar lost about 1.5 million ha. of forest over the past 12 years with Kachin State and Sagging Region experiencing the most severe deforestation. The report also points out that due to species-based harvesting overall forest values have also declined. Harvesting in Myanmar focuses on teak, pyinkado, padauk, tamalan and inn-kanyin because of the strong international demand.

See:
http://geonode.themimu.info/layers/geonode%3Amyanmar_forestcoverchange
and
http://www.mmtimes.com/index.php/national-news/yangon/19898-report-lays-bare-forestry-sector-s-ills.html

Latest teak log auction prices

Grade	H.tons	Avg US$/H.ton
SG-2	-	-
SG-4	66	3,276
SG-5	47	2,393
SG-6	-	-
SG-7	-	-

India

Inflation rate trends down

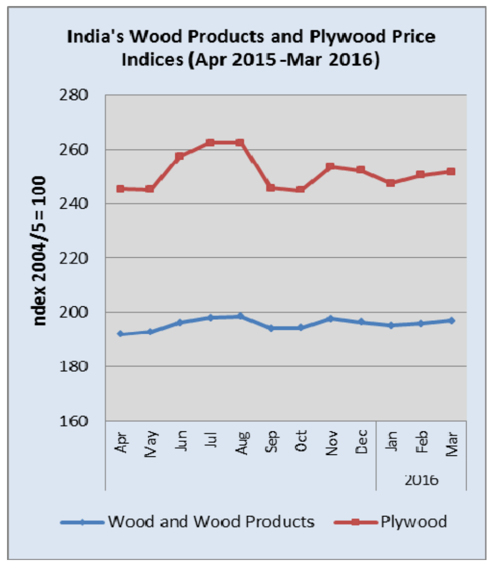
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for all commodities (Base: 2004-05 = 100) for March rose slightly to to 174.6 from 174.0 in February. The year on year annual rate of inflation, based on monthly WPI, stood at -0.85 (provisional) in March 2016 compared to -0.91% in February. Year to March inflation was -2.33%.

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

Timber and plywood price indices climb

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



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

IKEA seeks massive expansion of retailing in India

News is circulating that furniture retailer IKEA is planning a dedicated, custom designed retail outlet in the Borivali suburb of Mumbai.

The proposed 30,000 sq. metre outlet, if completed, will be the largest single brand furniture store in the country. IKEA is said to also be looking for suitable sites in Delhi, Maharashtra and Karnataka. IKEA was an early entrant into the Indian market following India's decision to allow 100% foreign direct investments in retailing.

New MDF plants to be built

In a media release Century Plyboards (India) Ltd has announced plans to build its first MDF plants in Hoshiarpur, Punjab which will require an investment in the region of Rs.4.5 billion.

In addition to the MDF production facilities, Century Plyboards will further develop its plywood and blockboard capacity and aims to achieve a production capacity of around 17,000 cubic metres.

Analysts suggest that behind the diversification into reconstituted panels, which can be manufactured from a wide range of fibres, is growing concern about the availability and cost of imported logs currently used for plywood manufacture.

For more see:
http://www.indiainfoline.com/article/news-top-story/century-plyboards-plans-to-build-rs-440-cr-mdf-unit-in-punjab-century-plyboards-stock-price-116041600040_1.html

Plywood
Prices for domestically manufactured plywood remain stable after the recent price rises.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	41.55
6mm	55.00
9mm	70.00
12mm	86.00
15mm	114.50
18mm	120.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.21.00	Rs.31.00
6mm	Rs.31.80	Rs.40.00
9mm	Rs.40.00	Rs.48.50
12mm	Rs.49.00	Rs.58.50
15mm	Rs.59.50	RS.71.50
19mm	Rs.7.80	Rs.80.00
5mm Flexible ply	Rs.42.00	

Imported plantation teak prices
Prices for imported plantation teak remain as previously reported.

	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	405-616
Colombia logs	426-775
Congo D. R. logs	450-761
Costa Rica logs	320-780
Côte d'Ivoire logs	289-756
Ecuador squares	254-564
El-Salvador logs	399-732
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

Variations are based on quality, length and average girth

Prices for locally sawn hardwoods
Ex-mill prices for sawnwood milled from imported logs have moved higher reflecting a combination of rising demand and moves by millers to adjust prices to reflect exchange rate movements.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1350
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

Variations are based on quality, length and average girth

Myanmar teak flitches resawn in India

Ex-mill prices for sawn teak remain unchanged.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-15000
Teak A grade	6500-7500
Teak B grade	5000-5500
Plantation Teak FAS grade	4000-4500

Price variations depend mainly on length and cross section

Prices for imported sawnwood

The impact of the weaker currency has now found expression in ex-warehouse prices for imported sawnwood.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft^3
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2100-2150
American Walnut	3800-4000
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

Brazil

March export performance

March 2016 exports of wood-based products (except pulp and paper) declined 15% in value compared to March 2015, from US$282.3 million to US$239.6 million.

The value of March 2016 pine sawnwood exports increased a massive 30% year on year from US$25.4 million toUS$33.1 million. There was a corresponding increase in the volume of exports (108,300 cu.m to 171,900 cu.m) however, average export prices were down in March.

Tropical sawnwood exports increased 16% in volume, from 31,100 cu.m in March 2015 to 36,100 cu.m in March this year but there was only a 1.2% increase in export earnings (US$16.5 million to US$16.7 million).

March 2016 pine plywood exports fell 22% year on year from US$46.8 million to US$36.5 million but, at the same time, the volume of exports increased 12%, from 127,400 cu.m to 142,600 cu.m.

Brazil’s March tropical plywood exports increased 19% in volume, from 9,500 cu.m in March 2015 to 11,300 cu.m in March this year but export earnings fell 4.3%.

To wrap up the depressing story on March exports, the value of wooden furniture exports dropped 18.5% from US$46 million in March last year to US$37.5 million in March this year.

Wood waste to hardwood flooring

The Union of Timber Industries of Mid-North Region of Mato Grosso (SINDINORTE) is urging millers in the region to process short length sawnwood, considered waste by many companies, into flooring for the domestic and international markets.

SINDINORTE says processing short length sawnwood into flooring could be a business opportunity for the timber sector in the state. Companies in Mato Grosso which have large stocks of short length sawnwood boards which are difficult to sell are being encouraged to negotiate a sale with a wood flooring company in Paraná state which has problems finding raw material.

Hardwood flooring is sold in the domestic and foreign market. International markets prefer species such as jatoba (Hymenaea courbaril) and sucupira (Pterodon emarginatus) while the domestic market favours cumaru, red jatoba, garapeira, sucupira and ipe.

CE Marking for MDF

ABIMCI (Brazilian Association of Mechanically-Processed Timber Industry) has expanded the scope of its CE certification scheme to certify companies that are seeking to export MDF panels to markets in Europe. The ABIMCI programme is recognised by the certification body BM TRADA and meets the requirements of European countries.

MDF manufacturers now have an opportunity to apply for Brazil’s national Wood Quality Programme (PNQM) the first step to secure CE certification.

CE Marking is a product certification process of advantage to exporters of wood products to European markets and PNQM is a production process certification developed by ABIMCI. In the absence of CE certification wood products will not be accepted in any EU member state.

Domestic industry discusses export prospects

Representatives from furniture manufacturers and the timber industry participated in the annual meeting of the Union of Timber Industry and Furniture of Vale do Uruguay (SIMOVALE). The meeting brought together 80 companies associated or affiliated to the Union. The main topic of discussion was market forecast for 2016.

2015 was a difficult year for the furniture sector and many companies saw sales stagnate, investment decline and the work force reduced. While the weaker Real helped export pricing this advantage was lost due to the rising costs of raw materials and power.

For 2016 forecasts remain bleak with the consensus being that the timber sector will experience unstable production and trading conditions. On the domestic front the uncertain political situation is adding to the risks in the sector. There is a general feeling of insecurity and a lack of confidence which is holding back investment and the industry is concentrating on cutting costs and minimizing spending.

MMA creates group to combat illegal logging

The Ministry of the Environment (MMA) has created a working group for the implementation of a Zero Illegal Deforestation target as discussed during the Climate Change Conference – UNFCC/COP21. The group will consist of representatives of the Secretariat of Climate Change and Environmental Quality, the main coordinator; the Brazilian Forest Service (SFB); and the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA).

