

# Tropical Timber Market Report

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

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## Top Story

### **TTF extends congratulations to Indonesia**

The UK Timber Trade Federation (TTF) has extended congratulations to Indonesia and the EU in achieving the first shipment of FLEGT licensed timber.

Several TTF members including James Latham, Meyer Timber, Hanson Plywood and MDM Timber have taken delivery of FLEGT licensed shipments.

**See: Page 5 and 18**

**Central and West Africa**

**Exporter sentiment on the rise**

A few minor price changes have been reported but overall, demand is slow but steady. With the Christmas and New Year holidays approaching fast European buyers have scaled back on new orders.

While demand is currently quiet, exporters point to the firming price trend seen over the past months and this, coupled with some encouraging signals in the Chinese and India markets, have boosted sentiment among exporters.

Sapele and sipo prices eased notably in 2016 and so far there are no indications that demand or prices will improve in the short term. Most other species have seen only marginal price movements over the past months.

**Chinese New Year falls earlier in 2017 – exports will slow until February**

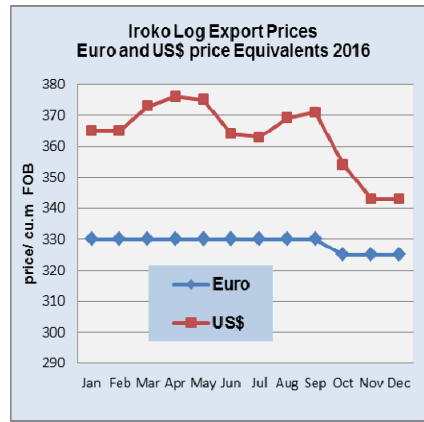
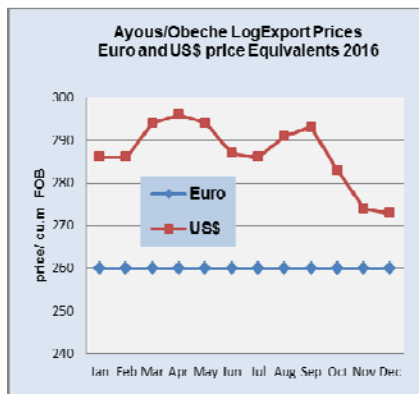
It is likely that West and Central African producers will face a quiet market and slow export shipments until February however, most exporters are optimistic that there will be an improvement in market prospects in 2017. Next year Chinese New Year falls on 28 January, coming so close the western holiday period this will dampen shipments for Asian markets.

Markets in the Middle East continue to be highly competitive and diverse and it appears European markets will also become more complex as the UK begins the process of leaving the EU and because of heightened currency fluctuations between the US Dollar, Sterling and the Euro.

**Currency fluctuations – the challenge with export pricing**

Uncertainty in European politics and in the Euro spiked further when Italians voted in a referendum for an anti-EU party. After this referendum the euro fell to a 20-month low against the US dollar, falling even lower than the drop in June when the Brexit vote count was confirmed.

Exporters face major challenges when it comes to export pricing and the impact of the choice of currency can be gauged from the illustrations below showing the Euro and US dollar equivalent FOB price movements for the same product over the past 12 months.



**Log Export**

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	240	240	160
Ayous/Obeche/Wawa	240	240	190
Azobe & Ekki	230	230	160
Belli	240	235	-
Bibolo/Dibétou	180	170	-
Bilinga	220	220	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	210	190	160
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	210	190	-
Padouk	300	280	230
Sapele	290	280	220
Sipo/Utile	310	290	255
Tali	330↑	320	-

**Sawnwood Export Prices**

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	420
Bilinga FAS GMS	515↓
Okoumé FAS GMS	340
Merchantable	280↓
Std/Btr GMS	266
Sipo FAS GMS	550
FAS fixed sizes	560
FAS scantlings	560↓
Padouk FAS GMS	860↓
FAS scantlings	950
Strips	645
Sapele FAS Spanish sizes	515
FAS scantlings	530
Iroko FAS GMS	620
Scantlings	710
Strips	450
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	430

## Ghana

### Millers seek improved business climate from new government

On 7 December Ghanaians went to the polls and elected a President from the main opposition party. The Association of Ghana Industries and other private sector bodies are calling on the new government to revitalise the business sector making it possible for businesses to access finance at reasonable rates to spur business growth.

Most observers say the opposition was successful as it promised to reduce income tax burdens and widen the tax net. The new President has also promised to stabilise the currency and improve power supplies which has been a major handicap for the manufacturing sector including wood processing industries.

### Third quarter 2016 exports 12% higher

Third quarter 2016 exports amounted to 302,085 cu.m and earned Euro 72.71million.

Products that made a significant contribution to the increases in volume and value of exports in the period reviewed are shown below.

#### Export Performance 2015/2016 (Jan-Sept, cu.m)

	Jan-Sept 2015 cu.m	Jan-Sept 2016 cu.m	Year on Year % Change
AD Sawnwood	102,779	184,837	80
Billets	21,788	22,926	5
Kindling	539	984	82
Plywood	452	753	66
Boules (KD)	98	109	11
Curl Veneer	14	39	178
Other products	141,710	92,437	-35
<b>Total</b>	<b>267,379</b>	<b>302,085</b>	<b>13</b>

Data source: TIDD, Ghana

#### Export Performance 2015/2016 (Jan-Sept, Euro)

	Jan-Sept 2015 Euro	Jan-Sept 2016 Euro	Year on Year % Change
AD Sawnwood	57,573,114	112,335,948	95
Billets	8,419,694	8,465,811	0.5
Kindling	112,189	204,866	83
Plywood	255,875	465,969	86
Boules (KD)	48,202	62,027	27
Curl Veneer	178,177	286,230	61
Other products	68,436,951	50,895,342	26
<b>Total</b>	<b>135,024,201</b>	<b>172,716,192</b>	<b>28</b>

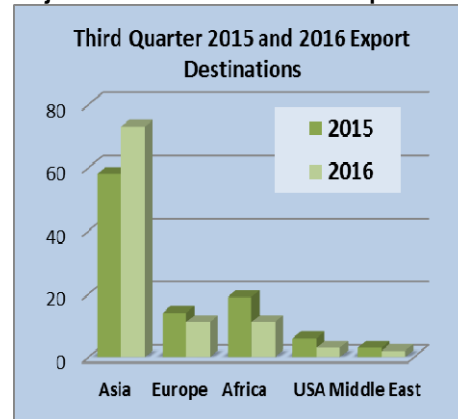
Data source: TIDD, Ghana

Air dried sawnwood topped the list of export products in the third quarter 2016 accounting for 61% of the total volume of exports. Exports of kiln-dried sawnwood fell to 37,840 cu.m from 46,981 cu.m in the same period last year.

While the export data showed no change in the major market destinations of Asia/Far East, Europe, Africa, America and the Middle East, Asian markets accounted for 73% of third quarter 2016 export volumes, up 15.08% year on year.

Other major markets weakened in the third quarter compared to a year earlier as can be seen in the graphic below.

#### Major markets for Ghana's wood products



Data source: TIDD, Ghana

Teak, rosewood, wawa and ceiba were some of the leading species which were shipped mainly to India and China.

#### Workshop on understanding the FLEGT licensing process

The UK Timber Trade Federation organised a week-long Trade Engagement Workshop in Ghana as part of its programme to expand the understanding and appreciation of the FLEGT licensing process in those countries embarking on a Voluntary Partnership Agreement with the EU.

During the event a number of British and European trade representatives and associations gained an insight into Ghana's system of timber legality assurance system.

For more see: <http://www.ttf.co.uk/article/ttf-mike-worrell-organises-flegt-trade-engagement-week-in-ghan-460.aspx>

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	380
Black Ofram Kiln dry	450
Niangon	500
Niangon Kiln dry	642

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	346↑	400
Chenchen	368↓	539
Ogea	478	604
Essa	501↑	544
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
Afromosia	2.00	0.91
Asanfina	3.00	0.57
Avodire	1.20	0.34
Chenchen	1.40	1.20
Mahogany	1.09	0.82
Makore	0.85	0.55
Odum	1.13	0.40

### Export Plywood Prices

Plywood, FOB BB/CC	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	415	590	641
6mm	477	535	610
9mm	407	474	613
12mm	364	463	480
15mm	393	410	430
18mm	354	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	492	564
Ceiba	297	290↓
Dahoma	368↑	380↓
Edinam (mixed redwood)	450↓	599
Emeri	465	527↓
African mahogany (Ivorensis)	1001↑	993↓
Makore	730	714↓
Niangon	500	1019↑
Odum	755	821↓
Sapele	675	809↑
Wawa 1C & Select	393↑	454↓

Note: it is very unusual for AD sawnwood prices to be higher than KD sawnwood of the same species. This, say local analysts, reflects the level demand in different markets.

## South Africa

### South African construction industry continues to face tough times

The Pricewaterhouse Coopers (PwC) fourth edition of 'South African Construction, 2016' highlights some of the trends in the construction industry. In a press release, Andries Rossouw, writes "the tough economic conditions in 2016 did not spare the (South African) construction industry, with lower revenues, decreased spend on projects and a long term industry settlement." The press release continues saying there was some improvement in company performance in the later part of this year which has helped profitability and market performance.

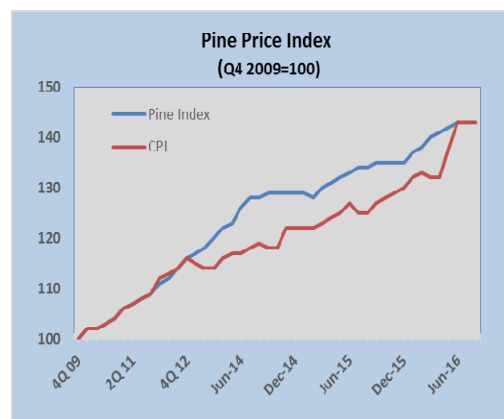
Other analysts suggest the longer term future of the construction sector will be boosted through the government's National Development Plan and when increased social infrastructure spending kicks in. An additional boost for the medium term will be construction work for the 2022 Commonwealth Games. However, challenges will remain in the South African construction industry and calls have been made for South African companies to look for opportunities in other African markets.

