Tropical Timber Market Report

Volume 21 Number 3, 1st – 15th February 2017

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Headlines

Top Story

Industry concerned over revised timber transport control system

Businesses in Brazil are concerned that the new timber transport control system requires on-line, real-time input of very detailed data.

This will require access in the forest to high-speed internet services and will require that a technician be permanently logged into the system to upload the necessary data.

Satisfying the new requirement will be a huge challenge says Brazilian companies.

See: Page 9

Central and West Africa

No sign of spring orders as bad weather affects EU

FOB prices held steady through to mid-February and West and Central African producers expect little change until the markets in Europe begin to recover from the severe winter weather and buyers begin to assess prospects for the spring and summer.

Demand in India has eased, say analysts, but markets in the Middle East and China are active and steadily increasing the volume of imports.

Stock replacement demand does not offer opportunity for FOB price increases

Markets in France, Spain and Portugal are reported as very quiet with only low volumes being purchased to replenish stocks. In France, demand for even the favoured species such as moabi, douka and niangon, is said to be barely sufficient to cover replacement of stocks.

Much the same is true for sapele and sipo where stocks are building up. African producers in Congo Brazzaville, Cameroon and the Central African Republic are pushing French importers to commit to new contracts but could soon be faced with the prospect of having to cut output.

Once again the UK government has announced plans to stimulate more house building with a target of 1 million new homes by 2020. Most observers have heard the same from previous governments and doubt that targets can be achieved.

Will they or not – rumours of 20% log export tax in Cameroon

Rumours have surfaced again on a likely 20% export tax on log exports in Cameroon. This could have implications for other log exporting countries which may decide to follow suit or enjoy the competitive advantage such a tax in Cameroon would deliver.

It appears the authorities in Cameroon have reversed the suspension imposed on around 30 concessionaires accused of failing to meet the requirements of their concession agreements.

These concessionaires and others will all soon part in the annual bidding process for renewal of their concessions.

Log Export

West African logs	FOB Euro per cu.m		
Asian market	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	820
FAS scantlings	920
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

Business confidence high but much needs to be addressed

The Association of Ghana Industries (AGI) 2016 fourth quarter Business Barometer report has revealed that business confidence is hih amongst manufacturers.

The improvement in business confidence was lifted by reaction to the initiative of the new government to create a Ministry of Business Development and the promise to remove what it termed 'nuisance taxes' to create an environment conducive for businesses to thrive.

At a recent workshop the AGI identified four main areas that need to be addressed if the business community is to contribute more to Ghana's economic recovery:

- The AGI is calling for efficiency in power generation, transmission and distribution to drive down the high electricity tariffs.

- The multiplicity of taxes remains a major challenge facing businesses, significantly adding up to the cost of doing business in the country and thereby making Ghanaian businesses uncompetitive.

- The National Council recognizes the critical role of export development in shoring up the cedi, improve the country's balance of trade, as well as changing the structure of the economy.

- The AGI Council emphasised the need to empower local businesses through Government procurement and local content arrangements in all strategic sectors of the economy.

The workshop considered promise of a new era for industrialisation and how the AGI should position itself strategically to ensure effective collaboration with the new Government.

For more see:
http://agighana.org/uploaded_files/document/a6be2e9080f27447 2e717eca6f990bc2.pdf

The Minister designate for Business Development, Mr. Ibrahim Mohammed Awal, pledged to make Ghanaian businesses competitive in the global market.

Trade not aid - theme of new government

Ghana's Vice President, Dr. Mahamudu Bawumia, speaking at the 5th World Government Summit said the government wants a relationship with the international community driven by trade rather than aid.

According to Dr. Bawumia this would help diversify Ghana's economy and would spur growth. He further noted that the best way to achieve growth is to provide a solid business friendly foundation for domestic investment.

See more at: http://citifmonline.com/2017/02/12/ghana-needs-more-trade-not-foreign-aid-bawumia/#sthash.5KY8whyB.dpuf

Tema Port upgrade begins

Work has started to upgrade Tema Port and when completed in 2019 it will be one of the largest container ports on the African West Coast. Hellenic Shipping News writes 'the terminal will be operated by Meridian Port Services (MPS), which is mainly owned by two privates sector companies, Bolloré Transport and Logistics and APM Terminals, plus Ghana Ports and Harbours Authority. It is estimated that the terminal will create 5,000 new jobs.

For more see:
http://www.hellenicshippingnews.com/ghana-tema-port-project-creates-5000-jobs/

Boule Export prices

	Euro per m^3
Black Ofram	390↑
Black Ofram Kiln dry	482↓
Niangon	545↑
Niangon Kiln dry	560

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315↑	400
Chenchen	368	624↑
Ogea	478	604
Essa	510↑	544
Ofram	350	406

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

Export Sliced Veneer

Note, veneer prices are now reported in cubic metres

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	940↑
Avodire	-
Chenchen	1,128↑
Mahogany	1,424↑
Makore	1,342↑
Odum	2,999

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	590	641
6mm	477	535	626↑
9mm	407	474	560↓
12mm	364	463	480
15mm	393	410	430
18mm	364↑	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	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	329↑
Dahoma	395	380
Edinam (mixed redwood)	520	599
Emeri	465	527
African mahogany (Ivorensis)	1001	993
Makore	730	714
Niangon	500↓	560↓
Odum	755	821
Sapele	782↑	811↑
Wawa 1C & Select	380	410

South Africa

Shop-fitting and home renovations the growth areas

The timber sector got off to a slow start in January especially as a number of factories and mills only began production on the 23rd of the month after the December break.

The delay in starting production was mainly because, under the union agreements, workers are entitled to 3-4 weeks holiday at year-end and some mills extended production late into December thus delaying the start of the holidays.

Despite the slow start, February saw the board market performing reasonably well and domestic producers were able to secure their annual price increases.

The shop fitting sector continues to be busy and sales of wood products to this sector are firming and there are some signs of activity in the housing sector and it is the renovation segment that is most buoyant at the moment. There is less business to be found in the truss market as the new-build market remains weak.

Prices for imported hardwoods under pressure

With respect to imports, African timbers are beginning to arrive after year-end holidays and demand in this market is steady. Demand for American hardwoods continues to be firm but there is resistance to the higher white oak prices. Despite Malaysian exporters lowering prices local analysts say the market for meranti is weak at present.

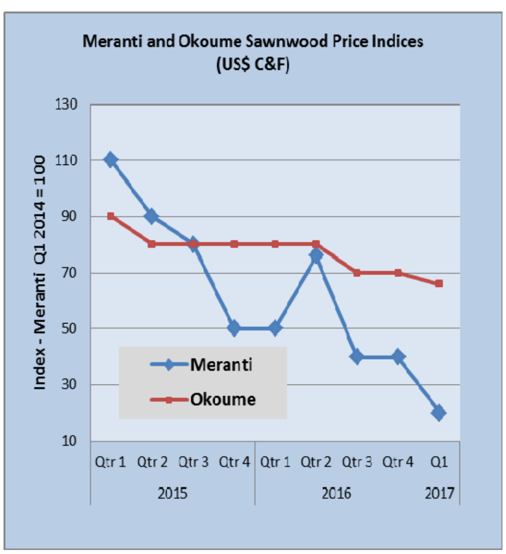
Market to get a boost when new construction contracts awarded

There are signals that stocks of domestically milled pine are building up at the mills and the planned price increase for pine sawnwood has been postponed until April at the earliest.

Overall, traders are still waiting for the awarding of construction contracts by both the government and private secto,r many of which have been put on hold since the August elections. Once these contracts are awarded demand should improve but companies still complain there are still a lot of problems with very slow payments for government contracts.

Price indices

The difference in the price indices for meranti and okoume is widening as buyers have been enticed back to meranti by attractive bulk shipment prices. Only small quantities of okoume are now imported and as such prices have not fallen by much. The effect of bulk purchases of meranti against spot purchases of small quantities of okoume is exaggerating the price difference between the two timbers.



Malaysia

Regional Comprehensive Economic Partnership an alternative to TPP

Despite the inevitable collapse of the Trans-Pacific Partnership agreement (TPP) as the US has withdrawn Malaysia has other trade options particularly the Regional Comprehensive Economic Partnership (RCEP).

Deputy Minister of International Trade and Industry Ahmad Maslan was quoted as saying that the RCEP will be an attractive alternative for Malaysia as it is a huge trading block which includes China and India.

ASEAN member countries especially Singapore, Malaysia, Vietnam are also now expected to embrace the Chinese-led 'One Belt One road' initiative as a good alternative to the TPP.

Malaysia's 2,000 furniture manufacturers

Malaysian furniture manufacturers have come a long way from the time when the focus was on the domestic market. Malaysia is now a major force in the international furniture sector.

Last year, Malaysia's furniture exports for the year to November were valued at about RM8.6 billion with products produced by over 2,000 furniture manufacturers. The top export destinations were the US, Singapore, Japan, Australia, the UK and India.

Particleboard prices set to rise in local market – floods disrupt production in Thailand

Particleboard manufacturers in Malaysia stand to benefit from higher prices in the coming months according to industry analysts. The consensus is that particleboard prices could rise by as much as 10%, due mainly to the disruption to production in Thailand following recent floods.

Demand for particleboard is also seen increasing with many Malaysian furniture exporters enjoying better sales on the back of the stronger US dollar.