The main objective of the MMA is to expand mutual cooperation between the federal government, states and municipalities to promote actions to encourage the compliance with the regulation of the Rural Environmental Registry (CAR), to review the action plans for deforestation prevention and control and integrate licensing processes database. The overall objective is to tackle illegal logging, combat climate change and promote sustainable development in the Brazilian Amazon.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	738↑
Jatoba	365↑
Massaranduba	337↑
Muiracatiara	351↑
Angelim Vermelho	309↑
Mixed red and white	196↑
Eucalyptus (AD)	179↑
Pine (AD)	128↑
Pine (KD)	145↑

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	494↑
10mm WBP	390↑
15mm WBP	339↑
4mm MR	443↑
10mm MR	329↑
15mm MR	303↑

Prices do not include taxes

Source: STCP Data Bank

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	156↑
Jatoba	87↑
Massaranduba	91↑
Miiracatiara	93↑
Angelim Vermelho	86↑
Mixed redwood and white woods	74↑

Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	218↑
15mm MDF	295↑

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1425
Jatoba	938
Massaranduba	743
Muiracatiara	741
Pine (KD)	200

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)	313
12mm C/CC (WBP)	285
15mm C/CC (WBP)	282
18mm C/CC (WBP)	279

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,662
	Jatoba	1,567

Source: STCP Data Bank

Peru

Verified legal wooden school furniture

After recommendations made by the National Forest and Wildlife Service (SERFOR), GTZ Peru and WWF Peru the National Educational Infrastructure Programme has invited tenders for the supply of wooden furniture indicating that preference will be given to manufacturers offering products with a verified high proportion legally sourced timber.

The Ministry of Education has a 'forest plan' that seeks to improve the quality of education in public schools in the Amazon at the same time broadening the educational base to address illegal forest activities. The procurement of verified legal wooden furniture is just one phase of the programme.

The tender, published on 20 April provides for an evaluation depending on the percentage of wood used that comes from well-managed forests.

The tender does not exclude companies that meet the requirements of the forest authority, but promotes those that demonstrate practices in responsible forest management.

Peru adds 26,000 new hectares of well-managed forests

In March this year Inversiones Valentina and Nathaly SAC (V&N-SAC) received Rainforest Alliance FSC Certification Controlled Wood Forest Management (Controlled Wood) for its 26,102 ha. management area in the Native Community San Luis de Charasmaná located in Contamana Province, Ucayali. Analysts report this is the first FSC controlled wood certification for a native community in Peru.

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The company V & N SAC received technical support from GTZ on three key issues: traceability, delineation of the area, attributes of its conservation value and the strengthening of community-company relationships.

Indigenous groups formulate forest zoning guide

With the participation of organisations representing indigenous people in Peru and the National Forest Service and Wildlife (SERFOR) a recent workshop formulated a guide for forest zoning aimed at improving management.

The indigenous organisations that participated were the Interethnic Association for the Development of the Peruvian Rainforest (AIDESEP), the Peasant Confederation of Peru (CCP), the National Agrarian Confederation of Peru (CNA), the National Federation of Peasant Women, Artesanas, Indigenous, Native and Salaried of Peru (FENMUCARINAP), the Confederation of Amazonian Nationalities of Peru (CONAP), National Organization of Indigenous Women of the Andean and Amazonian Peru (ONAMIAP) and the National Union of Aymara Communities (UNCA).

The participants noted that the guidelines can be used to identify the best uses of forest lands providing for better organisation and protection of the area. They also expressed their commitment to the Forestry and Wildlife law.

Two new working groups on stemming illegal logging

The Permanent Multi-sectoral Commission to Combat Illegal Logging has created two new working groups in order to strengthen actions against illegal logging and articulate the work of the member institutions.

This was revealed by the High Commissioner on Affairs to Combat Illegal Logging and chairman of the commission, César Fourment Paredes, who reported that the working groups are known as "the foreign policy bilateral border" and "implementation of national forest information system and wildlife" groups.

The first group is coordinated by the Ministry of Foreign Affairs, while the second is under the National Forest and Wildlife Service.

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	471-555
Grade 2, Mexican market	421-459
Cumaru 4" thick, 6'-11' length KD	
Central American market	863-896
Asian market	911-963
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

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

Massive rescue and recovery in progress

On Saturday 16 April a magnitude 7.3 earthquake was the first of several severe quake to devastate parts of Kumamoto Prefecture in Japan's western island of Kyushu.

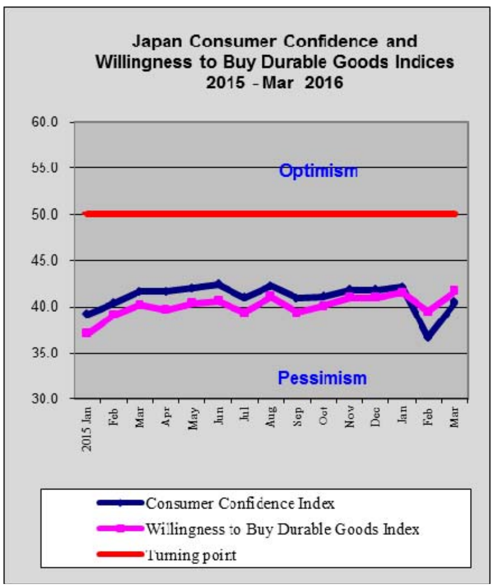
The epicenters of the two most damaging earthquakes were directly below a densely populated urban area. The latest count puts the death toll at 50 with over 13,000 homes being completely destroyed and another 15,000 seriously damaged.

Experts point out that in contrast to the March 2011 magnitude 9 earthquake which struck in north east Japan, the result of deep tectonic plate movements, the quakes that are still battering Kumamoto have a shallow focus which tends to concentrate the damage in a small area.

Japan is preparing an extra budget said to be over US$4 billion for relief and reconstruction in areas affected this month's deadly earthquakes.

Delay in sales tax increase becomes more likely

In its latest assessment of economic prospects the government maintained an optimistic view but said it was analysing what impact the recent disaster will have since thousands of homes and businesses have been destroyed.



Source: Cabinet Office, Japan

The government lowered its assessment of corporate sentiment after the recent Tankan survey showed companies were less optimistic about business conditions in the first quarter of this year. A statement from the Cabinet Office says "Japan's economy remains on track for recovery, but more weak spots can be seen" .

Some analysts expect the economy to weather the impact of the recent earthquakes but caution that the Prime Minister may use the event as a reason to delay the rise in sales tax early next year, particularly as consumer sentiment is stalling.

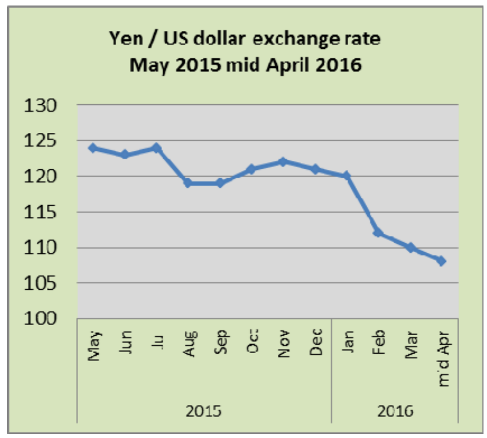
See-sawing yen/dollar exchange rate

The yen/dollar exchange rate see-sawed prior to, and then after the monthly Bank of Japan (BoJ) Board meeting.

The financial markets had expected the BoJ to come with further measures to weaken the yen which had gained around 5% on the US dollar in the days running up to the BoJ meeting.

To everyone's surprise the BoJ maintained a neutral stance which sent the yen soaring higher to an 18 month high against the dollar.

A strong yen hurts Japanese exporters and puts downward pressure on import prices, both effects the opposite of what the BoJ and government are aiming for.



Quake resistant housing

Japan regularly experiences earthquakes being a very seismically active country and as a result has, over the years, developed rigorous earthquake building standards.

The current regulations date back to the 1981 Building Standards Law and subsequent revisions. The evidence from the Tohoku and Kobe quakes showed that the 1981 standards were sufficient as most of the damage occurred to homes built prior 1950.