For more see:

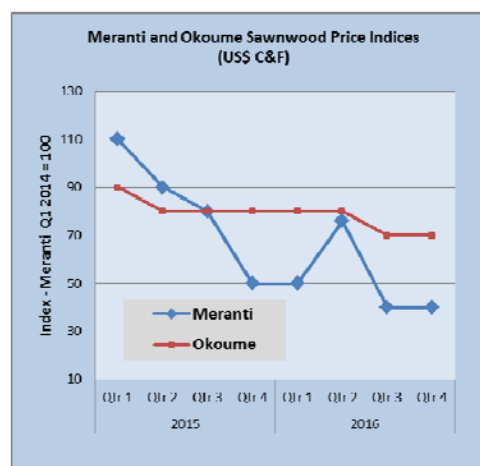
<https://www.pwc.co.za/en/press-room/sa-construction-industry-continues-to-face-tough-times.html>

### Domestic pine price index movements

Despite the up-trend in the pine price index, prices have barely kept pace with inflation over the last few years. There were extended strikes in August last year which drained stocks at the mills and this helped prices stay firm. Domestic pine is used mainly in structural end-uses so demand is hostage to the construction industry/property market which remains weak. The weaker Rand has also protected domestic timbers from imports.



As the year draws to a close the manufacturing sector is winding down for the summer holidays. Basically, business will cease from the 16th December until the 16th January.



## Malaysia

### 2017 likely to be tough going for the timber industry

Analysts expect Malaysia to weather the anticipated tough times coming in 2017 underpinned by ongoing implementation of infrastructure projects, possible early elections, and pre-election spending. However the strengthening of the US dollar against most currencies and the ringgit is of concern.

According to RHB Research, the ringgit has weakened over 6% since the US election results were announced on November 8 and while there is an economic downside to this it does help exporters remain competitive.

### Incentives for SMEs explained

The Malaysian Timber Council (MTC) recently held a workshop on 'Cross-cutting Issues: Incentives for SMEs and Bumiputra SMEs in the Timber and Furniture Industry'.

This was part of the MTC's efforts to assist the development of the Malaysian furniture sector. MTC writes "The recently announced 2017 Budget will play an important role in charting business direction for both SMEs and Bumiputra SMEs in Malaysia and the workshop was aimed at enterprise accountant and finance staff as well as company executives and business owners."

### Upcoming DelhiWood and EFE fairs

In related news MTC has posted an invitation for Malaysian companies to participate in the 5th of DelhiWood furniture and wood products fair to be held in India 1 – 4 March 2017.

DelhiWood is one of Asia's largest fairs for furniture manufacturers, wood-based handicraft manufacturers, sawmillers, craftsmen, woodworking professionals, builders, architects and interior designers in the region.

MTC says India's imports from Malaysia are increasing. In 2015, the value of major timber and timber products exported to India amounted to RM1,890.5 million, an increase of 6.3% compared with 2014. Exports include logs, wooden furniture, sawnwood, particleboard and plywood.

Another event, the Export Furniture Exhibition (EFE), will run 8 to 11 March 2017 at the Kuala Lumpur Convention Centre (KLCC).

The four-day event will host around 300 exhibitors providing visitors with an extensive representation of the range of products and designs produced in the country. The fair will be organized by EFE Expo Sdn Bhd., a wholly owned subsidiary company of the Malaysian Furniture Council (MFC).

See: <http://www.efc.my/the-show/event-highlights/seminar-professional-designers-program.html?id=254>

## Indonesia

### EU must eliminate timber which is not verified legal – DG of Forestry

Dr. Ida Bagus Putera Parthama, Director General of Sustainable Management of Production Forests in the Ministry of Environment and Forestry, has called on the EU to strictly enforce the EU timber regulation. He said the EU should firmly reject all illegally-sourced wood products and continue to scrutinise non-legally verified timber including wood products re-exported by third countries.

Indonesia recently became the first country in the world whose domestic timber legality system (SVLK) was accepted as EU's FLEGT licensing scheme.

Between 15-23 November some 845 consignments of FLEGT licensed wood products were prepared for shipment.

### TTF extends congratulations

In related news, the UK Timber Trade Federation (TTF) has said in its latest newsletter "We congratulate all involved in Indonesia and the EU in seeing through the first ever issuing of FLEGT licenses. Several members of the TTF have taken delivery of goods from this first FLEGT licensed shipment including James Latham, Meyer Timber, Hanson Plywood and MDM Timber."

David Hopkins, TTF Managing Director said "This marks a historic achievement on behalf of the UK and Indonesian governments, the UK timber trade and their combined involvement in the development of this market-based forest management policy."

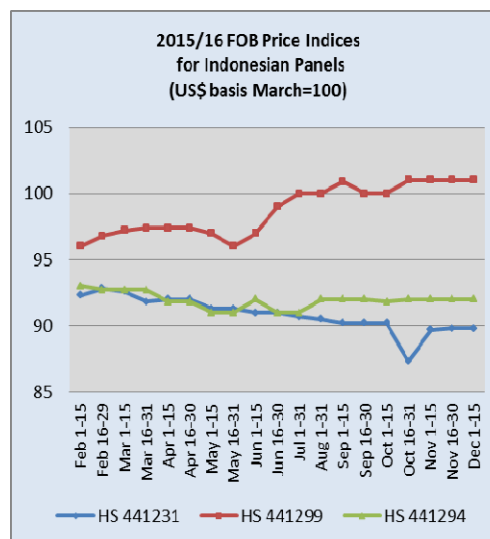
See: <http://tff.co.uk/article/tff-members-receive-flegt-goods-449.aspx>

### PEFC on promoting sustainable landscapes for sustainable livelihoods

The PEFC (Programme for the Endorsement of Forest Certification) recently concluded its annual PEFC Forest Certification Week on the theme 'Sustainable Landscapes for Sustainable Livelihoods'. The purpose of which, according to the PEFC, was to explore the role of forest certification and sustainable supply chains in promoting sustainable landscapes for sustainable livelihoods.

At the meeting it was announced that Thailand was now a member bringing to 46 the number of governing bodies.

For more see: <http://pefc.org/pefc-week-2016/home> and <http://pefc.org/pefc-week-2016/general-info/pefc-week>



### **Are confiscated and then auctioned logs considered legal?**

In response to the recent Swedish Court ruling against a Swedish importer of teak from Myanmar, the Forest Department (FD) announced in a press release that, with immediate effect, wood products produced from auctioned confiscated logs will no longer be approved for export.

The private sector in Myanmar reacted very strongly to this move and asked for the deadline for the introduction of this new regulation to be extended to allow current log stocks to be cleared.

It understood that the FD has extended the deadline for implementation of the ban to the end of April 2017 for those mills which have purchased logs seized and then sold on by government authorities.

### **China's stance on timber imports welcomed**

Myanmar has welcomed news from China that the government is strongly promoting sustainable forest management and certification of wood products from domestic resources and from overseas. However, local analysts question how much control can be exerted on importers in Yunan Province where the border is 'porous' and import controls lax.

### **Efforts needed to reverse decline in furniture manufacturing**

At a recent meeting with Vice President U Myint Swe, U Kyaw Kyaw Win, of the Myanmar Forest Products Merchants Federation reported that, as a first step in reversing the 25 year decline in the furniture manufacturing sector in the country, ways need to be found to ensure the sector has access to a sustained supply of timber raw materials. He reported that currently there are only three locally owned furniture plants in the country, down from around 30 a decade ago.

Because prices for domestic logs are so high, driven up by demand in international markets, many furniture makers have to rely on informal and even illegal sources of raw material. A reliable and fairly priced supply of timber and tax incentives would go a long way to revive Myanmar's neglected furniture industry, he said.

### **Executives in Myanmar say conditions are ripe for firms to expand**

In a press release, German consulting firm Roland Berger, reports on a survey of around two hundred senior executives from companies of all sizes in Myanmar to evaluate the consensus on opportunities and challenges ahead.

The executives were enthusiastic about the outlook for Myanmar saying they believe conditions are ripe for firms to expand. Some 80% of respondents pointed to the country's status as a frontier market with a large and growing population as a prime reason for investing in Myanmar.

But with a word of caution the consultants say "the road won't be smooth. Like many emerging markets, Myanmar also presents challenges to firms looking to grow. Firms surveyed believe that labor issues and lack of legislative certainty are the main risks to doing business in the country. 41 percent of firms say that lack of skilled staff is a very significant issue and for 85 percent it is the most significant one."

The domestic media in Myanmar said, when commenting on the survey, "Companies in Myanmar expressed concern about government regulation and policies, despite showing optimism for future growth."

For more see: [https://www.rolandberger.com/en/press/Press-Release-Details\\_15232.html](https://www.rolandberger.com/en/press/Press-Release-Details_15232.html)

### **Sittwe deep water port ready to open**

The Myanmar Sittwe deep water port at the mouth of the Kaladan River on the Bay of Bengal is ready to be commissioned. This port has been financed by India as a part of the Kaladan Multi-modal Transit Transport Project collaboration between India and Myanmar.

India's interest in building this facility stems from the need to open a cost effective route to ship goods to Mizoram. When the port is fully operational an alternative to the long and expensive transport route through the narrow strip of Indian territory in West Bengal to Mizoram will be available which should drastically reduce transport costs.

### **No direct impact on formal real estate market from demonetization says CREDAI**

CREDAI has noted that the primary real estate market is financed through mortgages from banks and financial institutions, all of which are regulated. As such, cash transactions for home purchases are not a major component of this primary market.

On this basis, CREDAI has asserted that there will be no direct impact on the primary real estate market arising out of demonetisation. CREDAI further notes in a statement that "in the aftermath of demonetisation, banks are going to be flush with additional funds – and that a decline in interest rates is possible"

For the CREDAI statement see:  
<http://credai.org/press-releases/credai-stand-on-impact-of-demonetization-on-primary-real-estate-market>

### **Double digit growth in domestic ply consumption forecast**

Industry analysts from Chart Advise have said large plywood mills in India anticipate a major restructuring of the plywood sector as the impact of the implementation of the goods and services tax (GST) begins to affect the operation of the so-called 'unorganised' sector which comprises hundreds of small and unregistered operators producing low cost and often low quality panels.

The Indian plywood market is dominated by the 'unorganised' producers. Industry analysts estimate that this unorganized sector could have between 60-75% of the domestic market.

Plywood consumption is likely to grow in line with demand for homes and on the back of construction activity. In 2015 sales by the major manufacturers expanded marginally but for 2017 analysts expect double digit growth especially in the Northern and Western regions of the country.

For more see: Can Plywood Stocks be next Multi-bagger?? | Interesting Insights

### Dang auctions net good profits

The October and November auction programme in the Dang Division in Western India has ended and the Forestry Department and other participating teak and hardwood producers have reported good profits.

