

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

Investment in veneer plants in Gabon

After Myanmar, Laos, Vietnam and Indonesia, Gabon has emerged as a new location for veneer production by Indian companies.

The news from Gabon is that three or four Indian plywood companies are considering setting up plants in the GSEZ for the production of face veneer. The Indian plywood industry consumes approximately 1,400 containers of veneers every month.

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Central and West Africa

Business disrupted in Gabon

The top news story from the region in early September was the impact on businesses of the civil unrest, rioting and looting in Gabon over the results of the recent presidential election. Buildings in Libreville, including the National Assembly, were set on fire and reports say there were attempts on other major administrative buildings.

Across the country transport was disrupted and for a time access to Port Gentil, the main port for Gabon's timber exports, was impossible.

Many businesses were closed and workers were told to stay home. By the 10 September Libreville was quiet as security forces were out in strength, but analysts suggest more demonstrations are likely and that business could be disrupted once more.

Kevezingo/bubinga export possible but only fully processed products

There are reports that exports of kevezingo/bubinga have resumed subject to very stringent conditions, including a requirement for tertiary processing to fully processed products such as furniture and doors.

Before the current export restrictions China was the major buyer of kevezingo and preferred large dimension sawnwood but export of sawn kevezingo is no longer allowed although there are reports that one shipment was authorised. The trading status of kevezingo is still under consideration by CITES.

European buyers in no rush to place new orders

European buyers are now beginning to assess their autumn and winter demand but appear in no rush to place new orders.

Importers in Italy have provided West African shippers with a very stable and steady flow of orders throughout the year in spite of difficult economic conditions in Italy. However, exporters say Italian buyers, are now slightly less active and this has pushed up ayous stocks at sawmills.

A weakening of demand for sapelli and sipo was reported in August and this continues. Exporters in the Republic of Congo are said to be holding moderate and growing stocks of sapelli and sipo sawnwood.

The change in fortunes for these two species is likely when buyers in Europe decide on purchases for the balance of the year.

After the price movements reported in August nothing had changed by mid-September.

Correction: In Gabon only the Implementing Decree and Technical guide for the new Forest Code are available. The Code itself is yet to be made public.

Log Export Prices

West African logs, FOB	Euro per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	240	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	190
Belli	235	235	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	210	190	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	210	-
Padouk	220	290	225
Sapele	300	190	220
Sipo/Utile	300	290	255
Tali	320	310	-

Sawnwood Export Prices

West African sawnwood, FOB	Euro per m ³
Ayous FAS GMS	410
Bilinga FAS GMS	520
Okoumé FAS GMS	340
Merchantable	270
Std/Btr GMS	290
Sipo FAS GMS	580
FAS fixed sizes	600
FAS scantlings	580
Padouk FAS GMS	880
FAS scantlings	940
Strips	650
Sapele FAS Spanish sizes	500
FAS scantlings	560
Iroko FAS GMS	600
Scantlings	700
Strips	440
Khaya FAS GMS	450
FAS fixed	460
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	420

Ghana

China top in first half export league

The Timber Industry Development Division (TIDD) of the Ghana Forestry Commission has released details of first half 2016 exports.

According to the TIDD report the country earned a total of euro109.88 million from the export of 194,000 cu.m of wood products, a 24% increase in value and an11% increases in volume when compared to the same period in 2015.

Data from the TIDD showed that, compared to first half 2015, increases were seen in exports of curl veneer, kindling and air dried (AD) sawnwood. Markets in Asia accounted for almost 71% of total exported volumes, up significantly on 2015.

Exports to Europe were up slightly but exports to the US and Middle East countries fell in the first half of 2016.

Main markets for Ghana's first half 2016 exports

	Jan-Jun (2015)		Jan-Jun (2016)	
	cu.m	%	cu.m	%
Asia	102.087	58.53	136.895	70.57
Europe	21.798	12.5	22.886	11.8
Africa	34.816	19.96	24.175	12.46
America	10.843	6.22	6.582	3.39
Middle East	4.865	2.79	3.458	1.78
Total	174.409		193.996	

Data source: TIDD, Ghana

The leading buyers of Ghana's air dry (AD) sawnwood were the China, India and Vietnam which together accounted for 95% of all AD sawnwood exports. The US imported almost 80% of all curl veneers with the balance going to the UK.

Exports of AD sawnwood to regional ECOWAS markets amounted to just over 115,000 cu.m in the first half of this year. The Chinese market is emerging as significant for exports of both AD and KD sawnwood.

In total, exports of primary products (logs and billets) comprised just 9% of total export volumes in the first half, down from almost 17% in 2015. In contrast, the volume of secondary product exports increased in the first half of 2016 compared to the same period in 2015. Tertiary products exports which included mouldings and dowels fell as a proportion of total exports.

Teak, rosewood, papao, wawa and ceiba were the leading species exported.

Ghana's domestic construction sector sees health growth

Government infrastructure investment should provide a boost to Ghana's construction industry after its slow start in 2016 but this may not deliver improved profitability for companies involved as rising costs continue to eat away at profit margins.

Oxford Economic reports in its latest assessment "With a number of public works projects currently in the pipeline – ranging from housing developments to port upgrades – Ghana is likely to see an uptick in spending on construction projects in the coming months."

For more see:

<http://www.oxfordbusinessgroup.com/ghana-2016/construction-real-estate>

Boule Export prices

	Euro per m ³
Black Ofram	380↓
Black Ofram Kiln dry	444
Niangon	499↑
Niangon Kiln dry	571↑

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	337↑	400
Chenchen	416	534↑
Ogea	478	604↑
Essa	492↑	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	2.00	0.91
Asanfina	3.00	0.57
Avodire	1.60	0.34
Chenchen	1.40	1.20
Mahogany	1.80	0.82
Makore	1.80	0.55
Odum	1.13	0.40

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	415	590	641
6mm	487	535	610
9mm	407	450	613
12mm	364	463	480
15mm	400	410↑	430
18mm	280↓	417	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	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	323↑
Dahoma	379↓	429↓
Edinam (mixed redwood)	520	599
Emeri	480	529↓
African mahogany (Ivorenensis)	848↑	993↑
Makore	730	820↓
Niangon	500↓	1002
Odum	755	869↑
Sapele	680	764
Wawa 1C & Select	363↓	449↑

South Africa

Economy not fully recovered from 2008 crisis and now faces a political challenge

South Africa's GDP is now larger than that of Nigeria and this has lifted South Africa back to being the number one economy in Africa.

However, the consensus amongst local analysts is that short term economic prospects for the South African economy are not strong since the country has not fully recover from the downturn caused by the financial crisis of 2008 and is now experiencing political uncertainty.

Local government elections were held recently which resulted in the ruling party losing a lot of support in urban areas to the main opposition parties.

The effect of the shift away from the ruling party is that there are hung municipal administrations in some key cities such as Port Elizabeth ,Pretoria, Johannesburg which, say analysts could mean infrastructure projects are delayed or rescheduled.

Continued weak commodity prices, uncertainty over the impact of Brexit on domestic demand, strained labour relations, problems with power and water supplies and prospects for zero growth in 2016 means that the outlook for the South African building sector that does not look promising.

For an in depth analysis of the construction and housing sectors see:

<http://www.pwc.co.za/en/assets/pdf/sa-construction-2015.pdf>

and

http://www.masterbuilders.org.za/images/LR_Annual_Report_2016.pdf

Change of local administrations could slow spending on housing and construction

Despite the uncertainty second half 2016 timber market prospects could be better than in the first half. The market is beginning to recover from the election hiatus, although the results will have an impact on government housing projects for the time being. Having lost Cape Town, Port Elizabeth, Johannesburg and Pretoria the ruling party has lost control of sectors accounting for more than half of the country’s GDP.

Despite the uncertain times analysts report businesses seem more confident and some projects, such as hotel refurbishments which had been on hold, have now been started.

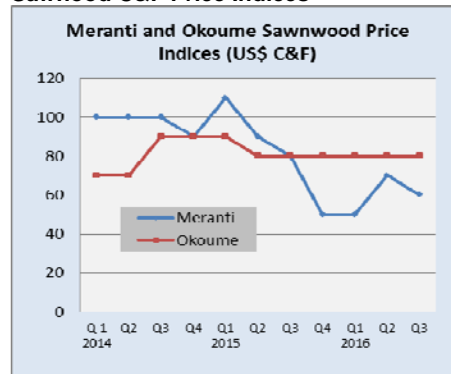
The year-long steady flow of work in the shop fitting sector continues but, while there is some expansion in the low income housing market activity in the more expensive middle and higher priced housing segment is depressed.

Major meranti user in liquidation

News has emerged that one of South Africa’s major door and window manufacturers and users of meranti, Zikiza, has gone into receivership leaving local traders and some Malaysian suppliers unpaid.

The strengthening of the rand and sale of Zikiza stocks has put pressure on the market forcing some prices down. South African importers are also seeing some weakening FOB prices for Malaysian sawnwood which is put down to slow sales in Europe.

Sawwood C&F Price Indices



Softening meranti prices a challenge for okoume

Shippers of okoume, which competes with meranti in some enduses, have been slow to react to softening meranti prices so are seeing their sales drop.

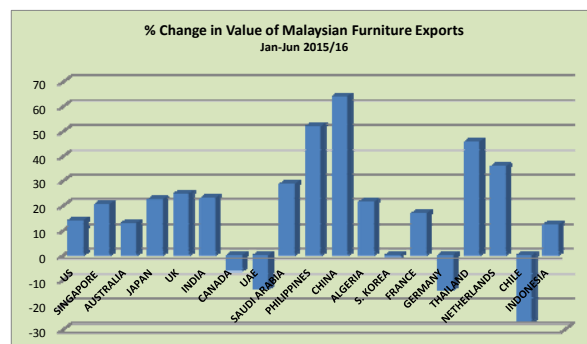
Demand for US hardwoods is said to be steady supported by the stronger rand which has resulted in a slight slide in prices. Analysts report a softening of red oak prices and that volumes being traded are about 15% down on last year. Overall, traders report demand is moderate and that there is increased demand in the refurbishment and home alteration markets. Traditionally this is the busier part of the year as all contracts need to be finished by early December when builders begin their holidays.