Ramin, gaharu and rubberwood export quotas

The Malaysian Timber Export Board (MTIB) has announced the 2017 quota for ramin and gaharu two timbers to which CITES regulations apply.

The export quota for ramin products (including parts) is fixed at 10,000 cu m while for karas/gaharu (Aquilaria spp.) products, which includes wood chips, wood blocks and essential oils the 2017 export quota is 150,000 kg.

In related news, the MTIB has set the export quota for sawn rubberwood at 100,000 cu.m.

See:
http://www.mtib.gov.my/index.php?option=com_content&view=article&id=2369%3Aexport-quota-for-2017-ramin-a-karasgaharu-products&catid=1%3Ahighlights&Itemid=1&lang=en

Plywood export prices (end January 2017)
Plywood traders in Sarawak reported FOB export prices:

Floor base FB (11.5mm) US$540/cu.m
Concrete formboard panels CP (3' x 6') US$430/cu.m
Coated formboard panels UCP (3' x 6') US$500/cu.m

Standard panels (9mm and up)

South Korea	US$395/cu.m
Taiwan P.o.C	US$400/cu.m
Hong Kong	US$400/cu.m.
Middle East	US$380/cu.m

Indonesia

Timber export growth target raised
The Director of Processing and Marketing of Forest Products at the Ministry of Environment and Forestry has said the government has negotiated trade deals to boost export opportunities. The Director said the conclusion of the VPA with the EU and the ready access of Indonesian wood products into the EU member states will result in an improved export performance.

It was stated that, as of January 2017, there were 3,600 companies that have satisfied the domestic timber legality verification scheme (SVLK) and can export FLEGT wood products.

See: http://industri.bisnis.com/read/20170126/12/623257/ekspor-komoditas-kayu-ditargetkan-tumbuh-10

Furniture businesses relieved that TPP is doomed
The decision of the US to withdraw from the Trans-Pacific Partnership (TPP) has been welcomed by furniture exporters in Indonesia. If the TPP went into effect without Indonesia (Indonesia decided not to participate in negotiations) then furniture makers in countries which were signatories to the TPP would have a trading advantage.

The Chairman of the East Java Association of Indonesian Furniture and Handicraft Industries said that without the TPP Indonesia can compete on a level playing field with neighbouring countries when it comes to exports to the US and other developed markets.

In related news, at the launch of a new IKEA shopping center in Tangerang, Banten a spokesperson from IKEA revealed that Indonesian products account for around 8% of IKEA's sales through 389 stores in 48 countries.

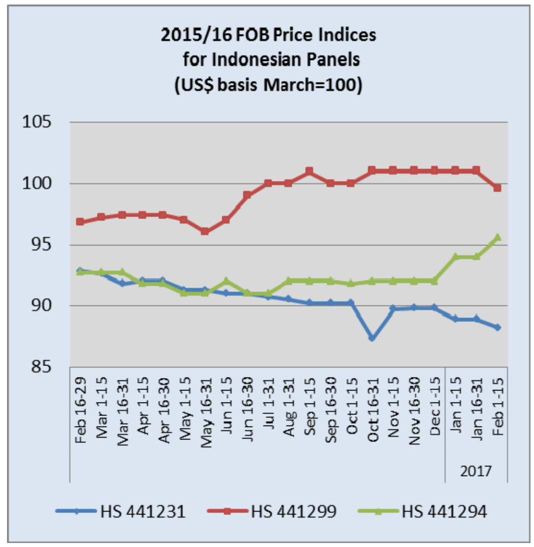
NGO - SVLK should not be allowed to crush competitiveness
Fitrian Ardiansyah, Country Director at the Sustainable Trade Initiative, has expressed concern that the domestic SVLK and the requirements of the VPA may undermine the competitiveness of small enterprises.

Many observers are urging the government work out how best to support small companies that struggle to both understand the requirements and pay for certification.

Indonesia-EU negotiations of CEPA
In late January Indonesia and the EU launched a second meeting to discuss details of the planned Comprehensive Economic Partnership Agreement (CEPA). One core issues is that of market access.

Iman Pambagyo, Indonesia's International Trade Negotiation Director General at the Ministry of Trade said the current round focused on intellectual property rights, competition, transparency policy, dispute settlement, trade and sustainable development.

The Indonesia/EU CEPA discussions have been ongoing since 2010 with little progress however negotiators on both sides are aiming for a 2018 completion of the deal.



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

Myanmar

Another loop-hole to close
The Sagaing Regional Minister for Agriculture, Livestock and Irrigation has raised concerns on the vast area of land grated for farming. He claims evidence that many of those granted farming rights were using farming as a pretext for harvesting logs from the area.

Analysts in Myanmar point out that a previous 'vacant land management' law allowed clearing of land intended for farming but the minister is asserting that most companies have done only a perfunctory job of farming the land. To address this minister is proposing that the land be repossessed.

Under the previous government in Myanmar more than 300 individuals and organisations were granted 30 year farming rights over almost 240,000 ha. across the country.

Smugglers adapting to avoid overland route

Following the discovery in January of the attempted smuggling of containers of teak through Yangon Port the authorities have stepped up surveillance and recently discovered a further 1,000 tons of illegal padauk and tamalan in containers in the outskirts of Yangon.

The Deputy Director General of the Forestry Department commented that smugglers were attempting to use a new route for illegal exports. Previously, smuggled timber crossed the border with China but since the crackdown on the border and strict controls in China smugglers have switched to ocean transport out of Yangon Port.

Analysts were quick to point out that a container of timber can only be transported and enter the port with required documentation from the Forestry Department and they ask how such quantity can escape the check points along the route to the port.

The value of the seized timber is estimated around 2.6 billion Kyats (about US$2 million) and the timber specifications exceed that allowed for export.

Sample price range for sawn teak (Jan. 2017)

Type of Product	Specification	Price US$/cu.m
Flitches	24 Square inch and up	4400-4650
Board	Av. width 8 inch Av. length 10 ft.	5000-5250
Board	Av. width 8 inch Av. length 8 ft.	4100-4500
Scantling	Width 4 and 5 inch Av. length 7.5 ft.	3400-3800

Note, Flitch prices vary depending on defect,
For boards the colour and area from which the logs were harvested affects the price.

December 2016 teak log auction prices

Grade	H.tons	Avg US$/H.ton
SG-1	-	-
SG-2	20	3,528
SG-4	32.3	2,849
SG-5	50.7	2,049
SG-6	33.0	1,799
SG-7	74.4	1,489

India

Inflation rate trends

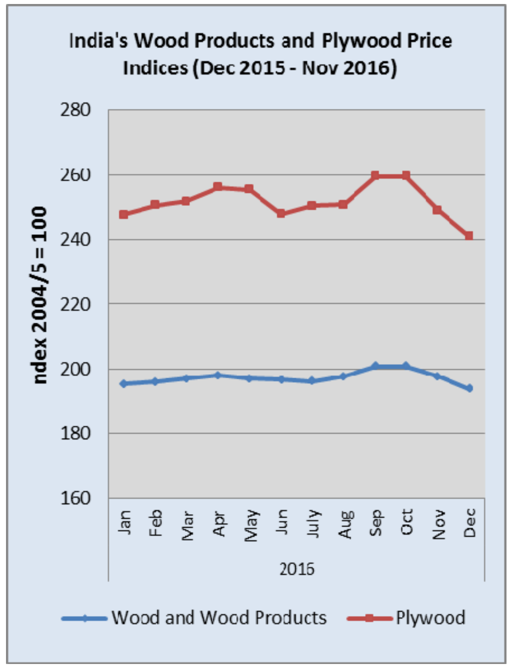
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the wholesale price index (WPI). The official WPI for all commodities (Base: 2004-05=100) for December 2016 declined by 0.2% to 182.8 from 183.1 for November.

The annual rate of inflation, based on the monthly WPI, stood at 3.39% (provisional) for December 2016 compared to 3.15% for November.

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

Timber and plywood price indices slide at year end

The OEA also reports wholesale price indices for a variety of wood products. The WPI for wood products and plywood are shown below.



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

Andhra Pradesh auction of seized red sanders

A huge volume of seized red sanders logs were recently auctioned attracting buyers from China, Japan, Malaysia, Indonesia, UAE, Singapore and Thailand.

The Andhra Pradesh Forest Department offered almost 3,000 tonnes of red sanders in a sale that extended from the end of December 2016 to the first week of January this year.

China and Japan are the leading buyers attracted by the quality of red sanders grown in southern Andhra Pradesh, particularly Chittoor, Kadapa, Nellore, Kurnool and Prakasam. Natural forest red sanders logs attract much higher prices than logs from trees grown by farmers on the lowlands.

Local analysts report that most of the logs were sold with prices ranging from US$18,000-60,000 per tonne.

Red sanders commands a very high price in international markets and despite being protected in India illegal felling and smuggling is common in Chittoor, Kadapa and Nellore districts. Red sanders is a highly endangered tree found only in the Seshachalam hill forests, a hilly range part of the Eastern Ghats in southern Andhra Pradesh state in southeastern India.