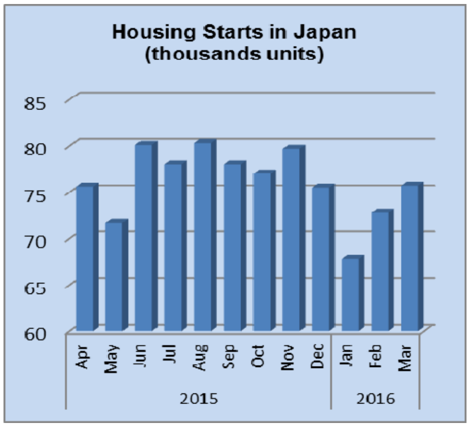
Further tightening of the building regulations was made in 2013 requiring owners of large public buildings to have third party assessment of whether the properties meet the 1981 law.

The aim at the time was to increase to 90% public properties that met the revised code. In some instances the government provided support for improvements.

Fast pace housing starts

Data from the Ministry of Land, Infrastructure, Transport and Tourism indicates that year on year March 2016 housing starts increased by just over 8%.

The expectation was for a slowing in the rate of starts from the over 7% reported for February. March 2016 starts marked the third consecutive rise and the fastest pace of increase since August last year. The Ministry also reported that orders at the biggest builders increased in March.



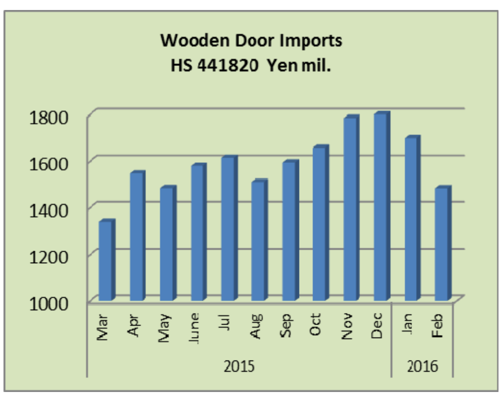
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

Year on year February 2016 imports of wooden doors fell almost 3% after the 8% year on year rise in January. Since December last year Japan's imports of wooden doors have been falling.

China remains the main supplier of wooden doors to Japan followed by the Philippines and Indonesia. These three suppliers dominate imports of wooden doors accounting for over 84% of all imports of doors in February. Of note, Brazil joined the list of countries shipping wooden doors to Japan.

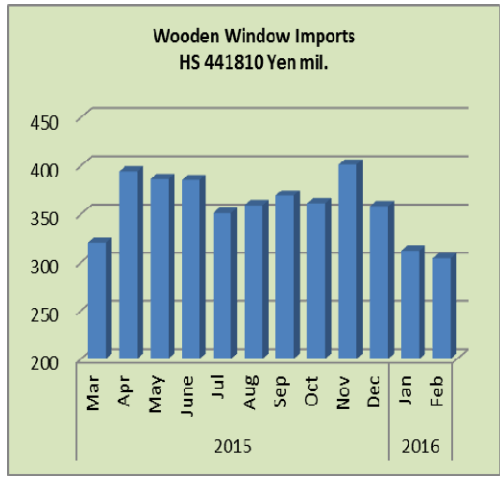


Data source: Ministry of Finance, Japan

Windows

Year on year Japan's February 2016 wooden window imports were slightly up as they were in January but this disguises the sharp deline in imports of windows since November 2015. The level of wooden window imports in February marked a new low.

The top three suppliers, China (29%), Philippines (24%) and the US (24%) continue as the main suppliers accounting for 85% of February 2016 imports.

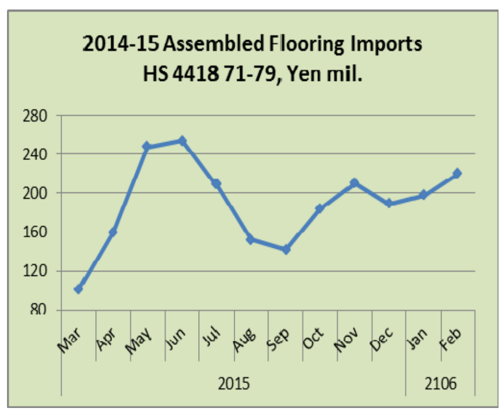


Data source: Ministry of Finance, Japan

Assembled flooring

The data below shows imports of three categories of assembled flooring, HS 441871,72 and 79. Most of Japan's imports are of HS441872 with China being the main supplier followed by Indonesia and Malaysia which accounted for over three quarters of February imports of this category.

HS441879 flooring is supplier from Indonesia, China and Vietnam in order of rank, the three accounted for 88% of Japan's imports of this category in February. Japan's imports of HS441871 are small with almost all coming from Indonesia.

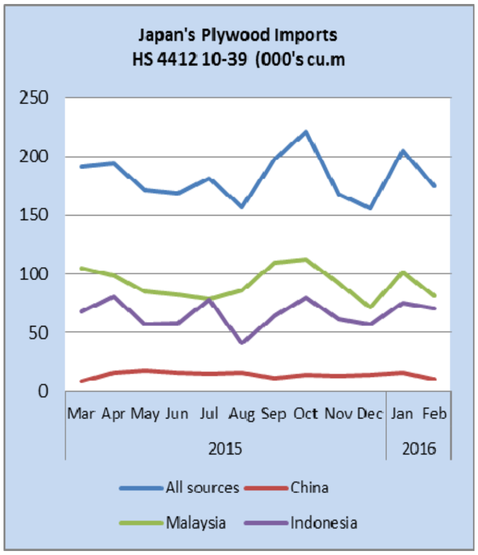


Data source: Ministry of Finance, Japan

Plywood

February 2016 imports of plywood fell back after the sharp rise reported in January. Year on year February 2016 plywood imports were down 12% and February imports were down 15% from levels the previous month.

All three of the main suppliers saw February shipments to Japan fall compared to levels in January; China (-38%), Malaysia (-20%) and Indonesia (-5%). The top three suppliers accounted for 93% of all Japan's February 2016 plywood imports.



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
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see: http://www.n-mokuzai.com/modules/general/index.php?id=7

South Sea (tropical) logs

In Sarawak, Malaysia, rainy season was over but weather is still unstable with occasional heavy rain in some area. In the past, log production increases after rainy season is over and the prices drop but this year log supply seems to be tight as the suppliers are cautious in dealing with newly control of illegal harvest so the log supply seems to stay tight for some time.

The Japanese log importers have hard time to set up shipping schedule due to very tight supply for quality logs. Then Indian log buyers are now accepting higher offers by the suppliers, which affects log prices for Japan.

Also after Malaysian currency ringgit rebounded and got stronger so the log suppliers are asking higher log prices but the Japanese are bearish as South Sea hardwood plywood orders in Japan are weak.

In Sabah, weather is clear and fine so that log production is steady but India has started buying Sabah logs for the first time after they shifted to PNG and Solomon Islands to shy away from spiraling high log prices in Sarawak.

Before India showed up in Sabah, log prices for Japan had been stable but now it will be the same as Sarawak with entry of India.

Present log prices in Sarawak for Japan are US$265-275 on meranti regular per cbm FOB, US$245 for small meranti and US$230 for super small. These seem to be bottom prices now and will go up

Fire at Akita Plywood

Fire started at the second plant of Akita Plywood, one of the largest plywood manufacturers in Japan in the evening of April 6 then the fire extended to the first plant. The second plant is totally destroyed by the fire. Fire obviously started behind dryers then burnt roof and imported veneer so the fire spread fast then the fire moved to the first plant but the damage is minor.

Akita Plywood has three plants, the first, second and Oga, which produce total of about 40,000 cubic meters of plywood a month. The second plant specialises manufacturing thick panel with monthly production of 10,000 cbms then the first plant makes 12 mm 3x6 and floor base with monthly production of 15,000 cbms.

Since Akita Plywood is one of the group companies of Seihoku group, the group is trying to cover and support damage of Akita Plywood by increasing production of other group plants.

The company plans to rebuild the second plant but it would take about a year before the production resumes. This gives shock to plywood market and there are some speculative demand but other plywood mills are now running in full and have no extra capacity to increase the production.