Malaysia

Malaysian furniture exporters eyeing RM 40 million from China expo

The China International Furniture Expo was held 8-11 September and the Malaysian Timber Council (MTC) is eyeing potential orders for Malaysian furniture worth around RM40 million. 18 Malaysian companies, including six first-time participants, exhibited in the Malaysian pavilion to promote their dining room, bedroom furniture along with occasional furniture and upholstered furniture.

This is one of China’s major furniture fairs and is an annual event organised by the China National Furniture Association and the Shanghai UBM Sinoexpo International Exhibition Co. Ltd.



Data source: <http://www.mfc.my/images/stories/pdf/4th-issue.pdf>

Last year Malaysia's export of wood products including furniture to China were worth RM816 million which was almost 4% of all wood product exports.

In 2013 Malaysia and China agreed to try and increase bilateral trade to US\$160 billion by 2017 after China upgraded Malaysia to be its full strategic partner. This bilateral arrangement seeks to take advantage of opportunities generated from China's ambitious 'Belt and Road' trade initiative.

See: <http://mtc.com.my/wp-content/uploads/2016/09/2016-Press-Release-on-Furniture-China-2016.pdf>

Sarawak proposes State centre for acacia furniture development

The Sarawak State government has plans to make the state a centre for acacia furniture manufacturing. To move this plan along furniture manufacturers in China have been invited to consider working with partners in Sarawak to manufacture acacia furniture for export.

This invitation came from the Assistant Minister of Industrial Development during meetings with China Timber and Wood Products Distribution Association (CTWPDA).

The Minister said Sarawak has the raw materials and suitable infrastructure to support growth in the furniture manufacturing sector. The policy of the State government aims to see 1 million hectares of forest plantation by 2020. Currently, almost 400,000 ha of fast growing tree species such as Acacia mangium have been established.

Since 1989 the state has had a policy of promoting further processing and this has had some success as Sarawak is the largest exporter of tropical hardwood plywood in the region.

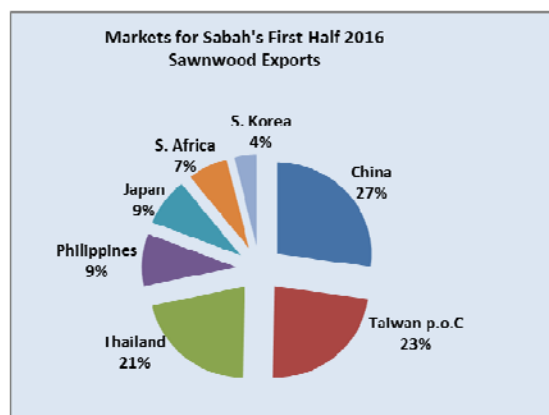
Last year, Sarawak produced 2.3 million cu.m of plywood, 0.8 million cu.m of sawnwood and 0.8 million cu.m of other products such as veneer, mouldings, laminboard, particleboard, MDF and laminated flooring.

The State also produced 0.6 million metric tonnes of woodchip, charcoal briquette, wood pellet and door skins.. The state produced 8 million cu.m of logs from natural forest and 911,000 cu.m of logs from forest plantations.

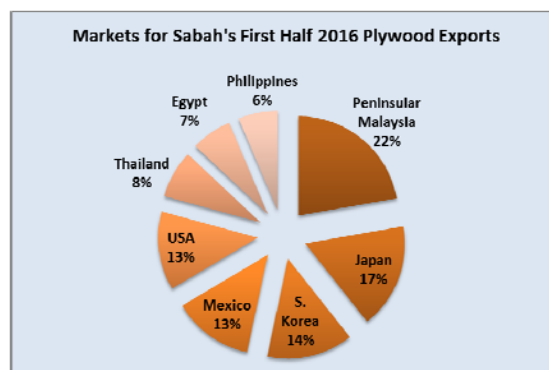
Sabah first half 2016 sawnwood and plywood exports

The Sabah Statistics Department recently released sawnwood and plywood export data for the first half of 2016.

Compared to the same period in 2015, first half sawnwood exports to the top six export markets, China, Taiwan P.o.C, Thailand, Philippines, Japan and South Africa declined. Only in the case of S. Korea was an increase recorded. The distribution of exports is shown below.



Data source: Sabah Statistics Dept.



Data source: Sabah Statistics Dept.

First half 2016 plywood exports showed a different trend with exports to Peninsula Malaysia, Japan and S. Korea coming in higher than in the same period in 2015. On the other hand exports to Egypt and the Philippines were almost unchanged year on year.

Indonesia

Lower growth target formally accepted

The Indonesian government has formally accepted an economic growth target of 5.1% for 2017 in anticipation of cuts in government spending next year.

Behind the lower growth target is uncertainty in global markets as well as the problem the government faces in securing tax revenues at a time when commodity prices are low.

The Minister of Finance, Sri Mulyani Indrawati, said government spending this year will be below target which will impact growth prospects and that further cuts are likely next year.

First FLEGT timber to be shipped to Belgium and UK

Ministry of Environment and Forestry officials are aiming to make Belgium and the UK the first markets to receive Indonesia's FLEGT licensed wood products.

Beginning 15 November Indonesia will start issuing "Forest Law Enforcement, Governance and Trade" (FLEGT) licenses covering exports of wood products to EU member states.

For more see: <http://www.tjonline.com/news/flegt-licensed-timber-finally-on-the-eu-horizon-4996144>

In related news, Indonesia's central and regional governments will combine forces to help the country's small and medium wood product manufacturers secure SVLK certification. While the large sized companies were quick to secure SVLK certification SMEs face problems in understanding and adopting procedures to satisfy inspectors and in paying for the services of certifiers.

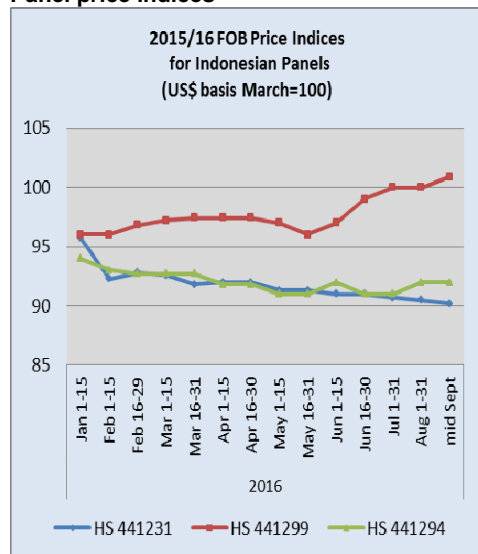
Islamic authority joins fight against illegal burning of forests

In a surprise move Indonesia's Islamic authority has declared it a sin (haram) for Muslims to intentionally burn a forest. Regional media report Dr. Chuzaimah T Yanggo from the Ulema Council as saying a fatwa, or Islamic ruling, has been issued.

Environment and Forestry Minister, Siti Nurbaya Bakar, was present when the Ulema Council announced its move which is aimed at bringing to an end the annual burning to clear land which creates a dangerous haze across the region.

The minister said this edict coming from such a respected body should drive home that it is wrong to use fire to clear forest because of the health risks smoke creates.

Panel price indices



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

Harvesting to resume in April

According to Myanma Timber Enterprise (MTE) Deputy Director, U Aye Cho Thaug, the temporary suspension of logging will be lifted in April but harvest levels will be sharply reduced. However, the harvesting ban will continue for the Bago mountain range.

It has been reported that there are about 19,000 teak and 530,000 other hardwood trees available for harvest in the next fiscal year. Production will be limited to 15,000 tons of teak and 350,000 tons of other hardwoods.

Myanmar delegation studies SVLK in Indonesia

A delegation from Myanmar led by the Myanmar Forest Certification Committee Secretary, Barber Cho, recently visited Indonesia to study the Indonesia Timber Legality Assurance System (SVLK) and discuss with Indonesian officials the VPA process.

The delegation met The Director General , Sustainable Management, Dr. IB Putera and FLEGT Negotiator Dr. Agus Sarsito. The delegation was also taken to Semarang, Jepara and Yogyakarta to witness SVLK monitoring and discuss the various activities conducted in support of Indonesia's V-Legal system.

Identifying cross border transport routes for illegal timber

According to research by the Myanmar Forest Department (FD) there are 39 main routes along which illegal timber is transported across Myanmar's borders. Amongst these 25 are suspected as leading to China, 6 to Bangladesh, 2 to India and another 6 to Thailand.

The FD also reported that illegal timber is entering the domestic supply chain to meet the needs of the people. The FD analysis suggests it is unlikely that products manufactured from illegal timber will enter international markets.

Improved transparency is an important step for Myanmar as negotiations progress on a VPA with the EU. Local analysts say there are many drivers of the illegal timber trade, one is unsatisfied needs of local people, corruption and negligence of duty of officials.

It has been revealed that under the previous government, between 2011-2016, of the more than 2,000 officials fired almost half were said to be involved in the illegal timber trade.

Seizures of illegal timber have been growing. In fiscal 2011-12, 30,327 tons were confiscated, in 2012-13 31,571 tons were seized and in 2013-14 seizures rose to 45,465 tons. The highest volume, 51,725 tons, was seized in 2014-15 and so far this year 4,600 tons has been seized.

In a departure from previous practices confiscated timber will be sold to peoples in the region where it was discovered instead of it being auction by the MTE.