Recently, a police officer and several forest officers were among a group captured by officers of a special task force created to address illegal felling and smuggling. Media reports say 29 red sanders logs weighing 1.30 tonnes were seized from the group of smugglers in Kadapa.

http://www.thehindu.com/news/national/andhra-pradesh/Cop-five-forest-staff-among-11-held-for-red-sanders-smuggling/article17113724.ece

Stock of unsold homes weighing on construction firms

Home sales in the major eight Indian cities fell sharply towards the end of 2016 (-15%) as buyers held back on purchases waiting to see what long term impact demonetisation was going to have on interest rates and the overall economy. A report from Liases and Foras Real Estate Rating and Research says the worst fall was recorded in Chennai, Pune and Bengaluru. It was only in Kolkata that the researchers found a year on year rise.

The fall in sales is having a damaging impact on the finances of construction companies which are stuck with a huge stock of unsold properties and this has resulted in a cut-back on new-build projects.

The Indian real estate sector has seen tough times over the past few years. Interest rates were pushed up by the Reserve Bank of India and rising construction cost were passed on as higher sales prices, both of which dampened demand. However, interest rates on home loans are coming down gradually.

For more see: http://www.hindustantimes.com/mumbai-news/unsold-real-estate-units-touch-2-55-lakh-in-mumbai-metropolitan-region/story-xnlU6dFOdTK2xfMXS3sZJN.html

Plantation teak prices

Demand for imported plantation logs and sawnwood is steady and prices have not changed over the past two weeks.

Imported teak prices

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn teak	530-872
Brazil logs	344-540
Brazil teak 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 teak 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 teak squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania sawn teak	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda sawn teak	680-900

As was the case in January, prices are unchanged for teak from 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 to US$2,895 per cu.m C and F).

Prices for locally sawn imported hardwoods

Prices remain unchanged from the end of January.

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 prices

The availability of Myanmar sawn teak has improved in recent weeks say analysts but prices remain 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

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

Wholesale prices for plywood raised

Log raw material shortages are affecting plywood manufacturers and capacity utilisation rates have fallen. The log shortage has resulted in a rise in wholesale prices.

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	44.50
6mm	58.75
9mm	75.50
12mm	91.00
15mm	122.00
18mm	128.50

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.22.50	Rs.33.25
6mm	Rs.34.00	Rs.42.80
9mm	Rs.42.80	Rs.52.00
12mm	Rs.52.50	Rs.62.75
15mm	Rs.63.75	Rs.76.50
19mm	Rs.72.50	Rs.85.50
5mm Flexible ply	Rs.45.00	

Indian furniture market to exceed US$27 billion in five years

A press release from TechSci Research, a company specialising in research in high growth and emerging markets, points to a likely surge in Indian demand for furniture. The press release says housing growth and changing lifestyles, coupled with rising design awareness, will drive the India furniture market over the next five years.

The market forecast from TechSci points to the recent shift from traditional furniture towards contemporary furniture as buyers in the country are becoming more brand conscious and have greater disposable incomes. Moreover, rapidly expanding distribution network by exclusive stores is also expected to boost the country’s furniture market.

Karan Chechi, Research Director with TechSci Research writes “Over the years, the travel and tourism sector has been one of the major contributors to growing demand for furniture in India. The number of foreign tourist in India increased from 6.31 million in 2011 to 8.03 million by 2015. With increasing number of domestic as well as foreign tourists, the same trend is expected to continue over the next five years”

See: https://www.techsciresearch.com/news/2386-india-furniture-market-to-surpass-27-billion-by-2022.html

Brazil

Industry concerned over revised timber transport control system

In Brazil a Forest Products Trade and Transport System (SISFLORA) is used to monitor and control the transport of forest products. Recently, entrepreneurs and representatives of employers' unions in the forestry sector in Mato Grosso do Sul met with the State Secretary of the Environment to raise their concerns on the updated version of the system (SISFLORA 2.0).

SISFLORA 2.0 adopts a new system for the chain of custody reporting and will be applied by state environmental agencies.

Concerns have been raised that the new system involves an extremely detailed control mechanism conducted in real-time using an online system. Data at each stage of the process, including those carried out in the field, has to be logged into the system.

In addition, the authorisation process for issuing the document 'Forest Guide' (Guia Florestal - GF) which is required during the purchase, sale and transport of logs and primary wood products has become more bureaucratic.

One of the problems identified by producers is that the new system will demand access to high-speed internet services and will require that a technician needs to be permanently logged into the system to carry out data insertion. Another obstacle is that increasing the complexity of the system will also require more skilled manpower and this will generate new cost centres for entrepreneurs.

In addition, the new system creates legal uncertainty for producers where a simple error of data recording due to the complexity of the system could trigger penalties, suspension of the company´s activity or even lawsuits for environmental crimes.

According to timber producers the new system requires too much detail and because this must be 'real-time', satisfying the new requirement will be an enormous challenge.

Bento Gonçalves furniture cluster suffers job losses

The Bento Gonçalves furniture industry ended 2016 with 6,441 direct jobs which represented a loss of 753 jobs compared to 2015 and is the lowest employment has been in the sector for almost 10 years.

Since the beginning of 2014 furniture manufacturers in Bento Gonçalves have shed more than 2,500 direct jobs. For Brazil as a whole employmet in the sector in 2016 was 241,890 direct jobs (down 17,688 year on year). In the Rio Grande do Sul state, the 2016 balance was 36,089 (down 2,689) direct jobs.

The Bento Gonçalves Furniture Industry Union (Sindmóveis) points out that this is an unprecedented economic and financial crisis affecting all levels of industry. The furniture sector appears to be one of the sectors most impacted by the economic crisis in the country. However, in 2017, the pace of decline in economic activity is expected to slow and by the second half of the year a recovery should begin.

Currently, the Bento Gonçalves furniture cluster accounts for 31% of the furniture industry in the State of Rio Grande do Sul and generates 45% of the industry's revenues of the Bento Gonçalves municipality. There are approximately 300 enterprises in the Bento Gonçalves furniture cluster.

Forestry sector registers trade surplus

The Brazilian forest plantation sector registered a growth in export volumes in 2016 recording exports of 12.9 million tonnes of pulp (+ 12%), 2.1 million tonnes of paper and 1 million cu.m (+ 64%) of woodbased panels.

2016 exports were worth US$7.6 billion (-1.6%); pulp accounted for US$5.5 billion (-0.5%), paper US$ 1.8 billion (-7.4%) and woodbased panels US$250 million (+28.2%). The trade balance in 2016 was US$ 6.6 billion.

The Chinese market was the main destination for pulp exports (38.9% worth US$ 2.1 billion), followed by Europe with 33.1% (US$ 1.8 billion). Latin America was the main export market for timber and paper segments, exports of which to regional markets represented 60.6% of the total and were worth US$1.1 billion and 54.4% (US$ 136 million), respectively.

Brazilian pulp production reached 18.7 million tonnes (+8.1%) last year and paper production remained stable at 10.3 million tonnes. Paper sales in the domestic market exceeded 5.4 million tonnes (-0.3%) in 2016 while domestic sales of woodbased panels were 6.2 million cu.m (-2.1% year on year).

ABIMCI seeks GSP for Brazilian wood products

The Office of the United States Trade Representative (USTR) in its annual review of the Generalized System of Preferences (GSP) agreed to consider the petition submitted by the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI). ABIMCI requested Competitive Need Limitation (CNL) waivers in favour of the Brazilian exports of coniferous wood continuously shaped along any of its ends (HTS 4409.10.05). The petition was filed by the Association in December 2016.

The next step for ABIMCI is to comply with the deadlines for submissions. ABIMCI must provide comments and request for participation in public hearings regarding the petition.

The United States is the main destination of most Brazilian wood products so the US decisions on GSP are relevant to Brazil.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m³
Ipê	196
Jatoba	109
Massaranduba	111
Miiracatiara	113
Angelim Vermelho	108
Mixed redwood and white woods	92

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m³
Ipé	873
Jatoba	443
Massaranduba	408
Muiracatiara	411
Angelim Vermelho	363
Mixed red and white	240
Eucalyptus (AD)	206
Pine (AD)	149
Pine (KD)	169

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m³
4mm WBP	553
10mm WBP	423
15mm WBP	380
4mm MR	477
10mm MR	356
15mm MR	328

Prices do not include taxes
Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m³
15mm MDParticleboard	243
15mm MDF	317

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m³
Ipe	1421
Jatoba	918
Massaranduba	752
Muiracatiara	722
Pine (KD)	193

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.
High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.
Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m³
9mm C/CC (WBP)	283
12mm C/CC (WBP)	260
15mm C/CC (WBP)	253
18mm C/CC (WBP)	252

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Decking Boards	Ipê	2,492
	Jatoba	1,467

Source: STCP Data Bank

Peru

Tableros Peruanos S.A. (Tapesa), Peru's only particleboard manufacturer has folded. The company, founded in 1973 produced raw and coated boards under the Maderba brand.

The Tapesa plant had an annual production capacity of 60,000 cubic metres and utilised pine, eucalyptus and bagasse. Sadly the domestic plant could not compete with imports from Ecuador and Chile and more recently from Spain.

ADEX: too many inoperative forest concession

Erik Fischer, chairman of the Committee on Wood and Wood Industry in the Association of Exporters (ADEX) has continued the debate on concession allocation.

His assertion is that while the revised law (Legislative Decree No. 1283) simplifies administrative procedures and is of benefit to development of forestry in the country now is the time to review the concession allocation processes to ensure viable and responsible companies are encouraged to invest.