Increasing supply of biomass fuel

Sharp increase of number of wood biomass power generation plants all over Japan after FIT system has started in July 2012 results in expansion of fuel supply by large trading firms and subsidiary company of paper manufacturing companies.

Companies, which have its own power generation plant in the group or invested for biomass power plants, aggressively participate in procurement of biomass fuel which contributes increase of sales. Also wood fuel is used by coal burning power plants to reduce carbon dioxide emission.

Handling of wood fuel is one of substituting businesses to supplement declining business of building materials sales with decrease of housing starts in future.

Sumitomo Forestry's fuel supply in 2015 (domestic wood chip and imported PKS) was 1.2 million cubic meters, 5.3% more than 2014. With increasing number of biomass power generation plants, supply of PKS sharply climbed and was more than double of 2014 supply. Monbetsu Biomass Power (power output of 50,000 kw), which is jointly operated by Sumitomo Forestry and Sumitomo Kyodo Electricity, will start up in late December this year so Fuel supply will increase further more.

Sumitomo Trading's fuel supply of imported wood pellet in 2015 was 77,000 ton, 97.4% more than 2014. It had been supplying for large power companies steadily then additional supply for biomass power plant, which burns coal and biomass fuel pushed the total volume up.

The largest wood biomass power plant Sumitomo Trading owns, Handa Biomass Power (power output of 75,000 kw) is under construction and will start up in May next year. It will use coal as supplementary fuel at the beginning but it will use 100% biomass fuel in future so its annual necessary biomass fuel will be about 500,000 ton.

Hanwa Co., Ltd. imported about 160,000 ton of PKS in 2015. Oji Forest and Products Co., Ltd. covered decline of sales of logs, lumber and plywood by increased sales of paper manufacturing materials and wood biomass fuel in 2015. Nippon Paper Lumber Co., Ltd. increased supply of fuel chip including PKS to 1,620,000 ton, 17% more than 2014.

It intends to strengthen business of this growing field, which is not affected by declining housing starts.

China

New forest reserves to rebalance supply and demand

It has been reported by the State Forestry Administration (SFA) that, as part of China's National Forest Reserve Construction Planning for 2016 to 2050, six new large forest reserves will be created.

Reserves will be created in the southeast coastal regions, in the middle and lower reaches of the Yangtze River, on the Huang Huai Hai plain and in the southwest, Beijing, Tianjin and Hebei Provinces. A further reserve will be created in the Northeast.

When completed the area of national reserves will extend to 14 million hectares and it is forecast that around 95 million cubic metres of logs can be sourced from national forests gradually rebalancing domestic supply and demand.

Promoting quake resistant wooden buildings

The Chinese government recently announced policies to encourage the development of wooden low rise public buildings in earthquake prone areas. Currently most of China's new buildings are of reinforced concrete with only a small proportion of wooden structures.

Those wooden building that have been constructed are mainly residential homes (45%) tourist accommodation (31%) with only a small proportion being public buildings.

The country is developing standards for medium and high rise wooden structures and domestic enterprises are preparing to build high rise cross-laminated timber (CLT) buildings. Analysts say there will be a big market for wooden homes and buildings in quake prone rural areas.

Industrial wood processing zone in Shandong

According to the Shandong Inspection and Quarantine Bureau, timber imports through Shandong have increased in recent years. Timber imports via Shandong province in 2015 totalled over 10 million cubic metres, accounting for one sixth of the national total.

Lanshan, Huangdao, Dongjiakou, Penglai Ports are the main ports handling timber in Shandong provinces. The rise in timber imports has contributed to the development of service and downstream industries in the province.

It has been reported that RMB10 billion will be invested in a new international wood processing zone near Dongjiakou Port. An area of 500 hectares has been identified and it is planned that the zone can handle around 4 million cubic metres of timber. This zone will become an important timber trade and processing base in the province.

Brazilian eucalyptus logs imports

It has been reported that a trial shipment of eucalyptus logs from Brazil has arrived in Liaocheng City, Shangdon Province. It is estimated that the major wood processing plants in Liaocheng City use around 1 million cubic metres of imported logs to produce plywood and veneer and the imported eucalyptus will be assessed for plywood production.

Trial international timber warehousing and distribution centre

A trial is underway at the Manzhouli Irito Logistics Limited (IRITO) international timber warehousing and distribution centre termed Manzhouli IRITO. This is an international railway logistics and industrial park in Manzhouli.

At present, the management of the centre is applying to become a bonded logistics centre. The centre can accommodate around half a million cubic metres and operations at the centre will act to stabilise market prices and reduce transaction costs and risks for enterprises. Shipping containers can be directly packed in the yard to improve efficiency and lower costs.

CITES asked for two month grace period for ambila imports

China's National Management Office for Endangered Species has appealed to CITES regarding the resolution adding Pterocarpus erinaceus Poir into CITES Appendix III. This timber is known as ambila in China, other names include bani, tolo and ban.

China has requested a 2 month grace period before fulfill the resolution. This would allow the import of the species without a CITES certificate but with a bill of lading and certificate of origin.

House prices and the challenging market

The National Bureau of Statistics has released data for March prices for residential buildings based on its regular survey across 70 medium and large-sized cities.

The data shows that in the major cities prices surged as much as 60% during the first 3 months of this year. In sharp contrast prices in the so-called lower-tier cities prices continue to fall.

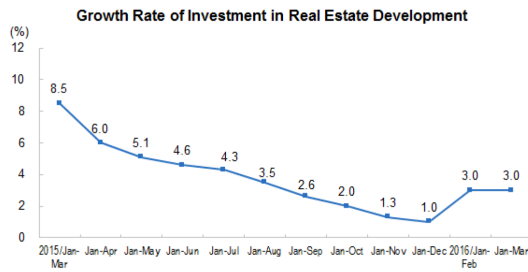
Year on year prices for newly constructed residential buildings fell in 29 cities, increased in 40 and remained unchanged in 1. Compared year on year March 2016 prices of second-hand homes fell in 23 cities, increased in 46 and were unchanged in just 1 city. Year-on-year price rises for second hand homes topped 60%.

For more see:
http://www.stats.gov.cn/english/PressRelease/201604/t20160418_1345163.html

The oddest thing about the housing market is that prices are rising even though the country as a whole has a surplus of housing, the result of the 2013 construction boom.

Many companies are finding it hard to sell properties, it is all a matter of location. Selling has become tougher because of a tightening of rules on loans and down payments aimed at cooling the market and the general slowdown in economic growth.

The National Bureau of statistics says total investment in real estate development in the first three months of 2016 was up 6% year-on-year of which investment in residential buildings was up by almost 5%.



See:
http://www.stats.gov.cn/english/PressRelease/201604/t20160418_1345154.html

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 afric	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
Merbau	3500-5800
Luan	1600-2400
Kapur	2020-2500
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 wood flooring consumption starting to recover

After a steep fall of more than 6% in 2014, the European Federation of the Parquet Industry (FEP) reports that European wood flooring consumption increased both in 2015 and in the first few months of 2016.

In 2015, FEP observed “a stabilisation in parquet sales across Europe, with an upward tendency during the last months”. And in early 2016, FEP report market recovery across much of Europe.

Preliminary forecasts, which FEP announced during the Domotex flooring show in Hannover, Germany, suggest 0.5% growth in European wood flooring sales last year. Final figures will be released at the FEP’s annual General Assembly in Thun, Switzerland, in June.

Meanwhile a study by Interconnection Consulting is even more positive about recent trends in the European wood flooring market. The organisation estimates that wood flooring sales in the “top eleven European countries” increased 2.2% to 82,7 million m2 in 2015, according to a press release by Global Flooring Alliance.

The Interconnection Consulting study forecasts continued growth of 2% per year until 2019. However, prices are not forecast to rise significantly due to competitive pressure from Eastern European and Asian manufacturers.

According to FEP, an encouraging sign in Europe’s wood flooring market in 2015 was rising momentum in Southern Europe, notably Spain, for the first time since the economic crises. There was also good performance in Sweden, Hungary, the Netherlands, Belgium, Poland and to a lesser extent, France. The large German, Austrian and Swiss parquet markets were stable at a high level.