At the beginning of the auction season everyone was expecting prices to slide due to the 'cash crunch' but buying activity was firm, especially as large sized logs were offered. Large domestic teak logs are preferred to the small diameter imported plantation teak logs.

The logs offered in October and November were from Forestry Department areas, private forests and from Forest Worker's Co-Operative Societies. With such a mixed group of suppliers prices are usually, at best, moderate but this year was different. It has been reported that over 10,000 cu.m of logs were sold and the prices secured are shown below.

Teak logs	Per cu.ft
A Long length logs	Rs.2800-2900
B Long length logs	Rs.2700-2800
A Logs 15ft and up	Rs. 2500-2600
B Logs 15ft and up	Rs. 2400-2500
A Logs 12ft and up	Rs. 2100-2200
B Logs 12ft and up	Rs. 2000-2100
A Logs 8-10ft and up	Rs.1800-1900
B Logs 8-10ft and up	Rs. 1600
Small girth low quality	Rs. 1000-1200

Good quality non-teak hardwood logs 3-4m long having girths 91cms & up of haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium* attracted prices in the range of Rs.800-900 and medium quality logs were sold at between Rs.600-800 while average quality logs fetched Rs.300-500 per cu.ft.

### Black stripe teak attracts furniture makers

Reports indicate that flow of fresh logs to the auction depots of Narsingpur, Baitul, Harda, Chhindwada, Narmada, Timarni and Khirakiya has been good and that the logs are prime quality.

The next auction programme for these areas should be announced soon. Teak logs from these central areas are mostly black striped and favored for furniture so buyers are awaiting the beginning of the auctions. Teak from these areas is transported as far as Gujarat, Maharashtra, Rajasthan and Delhi.

### No need for Dalbergia restrictions in India say manufacturers

Now that all Dalbergia species are in CITES Appendix II Indian exports of musical instruments and parts as well as handicrafts and house decoration items must exercise caution as many of these items are produced from domestic *D.latifolia* and *D.sissoo*.

It is claimed that India has sufficient domestic stock of both these species and their sales are exclusively handled by the various Forest Departments through public auctions. Manufacturers and exporters has expressed concern at the world wide listing of all Dalbergia species saying there is no need for such restrictions in India.

### Good sized plantation logs continue to arrive

Demand for plantation teak logs and sawnwood remains firm. Suppliers have been delivering good sized logs.

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
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	434-517

Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

As was the case in November, prices from the new plantation teak log suppliers remain unchanged at: Taiwan P.o.C (US\$,1036 to 2,126 per cu.m C and F) and Honduras (US\$471 to US\$539 per cu.m C and F). Sawn teak from China (US\$855 to 1,118 per cu.m C and F) and from Myanmar (US\$461-2,895 per cu.m C and F).

#### Prices for locally sawn imported hardwoods

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	1850-1950
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1200-1350
Radiata pine AD	800-900
Whitewood	850-950

Price range depends mainly on length and cross section

#### Myanmar teak flitches resawn in India

Supplies of sawn teak from Myanmar and China are keeping prices stable.

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

No recent price changes have been reported.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2200-2250
American Walnut	4250-4500
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price variations depend mainly on length and cross section

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

Prices remain unchanged. Plywood exporters especially those in Malaysia are organizing sales promotion missions in India as demand in Japan for tropical plywood is falling.

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	



**Furniture market performance**

Domestic retail sales of furniture have suffered this year due to the economic and political problems in the country. Between January and September this year there was a decline in retail sales of around 10%. At the same time, in the first three quarters of 2016, furniture production also dropped almost 13%.

Weak domestic demand weighed heavily on employment in the furniture industry with a 4% drop in the numbers employed being observed.

However, according to the Furniture Industry Association of Rio Grande do Sul State (MOVERGS) domestic demand for furniture should pick up gradually in 2017 gaining momentum in the second half of the year.

**Wood industries evaluate prospects for 2017**

2017 should be the year of stabilisation for the wood mouldings sector in Brazil according to ABIMCI (Brazilian Association of Mechanically-Processed Timber Industry). This was the conclusion of a survey of members which account for around 90% of national moulding production. However, much will depend on the supportive measures from the new government in Brazil and on the direction of the US economy.

The projection of a stable year for businesses is based largely on the assumption that the US economy will expand under the new Republican administration. But producers remain alert to the risks from rising production costs, especially those related to social issues, energy and raw material supplies.

**Decline in export revenues**

Exports plantation wood products increased in the first 10 months of this year. Between January and October 2016, pulp exports increased 11% year on year to 10.7 million tonnes. Paper exports reached 1.7 million tonnes in the same period, a 3.2% growth compared to 2015. In addition there was an over 60% rise in exports volumes of woodbased panels 831,000 cu.m.

In the first 10 months of this year the plantation wood sector recorded export earnings of US\$ 6.3 billion (-2.5% year on year), pulp reached 4.6 billion (-1.7% y.o.y), paper US\$ 1.6 billion (-7.3% y.o.y) and woodbased panels US\$ 201 million (+ 26.4% y.o.y).

China remains the main destination for Brazilian pulp, with a 38% share followed by Europe (34%). Latin American countries continue to be the main destinations for paper and woodbased panel exports accounting for almost 60% of total plantation wood based panel exports.

According to the IBÁ (Indústria Brasileira de Árvores /Brazilian Tree Industry) 2016 Report, for the year to August 2016, 4.193 million cu.m of woodbased panels were traded against 4.387 million cu.m in the same period in 2015, despite the fall export values increased.

According to IBÁ, domestic demand will remain subdued in early 2017 as GDP forecasts are not encouraging and inflation is likely to remain high. Against this background, the Brazilian woodbased panel industry aims to focus on exports while monitoring domestic construction and furniture production.

**Domestic Log Prices**

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	199
Jatoba	111
Massaranduba	115
Muiracatiara	117
Angelim Vermelho	111
Mixed redwood and white woods	95

Source: STCP Data Bank

**Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	902
Jatoba	455
Massaranduba	422
Muiracatiara	426
Angelim Vermelho	377
Mixed red and white	248
Eucalyptus (AD)	215
Pine (AD)	154
Pine (KD)	174

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	581
10mm WBP	448
15mm WBP	400
4mm MR	507
10mm MR	376
15mm MR	349

Prices do not include taxes

Source: STCP Data Bank

**Prices For Other Panel Products**

	US\$ per m <sup>3</sup>
<i>Domestic ex-mill Prices</i>	
15mm MDPparticleboard	251
15mm MDF	335

Source: STCP Data Bank

**Export Sawnwood Prices**

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1460
Jatoba	932
Massaranduba	742
Muiracatiara	720
Pine (KD)	194

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

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

Source: STCP Data Bank

**Export Plywood Prices**

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	293
12mm C/CC (WBP)	266
15mm C/CC (WBP)	263
18mm C/CC (WBP)	259

Source: STCP Data Bank

#### Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US\$ per m <sup>3</sup>
Decking Boards	Ipê	2,546
	Jatoba	1,497

Source: STCP Data Bank

## Peru

### Stimulating innovation and entrepreneurship

The timber industry is constantly seeking new ideas and technologies and this year CiteMaderas and CitePucallpa provided businesses with an opportunity for technological internships and visits to fairs within Peru and overseas. For example, entrepreneurs visited the M & M Fair in Bogotá, considered the most important trade fair in the sector in Central America. Participants had the opportunity to observe the technology applied in the Colombian furniture industry as well as to build contacts in the country.

Another business group visited Interzum Guangzhou, China. The group comprised representatives from twelve businesses located in Lima, Arequipa, Cusco and Trujillo.

A further 19 Peruvian furniture sector entrepreneurs visited manufacturers in Southern Brazil. Also, a large group of businessmen went to Shanghai Furniture Fair in September this year and benefitted from discussions with domestic factory owners on technology and designs.

Most of these events were organised by Peruvian forestry consultants which work together with public and private institutions that have programmes for development and innovation of the forestry and wood processing sectors such as the Committee of Wood Exporters within ADEX, the Commission for the Promotion of Exports (Promperú), the Association of Loggers and Allied Workers of Loreto (AIMAL), the Association of Forestry Producers of Ucayali (APROFU) and the National Society of Industries (SIN).

### SERFOR - workshop to validate guidelines on investment in forest plantations

The Forest and Wildlife Service (SERFOR) prepared 'Methodological Guidelines for the Identification, Formulation and Social Evaluation of Public Investment Projects (PIP) in Forest Plantations' and at a workshop, invited comments from the public and private sector.

The workshop was inaugurated by Ing. Juan Carlos Guzmán Carlin, Director General of the General Directorate of Policies and Competitiveness of SERFOR who highlighted the work being done at the inter-sectoral level to promote forest plantations.

Participants were informed of the technical, legal, economic, social, environmental and cultural aspects that have been considered in the elaboration of the PIP.

Throughout the workshop, it was made clear that forest plantations would only be promoted on degraded or

deforested land. Another point emphasised was the need to first consider the target market for the plantation output.

### Entrepreneurs trained in methods to eliminate illegal timber from the supply chain

A workshop on 'Renewing confidence in the legal timber trade: What tools are available for Peru?' was recently concluded in the regions of Loreto, Ucayali and Lima. The aim was to strengthen the capacity of producers in legality verification systems and participants had the opportunity to make simulated use of various methods to gain a better understanding of the challenges such systems present.

This training event was possible thanks to the support of the ProMadera project (financed by the Dutch Sustainable Trade Initiative-HDI) under the ProAmbiente programme.

### Proposals to improve management in the forestry sector

Representatives of SERFOR recently met with members of the National Forest Confederation of Peru, timber producers and exporters' guild to discuss proposals to improve management and competitiveness in the sector.

Present at the meeting were representatives of regional Amazonian governments, the office of Congressman of the Republic, the Ministry of the Environment and the Forest and Wildlife Resources Monitoring Agency (Osinfo).

Speaking at the meeting SERFOR Executive Director John Leigh Vetter praised this initiative saying such meetings strengthen coordination between public institutions and civil society because they improve the dialogue in seeking alternatives that can ensure the sustainable use of the country's forests.

During the meeting Leigh Vetter called for forest resources to be included in the national account to give greater value to the standing forest as this will draw attention to the opportunities for sustainable utilisation, job creation and generation of export earnings. He called for work to begin on valuing the forest and for its inclusion in national accounts.