Economic prospects good says industry federation

The Federation of Indian Chambers of Commerce and Industry (FICCI) surveys leading economists representing industry, banking and financial services sector on prospects for the Indian economy.

In its latest assessment FICCI is projecting GDP Growth for fiscal 2017 at 7.8%, up on the recently revised forecast from the IMF.

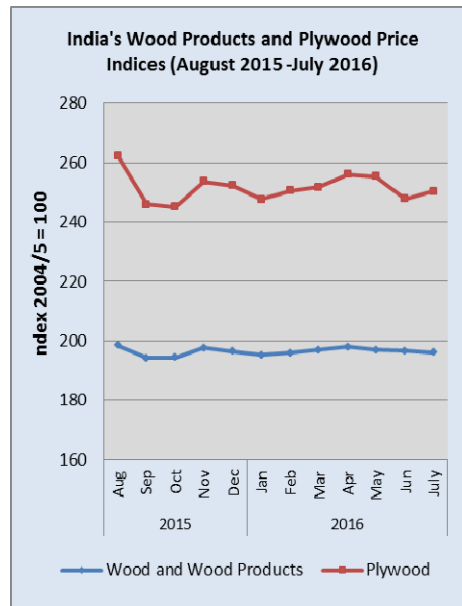
The FICCI survey analysis can be found at: <http://ficci.in/surveys.asp>

This report says GDP growth picked up towards the end of the second half and is set to expand on the back of increased consumption, largely the result of the good monsoon. A good monsoon tends to boost agriculture and manufacturing and results in increased personal consumption.

To quote the FICCI report “The improvement in rural demand on the back of a pickup in farm sector is likely to give an impetus to industrial growth. Industry is projected to grow by 7.3% in 2016-17, 0.2% higher than the projection as per our previous survey round”.

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

Inflation rate trends

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 July rose 15 to 189.3 from 182 in June. The annual rate of inflation, based on the monthly WPI, was up 3.55% (provisional) in July, 2016 compared to July, 2015 and up 1.62% month on month.

See: <http://eaindustry.nic.in/cmonthly.pdf>

Anti-dumping duty on MDF from Vietnam and Indonesia

India’s Finance Ministry has imposed anti-dumping duty on plain MDF imports from Vietnam and Indonesia.

This anti-dumping duty on plain MDF (also known as Custom-wood or Craft-wood in the domestic market) will be levied on boards having a thickness of 6mm or above and will be valid for a period of five years.

The petition seeking an anti-dumping probe on MDF was jointly filed by Greenply Industries and Mangalam Timber Products. Rushil Decor Ltd, which accounts for 20% of India’s domestic MDF production supported the petition.

MDF is widely used for partitions, modular furniture and cabinets due to its smooth and uniform finish. The product is produced in two-types — plain and laminated. The scope of the current petition did not include laminated MDF.

Based on the recommendations of the designated authority in its final findings, the revenue department has imposed anti-dumping duties ranging from zero to US\$64.35 per cubic metre depending on the producer and country of export.

Investment in veneer plants in Gabon

After Myanmar, Laos, Vietnam and Indonesia, Gabon has emerged as a new location for veneer production by Indian companies. Greenply Industries has announced it plans to establish a veneer manufacturing plant in Gabon and this has prompted other companies to consider investing in Gabon.

The news from Gabon is that three or four Indian plywood companies are considering setting up plants for the production of face veneer. Several producers from Yamuna Nagar also visited Gabon and have expressed an interest to invest in the country.

Two companies in Gandhidham and one in Vishakhapatnam are also considering establishing units in Gabon’s Special Economic Zone (GSEZ).

The GSEZ’s industrial site is seen as offering many opportunities. The harvestable forest in Gabon is substantial such that raw material supplies are reliable.

Some 20 investors from India have already settled in the GSEZ with sawmills, kiln drying facilities as well as furniture, veneer and plywood manufacturing units.

The Indian plywood industry consumes approximately 1,400 containers of veneers every month and currently these come from Myanmar, Laos and China. However with the decision in Myanmar to halt logging importers have begun to look elsewhere.

Reconstituted veneer plant in Hoshiarpur

Savitri Veneers based in Hoshiarpur, Punjab State has started commercial production of reconstituted veneers at its newly established plant.

This is India's first reconstituted veneer manufacturing plant and has an annual capacity of around 5,000 cubic metres.

Since the log export ban in Myanmar, India's face veneer market has become unstable and veneer prices have more than doubled. With the logging ban in Myanmar the steady supply of Gurjan veneers cannot be assured. Laos is an alternative source but developments there have raised questions on the sustainability of exports.

The reconstituted veneer plant in Hoshiarpur will be using local plantation timber and the company has developed its own glue manufacturing facility.

Savitri Veneers is said to be targeting the market in northern India initially but expects to expand production to 20,000 cubic metres so as to market throughout India.

Plantation teak prices

Plantation teak imports have risen to meet growing domestic demand and this has had an impact on prices from some sources.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	321-812
Brazil squares	370-556
Cameroon logs	405-616
Colombia logs	258-982
Congo D. R. logs	450-761
Costa Rica logs	250-780
Côte d'Ivoire logs	289-756
Ecuador squares	258-616
El-Salvador logs	320-732
Ghana logs	276-434

Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	365-460
Panama logs	335-475
PNG logs	443-575
Sudan logs	317-720
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends on quality, length and average girth of logs.

Three new plantation teak log suppliers have been engaged, Taiwan P.o.C (US\$1036 to US\$2126 per cu.m. C and F), China (US\$855 to US\$1118 per cu.m. C and F) and Honduras (US\$471 to US\$539 per cu.m. C and F).

Prices for locally sawn imported hardwoods

Sawnwood	Rs per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1700
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

Price range depends mainly on length and cross section

Myanmar teak flitches resawn in India

Domestic demand has improved but has not yet impacted pricing as the steady import of sawn teak from Myanmar is stabilising prices.

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 range depends mainly on length and cross section

Prices for imported sawnwood

Demand for imported sawnwood is subdued such that there are no opportunities to increase prices.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2100-2150
American Walnut	4000-4400
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

Prices for WBP Marine grade plywood from domestic mills

Manufacturers report that domestic demand is sluggish and that prices remain unchanged since last month.

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.67.80	Rs.80.00
5mm Flexible ply	Rs.42.00	

Brazil

Furniture sector affected by the domestic crisis

According to the Furniture Producers Association of Western Santa Catarina (AMOESC) and the Union of Furniture and Timber Industry of Vale do Uruguay (SIMOVALE), furniture manufacturers may be facing a 35% fall in sales this year despite their efforts to diversify marketing.

All companies in the Brazilian furniture sector have been affected by the domestic economic crisis which began to bite last year.

The economic crisis in the country and weak overseas demand have seriously affected sales and are putting some 2,000 direct and 4,500 indirect jobs at risk. In the first half of this year, in order to avoid having to dismiss workers, many companies started to request workers to take leave and provided payments as required by law.

The Federation of Industries in Santa Catarina State (FIESC) has said that part of the problem facing furniture manufacturers is the slow pace of innovation and design which has aggravated the impact of an already weakening market.

First wood frame building in Brazil

August marked the beginning of a new era in the Brazilian housing sector with the opening of the first complete wood frame building. Wood frame buildings are being promoted as offering advantages in terms of lower on-site construction costs.

The initial project consisted of two three-story buildings with 12 apartments. The main construction materials were sawnwood and wood based panels.

Representatives of government agencies, the production sector and suppliers participated in discussions and exchange of technical information on the new wood frame construction system.

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) states that the timber and civil construction industries are facing new opportunities so that an active participation of member companies in developing this construction method and application is fundamental.

They also said it is important to understand how a wider range of wood products can be utilised and that technical standards specifically for wood products for use in wood frame buildings will be required. ABIMCI pointed out that wood frame construction offers a real chance to increase per capita consumption of wood products in Brazil's domestic market.

Slow government decision making frustrating businesses

Recent political uncertainty and slow efforts at formulating effective measures for the resumption of national economic growth is affecting the Brazilian timber sector.

In July 2016 exports of wood products totalled US\$201.1 million, a slight decline compared to June figures. At the same time imports of wood products were US\$7.4 million, a 2.6% fall compared to the previous month.

The July trade balance remained practically unchanged compared to June reaching US\$194 million. Between January and July 2016 wood product exports totalled US\$1,316.3 million, a 4.4% drop year on year such that the accumulated trade balance in the first half of 2016 was US\$1,259.4 million, 3.6 % lower than the same period of last year

Brazil's wood products export earnings increased 32% between January and July 2016. The major changes in export value occurred in February (+17%) and March (+14%).

Amazon furniture attracts international interest

Government representatives and organizations from Acre State participated in the first High Design - Home & Office Expo. This international event, held in the first week of August in São Paulo, has potential to become a leading furniture design fair for Latin America.

During the fair the "Acre, Made in Amazônia" project was launched building upon an idea conceived by the Acre State government in partnership with the Dom Moacyr Institute (IDM).

The project concept is built around the extensive biodiversity and wealth of natural resources in the Amazon forest and aims to develop a new industrial furniture cluster for the creation of contemporary furniture inspired by local culture and nature.

The launch introduced contemporary designs called "palafita, jatobá, empa-te, yuxin and estrela" each using local species such as cedar (*Cedrela*), cherry tree (*Prunus*), cumaru-ferro (*Dipteryx odorata*), itaúba (*Mezilaurus itauba*), jatoba (*Hymenaea courbaril*) and tauari (*Couratari guianensis*).