FEP reported further improvements in the first quarter of 2016. Austria, the Baltic States, France, Germany, the Netherlands and Poland all reported growth rates between 2% and 3% during the period. In Italy and Denmark, growth ranged between 1% and 2% and the Belgian market was stable.

However performance in the Nordic countries was relatively poor. The situation in Finland was described by FEP as “the most difficult in Europe”, with an estimated fall in wood flooring sales of 5-10% in the first quarter. Sales in Norway were down by around 4%.

A slight improvement in building figures was referenced as the main reason for the overall improvement in European wood flooring consumption. The refugee situation is not believed by FEP to have any impact on European wood flooring consumption, as less costly flooring solution would generally be utilised for equipping emergency housing.

FEP highlighted that the wood flooring sector still faces stiff competition from other materials. The main source of competition varies between countries. For example, the challenge comes particularly from luxury vinyl tiles (LVT) in Germany and from ceramic tiles in Italy.

According to FEP “it is becoming increasingly difficult for consumers to differentiate parquet from competitive flooring alternatives with a wood look surface.” Shortage of raw materials and price increases are mentioned as additional problems facing the European wood flooring sector.

Planking and natural look in fashion

With regard to wood flooring types,, FEP note that wooden planking styles continue to attract customers. A review of trends at the Domotex show notes that “floor boards with grooves, knot holes and irregularities and a country home look that seems to have just come from the saw mill are very much the rage“.

The Domotex report identifies oiled instead of sealed surfaces as another trend.

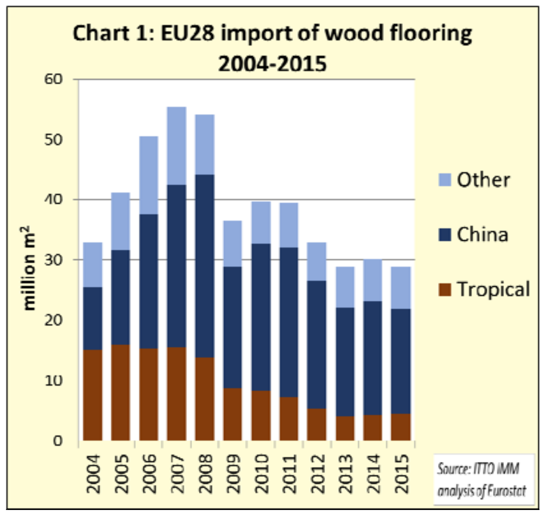
Interconnection Consulting reports that multilayer parquet floors now account for 84% of the European wood flooring market by volume, the majority comprising three-layer parquet (roughly 70 % of total market volume).

Solid wood flooring accounts for 14% of the market. Interconnection Consulting also notes “a trend for real wooden floors to become customised and exclusive.”

Declining wood flooring imports from China

While consumption and sales of wood flooring manufactured in Europe improved in 2015, imports came under pressure last year. The 5% rise in imports recorded in 2014, after a lengthy period of weakness, proved to be short-lived.

The EU imported 28.82 million m2 of wood flooring last year, 4.6% less than 2014 and only just exceeding the recessionary low in 2013. These figures compare to imports of nearly 40 million m2 in 2010 and a high of 55.40 million m2 in 2007 (Chart 1).



Wood flooring deliveries from China, by far the EU’s largest single external supplier, fell 7.4% to 17.50 million m2 in 2015, the lowest level since 2005. While China’s exports to the UK increased by 2% to 5.19 million m2, there was a significant decrease in China’s exports to Belgium (-4% to 2.90 million m2), Netherlands (-8% to 2.07 million m2), Italy (-21% to 1.96 million m2), Germany (-10% to 1.75 million m2), and France (-47% to 0.44 million m2).

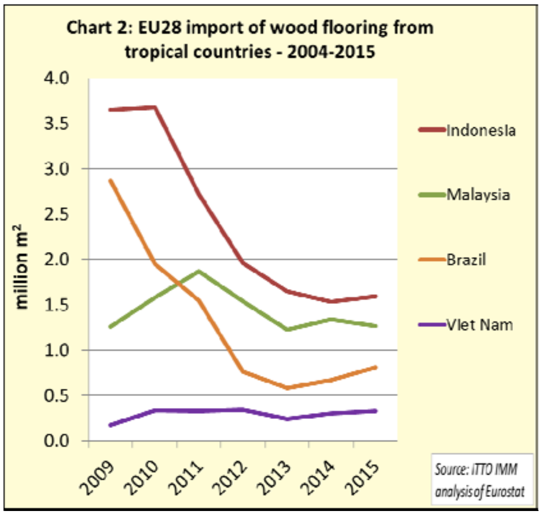
Overall the signs are that Chinese flooring became less competitive in the EU market in 2015. This is probably due to a combination of factors notably the weakness of the euro and concerted efforts by domestic and other overseas manufacturers in South East Asia and Brazil to regain share of the European market.

Tightening enforcement of the EU Timber Regulation, combined with publicity surrounding the Lumber Liquidators prosecution under the U.S. Lacey Act in relation to wood flooring from China may also have discouraged sourcing of Chinese product in 2015.

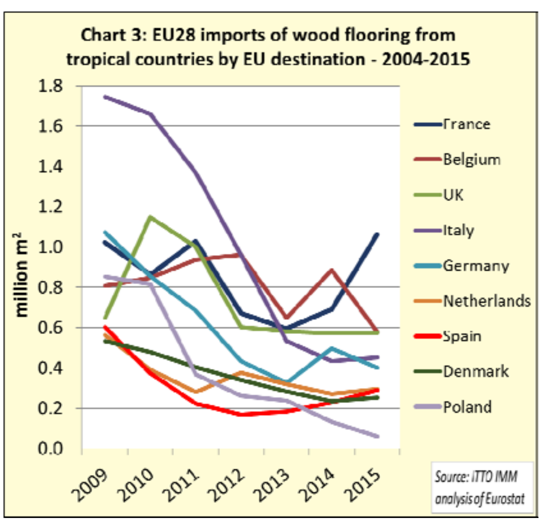
EU wood flooring imports from tropical countries rise 3%

In contrast to EU imports from China, imports from tropical countries increased 3% to 4.46 million m2 in 2015. Indonesia remains the single largest tropical supplier of wood flooring to the EU. Although still low by historical standards, EU imports from Indonesia increased 4% to 1.59 million m2 in 2015.

There was also a partial rebound in imports from Brazil (+21% to 0.81 million m2) and continued slow growth in imports from Vietnam (+9% to 0.33 million m2). However imports from Malaysia declined 5% to 1.27 million m2 (Chart 2).



A notable trend in 2015 was a significant switch in flooring imports by France away from China in favour of Brazil and Indonesia. However France's increased imports from tropical countries was mirrored by a decline in imports into Belgium suggesting it might be partly due to changing distribution networks in continental Europe (Chart 3).



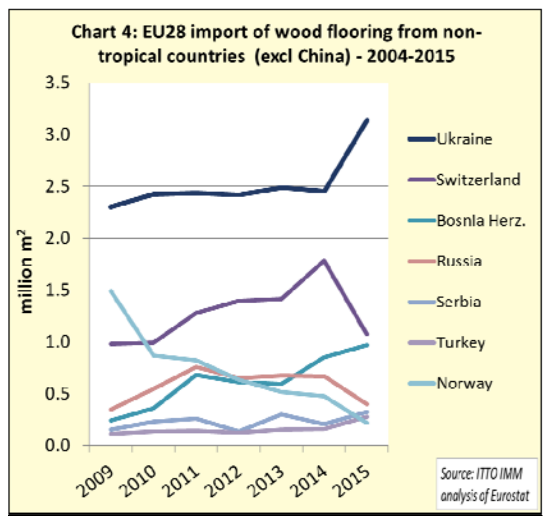
UK imports of wood flooring from tropical countries were flat during 2015, a rise from Indonesia and Malaysia being offset by a decline from Hong Kong and Vietnam. This may be explained by the more advanced state of legality verification systems in the former two countries as EUTR enforcement has been tightening in the UK.

Imports of wood flooring from tropical countries into Italy, formerly the largest EU market for this commodity, remained flat at a low level in 2015. Imports into Germany declined in 2015 after a brief recovery in 2015. German imports from Vietnam were particularly weak last year. However Sweden and Italy imported more from Vietnam in 2015.