### Export Sawwood Prices

Peru Sawwood, FOB Callao Port	US\$ per m <sup>3</sup>
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 Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	499-586
Grade 2, Mexican market	426-467
Cumarú 4" thick, 6'-11' length KD	
Central American market	879-925
Asian market	919-973
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	627-659
Marupa (simarouba) 1", 6-13 length Asian market	479-535

### Domestic Sawwood Prices

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

### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S Swedish market	962-1095
Asian market	1058-1098-
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

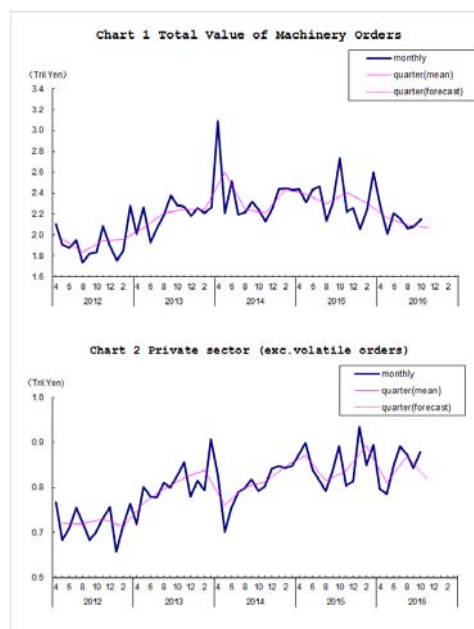
### Capital investment growth rebounds in October

Japan's Cabinet Office has released details of the value of manufacturing machinery orders received by companies operating in Japan. The October figure is up 3.3% from September on a seasonally adjusted basis. Private-sector machinery orders, excluding those for ships and power generation, increased a seasonally adjusted by 4% in October.

Private sector capital spending is just one indicator, and a rather volatile one, of the direction of the economy. The government is hoping that capital spending will support sustainable growth.

Capital investments fell in the July-September quarter for the first time in nearly four years and in the third quarter the Japanese economy grew much slower than initially estimated driven lower by global economic uncertainty.

See: <http://www.esri.cao.go.jp/en/stat/juchu/1610juchu-e.html>



Source: Cabinet Office, Japan

### OECD pessimistic on growth prospects in 2017/18

Japan's GDP is forecast to expand by just 1% in 2017 and then slow in 2018 says the latest assessment from the OECD. The brake put on reforms required to spur growth has slowed fiscal consolidation but has helped the country weather the mid-year yen appreciation. The OECD again reiterated that structural reforms are essential to boost productivity and to get more women back to work.

The OECD writes "This would enhance social cohesion and reduce Japan's high relative poverty rate. Faster growth is critical to stopping and reversing the run-up in public debt, which is projected to reach 240% of GDP by 2018."

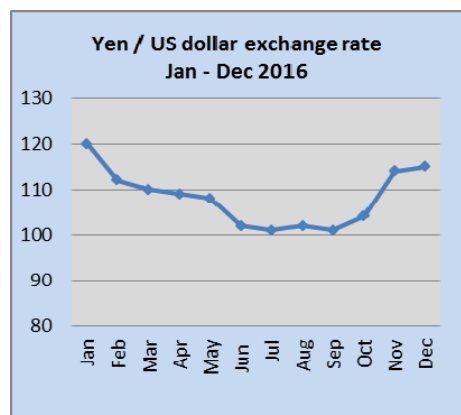
See: <https://www.oecd.org/economy/japan-economic-forecast-summary.htm>

### All eyes on the US Federal Reserve

The Yen fell mid-December marking the fifth-consecutive weekly drop against the US Dollar. As of 10 December the Yen was at its weakest in almost two years. The mid-month US Federal Reserve meeting has determine the direction of the yen and a further decline seems inevitable.

Interest rates in the US are on the way up. At the last meeting of the Federal Reserve the benchmark interest was moved from the current 0.25-0.50% to a range of 0.50 and 0.75%

US employment has been improving as have wages. The head of the Federal Reserve said she expects rates to be raised three times in 2017.



### Japanese investors chase returns in housing sector

Financial agencies in Japan are keeping a close eye on the condominium and apartment block loan portfolios of commercial banks so as to be sure the banks are properly assessing the risks associated with such loans.

This concern stems from data showing loans for apartment building has expanded rapidly against a backdrop of an increase in vacancy rates especially in Tokyo. With interest rates at zero, investors have turned to the property market looking for returns. The Bank of Japan says loans for condo and apartment buildings have grown at twice the rate of overall lending.

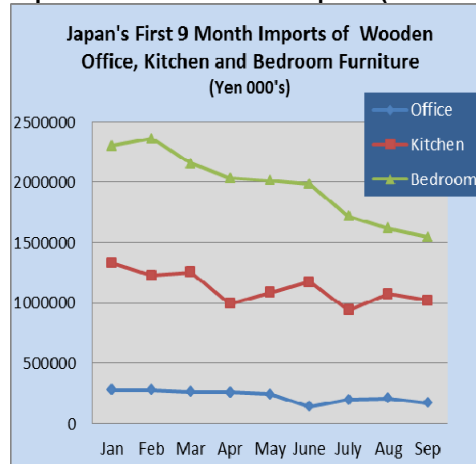
Another factor stoking concern amongst the financial watchdogs is that demand for housing could fall well below the rapidly rising supply even in the main cities as the population in Japan is on a steady downward trend and this is likely to spill over to Tokyo by 2020.

### Japan's furniture imports

January 2016 marked the high point for wooden kitchen and bedroom furniture imports but since then there has been a steady decline in the value of imports of both categories of furniture. However, year on year figures are more encouraging with kitchen furniture imports steady at 2015 levels in the first 9 months and bedroom furniture imports showing just a 1% decline year on year.

Wooden bedroom furniture imports display cyclical demand but this is less pronounced for wooden kitchen furniture imports. Of the three categories of wooden furniture imports being tracked, only office furniture imports are showing a downward trend for the first 9 months of this year.

### Japan's wooden furniture imports (Jan – Sept 2016)



Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

September year on year imports of wooden office furniture were down 8% and month on month imports dropped a huge 17.5%. While shippers in China dominate the trade in office furniture with Japan (60% of the total) the second and third ranked suppliers alternate between suppliers in the EU.

In September the second ranked supplier was Italy (18% of Japan's total imports) followed by Poland. In September China's share of total wooden office furniture imports dropped 25% while the two EU suppliers marked gains.

### Office furniture imports

	Imports Sept 2016 Unit 1,000 Yen
S. Korea	-
China	103855
Taiwan P.o.C	5560
Hong Kong	-
Vietnam	-
Thailand	-
Singapore	-
Malaysia	3299
Philippines	-
Indonesia	4739
Sweden	-
Denmark	3850
UK	-
Netherlands	887
Belgium	-
France	1559
Germany	1527
Switzerland	-
Portugal	5187

Spain	-
Italy	17848
Finland	-
Poland	16949
Austria	-
Hungary	-
Lithuania	1549
Czech Rep.	-
Slovakia	2326
Canada	-
USA	4148
New Zealand	-
<b>Total</b>	<b>173283</b>

Data source: Ministry of Finance, Japan

#### Kitchen furniture imports (HS 940340)

For the year to September 2016 there was a 1% year on year drop in wooden kitchen furniture imports into Japan and compared to August, September imports were down around 5%.

#### Kitchen furniture imports

	Imports, Sept 2016 Unit 1,000 Yen
S. Korea	219
China	105723
Taiwan P.o.C	-
Vietnam	352801
Thailand	11272
Malaysia	33589
Philippines	369072
Indonesia	98740
India	-
Afganistan	-
Denmark	-
UK	-
France	378
Germany	13536
Spain	-
Italy	25738
Poland	-
Austria	-
Romania	3018
Slovenia	-
Canada	3321
USA	5088
<b>Total</b>	<b>1022495</b>

Data source: Ministry of Finance, Japan

The same four shippers dominated September imports of wooden kitchen furniture: Vietnam, the Philippines, China and Indonesia. From the beginning of this year Vietnam has been the main supplier but in September shipments from the Philippines just topped those from Vietnam. Together, the Philippines and Vietnam account for around 70% of all Japan's imports of wooden kitchen furniture with each accounting for around 35%.

The third ranked supplier is China which in September accounted for a further 10% of Japan's kitchen furniture imports.

#### Bedroom furniture imports (HS 940350)

Bedroom imports by Japan are exhibiting the typical cyclical trend seen in previous years. For the first 9 months of 2016 imports have fallen mirroring the trend in 2015. It remains to be seen if imports will increase in the final quarter on the back of the healthy increase in new home building starts.

#### Bedroom furniture imports

	Imports, Sept 2016 Unit 1,000 Yen
S. Korea	207
China	988861
Taiwan P.o.C	10610
Vietnam	355019
Thailand	67695
Malaysia	56345
Philippines	418
Indonesia	20066
Cambodia	-
India	-
Pakistan	-
Srilanka	-
Sweden	-
Denmark	12352
UK	334
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	1392
Spain	644
Italy	6399
Poland	15387
Russia	-
Austria	-
Hungary	-
Romania	-
Turkey	-
Estonia	-

Latvia	-
Lithuania	8316
Croatia	-
Bosnia/Herzegovina	-
Slovakia	-
Canada	-
USA	2056
Mexico	-
Australia	-
<b>Total</b>	<b>1546101</b>

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>

### Joint action plan by five groups

Demand promotion of domestic logs has been busy but replantation after the harvest is now the question. Five groups made joint declaration to warn sustainability of domestic forests.

Japan Forestry Association, Japan Federation of Wood Industry Association, Japan Federation of Forest Association, Forest management Association of Japan and Japan Federation of Logging Association signed action plan to establish sustainable forest management and five groups declared to realize fundamental policy for promotion of utilization of wood and sustainability of the forest.

In 2015, joint action plan was made for reconstruction of forest in Japan. As one of concrete plans, in April 2016, the law to use wood for public buildings should be extended to private buildings so that it is necessary to have a new law of wood use promotion law. It is requested to the Forestry Agency.

This year's action plan includes having system to have sustainable forest by cooperation from economic society and general public. It is necessary to establish fundamental measures of utilization of wood including revision of the wood use for public buildings through every level of government system. It is also necessary to share the information of forest and forest owners then to create understanding of this move through general public as national move.

The groups commented that even if the demand of wood increases, it is doubtful to replant after the harvest based on current return to forest owners, unless cycle of harvest and replant is established soon, future planted forest

resources would be gone, timber harvest got busy in Kyushu by exporting logs, increased consumption by biomass power generation and building large new sawmills but replantation is not progressing and this will be the common national issue eventually.