During the event, the governor of Acre talked about the importance of the project for the Brazilian forestry and timber sector as it contributes to the domestic 'Legal Wood Program' promoted by WWF-Brazil, to encourage the use of certified wood in Brazil.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	189
Ipê	189
Jatoba	104
Massaranduba	109
Muiracatiara	112
Angelim Vermelho	103
Mixed redwood and white woods	89

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	869
Ipê	869
Jatoba	425
Massaranduba	401
Muiracatiara	409
Angelim Vermelho	358
Mixed red and white	234
Eucalyptus (AD)	207
Pine (AD)	149
Pine (KD)	168

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	570
4mm WBP	443
10mm WBP	391
15mm WBP	506
4mm MR	375
10mm MR	348
15mm MR	

Prices do not include taxes

Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	250
15mm MDF	336

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	1412
Ipe	913
Jatoba	729
Massaranduba	707
Muiracatiara	
Pine (KD)	195

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	305
12mm C/CC (WBP)	276
15mm C/CC (WBP)	274
18mm C/CC (WBP)	270

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,613
Jatoba	1,525

Source: STCP Data Bank

Peru

Non-traditional exports fall

The Center for Business Research (CIE), Perucamaras has reported first half 2016 exports of 'non-traditional' (i.e. excluding commodity products) from the Eastern Region totalled US\$37.4 million, a drop of almost 33% compared with the same period of 2015.

This decline was mainly due to the poor performance of agricultural sector exports (-8.4%) which account for most non-traditional exports. At the same time exports of wood and paper products, ranked the second highest of all non-traditional exports, fell by 51% (US\$13.5 million).

According to the report Perucámaras, total traditional and non-traditional exports from the Eastern Region totalled US\$44.4 million, a drop of 32% year on year.

The main markets for Peru's exports in the first half 2016 were: China (14.4% of total exports), followed by the US (14%), Colombia (9.7%) and Italy (8.4%). These four countries together accounted for 46.4% of total shipments from the eastern macro region of the country.

Of the four regions that make up this macro region, San Martín recorded the highest share in total exports at 43% followed Ucayali (27.3%), Loreto (23%) and Amazonas (6.9%).

Of the non-traditional exports, wood and paper products were significant but fell sharply compared to a year earlier. Much the same trend in exports was reported for the Loreto region.

Congress will evaluate forest sector issues

In order to assess the situation in the forestry sector and the impact of issues on the economy and society in the Amazon Region, Congressman, Jorge Melendez Celis, convened a forestry working group.

Representatives of loggers, industrialists, exporters and regional government officers from the Amazon Region (Loreto, Ucayali and Madre de Dios) were invited.

The meeting discussed the threat of social conflicts that could paralyse activities in the region brought on by the sharply declining export trade which is having a devastating impact on local communities.

SERFOR continues to promote local forest management

Following a meeting between representatives of the district government of Contamana (province of Ucayali, Loreto region) and officials of the National Forest Service and Wildlife (SERFOR) interest is growing in the establishment of local forest management units in the district. The meeting attempted to define the challenges and benefits of having forests managed by local groups in the state. Contamana is home to almost 40% of the inhabitants of Ucayali Province and many see benefit in the establishment of local forest management.

Export Sawnwood Prices

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

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	474-564
Grade 2, Mexican market	426-467
Cumaru 4" thick, 6'-11' length KD	
Central American market	875-917
Asian market	919-973
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-13 length Asian market	465-519

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic	
Mahogany	-
Virola	209-244
Spanish Cedar	316-368
Marupa (simarouba)	179-196

Export Veneer Prices

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

Export Plywood Prices

	US\$ per m ³
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Iquitos mills	
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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 962-1095
	Asian market 1069-1112
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

Wage increases eaten away by rising prices

Japan avoided a second recession when the latest GDP data was revised up to an annualised 1% growth over the previous quarter. But the combined effect of slowing exports, particularly to China, weak consumer spending and subdued business investment is holding back growth.

In a recent IMF report there was a suggestion that the government should adopt a hardline on wage improvements. Major companies in Japan have reported healthy profits and the IMF suggests they need to be nudged into offering more pay as past wage increase have been eaten away by rising prices.

The government is maintaining its undertaking to push up the consumption tax from 8% to 10% next year and this is likely to cause a surge in last minute purchases in the latter part of the first quarter in 2017.

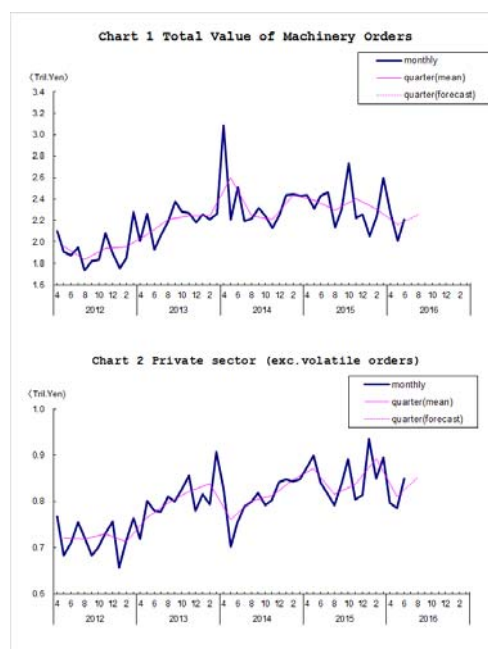
Machinery orders from domestic companies rise but overseas orders drop

Cabinet Office data has shown that orders for machinery by Japanese companies unexpectedly rose in July marking the second monthly increase. This came as a relief for the government. However, weak consumer demand and the stronger yen continue to be holding down growth prospects.

Machinery manufacturers reported that July orders from Japanese companies rose 0.3% mainly from the steel and chemical sectors but overall machinery manufacturers still face major challenges as orders from overseas, which are not included in the Cabinet Office assessment fell almost 12% in July from a month earlier

For more see:

<http://www.esri.cao.go.jp/en/stat/juchu/juchu-e.html>



Source: Cabinet Office, Japan

Business environment for Japanese SMEs

The Organization for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ) conducts regular surveys of business conditions for SMEs, much the same way as the Cabinet Office reports on the major companies.

In its April-June 2016 assessment the SMRJ says the business condition index for all SME industries was minus 19.5 (down 1.4 points from the previous quarter), signaling a worsening of conditions. Business conditions in the manufacturing sector worsened in the second quarter with industries in 14 sectors reporting deteriorating conditions. In the SMRJ 'Timber and Wood Products' category of SMEs business conditions were reported as weaker than in the previous quarter.

For more see:

http://www.smrj.go.jp/english/business_conditions/098747.html

and http://www.smrj.go.jp/english/dbps_data/_material_/english/pdf/survey/business_conditions_144.pdf

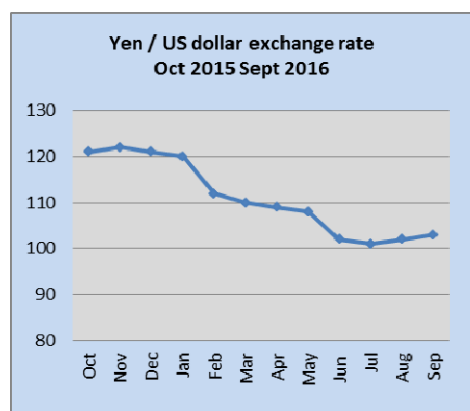
Exporters hope for a weaker yen

Tokyo investors cheered the downward trend in the value of the yen against the US dollar. This reversal comes as the Bank of Japan (BoJ) mulls further action to get the currency back to around 105 to the dollar, said to be the critical rate for exporters.

The likelihood of a US interest rate move some-time soon has helped shift the emphasis to the dollar away from the 'safe haven' yen but exporters would like to see the yen lower..

However, the BoJ threats of further efforts to stem the strengthening of the yen have had little impact on currency markets as the Bank has few options left other than even lower negative interest rates.

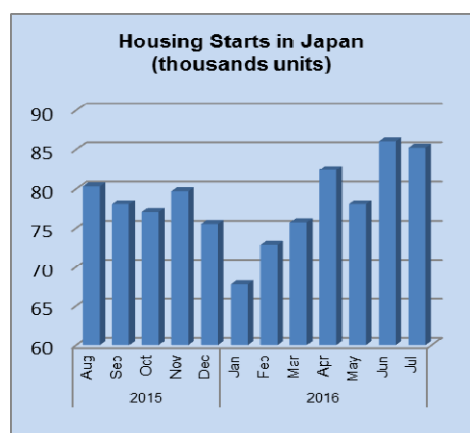
Only surprisingly poor data on employment, retail sales, industrial output or consumer spending would trigger a sharper depreciation of the yen.



Boosting stock of low rent homes – discussion on using vacant houses

The Japanese government is trying to find ways to boost the availability of low-cost housing to provide for the increasing number of elderly and the growing army of young people who are trying to survive on low salaries, especially those with one or more part-time jobs.

The stock of low rent public housing cannot meet current needs so the government is considering if there is a way to utilise the huge number of vacant houses in Japan. This, say proponents of the idea, would help satisfy housing needs and at the same time address the potentially risks to public safety from abandoned houses.

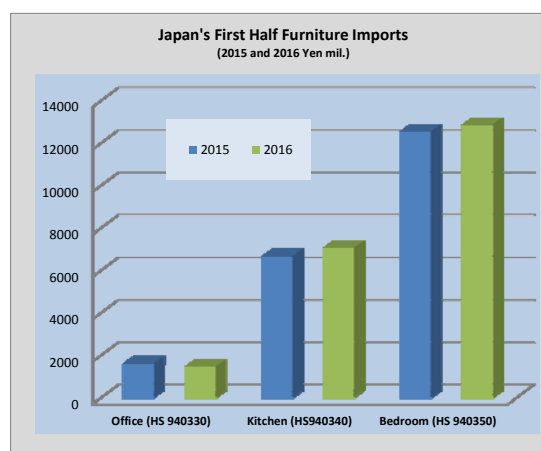


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan's first half 2016 furniture imports

Japan's first half 2016 wooden office furniture (HS 940330) imports were down around 10% from the first half in 2015 reflecting the continued weak business climate in the country. On the other hand both kitchen and bedroom furniture imports were up on 2015.