There was strong variation in EU imports from non-tropical countries in 2015 (Chart 4). Imports from Switzerland plummeted 40% to 1.1 million m2, probably due to the strong Swiss franc and related price increases for Swiss flooring in the Eurozone. Imports from Norway also dropped by 54% and those from Russia fell by 41%.

However EU wood flooring imports from Ukraine increased 28% to 3.1 million m2 which may be partly due to a new law that entered into force in Ukraine in November 2015 which added oak to the list of "rare and valuable" timber species for which controls are imposed on a wider range of secondary and tertiary processed products.

This may have encouraged importers to purchase additional supplies of oak flooring before November 2015 to beat the extra controls now in place.



EU wood flooring imports from Bosnia-Herzegovina also increased sharply in 2015, by 13.5% to 1 million m2. Bosnia is attracting more investment in wood processing industries attracted by the countries close proximity to the EU market, relatively low labour costs for the European region, and proximity to forest resources which cover 55% of the country's land area.

Laminates dominate European flooring market

While the market for real wood flooring recovered some lost ground in 2015, data published by the European Producers of Laminate Flooring (EPLF) association highlight the scale of the challenge from laminate flooring.

Members of the EPLF association sold 452 million m2 of laminate flooring last year, around 333 million m2 of which was in Europe, over four times the volume of real wood flooring consumption in the region.

Overall world-wide sales of EPLF members declined 3% in 2015. However the decline was almost all in Turkey due to one Turkish company leaving EPLF and anti-dumping proceedings by the Turkish Ministry of Economy against several German flooring manufacturers which ran until the summer of 2015 (Table 1).

Table 1: Global sales of laminate flooring by EPLF Members

million m^2	2013	2014	2015	% chng 2014-15
W. Europe	224.0	225.0	222.0	-1.3
E. Europe	103.0	110.0	111.0	0.9
Turkey	66.0	57.0	32.0	-43.9
North America	28.0	30.0	39.0	30.0
Latin America	17.0	16.0	17.0	6.3
Asia	13.0	15.0	17.0	13.3
Other	12.0	13.0	14.0	7.7
Total	**463.0**	**466.0**	**452.0**	**-3.0**

Source: Association of European Producers of Laminate Flooring (EPLF)

A slight decline in laminate flooring sales in Western Europe was offset by a rise in Eastern Europe in 2015. European flooring manufacturers were also increasing sales in North and South America and Asia last year. This is due both to the weak euro and an export market development strategy centred on higher-end quality products and adherence to European technical and environmental standards.

The single biggest market for laminate flooring sold by EPLF members is Germany, which alone accounted for 66 million m2 in 2015, a fall of 4.3% compared to 2014 (Chart 4). Like solid wood flooring, laminate flooring is also under pressure in Germany from substitute products, especially LVL.

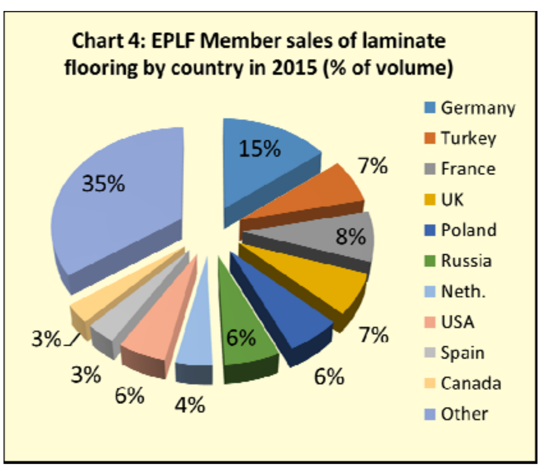


Chart 4: EPLF Member sales of laminate flooring by country in 2015 (% of volume)

Laminate flooring sales in France, the second largest market, declined 5.1% to 37 million sq.m in 2015.
The positive trend in the UK recorded in 2014 also ended last year, with sales falling 3.1% to 31 million sq.m despite continuing growth in the construction market.
In contrast, recovery in the Netherlands and Spain is reflected in laminate flooring sales figures. Sales in the Netherlands increased 11.8% to 19 million sq.m and sales in Spain were up 4.8% at 15.3 million sq.m.

EPLF member sales in Russia, the largest Eastern European market for laminate flooring, increased 2% to 29 million m2 in 2015, despite economic difficulties. Sales in Poland increased 7% to 28 million sq.m and Bulgarian sales jumped 25% to 5 million sq.m during the year. Romania and Hungary were stable compared to 2014, accounting for sales of 11 million sq.m and 6 million sq.m respectively in 2015. However sales to Ukraine fell 38% to 5 million sq.m last year.

Germany accused of restricting trade in construction products

According to EPLF, the German Institute for Building Technology (DIBt) is considering introduction of special rules for building products that go well beyond the CE mark requirements for compliance with the European Construction Products Regulation and which would effectively “seal off the German construction products market from the EU single market”.

According to the EPLF, the approach now being considered may be in breach of a decision taken by the European Court of Justice in October 2014. This concluded that Germany’s national requirements for building products created unnecessary barriers to free trade in the European free market and must be phased out. At the time of the Court’s decision “the only building products that could be used in Germany were those bearing an Ü mark complying with the DIBt’s own specifications, which were independent from European harmonisation”, according to EPLF.

Following the decision, DIBt has adopted a new approach to quality control which would evaluate whole buildings rather than individual construction products. A draft document to this effect was circulated among affected institutions and associations at the end of 2015 and comments were invited until 25 February 2016.

According to EPLF, which is very critical of this approach, the draft contains exhaustive requirements regarding components, emissions, and measurement procedures. These requirements include a mix of DIBt’s own stipulations for substances and the EU’s minimum emission requirements.

The draft has led to protests from industry both in Berlin and in Brussels. EPLF quotes lawyer Michael Halstenberg: “in my view, the draft is once again incompatible with European law. The DIBt doesn’t understand that setting building product requirements through an indirect road (through redefining them as “building requirements”) isn’t permitted either”.

EPLF believes that small and medium-sized companies would particularly struggle to tender for public construction projects in Germany in the future.

However, the association concedes that other EU countries, such as France, Belgium, and Sweden, among others, have adopted a similar approach.

The draft has also been criticised by the German Multilayer Modular Flooring Association (MMFA) and the Association of the German Wood-based Panel Industry (VHI). The full EPLF press release can be found at: http://bit.ly/26wnH5k .

German timber companies launch campaign against FSC

A group of 25 German forestry and timber companies headed by Eurobinia have published a letter calling for abolition of FSC certification in public forests and asking that FSC be dropped as a requirement in German public procurement policy.

According to a report by the Global Timber Forum (GTF), the letter was sent through a lawyer and addressed to "responsible politicians". A press release was also distributed to timber industry media.

According to the GTF, FSC Germany responded that the criticism was too far-fetched for the organisation to comment officially. The website also quotes German public procurement and certification specialist Ulrich Bick from Thünen-Institute as saying that he saw no reason to change public procurement requirements – which currently require that timber be either FSC or PEFC certified.

Ulrich Bick also suggested there is a broad consensus between German ministries to maintain the current system.

The full article and a related forum discussion can be found at http://bit.ly/1Uc5mFM and http://bit.ly/21ccmDC.

North America

US manufacturing sector posts gains in March

Economic activity in the manufacturing sector expanded in March for the first in six months, according to the Institute for Supply Management.

The majority of industries reported an increase in new orders and production. The price of raw materials increased for the first time since October 2014. Furniture manufacturing expanded in March, while output in the wood products sector was unchanged from February.

Real GDP increased at an annual rate of 0.5% in the first quarter of 2016, according to the first estimate released by the US Bureau of Economic Analysis. GDP growth in the fourth quarter of 2015 was revised up to 1.4% from an earlier estimated 1.0%.

Unemployment changed little in March at 5.0%. Employment increased in retail trade and construction, while jobs were lost in manufacturing.

For the third time this year the US Federal Reserve appears to hold off raising interest rates because of slow economic growth.

The central bank raised rates in December 2015 for the first time in nearly ten years. Earlier this year the Federal Reserve announced it would raise rates twice in 2016.