He repeated once again the view that of the millions of hectares that have been allocated as concessions only around a quarter are operational and contributing nothing to the national economy.

In order to address this unfortunate situation Fischer said it is necessary to strengthen the capacity of regional forestry authorities through budgetary support and technical training by the central government.

Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	499-586
Grade 2, Mexican market	426-467
Cumaru 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 1", 6-13 length KD Mexican market	435-466⬆

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m³
Mahogany	-
Virola	209-244
Spanish Cedar	316-368
Marupa (simarouba)	179-196

Export Veneer Prices

Veneer FOB Callao port	US$ per m³
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	332-368⬆
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

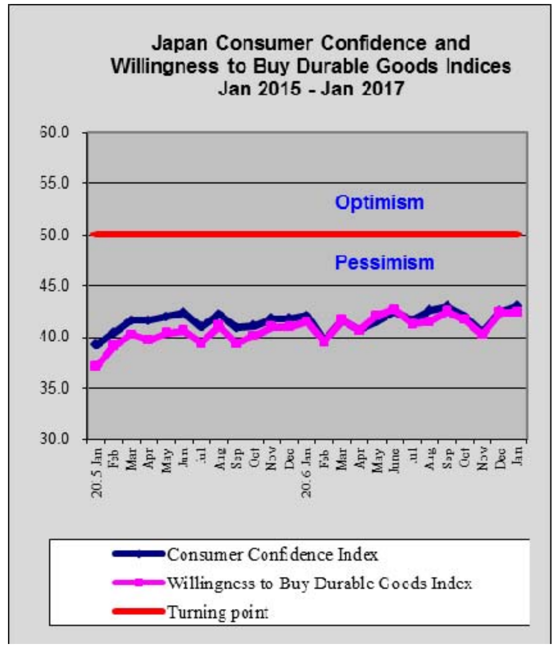
Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1058-1098
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
2x13x75cm, Asian market		732-815

Japan

Consumers still putting off durable goods purchases

Cabinet data from the January consumer confidence survey is showing a continued improvement with January confidence coming in at the highest level in over 3 years. While this is good news it must be remembered that all the indices are still in the 'pessimistic' range i.e. below 50 (see graph below).

The overall sentiment index rose to 43.2 in January from 43.1 in December but the willingness to buy durable goods showed no change.



Data source: Cabinet Office, Japan

Business confidence at 3 year high

Increased exports boosted by a weaker yen, expansion of new orders for manufacturers and steady domestic demand has brightened economic prospects for Japan, at least in the short term.

Results from the latest business survey compiled by the Cabinet Office show that manufacturing for export added most to growth and that the services sector continued to expand.

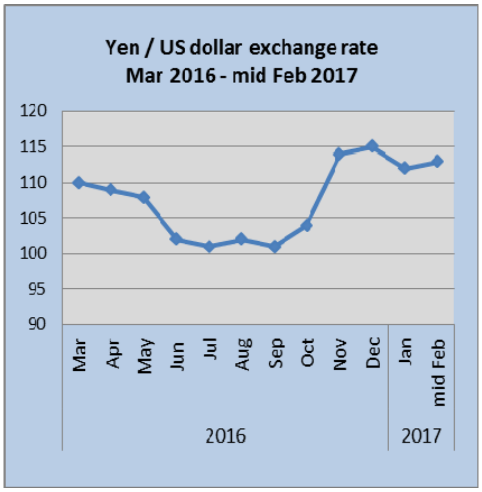
Optimism in the private sector has risen even against the backdrop of uncertainty on where the US economy will be taken by the new President. The rise in manufacturing output has also boosted job creation and job growth in January was at its highest for almost 3 years.

See: http://www.esri.cao.go.jp/en/stat/di/di-e.html

More talking down the dollar but now by the US administration

The US President has publically accused Japan of manipulating the yen/dollar exchange rate, something fiercely denied in Tokyo. This remark caused the US dollar to fall to two-month low of yen 112 to the dollar in early February.

But the 'trump effect' did not last and the yen recovered as the US President turned his attention to the euro which he said was grossly undervalued.



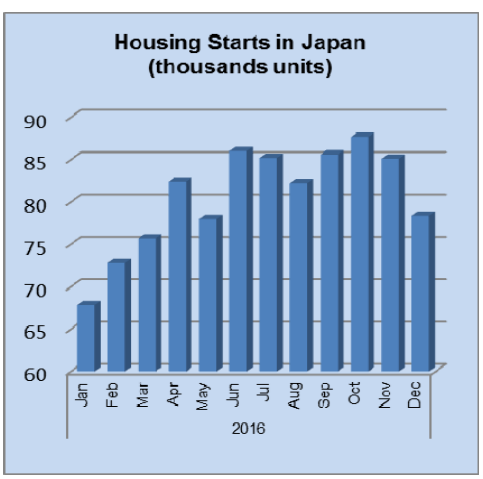
Build-for-rent now a major proportion of housing starts
2016 housing starts exceeded 960,000 and of that almost half were homes built-for-rent and was the first time in 8 years that built for rent homes had topped 400,000.

The surge in built-for-rent homes owes as much to changes in Japan's inheritance tax structure as the ultra-low interest rates offered by commercial banks.

Local analysts point out that when land owner builds a property on a plot of land the assessed land value drops which has the effect of lowering the land value and thus lowering any inheritance tax liability.

Almost all banks in Japan have campaigns promoting loans for home building and these are being taken up by people who see home rentals as a way to put otherwise stagnant cash to work. The surge in supply

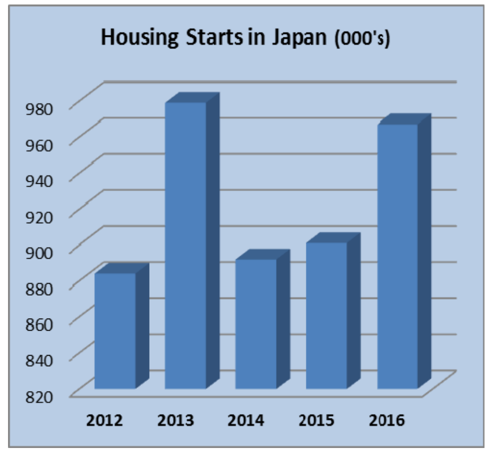
of apartments is beginning to distort the housing market. Vacancy rates for apartments in most of the major cities have increased significantly over the past 12 months which has put a downward pressure on rents.



Data source: Ministry of Land, Infrastructure, Transport and Tourism

Twin peaks in housing starts
For the first time in 17 years Japan increased the consumption tax in April 2013 and this caused housing starts to peak. Home buyers were well prepared and there was a surge in orders and completions in 2013 as buyers moved to beat the 3% rise in consumption tax.

The second peak in housing starts was in 2016 and the driver for this was low interest rates and, as mentioned above, changes in inheritance tax structures in the country.

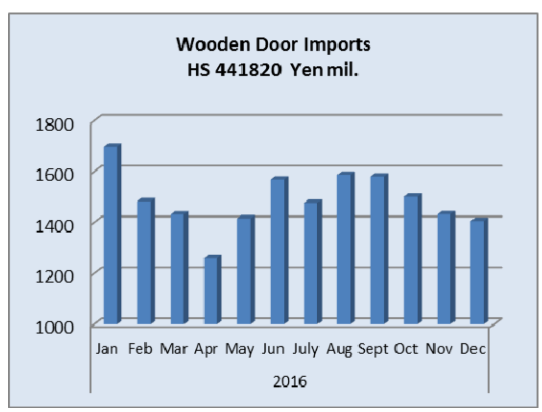


Data source: Ministry of Land, Infrastructure, Transport and Tourism

Import round up

Doors
Japan's fourth quarter 2016 imports of wooden doors (HS 441820) were down 18% compared to the same period in 2105 extending the decline in the first three quarters of 2016 when wooden door imports were around 2% down year on year.

For 2016 the top four suppliers in order of rank were China, the Philippines, Indonesia and Malaysia and these four accounted for over 90% of Japan's 2016 wooden door imports.

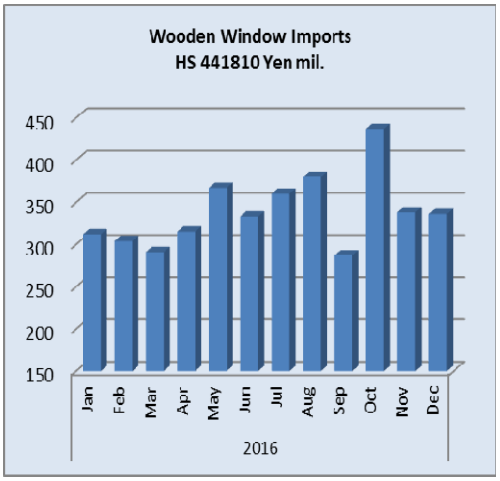


Data source: Ministry of Finance, Japan

Windows
In the first three quarters of 2016 wooden window imports were down around 7% compared to the same time in 2015

but the decline slowed in the fourth quarter where 2016 imports were at around the same level as in 2015.

Wooden window imports in 2016 were down 5% on 2015. Throughout the year shippers in China and the Philippines dominated Japan's imports of wooden windows with shipments in 2016 from these two suppliers accounting for around 80% of total wooden window imports with most of the balance being shipped from the US.