Another comment is that recent increasing demand of domestic wood is mainly for lower grade used for biomass power generation like B & C class logs but demand for A class logs, which is high grade logs to recover clear lumber with higher prices. Unless demand for such higher grade logs increases, return to the forest owners remain low so that expenses for replanting are hard to generate. After all, demand promotion is fine but it is imminent issue to establish cycle of harvest then replant.

### Japan Wood Station in Vietnam

The Japan Wood Products Export Promotion Council opened 'Japan Wood Station' in Ho Chi Ming in Vietnam to display Japanese wood products with subsidiary of Forestry Agency to promote exporting wood products.

The station has floor space of 133 square meters. Displayed items are square, beam and decorative girder, structural laminated lumber, panel, laminated lumber for interior finish and siding board. Also special items used for the Japanese style room and Japanese style room.

In late October, representatives of Forestry Agency and other groups visited the room and discussed schedule of opening ceremony and also discussion with the Vietnamese wood products users

### Imported South Sea (tropical) hardwood plywood

The market of 12 mm panel has been declining little by little for over a year but now after the importers and major wholesalers finished interim book closing in September, the inventory adjustment completed.

Level of inventory gets low and order files are low for future arrivals. Major plywood manufacturers in Sarawak, Malaysia announced \$20 price increase.

In this situation, the extreme low price offers are totally gone from the market but price increase is difficult due to depressed demand so it will take more time until the prices climb. 12 mm 3x6 JAS concrete forming for coating panel prices dropped down to 1,050 yen per sheet delivered and green 3x6 concrete forming panel to 960-970 yen in late September, which were extremely low.

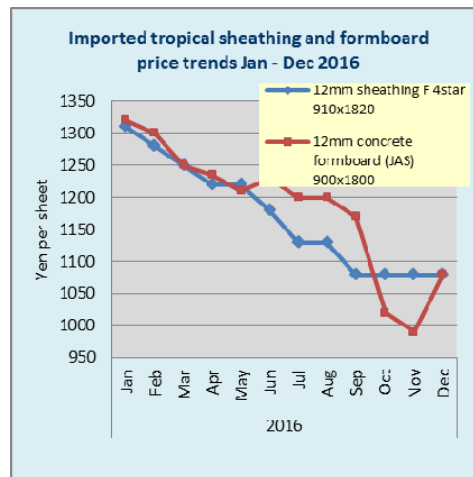
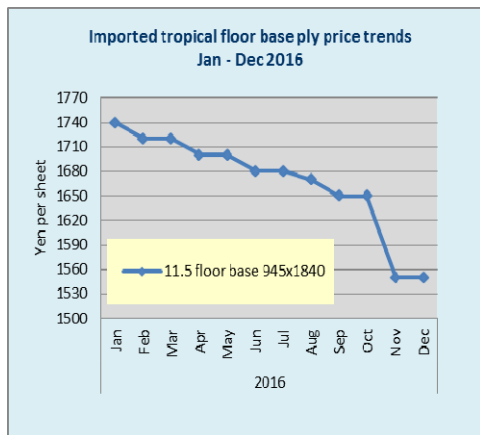
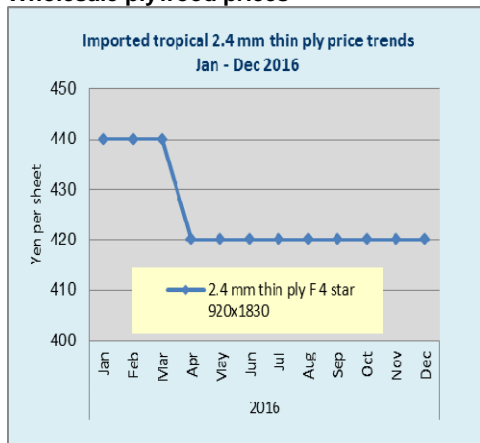
Then in October, the yen got weaker down to 104-105 yen per dollar so tide of strong yen is changed then in middle of October, the largest Sarawak plywood supplier proposed \$20 per cbm higher FOB prices because of high material log prices and other suppliers follow suit.

If these prices are accepted, FOB prices are \$450-460 on 3x6 JAS concrete forming panel and \$520 on 3x6 JAS coated concrete forming panel.

Then in November, some wholesalers started purchasing in declining inventory because of higher cost in future. The importing trading firms started proposing higher prices to get out of loss business. Some importer says to bring the prices of 3x6 concrete forming panel for coating up to 1,150-1,200 yen is a target as the first step.

The importers have started committing future cargoes of tight items so higher FOB offers are gradually accepted. However, demand for concrete forming panel will slow down in winter time until March next year so the buyers' desire to purchase is dull. Increase of market prices will take time and be slow. The move would start from upper stream of distribution channels then gradually spread downstream.

### Wholesale plywood prices



### South Sea (tropical) logs

In Malaysia, there are more rainy days in November so it is arrival of rainy season. There are more rain falls in Bintulu, Sibul and Sabah so log production will be affected by weather factor now.

Log suppliers in Sarawak try to harvest regular grade logs to have higher return affected by reduced log export quota set by Sarawak government but this move could be temporary since number of regular grade log buyers is limited.

The Japanese log buyers have hard time to buy small and super small logs now. Some go to Sabah by limited supply in Sarawak.

Log buyers from India are not able to buy enough logs in Sarawak with high prices so they are now in PNG and Solomon Islands where China is the main buyer but because of depressed market in China, they reduced a number of ships to the area so India sneaked in while China is absent.

India does not concern to quality of logs so much and they can use low grade logs with large hole so as long as the prices are low and the volume is available, source does not have to be Sarawak.

With rainy season coming, log supply will decline and the prices would go up higher but for Japan, the yen is getting weaker and the demand is stagnant, the importers are not able to accept higher log prices. Presently Sarawak log prices stay up high at US\$275-278 per cbm FOB on meranti regular, US\$255-258 on meranti small and US\$245-250 on super small.

### Itochu Kenzai concentrates on legal products

Itochu Kenzai Corporation (Tokyo) decided to start handling legal products only starting April 2018. This includes all the imported products and shipments. On any suspicious products, it will visit supply sources and confirm legality. It will visit some European company to which environmental groups expressed some doubtful comment. This move is to deal with the Clean Wood law, starting in 2017.

Its business policy is to make effort of stable supply of only products the customers' needs and it considers environmental protection important by expanding in handling of legally certified products the Clean Wood law stipulates.

In particular, in wood products trading department, four points are important, consideration to environment, proposal business, unique supply sources and non-housing business.

Handling of legal products has been increasing so since April 2018, all the products will be legally certified. In 2015, share of certified products (lumber and laminated products) were 79% then it increased to 84% during April and August 2016.

The employees and customers' members visit suppliers to see if the products are conforming to conditions of environmental protection. It will send some to the European suppliers shortly.

It has its own house brand of Chikyugi (Earth Tree), which includes Canadian WFP certified KD hemlock. It will supply of this products steadily by having inventory on both sides of the Pacific.

Also, as an agent of Metsa Wood, it handles Metsa products consistently then it will increase handling of redwood laminated lumber supplied by Schweighofer. Since 2017, it plans to handle legally proved Russian red pine lumber. It will consider forming processing system of domestic logs.

#### **Arauco plans eight ships in 2017**

Arauco, the largest Chilean radiate pine lumber supplier, announced 2017 plan of bulk ships for green lumber for Japan. It plans eight ships in 2017, the same as 2016 with the volume of 144,000 cbms. It has two additional ships as option in case the demand picks up.

Actual arrivals of total Chilean lumber during January and August in 2016 are 134,200 cbms, 8.2% less than the same period of last year so total year volume is expected to be about 200 M cbms. Arauco's supply volume for Japan in 2016 is estimated about 140 M cbms (loading base).

The last ship of the year will depart Chilean port in late December and arrive Japan in early February of 2017. Therefore, the first ship of 2017 will be loading in early February. Arauco figures about 18,000 cbms for Japan per every ship and plans shipment in every 45 days. Ships' loading volume is 30,000-50,000 cbms per ship chartered from three shipping companies, NYK, WBC and DAM.

The volume includes markets of China and Korea. Chilean lumber suppliers revised joint shipment and individual supplier negotiates with shipping lines of yearly necessary ships. Since shipments include other markets volume, ships' rotation is flexible so that inventory management is much more difficult than before after regular 45 days rotation is disrupted.

## China

### **Indicators suggest economy stabilising**

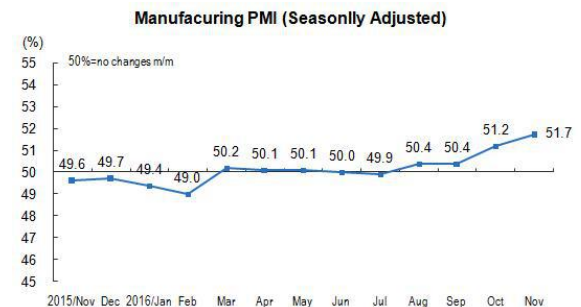
Economic data from the National Bureau of Statistics (NBS), which included industrial output and fixed-asset investment, have been interpreted as providing evidence of a stabilisation of the economy and of progress in economic restructuring.

The press release from the NBS reports industrial output expanding 6.2 percent year-on-year in November boosted by output from technology companies and the car industry.

See:

[http://www.stats.gov.cn/english/PressRelease/201612/t20161213\\_1440828.html](http://www.stats.gov.cn/english/PressRelease/201612/t20161213_1440828.html)

In related news, the November manufacturing purchasing managers index (PMI) came in at 51.7%, an improvement over the previous month.



The PMI of large-sized and medium-sized enterprises were 53.4 and 50.1% respectively and both were above the negative threshold.

Among the five sub-indices comprising PMI, the production index and new orders index were higher than the threshold while the employed person index, main raw materials inventory index and supplier delivery time index were lower than the threshold.

See:

[http://www.stats.gov.cn/english/PressRelease/201612/t20161201\\_1436224.html](http://www.stats.gov.cn/english/PressRelease/201612/t20161201_1436224.html)

### **US group seeks antidumping duty on Chinese plywood**

US hardwood plywood manufacturers have again submitted a petition to their government seeking duties on hardwood plywood from China.

On 9 December 2016 the US Department of Commerce confirmed initiation of an antidumping duty and countervailing duty (AD/CVD) investigation of imports of Chinese plywood. The US International Trade Commission will make its preliminary assessment in early January 2017. If cause is found investigations will continue and a preliminary CVD will be announced in February 2017 and its preliminary AD determinations in April 2017.