Four consecutive monthly declines in US consumer confidence

April marked the fourth consecutive monthly decline in consumer confidence, according to the University of Michigan Index of Consumer Sentiment. The rates of decline have been quite small, although compared to a year ago the consumer confidence index it was down 6.2 points in April.

Consumers reported a slowdown in expected wage gains and growing concerns that slowing economic growth would reduce the pace of job creation. Inflation-adjusted personal consumption expenditures is forecast to grow by 2.5% in 2016.

Builder confidence unchanged in April

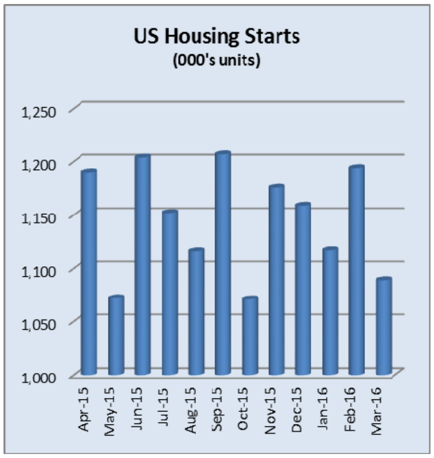
Builder confidence in the market for new single-family homes remained unchanged in April, according to the National Association of Home Builders/Wells Fargo Housing Market Index.

Builder confidence has not changed in three months, reflecting the lower number of housing starts and permits in the first quarter of 2016. Mortgage rates are still low and many builders expect demand to pick up in the months ahead.

US Housing starts declined 9% in March

Housing starts in March were at a seasonally adjusted annual rate of 1,089,000, according to US Census Bureau data. This is 9% below the revised February estimate, but 14% higher than in March 2015.

The decline was in both single-family and multi-family housing. Single-family homes started at a rate of 764,000 in March. Multi-family housing starts also decreased, but rental demand is solid according to the National Association of Home Builders. High rental demand will continue support the construction of apartment buildings.



Source: US Census Bureau.

The number of building permits issued in March were at a seasonally adjusted rate of 1,086,000. This is 9% below the February rate.

Decline in sales of US existing homes

Sales of existing homes bounced back in March and remained slightly up from a year ago, according to the National Association of Realtors. Existing-home sales, which include single-family homes, townhomes, condominiums and co-op housing, increased 5% at a seasonally adjusted annual rate from February. Sales rose in all four major regions of the country.

Demand is strong in the mid-price range, but sales are lower at the high and low ends of the market, according to the National Association of Realtors. At the low end affordability is an issue for many prospective buyers, while very high end housing is in short supply.

Growth in US private non-residential construction

The non-residential construction market declined in January and February from the higher levels of investment at the end of 2015 (at seasonally adjusted annual rates). Private construction remained elevated however, while the decrease was mainly in public building construction. Private construction of offices, health care facilities, lodging and educational buildings grew in February. The private commercial market declined from the previous months.

The American Institute of Architects reported improved business conditions for March. The commercial/industry sector was stable or showed modest growth. The institutional building sector declined in the first quarter.

Canadian housing market strong despite low economic growth

Canadian housing starts fell 7% in March to 204,251 units at a seasonally adjusted annual rate, according to the Canadian Housing and Mortgage Corporation. Overall the housing market remained strong in March. Sales of existing homes recorded their highest level ever in March. Sales were 12% higher than in March 2015.

The tighter mortgage insurance rules introduced by the federal government in February appear to have had little effect so far on cooling the housing market. Home prices increased 9.1% in March year over year on a national level. Vancouver and Toronto remain the hottest markets, while regions dependent on the oil sector had lower housing starts and sales.

Low oil prices will continue to dampen economic growth in Canada this year, although first quarter growth was unexpectedly strong. Canada's central bank projects real GDP growth of 1.7% in 2016, 2.3% in 2017.

Import round-up

Brazil expands hardwood plywood export to US

Hardwood plywood imports declined slightly (-3%) in February to 259,065 cu.m. Year-to-date import volumes were 17% higher than in February 2015, but the value in current US dollars increased by just 9%.

The February decline was largely in imports from China (157,064 cu.m) and Indonesia (30,640 cu.m). Plywood imports from Russia were unchanged from January, while imports from Canada grew.

US Plywood Imports Jan-Feb 2016

	Year to Feb % change
Total Imports	9%
China	6%
Indonesia	30%
Ecuador	20%
Canada	66%
Russia	-28%
Malaysia	-26%

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

Year-to-date all major suppliers except Malaysia shipped more hardwood plywood to the US market than in February 2015.

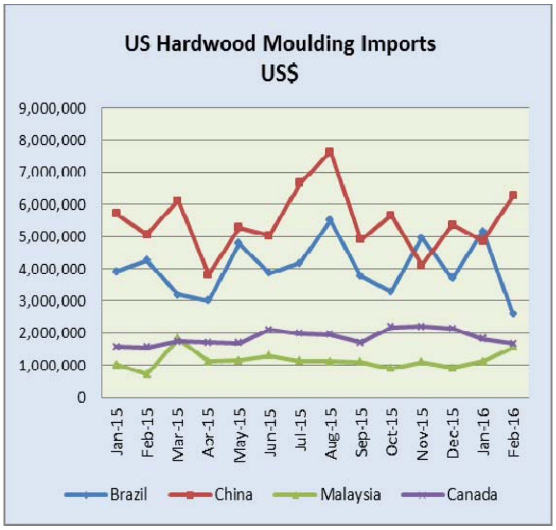
Imports from Malaysia were 5,883 cu.m in February, down 36% year-to-date from the same time last year. Hardwood plywood imports from Brazil increased to 2,392 cu.m in February.

Higher moulding imports from Malaysia and Indonesia

Hardwood moulding imports were worth US $15.7 million in February, down 6% from January.

Moulding imports from Brazil plunged by half to US$2.6 million, making China the largest hardwood moulding supplier in February. Imports from China grew to US$6.3 million, a 3% increase in year-to-date imports compared to February 2015.

Hardwood moulding imports from Malaysia rose steeply in February. Imports were worth $1.6 million, up 55% year-to-date from February last year. Moulding imports from Indonesia increased to US$1.1 million, up 44% from January.



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

Wood flooring imports from China up

Imports of hardwood flooring imports declined to US$2.4 million in February, while assembled flooring panel imports increased to US$9.5 million. However, year-to-date flooring panel imports were lower than in February 2015, while hardwood flooring was up 7%.

China was the only country that increased hardwood flooring shipments to the US in February. The value of imports from China was US$1.1 million in February, compared to US$393,046 from Malaysia and $186,812 from Indonesia. Year-to-date imports from most suppliers were down in February from 2015, except imports from China.

Similarly imports of assembled flooring panels decreased from most sources except China. Imports from China were worth US$4.0 million in February. Flooring panel imports from Indonesia declined month-over-month to $363,931, but year-to-date imports from Indonesia were higher than in February 2015. Imports of flooring panels from Europe increased slightly in February to $1.3 million.

Vietnam's share of furniture imports tops 20%

The value of wooden furniture imported in February was almost unchanged from the previous month at US$1.39 billion. Year-to-date imports were 23% higher than in February 2015.

Furniture imports from China declined by 3%, while imports from Vietnam grew 4% month-over-month. For the first time Vietnam's share in total US imports of wood furniture surpassed 20%. China's import share declined from almost 50% in January to just over 48% in February.

	2016 Jan	2016 Feb
Total imports	**1,404,984,798**	**1,386,897,250**
China	686,694,310	668,987,284
Vietnam	273,774,970	284,039,618
Canada	108,867,113	108,376,423
Malaysia	60,012,619	58,160,461
Mexico	56,011,496	65,246,777
Indonesia	49,412,790	45,510,283
Other	170,211,500	156,576,404

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

Furniture imports from Mexico recovered in February and increased 16% to $65.2 million. Imports from Malaysia were down 3% in January at US$58.2 million, but year-to-date imports grew 30% from the same time last year. Year-to-date all major suppliers to the US market increased shipments compared to February 2015.