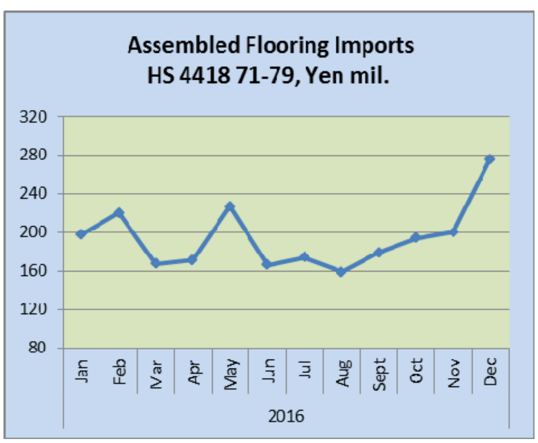


Data source: Ministry of Finance, Japan

Assembled flooring

Three categories of assembled flooring are included in the data presented below, HS 441871, 72 and 79.

Despite the significant upward trend in imports of assembled wooden flooring, overall, 2016 imports were only marginally higher than in 2015. In November and December there was a sharp rise in imports of assembled flooring with most of the growth due to shipments from the main suppliers, China and Thailand. For the year as a whole shipments of HS441872 accounted for the bulk of imports followed by HS 441879).

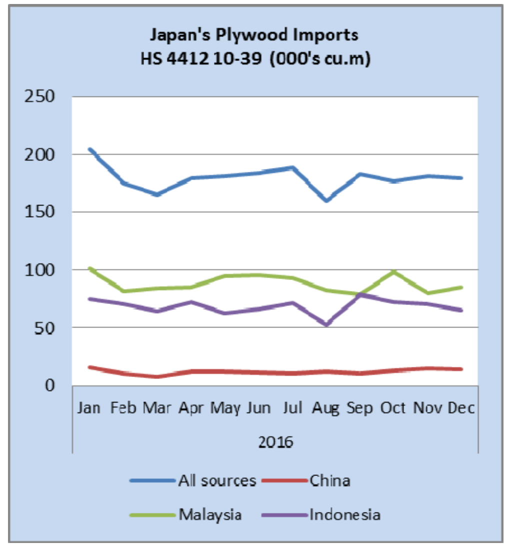


Data source: Ministry of Finance, Japan

Plywood

The figure below shows the trend in imports of 4 categories of plywood, HS 441210/31/32 and 39. Throughout 2016, as was the case in 2015, almost 90% of Japan's plywood imports are from Malaysia, Indonesia and China.

Plywood imports in 2016 were down 3.5% compared to 2015. Shipments from China fell 20% in 2016 and shipments from Malaysia were also down (-9%) year on year. However, plywood imports from Indonesia bucked the downward trend rising 6%.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports

		China	Malaysia	Indonesia
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65

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

EPA negotiations with EU

Negotiations on EPA with EU has started but so far there is no agreement reached. The negotiations are aiming to open up the markets and to abolish duties on trade between EU and Japan. Like TPP, all kinds of wood products like lamina, laminated lumber, SPF lumber, OSB, melamine board and flooring are subject of negotiations.

At this point, it is uncertain if all the duties are removed but the most likely scenario is to reach an agreement by the end of February if both sides wish to conclude early since many EU countries will have elections after March.

Laminated lumber is the most concerned item as the volume of European lumber import in 2015 was 2,384,000 cbms, the top among other imports from other sources. Also total structural laminated lumber import in 2015 was 705,200 cbms, which includes imports from China and the U.S.A. Domestic production of this item was 1,346,600 cbms. European products are the largest competition with domestic products.

Import duty on lumber is 4.8% and laminated lumber 3.9%. If these duties are removed totally, market prices would drop as the import cost is down. The largest factors of price fluctuation are exchange rate and supply and demand balance. Pressure on prices gets larger if the supply increases.

There is possibility that the European suppliers reduce the export prices to expand market share in Japan. If this occurs, domestic laminated lumber and solid wood lumber would face severe price competition.

During process of the negotiation, some information is reported that Japan would allow same degree of TPP standard.

Large laminated lumber manufacturer says that there is not enough information yet so laminated lumber manufacturers have very little interest but if it would become the same as TPP, there will be large confusion in the industry including domestic lumber industry.

In TPP, duty on laminated lumber is totally eliminated to zero from present 3.9%, which reduces the price of imported laminated lumber by 2,000 yen per cbm. This would increase import of laminated lumber but lamina prices will be reduced step by step so domestic manufacturers' cost remains high so imported products have advantage in prices against domestic laminated lumber.

There are increasing domestic laminated lumber with cedar, cypress and larch lamina but they face tough price competition with the import products. In supply regions, there is no move to increase production for Japan yet without any final agreement but some are reviewing supply structure for Japan market.'

Risk of yen fluctuations drives down size of orders for imported plywood

Supply tightness continues on both domestic and imported plywood. Active orders from precutting plants on domestic softwood plywood continues even after the New Year holidays.

Meantime, future orders on imported plywood are absolute minimum volume because there is possibility of drastic fluctuation of exchange rate, depending on policy the new president Tramp (Trump) takes. Present market is affected by recent depreciation of the yen so the importers are asking higher prices.

Looking at trend of the market, some users of concrete forming panels try to procure low price items so the movement is getting active compared to last December but actually there is very little available as the inventories are down close to the bottom so the importers and wholesalers are waiting for next arrivals.

Actually the importers purchase minimum volume with back to back contracts with the customers so there is no surplus in the market. Accordingly, supply and demand are balanced. Since future exchange rate is hard to foresee. The importers are not able to make aggressive purchases.

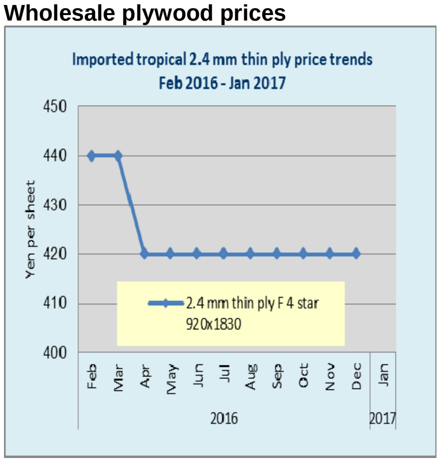
Domestic softwood plywood production in last December was 238,700 cbms, 3.0% more than the same month in 2015 and total yearly production was 2,897,200 cbms, 11.9% more than 2015. This the highest in last five years. Monthly average production in the fourth quarter last year was 247 M cbms while the shipment was 249,800 cbms so the shipment continues to exceed the production. Total year shipment was 2,939,000 cbms, 9.1% more than 2015.

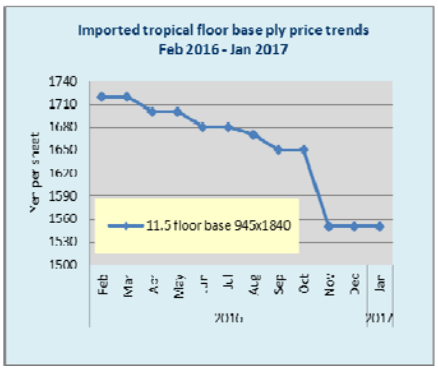
The inventories were have been extreme low of less than 100 M cbms since last August so plywood mills ship out as soon as produced with practically zero inventory.

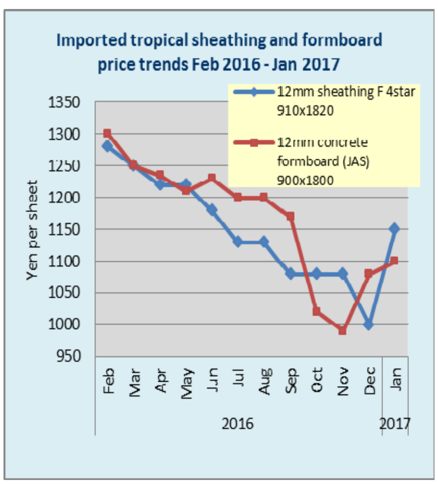
December production of structural softwood plywood inn December was 229,800 cbms, 8.7% more than December last year and total year production was 2,786,500 cbms. December shipment was higher than production at 238 M cbms and the inventory was 77,200 cbms, 900 cbms less than November. Some plywood manufacturers increase the sales prices slightly since January because of higher log prices and adhesive prices and they are considering to make another hike during February.

For more see Japan Lumber Reports Feb. 3, 2017 No. 691

Wholesale plywood prices





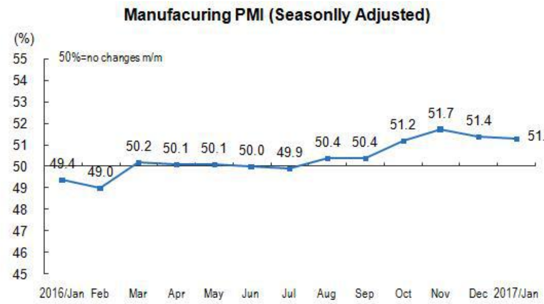


China

Manufacturing output indicator giving way to role of services

The January 2017 purchasing managers index (PMI) for manufacturers released by the National Bureau of Statistics was 51.3, down slightly from a month earlier.