A Chinese spokesperson called on the US to comply with relevant international obligations in the process of dealing with this case and that investigations should be carried out in accordance with the WTO rules.

For more see:

<http://enforcement.trade.gov/download/factsheets/factsheet-prc-hardwood-plywood-products-ad-cvd-initiation-120916.pdf>  
and

<http://www.furnituretoday.com/article/537985-us-hardwood-plywood-producers-seek-duties-chinese-imports>

In related news China has called on the US and EU to stop the practice of using prices of products from third party countries in anti-dumping assessments (the so called analogue country model). An official complaint has been lodged by China with the WTO according to media reports.

See: <http://dailytimes.com.pk/business/14-Dec-16/china-brings-wto-dispute-resolution-case-against-us-eu>  
and

<http://the-japan-news.com/news/article/0003403676>

#### Sea/rail transport the first choice for enterprises

A cooperation memorandum was recently signed between Ganzhou Rail Bureau, the Nanchang Rail Bureau of Jiangxi Province and Zhangzhou Development Zone wharf in Fujian Province. The deal sets out how the three will develop a new mechanism for joint quarantine assessment and processing.

Imported timbers arrive at the Zhangzhou Development Zone wharf and are transported directly to the Ganzhou International Port by rail and the cooperative arrangement on quarantine is the first between ports in Jiangxi and Fujian Provinces.

The combined sea/rail transport model has become the first choice for most enterprises as it cuts costs and is convenient requiring only one quarantine declaration, one inspection and one transport pass. It has been estimated that freight volumes by this sea/rail mode will exceed 50,000 tonnes this year and rise to 150,000 tonnes in 2017.

#### Ice cream sticks shipped worldwide

18 tonnes of ice cream sticks were recently exported to Guatemala and Saudi Arabia from Manzhouli Port. This is the first time for wood products of the port to be exported to the Middle East. Up to now, ice cream sticks shipped from Manzhouli Port have been exported mainly to India, Japan, South Korea and Indonesia, Australia, New Zealand and Costa Rica.

In order to encourage exports via the port the Manzhouli Entry-Exit Inspection and Quarantine Bureau offers advice, information, technical services and marketing suggestions to enterprises.

#### Dafeng port the largest timber processing and trade base in East China

According to local analysts the development of the timber industry around Dafeng Port benefits from competitive

advantages in terms of land resources, shipping costs, traffic environment and trade developments.

Dafeng Port is a sea port and has been listed by the state government as one of the main ports along the east coast of China. The district has been included in the Shanghai Economical Zone and the Yangtze Delta Economical Circle.

The area for development at Dafeng Port extends to around 800 hectares and prices for land on this site are lower than in surrounding areas.

The Port boasts 18 berths capable of handling some 200,000 containers. Dafeng Port soon be linked to the high-speed rail network and the timber industry zone will be connected to 11 provinces and cities by sea/rail transport. The inspection and quarantine treatment centre for imported timbers has been completed and underwent trials in 2106.

Currently, some 60 enterprises with a combined output of 2 million cubic metres of wood products have settled in the Port's timber industry zone. It is thought by local analysts that Dafeng Port will become the largest timber processing and trade base in East China.

#### 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
	<b>Logs</b>	<b>yuan/cu.m</b>
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
	<b>yuan per tonne</b>	
Cocobolo	All grades	27000-40000

#### 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	9000-1000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	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

### Europe

#### Two landmark events for EU FLEGT

The EU's FLEGT process has recorded two landmark events in recent weeks. The first ever FLEGT licenses were issued by the Indonesian Licensing Unit on 15 November and the licensed consignments landed in the EU in early December. And after nearly six years of negotiations, Vietnam and the EU agreed in principle to sign a FLEGT Voluntary Partnership Agreement (VPA) and to ratify the agreement as soon as possible in 2017.

The arrival of the first consignment of FLEGT licensed timber from Indonesia followed the EU's decision in August this year to formally recognise the Indonesia licensing scheme for exports of verified legal timber to the EU, a decision which came into force on 15 November.

The relevant amendment to the EU FLEGT regulation acknowledged that Indonesia has fulfilled the requirements of the VPA and is therefore able to export FLEGT-licensed timber and timber products.

Any EU operator importing timber products into the EU from Indonesia is now required to submit the FLEGT license for verification to the FLEGT competent authority of the EU country where the timber will be imported. The FLEGT license will be supplied to the EU importer by the Indonesian exporter and the importer should submit it to the relevant EU competent authority before the timber arrives in the EU.

Full details of the licensing procedures are available from the FLEGT license information point established by the European Forestry Institute (EFI) with EU funding at: <http://www.euflegt.efi.int/web/flegt-licence/home>

A useful step-by-step guide to the new procedures for exporting FLEGT licensed products from Indonesia and importing into the EU, including links to other relevant information sources, has also been produced by The Forest Trust. The guide is available at:

<http://www.tft-earth.org/wp-content/uploads/2016/10/FLEGT-Licensing-Information-and-FAQs.pdf>

The decision by Vietnam and the EU to sign a VPA, which will eventually lead to a requirement for FLEGT licensing of all timber products imported into the EU from Vietnam, was jointly announced by EU Environment Commissioner Karmenu Vella and Vietnamese Minister of Agriculture and Rural Development Nguyen Xuan Cuong following a meeting on 17 November.

This VPA, for which negotiations started in October 2010, will be the EU's second VPA with an Asian country (after Indonesia).

While the substance of the deal has been agreed, some technical and consistency checks across several hundred pages of text still have to be carried out. The EU and Vietnam hope to sign the VPA in 2017, following a final review by lawyers from both parties.

There will then follow a period for technical development and finalisation of the FLEGT licensing procedures in Vietnam, a process which will be overseen by an EU-Vietnam Joint Implementation Committee.

The scope of the agreement covers all export markets and the domestic market in Vietnam. In terms of sources, the agreement covers both imported timber, a major source of raw materials for Vietnam, and all domestic sources in Vietnam, including natural and plantation forests, confiscated timber (under specific conditions), timber from home-gardens, farms and scattered trees, and rubberwood.

The range of timber products included in the scope of the agreement encompasses all major products exported by Vietnam to the EU, particularly the five compulsory timber products as defined in the FLEGT Regulation of 2005 (logs, sawn timber, railway sleepers, plywood and veneer) and also includes a number of other timber products such as wood in chips or particles, parquet flooring, particle board and wooden furniture.

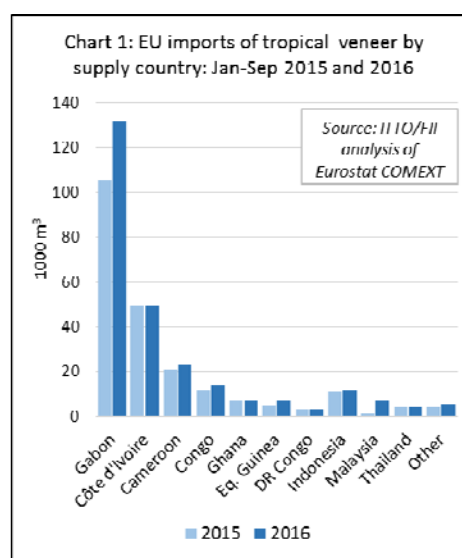
The core of the VPA is the description of the Vietnam Timber Legality Assurance System (VNTLAS), which will ensure that timber products exported from Vietnam to the EU are verified legal according to specified requirements for all stages of the supply chain, from import and harvesting onwards.

#### Continuing recovery in EU imports of tropical veneer

The recovery in EU imports of veneer from tropical countries which began last year has continued into 2016. Imports were 261,600 m<sup>3</sup> in the first nine months of 2016, up 18% compared to the same period in 2015.

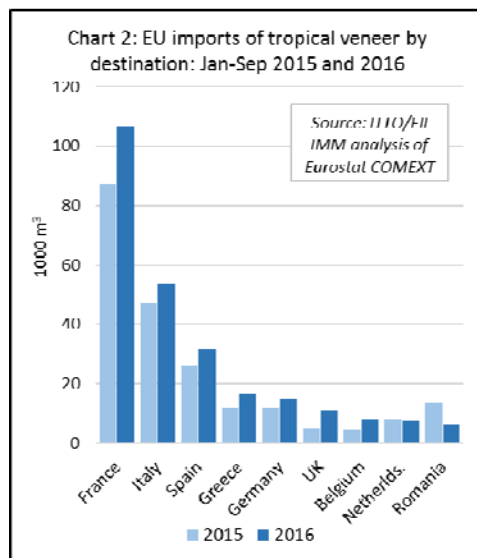
This follows a 9% gain in imports last year. Imports from Gabon, the leading supplier, increased 25% to 131,500 m<sup>3</sup> in the nine month period.

There were also significant increases in EU veneer imports from Cameroon (+11% to 23,200 m<sup>3</sup>), Congo (+19% to 13,400 m<sup>3</sup>), Equatorial Guinea (+32% to 6,600 m<sup>3</sup>), Malaysia (+500% to 6,900 m<sup>3</sup>), and Thailand (+11% to 4,400 m<sup>3</sup>). Imports from Côte d'Ivoire (49,400 m<sup>3</sup>), Ghana (6,800 m<sup>3</sup>) and the Democratic Republic of Congo (3,200 m<sup>3</sup>) were stable compared to the previous year. (Chart 1).



As in 2015, all the largest EU markets for tropical veneer have been importing more this year (Chart 2). During the first nine months of 2016 compared to the same period in 2015, imports increased into France (+22% to 106,500 cu.m), Italy (+13% to 53,600cu.m<sup>3</sup>), Spain (+22% to 31,700 cu.m), Greece (+36% to 16,500 cu.m), Germany (+21% to 14,700 cu.m), the UK (+110% to 11,000 cu.m) and Belgium (+75% to 8,200 cu.m).

These gains offset a decline in imports by the Netherlands (-5% to 7,600 cu.m) and Romania (-52% to 6,400 cu.m).



EU imports of tropical veneer in the last quarter of 2016 may be disrupted by the uncertain environment in Gabon following the presidential election. However, imports are almost certain to exceed 300,000 m<sup>3</sup> in 2016 for the second year in row.

While still down on levels of well over 400,000 m<sup>3</sup> prevailing a decade ago prior to the financial crises, the recent growth is an encouraging sign for a sector which had appeared to be in long-term decline.

#### Innovation critical to hardwood competitiveness

There are significant opportunities to increase yield and reduce material costs in the international hardwood industry but these are being squandered due to high levels of conservatism and a widespread lack of capacity and willingness to innovate. There's also a need to work towards a smarter regulatory environment, driven more by sound scientific data and less by the concerns of narrow lobby groups, to encourage innovation, improve competitiveness and stimulate trade.