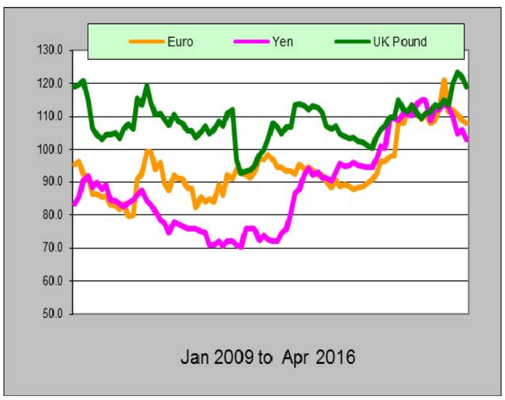
US wooden office furniture imports increased by 8% from January, while kitchen furniture imports declined by the same rate. There was little change in imports of wooden seating and bedroom furniture.

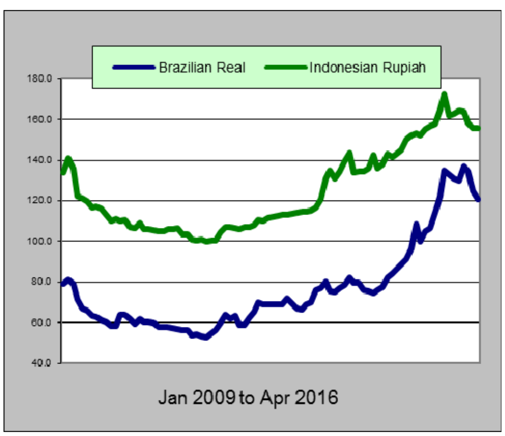
US Dollar Exchange Rates

As of 25 April 2016

Brazil	Real	3.5558
CFA countries	CFA Franc	582.35
China	Yuan	6.4888
EU	Euro	0.8874
India	Rupee	66.685
Indonesia	Rupiah	13214
Japan	Yen	111.20
Malaysia	Ringgit	3.9055
Peru	New Sol	3.2885
UK	Pound	0.6905
South Korea	Won	1151.21

Exchange rate indices (Dec 2003=100)



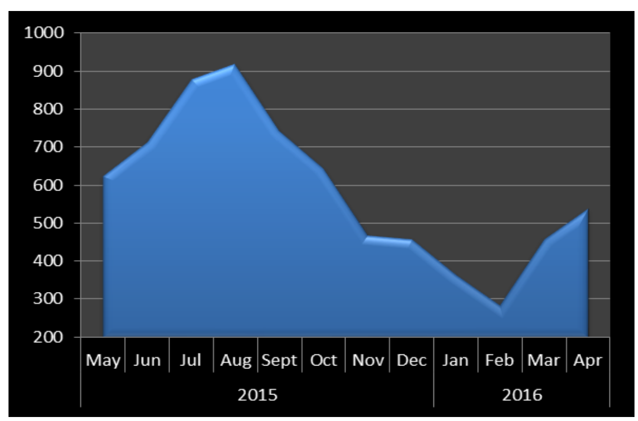


Abbreviations and Equivalences

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 Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
May 2015 – April 2016

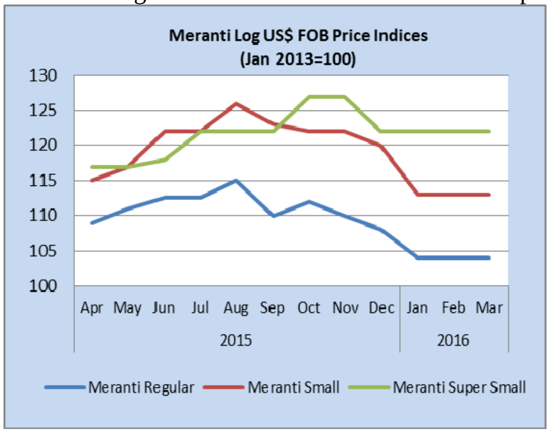


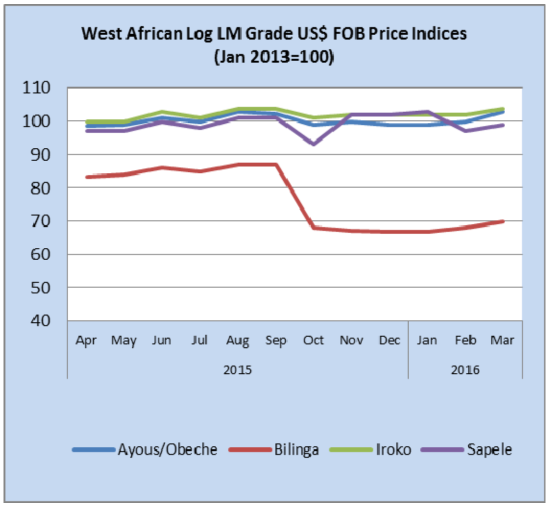
Data source: Open Financial Data Project

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

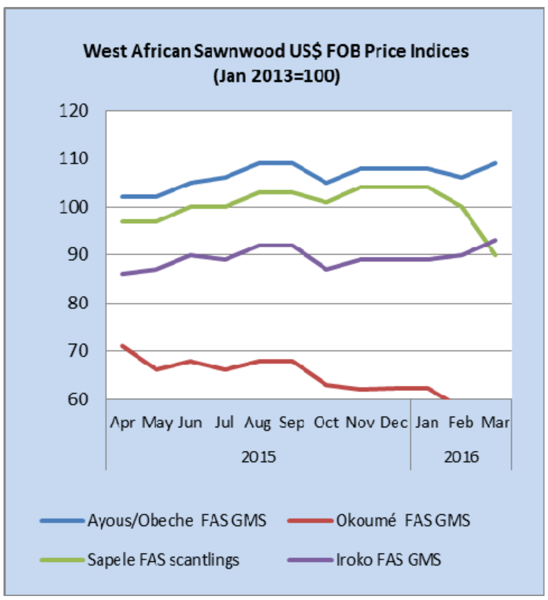
Price indices for selected products

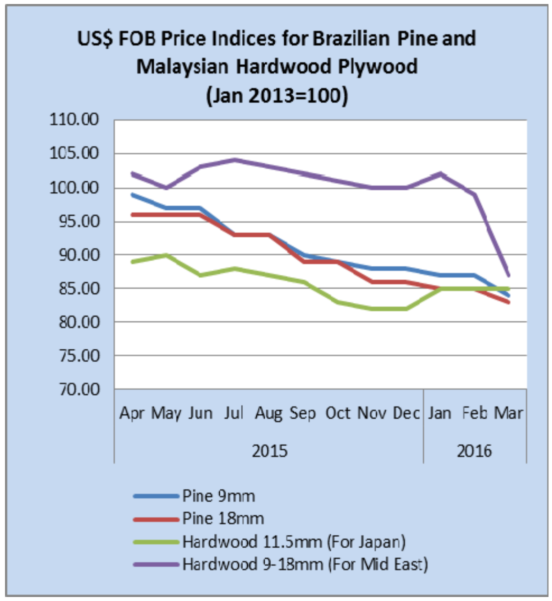
The following indices are based on US dollar FOB prices.

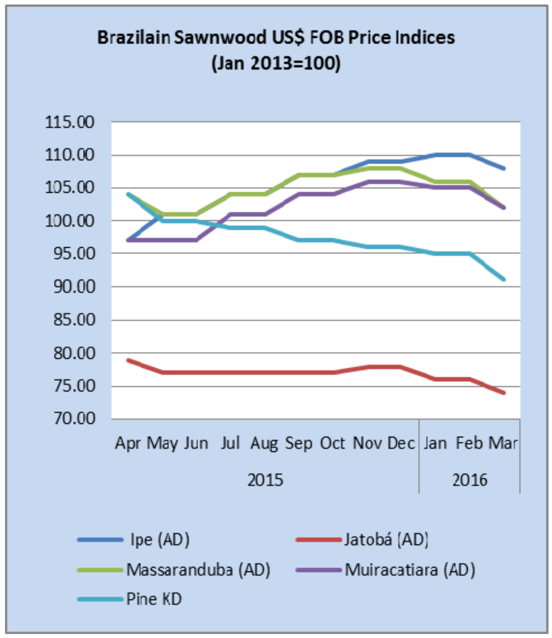




Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.

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