See:
http://www.stats.gov.cn/english/PressRelease/201702/t20170208_1460251.html



Source: National Bureau of Statistics of China

In terms of enterprise size, the PMI for large-sized enterprises was 52.7, down 0.5 month on month but continues to positive. The official PMI for medium-sized enterprises was just in positive territory at 50.8 and was up from a month earlier. However the PMI for small-sized enterprises was 46.4 and continues to decline.

While the manufacturing PMI data tend to be closely watched much more of China's economy is now driven by domestic consumption. The government has a policy to move the economy away from manufacturing and investment led growth to on in which the service sector, which includes consumer industries such as real estate, retail and leisure, plays a much bigger role.

Action plan for national e-commerce

A national action plan to promote development of E-commerce includes 5 major special elements:
Infrastructure construction
Innovation and development
Regional development
Enhancing wide availability
and
Policy development

This national plan will impact the forestry and wood products sectors in China.

Under the plan the application of e-commerce will be encouraged to promote innovation, transformation and upgrading and the construction of e-commerce platform will be promoted mainly for wood as well as non wood forest products and tourism. The plan involves:

- constructing international channels for e-commerce

- ensuring easy access to e-commerce sites major cities in the 'Belt and Road'. Regions will cooperate to develop information hubs and create an for mutual regulation and recognition.

- encouraging companies to build cross-border e-commerce trading platforms and to build international logistic systems.

- eliminating institutional obstacles to the rapid development of e-commerce

According to the plan, the construction of e-commerce economy monitoring platform, e-commerce market entity trustworthy service projects, e-commerce product quality promotion project will be built. As part of this payment security systems will be enhanced and monitored.

According to the e-commerce development plan, during the 13th Five-Year Plan released recently there are three major goals; turnover of e-commerce is expected to be RMB40 trillion, the value of the network retail sales will amount to RMB10 trillion and direct and indirect employment will reach 50 million.

The Hong Kong based HK Trade Development Corporation has a useful analysis of attitudes of Hong Kong manufacturers to e-commerce.
See:
http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/E-commerce-Challenges-and-Opportunities-for-Exporters/rp/en/1/1X32LK39/1X0A8VKV.htm?DCSext.dept=12&WT.mc_id=6164570

Stricter control of solid laminate flooring in domestic market

In recent years complaints from domestic consumers about the quality of wooden flooring have increased and the government has now acted.

The General Administration of Quality Supervision, Inspection and Quarantine has now added 26 types of building and interior decoration materials into the list for quality supervision in 2017.

Solid flooring and laminate flooring have been included into the list. Local experts indicate that this action will improve the quality of flooring further in the near future.

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	5300-4500
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

Indonesia makes big impact at IMM Furniture Fair

Like the Domotex show held in Hanover earlier in the month, the IMM Furniture Fair in Cologne between 16 and 22 January highlighted the challenges facing tropical suppliers looking to increase their share of the European market, as pressure continues to mount from domestic manufacturers and non-wood materials.

Demand for wooden exterior furniture, traditionally an important niche market for tropical wood products, is coming under pressure from other modern weather-resistant materials.

However, the Fair also emphasised that wood, alongside other natural materials and organic finishes, is very fashionable for interior furniture, that there is strong interest in furniture with a strong back story, and that small, well-designed products have an important role in the European furniture sector. All these trends offer new avenues to market for suppliers of tropical wooden furniture.

As if to emphasise these opportunities, the headline of the leading article on the IMM show by Decoist, a leading on-line magazine focused on architecture and modern design was “Wood is beyond good – it’s sensational!”.

Decoist observes that “one of the big furniture design trends of 2017 is undoubtedly the way in which top manufacturers and designers have so whole heartedly embraced wood. In a world where organic finishes and natural materials are making a rapid comeback, wood is definitely the absolute king of 2017 and this trend is likely to continue to last beyond the year as well!”

Decoist’s comment that “Indonesia made a big impact at this year’s show with their unique creations” is particularly encouraging for the tropical wood sector and an early sign of the potential of Indonesia’s market development strategy in Europe.

Indonesia had a significant presence at the show having booked just under 600 square metres for a national pavilion displaying products from a wide range of Indonesian companies, a timely investment in marketing for a national furniture industry that is the first, and only capable of delivering 100% FLEGT-licensed product.

Indonesia did well to target IMM Cologne which is now one of world’s leading furniture shows following a marketing drive to internationalise the event. The show achieved a record number of visitors this year, exceeding 150,000 for the first time.

Of the 104,000 trade visitors, around 56,000 came from Germany and 48,000 from abroad (an increase of 4%). There were particularly large increases in visitor numbers from Spain, Russia, Italy, the UK, Netherlands, Poland, China, South Korea, India and the United Arab Emirates.

The show boasted around 1,200 exhibitors from 50 countries displaying more than 100,000 pieces of furniture and furnishing items, a third of which were shown to the international market for the first time in Cologne.

Non-wood materials taking greater share in exteriors market

While wood is in the ascendance in the interiors sector, the IMM show highlighted that alternative materials are making more ground in the exteriors sector. Exterior furniture continues to become more and more flexible and decorative and adapts to growing demand for pieces that can be used both inside and outside.

This demand is driven both by new materials and lifestyle changes in which more people spend time on balconies, decks, patios and similar spaces which combine features of gardens and rooms.

Solid tropical wood garden furniture is increasingly substituted by outdoor sofas and chairs comprising modern, weather-resistant materials, with water resistant cushions and frames created using steel or plastics woven using traditional wicker techniques.

Teak is still popular, but mainly to accent and soften furniture made primarily in other materials.

A star attraction of the show was the Caribe collection of outdoor furniture designed for Ames by Sebastian Herkner, a leading designer who was Guest of Honour at the IMM Cologne show in 2016, in collaboration with Colombian craftsmen. The pieces were made of woven plastic string and steel using the "Momposino" weave which is taught in school as a craft in the Santa Marta region of Colombia.

While not made of wood, the message conveyed about the Caribe collection in the IMM show publicity is relevant and should give encouragement to manufacturers of tropical wood furniture.

The IMM organisers observe that "the Caribe series stands for a trend in the interiors industry which is exemplary of the growing need for meaningfulness among manufacturers and consumers. And contrary to some expectations, this trend is evidently being carried by the market.

It is not always the case that one succeeds in combining sustainable production with an aesthetic concept in a pilot project while at the same time also accommodating the increasing interest of people for authentic products. However the number of products that tell their own special story is constantly growing."

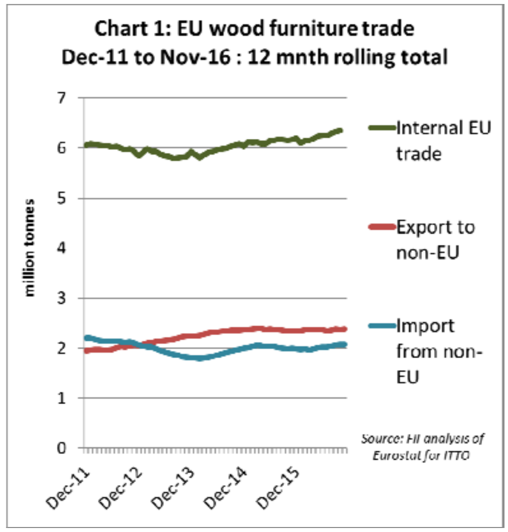
Another trend at the IMM show that could be exploited by the tropical timber sector is to extend the use of solid wood into the climatically difficult environment of the bathroom. Together with the bathroom furniture manufacturer, Keuco, the company Team 7 from Austria was displaying the Lignatur edition at IMM Cologne which utilises natural wood to provide a high quality and unique finish to bathrooms.

Again, the material used in this instance was not tropical timber, the traditional European favourites of walnut and oak being preferred. However, use of tropical wood would offer manufacturers both technical and aesthetic advantages in high-end bathroom furniture.

Furniture trade in Europe growing slowly

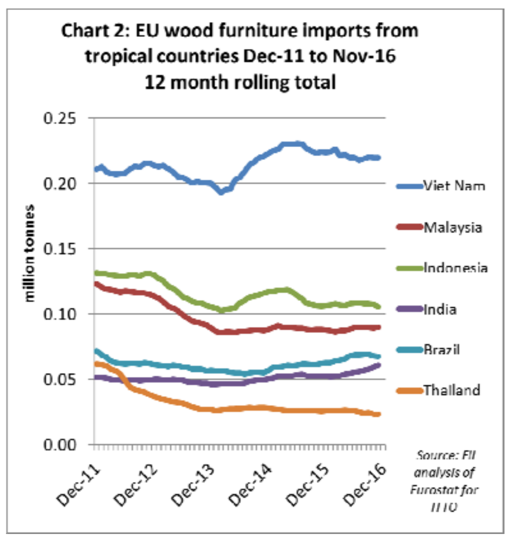
The trade background to the IMM fair is shown in Chart 1 which indicates that internal EU trade in wood furniture has been rising slowly since December 2013.

This is due partly to improving consumption of wood furniture products manufactured in the EU, and to the increasing role of manufacturing facilities in lower cost Eastern European countries such as Poland and Lithuania to supply wood furniture to other parts of the EU.