These were key messages in an intervention by Mr. Hans-Joachim Danzer, Chief Executive Officer of Danzer Holding AG, at the ECE Committee on Forests and the Forest Industry (COFFI) held in Geneva, Switzerland in October 2016. Mr Danzer delivered a presentation as part of a panel discussion on "opportunities for and barriers to forest products from the perspective of the private sector".

Mr Danzer offered these views from the perspective of a company which is the largest producer of decorative sliced wood worldwide and amongst the largest producers of sawn hardwood in Africa and North America. Now headquartered in Dornbirn, Austria, Danzer has operations in the US, Canada, France, Germany, Czech Republic, and the Republic of Congo.

On the question of how to encourage more innovation in the hardwood sector, Mr Danzer said that ultimately the initiative must lie with the private sector.

However, regulators can contribute by putting in place a regulatory environment that encourages a "bottom-up process of creative destruction".

In such an environment, innovative companies will succeed while those that do not innovate will fail. Government authorities should seek to avoid the creation of perverse incentives, through poorly targeted subsidies or research grants and marketing support for government preferred technologies.

According to Mr Danzer, governments should aim to develop clear rules for international trade and place greater emphasis on negotiating and implementing free trade agreements by reviving and finalising the Doha Round. He also called on the EU and partner governments to speed up the FLEGT process and to expand the number of VPAs, while ensuring consistent implementation of existing demand-side measures like EUTR.

However, he also observed that there needs to be greater recognition that excessive regulation tends to favour large companies and that compliance is relatively more costly for small businesses.

Mr Danzer made a plea for markets to be kept open to timber products from developing countries. He noted that entry barriers to hardwood production are low and the hardwood sector is therefore well placed to contribute to development goals. If tropical timber products are valued in trade and thereby help to support the local population, there is a greater incentive to maintain the forests.

See:

<http://www.unece.org/fileadmin/DAM/timber/meetings/20161018/coffi74-item3a2-02-danzer.pdf>

#### Downgrading of European construction sector growth forecasts

outlook both in the EU and wider global economy and political events including the UK's decision to leave the European Union and upcoming elections in France, Germany and the Netherlands. These issues were highlighted at the 82nd Euroconstruct conference hosted by ITeC (Institut de Tecnologia de la Construcció de Catalunya), in Barcelona during November.

As usual, Euroconstruct issued their forecast of construction output in Europe at the conference, updating their forecast from the previous conference held in June. The new forecast is for only 2% growth in 2016, six tenths of a point less than the previous estimate.

In issuing the new forecast, Euroconstruct noted that "Brexit has not yet caused a direct disaster on the European economy, but it has indeed lowered the mid-term expectations, combined with a long list of other factors including China slowing down, Germany slowing down, uncertainty in the US, European banks still not out of trouble, and interest rates likely to increase".

Euroconstruct observed that expectations for 2017 are not encouraging. European construction output is forecast to increase 2.1% next year, at a rate only slightly faster than the economy as whole (GDP in the region is expected to grow only around 1.4% next year).

Euroconstruct note that “there is an interesting window of opportunity created by a combination of cheap credit and a more favourable perception of building as an investment shelter. However, this opportunity may be ephemeral and not a driver for the longer term”.

More significant for longer term prospects will be rising public demand, particularly for housing, a trend which Euroconstruct expects to continue. Euroconstruct forecasts that construction sector output will grow between 2.1% and 2.2% in both 2018 and 2019.

Although the pace of growth is slow, it is expected to be consistent. If the forecast becomes a reality, the European construction sector will reach 2019 with uninterrupted growth for six years in a row. This would put the output level at only 3% below the 1995-2015 average.

Considering individual sectors Euroconstruct forecast that residential construction will have grown 3.9% in 2016 – mainly because of improving performance in France, Germany and the UK, together with a range of smaller European countries and encouraged by low interest rates.

However, credit is unlikely to remain so favourable and therefore Euroconstruct forecast that the pace of growth in residential construction will fall to around 2% in 2018 and 2019.

Euroconstruct observe that the recovery of non-residential construction is still at a very early stage in Europe. Therefore, the present downgrade in the economic outlook comes at a very inconvenient time, cooling the already weak demand for industrial and other business assets.

Euroconstruct does not expect rapid changes, forecasting growth in non-residential construction of only 1.5% for 2016-2017 and 1.8% for 2018-2019.

Office construction is expected to perform somewhat above these averages, since it is rebounding from a period of significant contraction.

However industrial and storage construction are expected to perform below the non-residential average. Activity in Europe’s civil engineering sector is believed to have declined in 2016, by around 1%, a hangover from Europe’s continuing high levels of public sector debt.

There are also significant variations between European countries. The increase in construction activity in 2016 has come mostly from Germany. Construction output in Germany increased 2.5% to €297 billion this year, reinforcing the country’s position as by far the largest construction sector in Europe.

However, the German pull on European construction is expected to fade with output due to fall by 0.6 per cent in 2019 after growth of just 0.2 per cent in 2018 and 1.5 per cent in 2017.

The UK is currently Europe’s second largest construction market, with Euroconstruct estimating output of €23 billion in 2016. However, growth projections for the UK have been slashed. Euroconstruct figures now point to a decline both this year and in 2017, with output falling by 0.2 per cent each year.

This is not only a consequence of the EU referendum, but also a wider slowdown reported in the industry. Output fell 1.1 per cent in Q3 quarter on quarter, according to the Office for National Statistics, marking the second consecutive fall following a 0.1 per cent decline in Q2.

Slowing in the German and UK construction sectors will leave France, currently the third largest European construction market with output of €204.33 billion in 2016, as the main generator of growth over the next three years. After three years of decline between 2013 and 2015, construction output in France is estimated to have increased 2.4% in 2016, and is forecast to accelerate to 3.6% in 2017, and to remain high at around 3% per year in 2018 and 2019.

The recovery in Spain is also expected to continue, with construction output estimated to have grown 2.1% in 2016 and forecast to grow by over 3% each year between 2017 and 2019.

However, Euroconstruct forecasts for Spain have been revised down since June, with wrangling over the formation of a new government continuing to hit public funding and deficit reduction targets.

Construction output in Italy turned a corner in 2016 according to Euroconstruct, rising by around 1.9% this year and building on an increase of 0.8% in 2015 after several years of significant decline. Growth is expected to continue at a rate of around 2% per year between 2017 and 2019.

According to Euroconstruct, the construction sector in several smaller EU markets should grow rapidly over the next three years, most notably Ireland. November’s forecasts show growth in Ireland of 12.5% this year, followed by 8.5% in 2017, 7.1% in 2018 and 9.2% in 2019.

This makes Ireland comfortably the fastest growing market by 2019, with only the Czech Republic (8.3%) and Hungary (7.1 per cent) approaching that level.

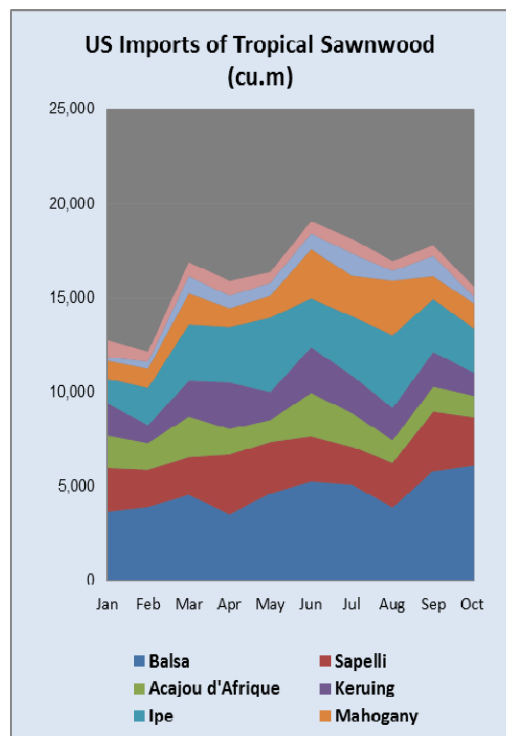
## North America

### Market for balsa remains strong

US imports of temperate and tropical sawn hardwood declined 3% in October to 63,294 cu.m. Imports of tropical species decreased more than most temperate hardwoods, reversing this summer's trend of higher growth rates in tropical imports.

Despite stronger housing starts and home sales in 2016, year-to-date imports of tropical sawnwood fell in October. Tropical sawnwood imports were 18,943 cu.m. in October, down 8% from the previous month.

The value of tropical sawnwood imports declined by 15% to US\$19.7 million in October.



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

The strongest year-to-date decline was in sapelli imports. Sapelli sawnwood imports fell 19% month-over-month and by one third year-to-date from October 2015. Imports of ipe sawnwood declined in October to 2,350 cu.m., a -2% decrease year-to-date compared to the same time last year.

US imports from Indonesia increased 4% from September. Imports of red meranti and other unspecified tropical species from Indonesia grew, while keruing sawnwood imports were down in October. Keruing imports from Malaysia fell to just 830 cu.m. in October.

Year-to-date US imports of almost all tropical species was lower than in October 2016. Of the main species imported only balsa imports grew in 2016.

The US has traditionally been the world's largest market for balsa with Ecuador exporting almost all balsa sawnwood to the US.

### Balsa for wind turbine blades

The US and China are the largest markets for wind turbine blades, but growth in wind blade production is forecast to slow in both countries after 2019 as renewable energy targets are met (Navigant Research (2016): Wind Turbine Blade Technology & Supply Chain Assessment).

Balsa also competes with polymer composites in industrial applications. As wind turbine manufacturers design larger blades, materials have increasingly precise performance requirements (Esler (2014) Balsa Wood Substitute Developed for Wind Turbine Blades, in Woodworking Network, Dec 21).

Bio-based plastics are also being researched. However, future demand for balsa is expected to remain strong. The wind energy and transport sectors are growing worldwide, and balsa is a strong, renewable, environmentally friendly and cost-efficient core material.

### Growth in Canadian imports of sapelli and balsa

Canadian imports of tropical sawnwood increased to US\$1.46 million in October and were up 16% year-over-year. The Canadian tropical sawnwood market was worth 7.4% of the US market based on October imports.

Balsa imports increased in October with imports from Ecuador up 30% from the previous month. Year-to-date imports from Ecuador increased 15% from October. Sapelli sawnwood imports grew in October and were worth US\$379,328. Canadian imports from Cameroon and Congo (formally Brazzaville) declined in October despite the growth in sapelli imports.