Wooden kitchen furniture (HS940340) imports in the first half of 2016 rose 6% while imports of wooden bedroom furniture (HS940350) in the first half of 2016 were up marginally (2%) on the same period in 2015.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year, imports of office furniture in June 2016 were down a massive 28% compared to the previous month. From the highs in January this year Japan's imports of wooden office furniture have consistently fallen. Business confidence and a lack of private sector investment by Japanese enterprises of all sizes has dampened demand for furniture.

In June the top suppliers of wooden office furniture to Japan namely, China, Portugal and Taiwan P.o.C saw sales drop. Japan's imports of wooden office furniture from China fell 26% in June compared to May, imports from Portugal were down 87% in June and imports from Taiwan P.o.C fell 63% month on month.

Office furniture imports

	Imports June 2016 Unit 1,000 Yen
S. Korea	-
China	101077
Taiwan P.o.C	5170
Hong Kong	-
Vietnam	203
Thailand	218
Singapore	687
Malaysia	4379
Philippines	-
Indonesia	3848
Sweden	-
Denmark	-
UK	-
Netherlands	-
Belgium	-
France	-
Germany	1857
Switzerland	-
Portugal	5689

Italy	5862
Finland	-
Poland	6134
Hungary	-
Lithuania	635
Czech Rep.	-
Slovakia	3003
Canada	-
USA	1672
New Zealand	-
Total	140434

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

In contrast to the sharp fall in Japan's imports of office furniture, imports of wooden kitchen furniture in June were up 4% year on year and up 8% month on month.

Kitchen furniture imports

	Imports, June 2016 Unit 1,000 Yen
S. Korea	-
China	113446
Taiwan P.o.C	2340
Vietnam	500084
Thailand	9936
Malaysia	15829
Philippines	352361
Indonesia	129473
India	-
Afghanistan	759
Denmark	-
UK	379
France	810
Germany	30452
Spain	533
Italy	9069
Poland	-
Austria	-
Romania	1082
Slovenia	-
Canada	3820
USA	4806
Total	1175179

Data source: Ministry of Finance, Japan

Shippers in Vietnam continue to dominate Japan's imports of wooden kitchen furniture alone accounting for 36% of all Japan's wooden kitchen furniture imports. The Philippines was the second largest supplier in June accounting for a further 29%. When shipments from

China are included the top three suppliers accounted for more than three quarters of Japan's wooden kitchen furniture imports in June.

Bedroom furniture imports (HS 940350)

Once again there was almost no change in the value of Japan's June wooden bedroom furniture imports. For the past three months the value of imports has been stuck in a narrow range.

Bedroom furniture imports

	Imports, June 2016 Unit 1,000 Yen
S. Korea	-
China	1138133
Taiwan P.o.C	12971
Vietnam	579103
Thailand	90236
Malaysia	55127
Philippines	2399
Indonesia	8018
Cambodia	-
Pakistan	-
Sri Lanka	257
Sweden	2289
Denmark	3755
UK	-
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	-
Spain	460
Italy	6815
Poland	51833
Russia	6320
Austria	1860
Romania	15824
Turkey	-
Estonia	2243
Latvia	-
Lithuania	6101
Croatia	-
Bosnia/Herzegovina	-
Slovakia	-
Canada	-
USA	1104
Mexico	538
Australia	-
Total	1985386

Data source: Ministry of Finance, Japan

Year on year, June 2016 imports of wooden bedroom furniture were up 5% but compared to May June imports were down 1.5%. China was the main source of Japan's imports of wooden bedroom furniture accounting for 57% of all imports of this category of furniture. The other main supplier in June was Vietnam (29% share of imports) then followed Thailand (4.5%) and Malaysia (2.7%).

Suppliers in Europe accounted for a combined 5% of Japan's wooden bedroom furniture imports with Poland being the main supplier accounting for just over half of all shipments from Europe.

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>

Sarawak Timber Association announced plywood production curtailment

Eight major plywood manufacturers in Sarawak like Shinyang, Ta Ann, Samurin and WTK announced to reduce the production by 10-15% starting August until Japan market recovers with owners' signature.

This is unusual announcement by whole plywood industry, not by individual manufacturer. Imported plywood market in Japan has been depressed since early this year so that ordered volume to the manufacturers have been dropping for quite some time, which puts plywood mills in tough spot.

The largest manufacturer, Shing Yang stopped sales after it reduced the volume by 30% in last April and May but the situation has not improved at all even by this move. Looking at trend of imported plywood, the volume in 2015 was 17.3% less than 2014. Imported volume for the first half of 2016 was 6.5% less than the same period of 2015.

Monthly average volume in 2016 is 232,200 cbms as compared to 299,000 cbms in 2014, 20% down. Looking at Malaysian volume, monthly average in 2014 was 121,800 cbms while monthly volume for the first half of 2016 is 93,400 cbms, 23% down.

Cost of supply side has been climbing. 6% commodity and service tax is introduced in Sarawak since last April, minimum wage is increased by 15% since last month, log prices are staying up high. Log production in Sarawak for the first six months of this year is 3,125,700 cbms, only 2% less than the same period of last year but aggressive log purchase by India keeps log prices high even for domestic use.

Export plywood prices on 3x6 JAS concrete forming panel were about \$ 450-460 per cbm C&F up until October last year then the prices dropped down to \$420 by weak Ringgit. The prices are back up to previous level.

Plywood manufacturers are facing dropping order volume with climbing manufacturing cost but Japan market has very little hope for recovery. The group announcement does not specify any period so they seem to keep production curtailment until the prices recover to satisfying level.

Log export for the first half of the year

According to the trade statistics the Ministry of Finance made up, softwood log exported from Kyushu ports for the first half of this year is 254,848 cbms, 6% more than the same period of last year but the value is 9.1% down due to lower export value.

Log exporters have been complaining about poor return as a result of lower export value by strong yen particularly for China market.

Total log export from all Japan is 313,632 cbms, 2.2% less than 2015 and the value is 15.4% less. Compared to all Japan, Kyushu export business is better. There are eight log exporting ports in Kyushu.

Export log prices in Kyushu are now 8,000 yen per cbm delivered loading port, more than 1,000 yen down from last year's prices. Despite lower export log prices, there have been enough volume for export because log supply for biomass power generation facilities was excessive as generation facilities use a certain amount of imported fuel.

South Sea (tropical) logs

Export log prices stay up high in Malaysia. Sarawak suffers spotty heavy rain. Log purchase by India got active after Sarawak government decided to reduce harvest volume. India will be in monsoon season for about two months since late August so they sent many ships all at once before monsoon season starts. It is difficult to fill up ships at Sarawak only so they go to Sabah, PNG and Solomon Islands.

Japanese buyers do the same by limited availability in Sarawak. There is no panic feeling since the market in Japan is in slump. Export log prices in Sarawak are US\$275 per cbm FOB on meranti regular, US\$255 on meranti small and US\$240 on meranti super small.

In PNG and Solomon Islands, log purchase by China is getting slow by slowdown of Chinese economy but India buys aggressively so the log prices continue firm.

Monthly log import to Japan has been low with 15,000-22,000 cbms after last peak of 37,000 cbms in last October.

Plywood

Demand for domestic softwood plywood continues very active. June production was 251,300 cbms while the shipment was 255,400 cbms so the inventories were very low at 104,800 cbms.

Total production for the first half of the year was 1,426,700 cbms, 11.3% more than the same period of last year. If this pace continues for the second half, total year production would be about 2,853,500 cbms, the record high volume.

Meantime, the shipment for the first half was 1,445,500 cbms and total year shipment would be about 2,891,100 cbms, also the record high. Domestic softwood plywood manufacturers continue a full production but during August, some mills shut-down for maintenance for about a week.

Meantime, precutting plants keep running to catch up orders even during the Bon holidays in August so the supply shortage was feared but plywood mills made cautious deliveries to each precutting plant so there was no serious supply problem. Demand for plywood continues strong since precutting plants secured enough orders for September.

Total import for the first half of the year was 1,393,400 cbms. With this pace, annual import would be about 2,786,900 cbms, which is lower than last year's import of 2,885,700 cbms. The market in Japan lacks vigorousness at all particularly after the yen got strong in early August.

Despite the announcement of Sarawak Timber Association's to curtail plywood production uniformly, there is no reaction in the market as August is slow month and actual influence by such curtailment will not show up until September and October so there is no Particular reaction to this announcement.

Import of European lumber for the first half

Total imported volume of European lumber from January to June this year was 1,419,329 cbms, 24% more than the same period of last year.

By active demand for laminated lumber in domestic market, lamina supply continues tight while KD stud shortage is solved. In this period, export prices increased because of lively demand in European market and the export prices of lamina and KD stud advanced by Euro 20 per cbm compared to last January prices but the increase is offset by exchange rate fluctuation.

There was strong resistance for lamina price hike by the Japanese laminated lumber manufacturers so the volume did not increase.

Therefore, lamina supply was chronically tight by limited supply and increased production of laminated lumber in Japan. Lamina supply would continue tight through the second half of the year as long as demand for structural laminated lumber stays active.

Stud supply was unstable because of delayed shipments by the major supplier but the supply seems to be supplemented by other smaller suppliers so the market did not react so much despite tight supply. The market prices softened as the imported cost was reduced by weak Euro.

In Central Europe, quality log supply is tight after beetle damage started so the supply for Japan does not seem to increase much in the second half but the present export prices for Japan are attractive for the suppliers so the supply would increase if more suppliers join.

Looking at by source, the volume from Sweden and Finland, which are main supply source of lamina, increased sizably while Rumania dropped but Austria, common lumber supply source increased significantly.