The EU continues to maintain a small trade deficit in wood furniture with the rest of the world. Total EU exports to non-EU countries remained level at around 2.4 million tonnes in both 2015 and 2016, while imports were also stable at around 2 million tonnes.

EU imports of wood furniture from China, which is by far the largest external supplier accounting for 50% to 55% of the total, were sliding in 2015 and the first half of 2016, but recovered slightly towards the end of last year.



The performance of tropical countries in supply of wood furniture to European markets has been mixed in recent years (Chart 2). EU imports from Vietnam increased sharply between April 2014 and April 2015, taking share from China at that time.

However, EU imports from Vietnam were sliding slowly between mid-2015 and the end of 2016.

EU imports of wood furniture from Indonesia surged briefly and temporarily in 2015, but fell back again in 2016.

It will be interesting to see whether Indonesia's delivery of FLEGT licensed furniture and support for marketing in Europe will now be translated into an increase in sales.

Meanwhile EU imports of wood furniture from Malaysia and Thailand have been broadly flat over the last 3 years after losing ground in 2011 and 2012.

In contrast EU imports from Brazil and India have been making ground in the last two years, although both are still relatively minor suppliers of wood furniture to the EU.

EU importers stock up on FLEGT licensed Indonesian plywood

The Global Timber Forum has published an interview with the CEOs of two European importing companies, Alexander de Groot of Fepco and Koen de Witte of Altripan, that were among the first to receive FLEGT licensed wood from Indonesia.

The interview highlights both the market opportunities and remaining challenges of FLEGT licensing from the perspective of two of Europe's largest plywood importing companies.

According to Alexander de Groot, FLEGT licensing offers a significant market opportunity for Indonesian plywood in Europe as due diligence is no longer required and buyers can be absolutely certain that all Indonesian wood comes from legal sources.

Koen de Witte said that a large group of customers in Europe have been afraid of buying tropical wood because of possible EUTR problems and related negative publicity but that FLEGT licensing means importers can now start promoting tropical wood to these companies again.

Koen de Witte noted that products from Indonesia are rather expensive compared to competing materials from China or Malaysia and that logistics can be a challenge, however FLEGT licensing offers an opportunity to promote Indonesian plywood as a legal and high quality, sustainable product. He said that Indonesia will also have an increasing advantage over time as EU Competent Authorities are getting stricter and there are more checks on operators.

Koen de Witte said that there has yet to be any perceptible increase in demand from their own customers for FLEGT licensed timber, but "arrivals of wood from Indonesia have increased over the last few weeks as importers and traders are stocking up on FLEGT licensed material".

He also emphasised that it is early days and companies like Fepco and Altripan will now push to increase sales with active promotion and by making the more product available in the market.

Koen de Witte reckoned that Indonesian wood products are competitive in Europe and their market share will increase - although this will be partly dependent on developments in competing products which, for Indonesian plywood, are mainly from Russia and China. He suggested that "the great variety of products from China – in very different qualities and not always correctly declared – is making life difficult. But there are initiatives now to increase transparency and show customers how the plywood is made and what the differences are. This will improve Indonesia's position".

Alexander de Groot emphasized that European governments also have a responsibility now to help promote FLEGT licensed wood. He suggested that FLEGT should, for example, immediately be incorporated in public procurement rules and given the same status as FSC or PEFC.

He noted that "one of our customers just had a case in Luxembourg, where authorities would not accept FLEGT licensed wood on a bid for a public building project – they only wanted FSC. This situation cannot continue - if European governments are not behind FLEGT this will sabotage the process".

Both CEOs confirmed that of their own customers, the larger distribution groups and merchants in Europe are already familiar with the FLEGT process, but as large corporations their decision-making processes are fairly slow so it might take some time before they start purchasing more FLEGT licensed wood. Smaller merchants are generally less aware of FLEGT.

At present importers are still more inclined to prefer FSC and PEFC, particularly in the UK and the Netherlands, but here merchants are quickly becoming aware of the importance of FLEGT licenses. France, Belgium and Germany are more difficult as companies there use less certified wood in general and interest in FLEGT is perceptibly lower.

While recognizing that their Indonesian suppliers had to work extremely hard to achieve FLEGT licensing, both CEOs said that from the perspective of European importers the process has been very simple. The importers only had to register to obtain a FLEGT license number and the rest was pretty much what they always had to do when importing wood.

For them it basically comes down to uploading some information on a website and is much simpler than having to conform to EUTR due diligence requirements.

North America

Ipe tops sawnwood imports by value but balsa top by volume

Annual imports of temperate and tropical sawn hardwood decreased 15% in 2016 from the previous year. However, despite economic growth and a stronger housing market hardwood imports were 961,733 cu.m. in 2016, down from over 1.1 million cu.m. in 2015. The value of imports declined 8% in 2016 to US$481.9 million.

Imports of most hardwood species decreased in 2016, with the exception of temperate species white oak and western red alder, which grew by over 50% from 2015.

Sawn tropical hardwoods	2015	2016	% change
US imports cu.m	263,022	236,023	-10%
Ecuador	52,563	58,580	11%
Brazil	42,167	46,360	10%
Cameroon	39,320	23,307	-41%
Malaysia	26,005	22,760	-12%
Congo (Brazzaville)	19,068	13,789	-28%
Peru	5,205	1,589	-69%
Indonesia	12,048	12,961	8%
Ghana	9,860	7,730	-22%
Cote d'Ivoire	5,736	2,912	-49%
Other	51,050	46,035	-10%

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

At 236,023 cu.m. tropical sawnwood imports declined 10% in 2016. The value of tropical imports decreased 13% from 2015 to US$251.3 million. The share of tropical sawnwood in the total value of US hardwood imports was 52% in 2016, down from 55% in 2015.

	2015 cu.m	2016 cu.m	% change
Balsa	53,290	58,883	10%
Sapelli	41,392	28,909	-30%
Acajou d'Afrique	25,791	17,455	-32%
Keruing	21,578	20,107	-7%
Ipe	32,251	32,963	2%
Mahogany	20,251	18,463	-9%
Virola	8,847	7,908	-11%
Meranti	9,675	8,364	-14%
Cedro	8,576	8,905	4%
Jatoba	3,595	2,420	-33%
Teak	9,470	6,280	-34%
Iroko	783	858	10%
Padauk	611	1,520	149%
Aningre	569	246	-57%
Other tropical	26,343	22,742	-14%

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

Imports of balsa, ipe, cedro, iroko and padauk sawnwood grew in 2016, while most other species declined. Balsa was the most significant imported species by volume (58,883 cu.m.), up 10% from 2015.

Ipe was the most valuable import in 2016 at US$64.9 million, followed by balsa, sapelli and teak.

Sapelli sawnwood imports fell 30% in 2016 to 28,909 cu.m. Imports of acajou d'Afrique, teak and jatoba were also down by about one third from 2015. Keruing and mahogany imports declined by 7% and 9%, respectively, from the previous year.

Tropical sawnwood imports from Brazil and Ecuador grew in 2016, due to higher ipe and balsa shipments. Imports from most other countries declined compared to 2015, with the exception of Indonesia. Indonesia increased exports to the US by 8% in 2016, mainly in 'other' tropical species that are not specified in the trade classification system.

Canadian tropical sawnwood imports firmed in 2016

Canadian imports of tropical sawnwood increased in 2016 despite a drop in imports at the end of the year. 2016 imports were worth US$20.4 million (US dollars), up 13% from 2015.

Imports of virola, imbuia and balsa (combined) grew 31% in 2016 to US$5.3 million. The majority of this growth was in higher balsa sawnwood imports.

Sapelli sawnwood imports declined 10% in 2016 but at US$4.3 million sapelli still represented a significant portion of tropical imports. Imports of mahogany sawnwood grew 5% to just under US$0.7 million.

Most exporters of tropical sawnwood to Canada increased shipments in 2016 with the exception of Congo (former Brazzaville), Ghana and Bolivia. Lower sapelli imports in particular affected imports from Africa.

The strongest growth from 2015 was in imports via the US, which increased 73% to US$1.7 million in 2016.

	2015 US$	2016 US$	% change
Total value	18,081,117	20,376,167	13%
Sapelli	4,844,382	4,379,974	-10%
Virola, Imbuia and Balsa	4,033,541	5,300,013	31%
Mahogany	622,174	653,927	5%
Iroko	28,084	87,952	213%
Red Meranti (1)	438,588	356,711	-19%
White Lauan (2)	414	303	-27%
Other tropical	8,120,981	9,597,287	18%

(1) Meranti Red (Light And Dark) And Meranti Bakau
(2) White Lauan/Meranti/Seraya, Yellow Meranti and Alan
Data source: Source: Statistics Canada

Suspension of published Federal Regulations

The Trump administration issued an order on January 20 directing all Federal agencies to suspend for 60 days the effective dates of rules that have been published in the Federal Register but have not yet taken effect.

This order opens the door to blocking rules that the Environmental Protection Agency issued in the final weeks of the previous Obama administration, including the formaldehyde emission rule. Potentially rules could be withdrawn entirely, withdrawn for further review, or they will be allowed to take effect without changes.

Growth in furniture orders, shipments and retail sales

New furniture orders increased 8% in November 2016 from the same time last year, according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors. This followed a 1% increase reported in October. Over 60% of survey participants reported order gains in November.