### Growth forecasts for wood mouldings

US wood moulding and trim demand is expected to grow 5.7% annually to US\$5.8 billion in 2020, according to a Freedonia market report published in November (Molding & Trim in the US, 6th Edition).

Both residential and non-residential construction and renovation will boost demand for wood moulding and trim. Spending on office and commercial buildings is expected to make strong gains in the next four years.

Solid wood will remain the largest material type in moulding and trim, but it continues to face growing competition from other materials. Plastic moulding and trim is forecast to grow at a faster rate through 2020 (+6.3% per year) than wood. The fastest growth will be in engineered wood.

See: <http://www.freedoniagroup.com/industry-study/molding-trim-in-the-us-by-material-product-market-and-region-6th-edition-3474.htm>

### **Wood-plastic composite is used primarily in exterior trim**

According to the Freedonia study, contractors and remodelers are more likely to use new, non-wood products, while homebuilders tend to specify wood or engineered wood for moulding and trim.

The majority of the growth in demand will be in interior moulding and trim. Growth in new single-family house construction will drive demand for stairs in particular. The other major market for mouldings will be in the home renovation segment of the housing market.

### **Positive outlook for hardwood flooring market**

Hardwood flooring had the second-largest market share after carpet in the US\$23.14 billion US floor covering market in 2015, according to a market research study (Catalina Research (2016): Floor Coverings Industry Trends). Hardwood flooring accounted for US\$3.79 billion with imports at US\$1.23 billion in 2015.

See: <http://www.catalinareports.com/report-categories/floor-coverings-industry-trends/>

Over half of the hardwood flooring market is in residential replacements, followed by new residential construction (25%). The remainder of the market is primarily commercial hardwood flooring (new and replacement).

The outlook for hardwood flooring in the US is positive since residential and commercial construction and renovation are expected to continue growing.

The laminate flooring market accounted for US\$912 million in 2015. Laminate flooring has lost market share to vinyl tile and other hard surface flooring materials. High formaldehyde emissions found in some imported laminate flooring from China has had a negative effect on the image of laminate flooring.

### **Canada promotes wood infill walls in China**

A new wall system was showcased in China's Jiangsu Province during British Columbia's forestry trade mission to Asia. The infill wall is a standard North American wood wall with drywall and is installed between concrete floors, ceilings and pillars. The wall in the city of Nanjing will be completed this winter and a portion of the components will remain visible to show the technology used.

The wood wall infill system would support China's goals of green building and prefabrication in construction.

On the same trade mission Canadian officials promoted the government's policy on combating illegal logging and its trade, Canadian industry practices and forest governance to ensure sustainability, legality and traceability of wood products.

**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.

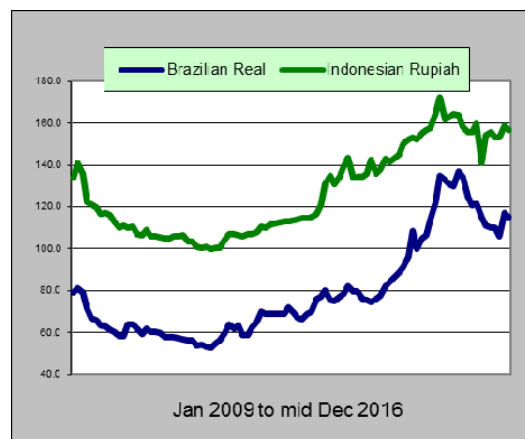
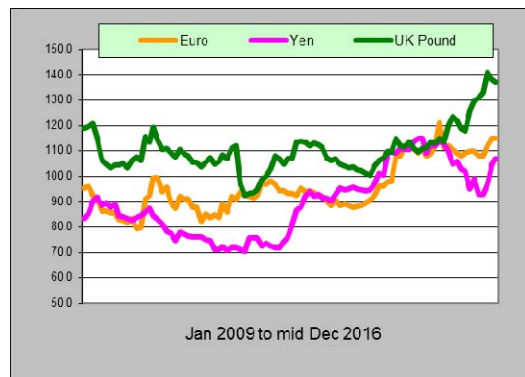
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## US Dollar Exchange Rates

As of 9 December 2016

Brazil	Real	3.801
CFA countries	CFA Franc	621.23
China	Yuan	6.9077
EU	Euro	0.9467
India	Rupee	67.476
Indonesia	Rupiah	13352
Japan	Yen	115.36
Malaysia	Ringgit	4.4235
Peru	New Sol	3.4065
UK	Pound	0.7954
South Korea	Won	1171.74

Exchange rate indices (US\$, Dec 2003=100)

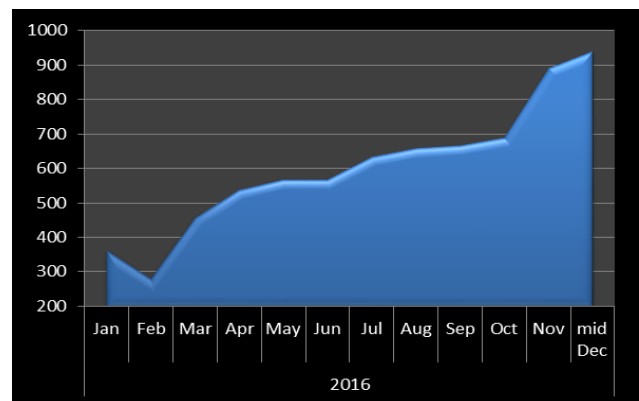


## Abbreviations and Equivalences

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  
January – mid-December 2016



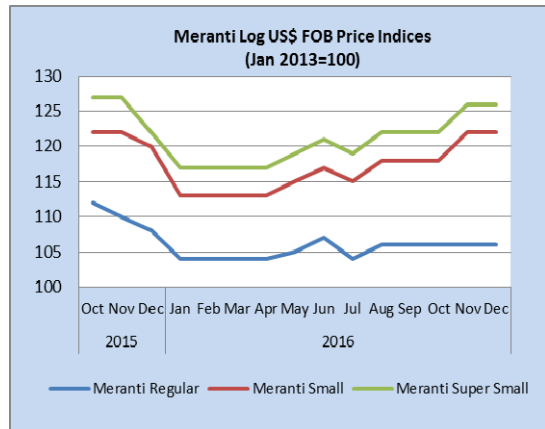
Data source: Open Financial Data Project

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

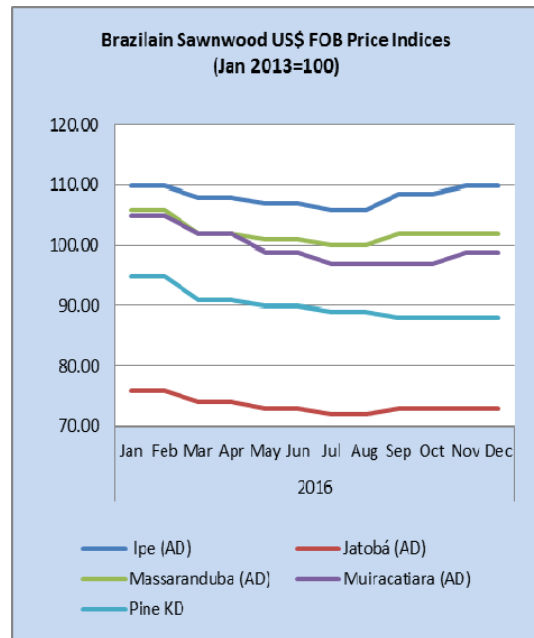
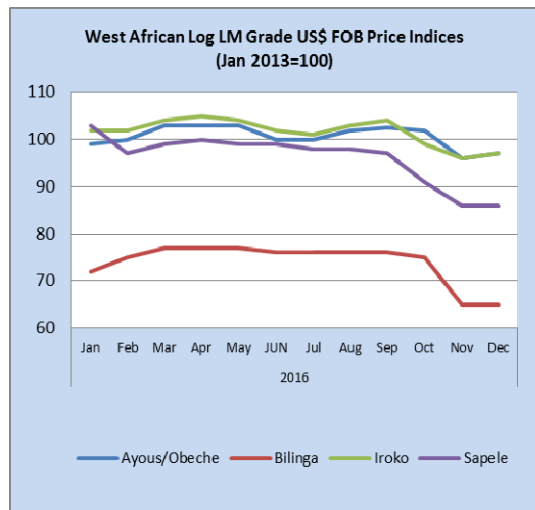
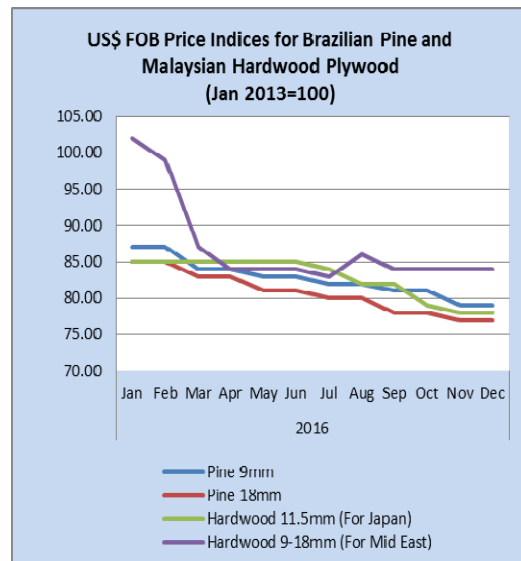


**Price indices for selected products**

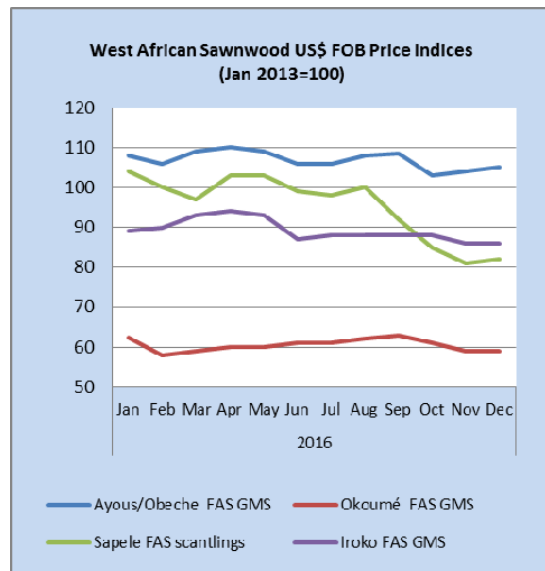
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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