Exclusive import of Indonesian lumber core

Showa Lumber Co., Ltd. (Hokkaido) announced that it has acquired an exclusive marketing right of lumber core made by Indonesian manufacturing company, Sengon Inda Mas, SIM. It has been a year after SIM acquired JAS certificate on the product and it has passes the inspection by the Japan Plywood Inspection Corporation.

Showa Lumber closed its own plywood plant at Shibetsu, Hokkaido then it concluded plywood manufacturing consignment contract with some Chinese manufacturer in Shanghai, China and started importing basswood plywood, basswood lumber core and lauan lumber core plywood.

Then by heavy smog problem in Shanghai, use of coal boiler was banned so that the plant moved to province of Jiansu in 2014 to continue plywood production.

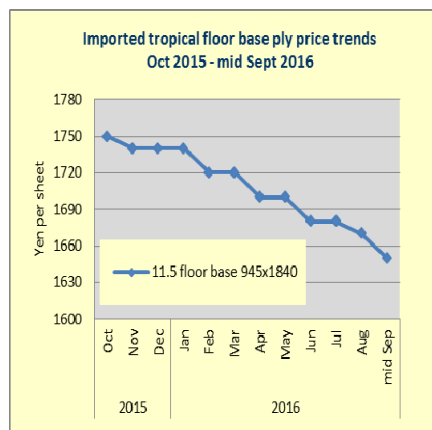
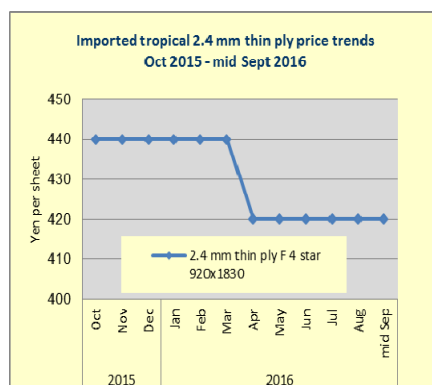
However, facing labor shortage and import duty on imported materials in China, Showa Lumber decided to move to Indonesia, where falcate and plywood are easy to procure.

The Chinese partner, SIM has bought out several falcate lumber manufacturers in Pekalongan, Indonesia and built new lumber and plywood plant. They have acquired JAS certificate in 2015 and has been shipping test products.

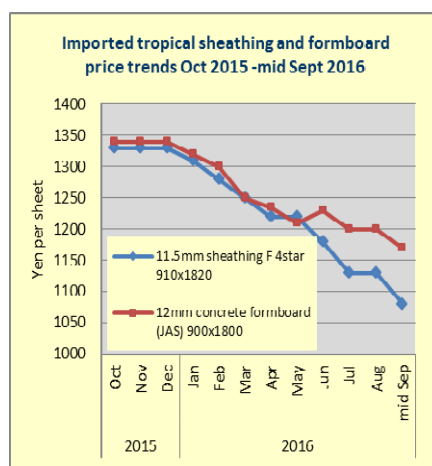
Core of lumber core is planted species of falcate. Lumber core is used for shelves, dividing panel and various wood working and furniture. Thickness is 12-30 mm with 3x6 and 4x8. SIM now produces 100% falcate lumber core plywood with not only core but face and back plywood.

Showa Lumber imports about 1,750 cbms of lumber core (35 containers) a month to various ports in Japan like Tokyo, Osaka, Nagoya, Akita and Tomakomai. It also continues importing basswood plywood (3-18 mm 3x6) supplied by SIM's Jianguo plant.

President Takahashi of Showa Lumber commented that falcate is recyclable planted species in managed forest so the supply is consistent to satisfy the customers. It also continues importing Russian temperate hardwood lumber.



Please note August prices have been revised



China

Recent gains in house prices limited to major cities

The National Bureau of Statistics (NBS) has reported July sales prices for newly constructed residential buildings saying, compared to a month earlier, prices declined in 16 cities, increased 51 and were unchanged in 3 cities.

The NBS survey covers 70 medium and large-sized cities but excludes prices for affordable homes built by government. Year on year house prices fell in 11 cities, were up in 58 and unchanged in one.

Prices for second-hand homes have also been reported by the NBS. July prices fell in 12 cities, were up in 51 cities and unchanged in 7 compared to a month earlier and year on year prices were down in 18 cities and up in 52 cities.

Analysts were quick to point out that recent gains were in just a handful of so-called first- and second-tier cities with Shenzhen leading the way but even here the pace of price increase is slowing.

Other cities posting sharp increase in house prices include Xiamen, Hefei Nanjing, Shanghai and Beijing. While prices may be higher than a year ago short term price trends suggest a slowing of demand.

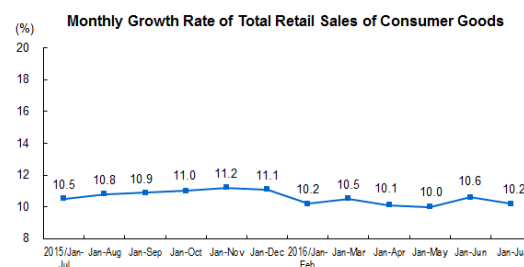
The continual rise in house prices in the first half of this year was largely driven by easy credit with home loans accounting for more than half of all loans by commercial banks. Home loans hit a new peak in June this year.

The overheated housing market has prompted signals from the government that restrictions are likely to be imposed. But with residences in the top tier cities seen as safe investments prices there are immune from regulations or restrictions of credit.

See:
http://www.stats.gov.cn/english/PressRelease/201608/t20160823_1391642.html

Retail sales rise but not by as much as forecast

Domestic consumption is a major driver of China's economic growth such that changes in consumer spending can have a marked impact on the economy.



Source: NBS

According to the NBS retail sales rose by 10.2% in July 2016 compared to the 10.6% increase in June. The July figure was below the forecast 10.5% rise. Looking more closely at the numbers, sales of building materials were up 15% and furniture sales rose almost 14%.

See:
http://www.stats.gov.cn/english/PressRelease/201608/t20160817_1389544.html

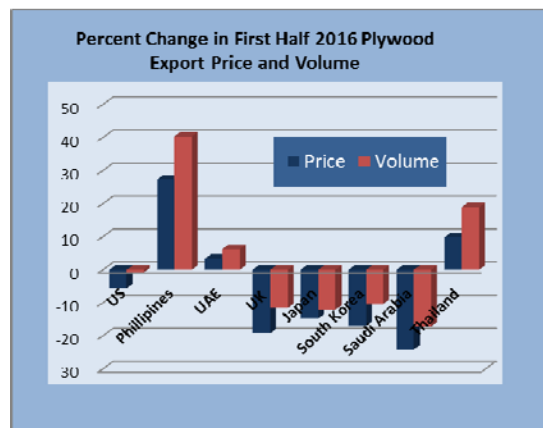
Prices for Chinese plywood decline in international markets

China's plywood exports totalled 5.52 million cubic metres, valued at US\$2,610 million in the first half of 2016, much the same volume as in the first half of 2015 but the average unit price for exported plywood in the first half of 2016 was US\$473 per cubic metre, a year on year decline of 6%.

In the first half of this year the main markets for China's plywood were the USA (930,000 cu.m, down 1%), the Philippines (410,000 cu.m, up 40%), UAE (380,000 cu.m, up 6%), the UK (370,000 cu.m, down 12%), Japan (300,000 cu.m, down 12%), South Korea (290,000 cu.m, down 10%), Saudi Arabia (240,000 cu.m, down 17%), Thailand (160,000 cu.m, up 19%), and Algeria (130,000 cu.m, up 104%).

Looking at price trends in the various markets a different story emerges with the average price for plywood exports being US\$705 per cubic metre in the US, US\$406 per cubic metre in the Philippines, US\$376 per cubic metre in UAE, US\$443 per cubic metre in the UK, US\$448 per cubic metre in Japan, US\$361 per cubic metre in South Korea, and US\$304 per cubic metre in Saudi Arabia, US\$340 per cubic metre in Thailand, US\$421 per cubic metre in Israel, and US\$330 per cubic metre in Algeria.

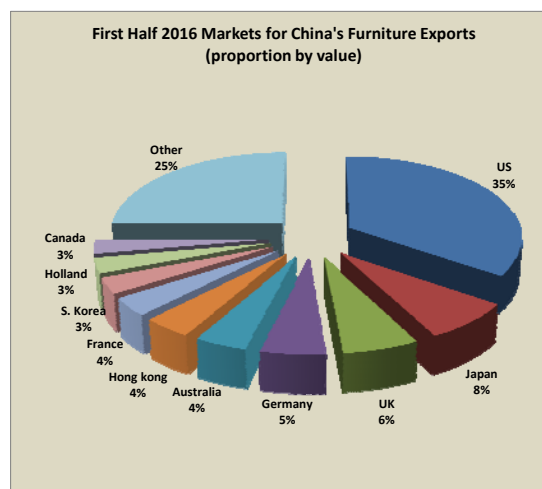
Overall prices in these markets fell between 2% and 9%.



Data source: China Customs

US the main market for China's furniture

The total value of China's furniture exports in the first half of 2016 fell 4% to US\$10.4 billion. Chinese exporters now ship to a multitude of markets but the US was the main market in the first half of this year accounting for 35% of total furniture exports.



Data source: China Customs

Finnish timber association helps wood frame building development

A Finnish timber association is working closely with China's Wood Protection Industry Association (CWPIA) to develop techniques for the efficient production of sawnwood for the construction of wooden frame buildings.

The Chinese government has recently prepared a standard for environment-friendly buildings which sees the use of wood rise around 2%. It was recently reported that Japan also is promoting its wood frame technology in China

Log imports through Caofeidian Port soar

According to the Hebei Inspection and Quarantine Bureau, log imports through Caofeidian Port soared over 600% to 339,400 cubic metres in XXX. The value of log imports was put at US\$45.96 million, a year on year increase of more than 400%.