Year-to-date new orders were up 3% compared to the same period in 2015. Year-to-date furniture shipments increased 6% from November 2015. Inventory levels at distributors and manufacturers were unchanged from October and slightly down from November 2015.

Strong consumer confidence provided a boost to retail sales. Annual retail sales at furniture and home furnishings stores increased 3.8% in 2016 from the previous year, according to the US Department of Commerce.

Cabinet sales increased in 2016

Cabinet sales increased 4.3% in 2016, according to the Kitchen Cabinet Manufacturers Association (KCMA)'s latest Trend of Business Survey. Participating cabinet manufacturers reported sales totaling US$6.8 billion for 2016, up 4.3% compared to 2015.

Survey participants include stock, semi-custom, and custom companies whose combined sales represent approximately 70% of the US kitchen cabinet and bath vanity market. Stock cabinet sales increased +4% in 2016, semi-custom sales increased +5.9%, and custom sales increased +1.3% compared to 2015.

Furniture and cabinet makers expanding production capacity

La-Z-Boy announced an investment of approximately US$26 million over three years in its largest upholstered furniture manufacturing plant in the US. The investment includes a new innovation centre, various renovations and technology upgrades, and a new transportation terminal.

Other US furniture and cabinet manufacturers have announced expansion or investment plans, including cabinet hardware supplier Blum who will invest US$16 million in upgrades at its headquarters in North Carolina. MasterBrand Cabinets has announced it will grow its workforce at its plants in Indiana.

Strong opposition to suggestion of border tax

Many US companies oppose introducing border taxes as suggested by the Trump administration, and specifically a 20% tax on imports from Mexico.

A new coalition of companies and trade associations, Americans for Affordable Products (AAP), has formed in response to the proposed border adjustment tax. The group argues that the tax will significantly hurt American consumers.

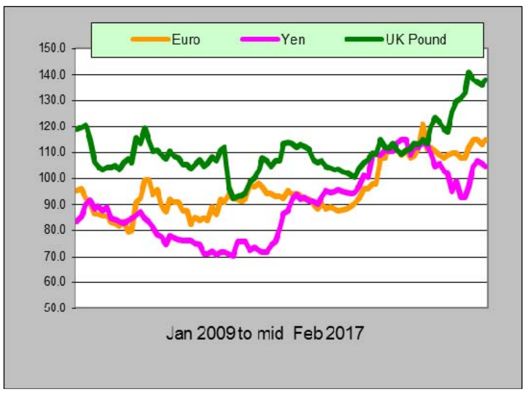
Home furnishing retailers and associations that have signed on to the AAP include the Home Furnishings Association, IKEA North America, International Wood Products Association, Raymour & Flanigan Furniture, and Walmart.

Dollar Exchange Rates

As of 10 February 2017

Brazil	Real	3.1160
CFA countries	CFA Franc	617.14
China	Yuan	6.8776
EU	Euro	0.9397
India	Rupee	66.8430
Indonesia	Rupiah	133204
Japan	Yen	113.20
Malaysia	Ringgit	4.4388
Peru	New Sol	3.2537
UK	Pound	0.8009
South Korea	Won	1146.40

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

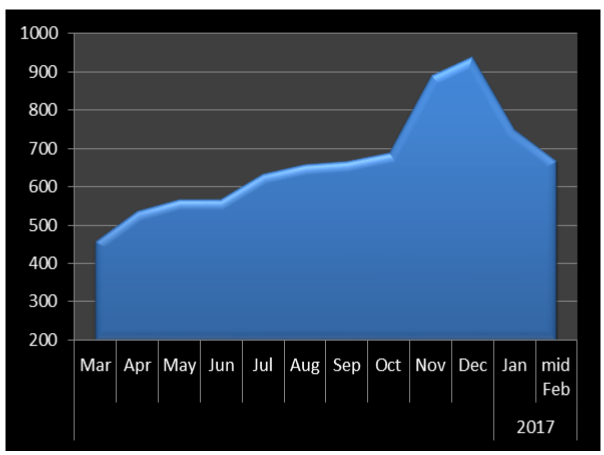


Abbreviations and Equivalences

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
March 2016 – mid February 2017

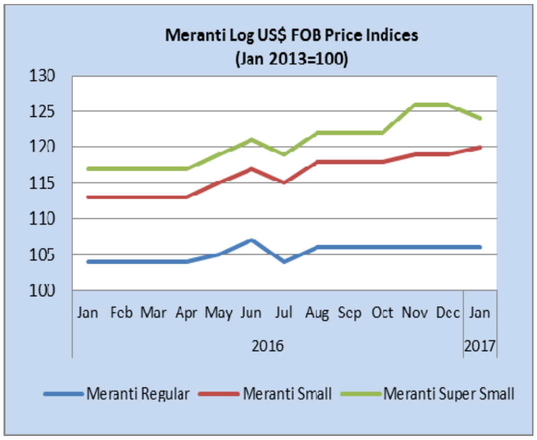


Data source: Open Financial Data Project

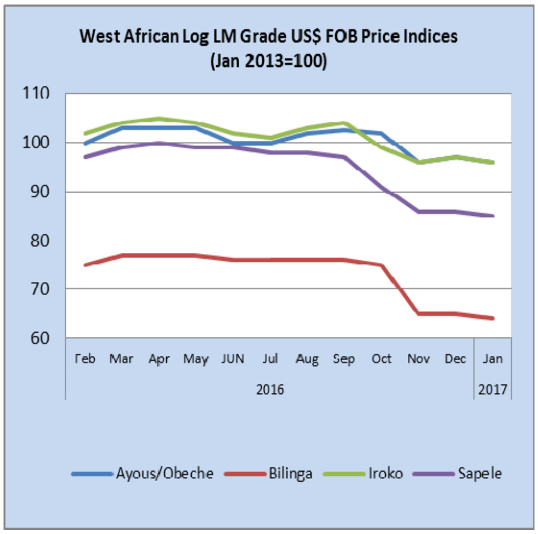
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

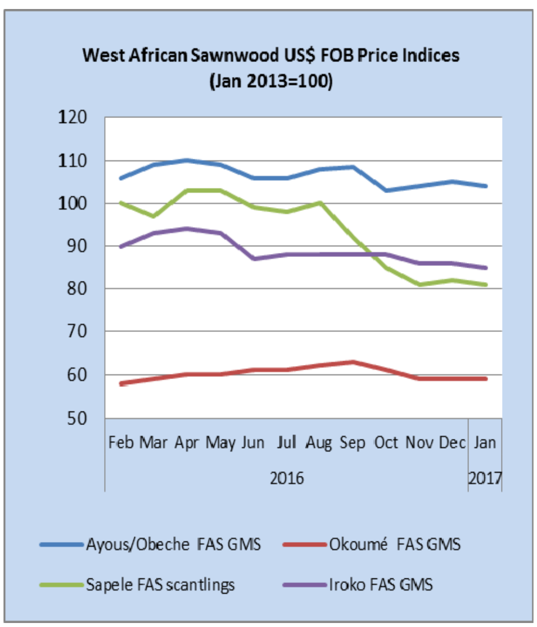
Price indices for selected products

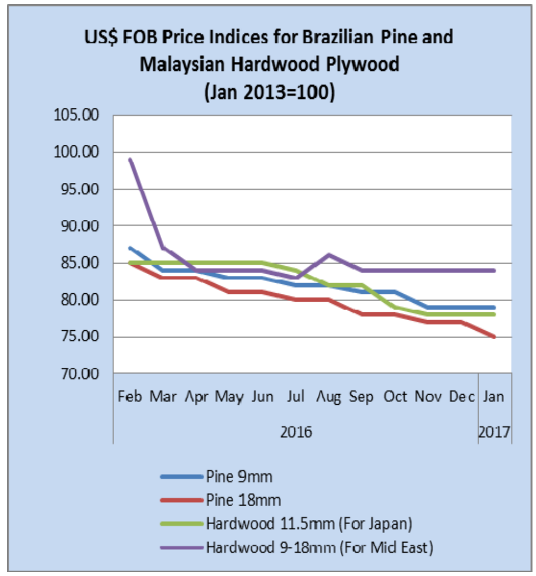
The following indices are based on US dollar FOB prices

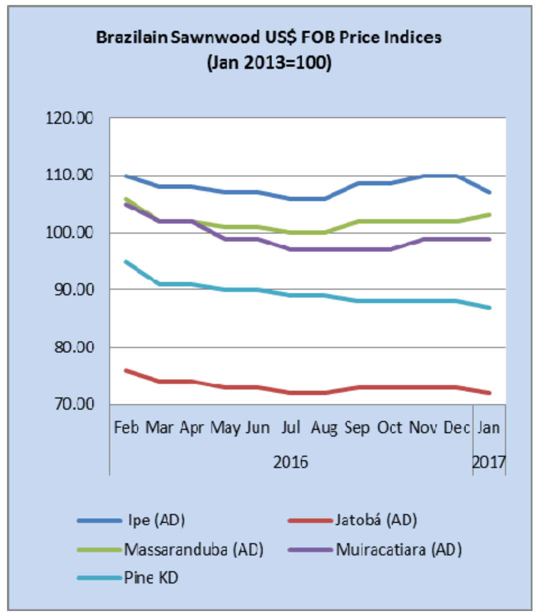


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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