The main supply countries were Canada, the US, New Zealand and Russia and the main species were douglas fir, hemlock, spruce, fir, radiata pine, yellow cedar and cypress.

Analysts say the main reasons for the increase is that Caofeidian Port is the first to have a timber quarantine and sanitary treatment zone for imported timber. Caofeidian Port services importers throughout the northern region including Beijing, Tianjin and Hebei province. The port offers attractive logistics and transport facilities.

New flooring project in Taizhou city

Nature Flooring Holding Co., Ltd in Taizhou City, Jiangsu province is investing RMB1.1 billion in new flooring production capacity. On completion, 6 million square metres of composite flooring will be processed which are expected to generate annual sales of RMB1 billion.

Nature Flooring Holding Co., Ltd is one of Hong Kong's listed companies and has a dedicated R&D commitment and efficient production and marketing capacity.

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

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500

Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
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

A milestone for Indonesia's tropical timber in Europe

The Indonesian government and European Commission (EC) have announced that the first FLEGT licenses will be issued in November 2016. After 13 years of effort to develop a framework to license the legality of all wood exported from Indonesia to the EU, this is a major achievement.

The following is based on an analysis of commentary from the EFFT Newsletter and the EU FLEGT Facility.

For more see: www.flegtlicence.org and www.ettf.info

The key issue now is whether the licensing system will deliver in terms of improved export market access, sales and profitability. The jury is still out on that and there are downside risks in the short term, but long-term prospects are good.

In the last step of the FLEGT licensing process, on 18 August the EC amended the FLEGT Regulation to include Indonesia and its Licensing Information Unit under the list of "Partner countries and their designated licensing authorities". The regulation was also amended to include Indonesian products in the list of "Timber products to which the FLEGT licensing scheme applies."

The FLEGT regulation will enter into application on 15 November, making this the earliest date that Indonesia may issue FLEGT licences. The actual date for issue of the first licenses – whether on or shortly after 15 November - will be agreed at a meeting of the FLEGT Joint Implementation Committee on 15 September 2016. After the agreed date, the EU will only accept FLEGT licensed imports of regulated products from Indonesia.

The V-legal documents, issued since 2013 through Indonesia's SVLK national certification system, will be recognised and accepted as FLEGT Licenses for exports to the EU from that date.

Indonesian products requiring FLEGT licenses in the EU are essentially all those wood-based products that can be legally exported from Indonesia in Chapters 44 (wood), 47 (pulp), 48 (paper) and 94 (furniture) of the Harmonised System (HS) for international product nomenclature.

There are some exclusions, mainly products that cannot be legally exported from Indonesia, such as logs and large dimension sawn timber which cannot be FLEGT licensed. The list of products requiring licenses differs in some ways from the list of products covered by the EU Timber Regulation (EUTR), for example wood seating from Indonesia will require a license despite not being regulated under EUTR.

Products made from rattan, bamboo and other non-wooden materials, and paper made from recycled material, will also be excluded and won't need a FLEGT-license.

However, paper products originating from non-wooden or recycled material must be accompanied by a formal letter from the Indonesian Ministry of Industry validating the use of non-wooden or recycled materials.

FLEGT licensing follows concerted effort to rollout SVLK

The announcement follows a concerted effort to rollout the SVLK system throughout Indonesia's forest products sector. The latest report by the EU-Indonesia VPA Joint Implementation Committee (JIC) in May shows the SVLK system had certified 23 million hectares of forest. and that all large-scale primary and 82% of secondary processors had been audited

Exporter SVLK certification was at 95%, with the remainder in process. Consequently, since V-Legal documents' introduction under the SVLK in 2013, they had been issued for 194 product types. Sales of these – to 200 countries, including all EU member states – totalled US\$23bn.

An update on sales value is not available, but it has clearly risen significantly since, as the number of V-Legal licenses issued rose from 354,000 to end May 2016 to 462,000 to end August 2016. The SVLK's underlying structures have developed too, with 15,000 central and local government, forestry personnel and community leaders and 700 auditors now trained.

The independent forest monitoring network (JPIK), which brings together civil society organisations to regularly assess the system, has also grown to 407 individuals and 51 organisations.

With the vast majority of Indonesia's timber product export categories to the EU covered by the FLEGT VPA and the scale of the SVLK structure and licensing operation, FLEGT national policing bodies in the EU, or Competent Authorities (CAs), expect to be processing significant volumes of FLEGT licensed shipments soon after the first arrive before the end of the year.

High expectations of market advantage

The Indonesian government and industry are looking to the FLEGT licenses to deliver significant market advantages. Expectations are high as the license gives Indonesian suppliers a green lane through the due diligence procedures of the EU Timber Regulation so there will be no risk of any EU importer being prosecuted under the regulation when buying from Indonesia.

Minimising such risks is increasingly important to the private sector in the EU, not only to avoid direct EUTR sanctions - confiscation of timber, fines and possible prison terms - but also for brand protection and to reassure shareholders and lenders. Some governments in the EU also explicitly recognise FLEGT Licenses as sufficient to satisfy minimum criteria for public sector procurement of forest products.

The EU private sector is clearly enthusiastic, and rather relieved, at the imminent arrival of the first licensed timber. Since the EUTR was introduced in March 2013, EU importers have reported significant challenges in gathering together the necessary evidence of low legality risk in many tropical countries. The license means this will no longer be an issue for Indonesian timber.

According to Andreas von Möller, President of the European Timber Trade Federation (ETTF), "the lack of results [on FLEGT licensing] after so much time and energy spent by the EU was disappointing for many and I'd almost lost hope it could work out. But now enthusiasm for the arrival of the first licensed timber is growing the closer it gets. It's big news and will spread quickly, once it's here, going far beyond trade insiders. It's one of the best adverts for the EU timber import trade generally and their commitment to legality and the tropical trade in particular. It has potential to open new trading value and volumes and impact on timber production".

Andre de Boer, ETTF Secretary General, observed that the FLEGT license "should save time and costs, simplify logistics and reduce corporate risk". However, Mr de Boer also stressed that Indonesia's success was just the "start of the FLEGT licensing journey" and the onus was now on the EU trade to communicate its benefits to the market, adding that ETTF's member federations are already doing this increasingly vigorously.

"We must also maintain pressure for strict, uniform enforcement of the EUTR EU-wide. Any weakness here is a disincentive to supply and buy FLEGT-licensed timber," he said. "We need a virtuous trading circle with rigorous EUTR enforcement driving demand for FLEGT-licensed timber."

FLEGT licensing challenges for SMEs

So there are challenges remaining to ensure full market recognition of FLEGT licensing within the EU. There are also challenges on the supply side. A key issue is to ensure that any extra red tape and cost resulting from licensing in Indonesia does not overwhelm market advantages.

This is particularly critical in a sector with very high dependence on small and medium sized enterprises. Like all certification systems, the unit costs of implementing FLEGT licensing tend to fall more heavily on smaller operators. These operators are also difficult to reach in terms of communication and education and certification bodies often lack capacity to provide adequate coverage.

Local press reports in Indonesia have highlighted these challenges in recent months. In August, the Jakarta Post reported that the costs of SVLK certification to individual operators ranged from Rp 48 million (US\$3,600) to Rp 200 million depending on business category.

Tempo, the Indonesia Weekly magazine reported comments by Suryanto Sadiyo, deputy director of non-governmental organization Java Learning Center (Javlec Indonesia), that many smaller furniture companies still do not understand the SVLK system and are very reluctant to pursue certification.

Suryanto added, that constant changes made to the SVLK standard – which has been revised three times in 2009, 2014 and 2015 - had confused business owners when applying for a certificate.

More positively, there are also reports that the Indonesian central and regional governments are working together to overcome obstacles for smaller enterprises. In a report in the Jakarta Post in August, the DG of Foreign Trade at the Trade Ministry, Dody Edward, is quoted to say that he met with the Bali regional trade head to discuss provision of subsidies for SVLK certification of SMEs.

He also recommended that regional governments work with SMEs to develop cooperatives for group certification so that the Rp 48 million cost burden of certification can be shared.

Positive implications of FLEGT licensing

These reports, combined with the data on the extent and pace of SVLK uptake in recent months provide reassurance that FLEGT licensing will not be a significant obstacle to smaller Indonesian operators selling into the EU market.

Longer term, there are reasons to believe that licensing may actually play an important role to facilitate trade for smaller operators. Participation by communities and small business groups has been an important feature of the FLEGT VPA process from the start, and this is reflected in strong support for the licensing process by industry groups like ASMINDO, the largest furniture trade association in Indonesia.

There are also likely to be economic advantages resulting from implementing a single unified Licensing System across all suppliers, rather than relying a range of different private sector initiatives not necessarily well aligned to national forestry regulations and practices and which don't mutually recognise procedures and standards. Having a single framework directly linked to national legislation may be simpler and reduce costs in the long run.

And of course the system is not only about export competitiveness, but also about increasing participation in regulatory processes and preventing illegal logging.

This in itself has important business benefits, such as increased supply continuity and reduced price volatility, greater direct industry engagement in regulatory reform, and potential for enhanced industry communication and co-operation to improve marketing and encourage investment and innovation.

Lower US sawnwood imports from Africa compared to 2015

The volume of US sawn temperate and tropical hardwood imports grew slightly in July from the previous month while the value of imports declined 3%. The drop in import value was largely in temperate species, while tropical hardwood imports grew 1% to US\$24.1 million in July. Year-to-date tropical imports were down 16% compared to July 2015.

Year to July source of US tropical sawnwood imports

	cubic metres	Year on year Change
Ecuador	30,508	10%
Brazil	26,718	-2%
Cameroon	14,399	-47%
Malaysia	14,399	-14%
Congo (Brazzaville)	7,576	-33%
Peru	1,230	-71%
Indonesia	7,388	10%
Ghana	4,273	-37%
Cote d'Ivoire	1,595	-53%
Other	26,626	-5%

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Month-on-month imports of most tropical species declined in July with the exception of ipe (3,144 cu.m., +21%), virola (1,186 cu.m., +41%), meranti, jatoba and teak. Year-to-date imports of balsa, mahogany, cedro and padauk were higher than in July 2015, while imports of other sawnwood decreased. Sawn hardwood imports from Brazil were 4,640 cu.m. in July, up 17% from June due to higher imports of ipe.

Keruing imports from Malaysia fell in July to 1,714 cu.m. in July. Sawnwood imports from Indonesia also declined (1,338 cu.m.) but year-to-date imports were up 10% from July last year.

Sapelli sawnwood imports from Cameroon fell to 632 cu.m. in July, while Congo (Brazzaville) increased sapelli shipment from the previous month to 884 cu.m. Imports from all African suppliers were significantly lower year-to-date than in 2015.

Growth in Canadian hardwood imports from Brazil

In July the value of Canadian imports of tropical sawnwood increased 22% from the previous month to US\$2.01 million. Year-to-date imports were 15% higher than in July 2015.

The month-over-month increase in imports was in mahogany sawnwood and other (unspecified) tropical species. Imports of sapelli and virola/imbuia/balsa (combined) declined from June, but they remain the most significant tropical imports into Canada by value.

Despite the decline in sapelli import in July, imports from Cameroon tripled from the previous month to US\$382,391. Brazil topped Canadian tropical imports in July at US\$396,310.

Indonesian hardwood shipments to Canada continued growing and were worth US\$243,136 in July, up 16% year-to-date.

Canadian housing market cooling off

Canadian housing starts decreased 11% in July from the previous month at a seasonally adjusted annual rate. The decline was mainly in multi-family home construction in the urban centres. However, over a six-month moving average housing starts were up in July, according to the Canada Mortgage and Housing Corporation (CMHC).

The CMHC uses the six-month trend measure to reduce the effect of significant monthly swings in the construction of apartments. The Canadian Real Estate Association reported lower sales of existing homes in August. The 3.1% drop in August was the largest monthly decline in almost two year.

In early August the province of British Columbia introduced a 15% tax on foreign home buyers for the Vancouver region. Home sales dropped sharply, but prices continued increasing. The City of Vancouver has announced a 2% tax on empty homes within their municipality. In Ontario home sales were unchanged in August. Analysts expect a decline in Canadian home sales for 2017 mainly due to a cooler market in Vancouver.

The head of the International Monetary Fund recommended during a recent visit to Canada that the country targets the overheated housing markets of Vancouver and Toronto, instead of imposing measures nationwide.

The federal Canada Revenue Agency announced in August that it has launched a review of real estate speculators in British Columbia for possible tax evasion and fraud.

Canadian household debt continues to rise

Canada's economy shrank in the second quarter of 2016, but the central bank predicts a rebound in the second half of the year. The Bank of Canada has maintained its target interest rate at 0.5%.

Household debt has risen even higher and the ratio of debt to disposable income reached 168% in the second quarter. A decline in home prices would have a significant impact not only on the home construction and renovation industry, but on the overall Canadian economy and the financial system.

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

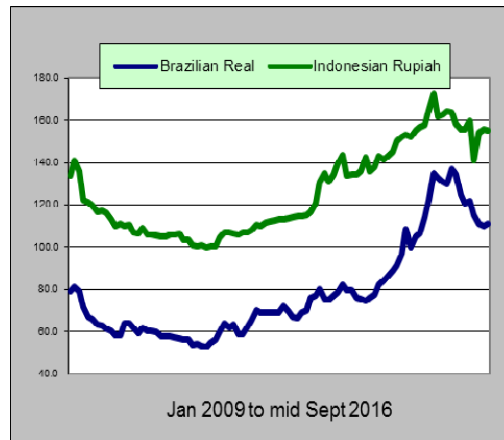
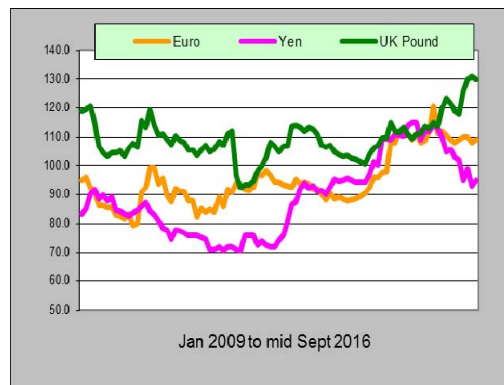
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 10 September 2016

Brazil	Real	3.2735
CFA countries	CFA Franc	582.14
China	Yuan	6.6867
EU	Euro	0.8902
India	Rupee	66.9188
Indonesia	Rupiah	13184
Japan	Yen	102.71
Malaysia	Ringgit	4.1039
Peru	New Sol	3.395
UK	Pound	0.7536
South Korea	Won	1108.73

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 October 2015 – mid September 2016

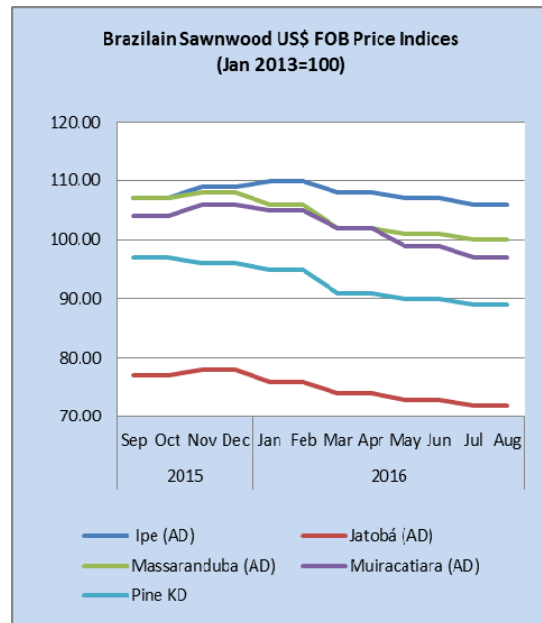
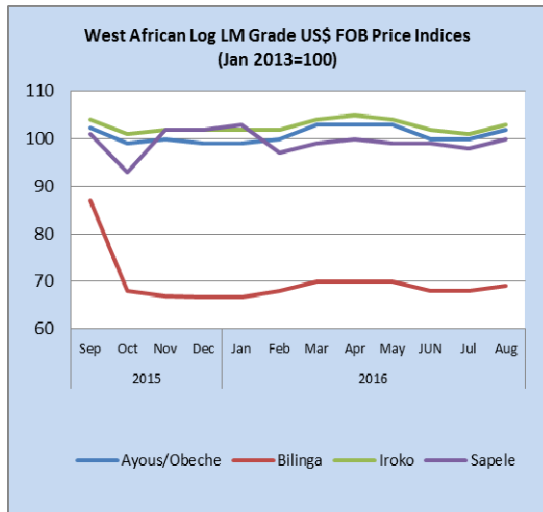
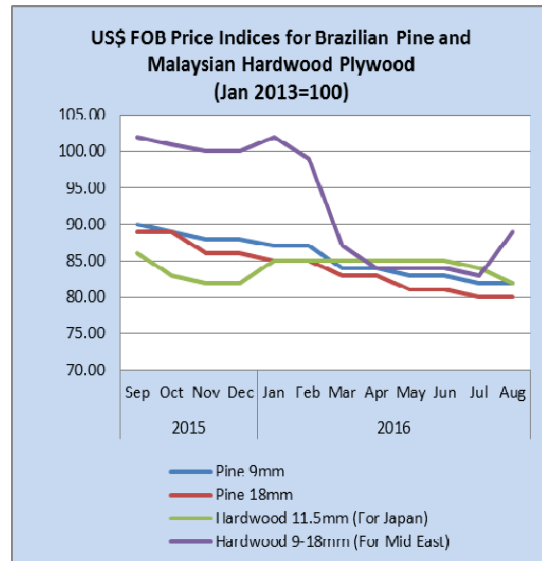
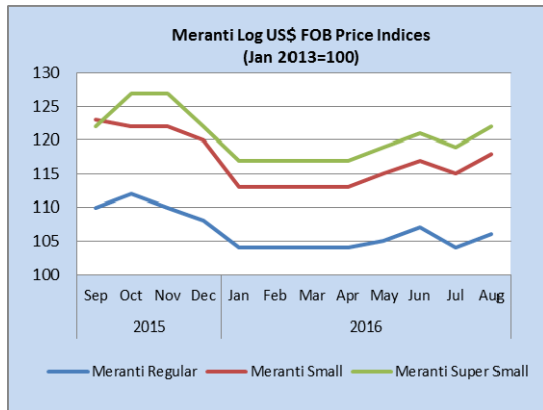


Data source: Open Financial Data Project

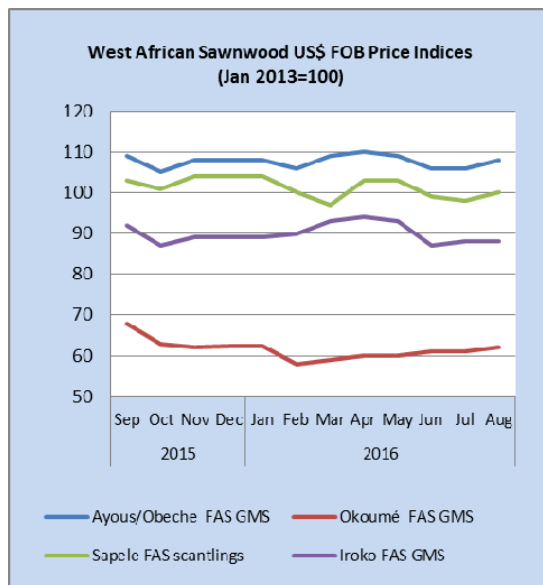
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

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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