Tropical Timber Market Report

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Contents

Top Story

Substantial growth in China's sawnwood imports

China's 2016 sawnwood imports totalled 32.15 million cubic metres, a year on year increase of 21%.

Of total sawnwood imports, sawn softwood imports rose 22%, accounting for 55% of the national total.

Sawn hardwood imports grew 20%. Of total sawn hardwood imports, those from tropical countries were 5.74 million cubic metres up 20%.

The top tropical supplier of sawnwood to China was Thailand accounting for around 70% of all sawn hardwood imports from tropical countries.

See: Page 16

Headlines

Central and West Africa

Firm demand from local mills producing veneer and sawnwood for export

As forecast by producers, the modest advances in FOB prices have continued into the second quarter. Demand for logs is firm in export markets and also in the domestic market as millers enjoy active export demand, especially in China, for peeled veneers and sawnwood.

Prices improve for a growing number of timbers

In the tables on the right it will be seen that over the past weeks there have been a number of price increases for both logs and sawnwood.

The upward movement in prices tends to be for selective timbers at present rather than a reflection of any overall improvement, however, analysts see a significant indication of market strength even before the expected upturn in seasonal demand from European buyers.

Despite the positive news, sapele and sipo prices remain unchanged. Reports indicate stocks of these timbers in producer mills are still high especially in Congo Brazzaville and Cameroon.

To the relief of producers interest in okoume logs and sawnwood is improving and the steady demand in markets other than Europe has provided an opportunity for modest FOB price increases.

Producers confirm that demand in China tends to be for kevazingo, okan, belli and okoume. India buyers are still very cautious about purchasing African logs preferring to rely on sources in SE Asia.

Indian business attracted to Gabon

On the other hand, Gabon reports that Indian businesses are very significant investors in the country and have interest in oil palm, rubber and production of veneers. The Special Economic Zone in Gabon is being actively promoted in India.

(see page 6 and http://www.gsez.com/news)

Middle East business continues at a satisfactory level with particular emphasis on higher grades. West and Central African producers express confidence that the steady upwards price and demand trend will continue with China being a major driver of this positive market sentiment.

Log export prices

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	250↑	250↑	-
Bibolo/Dibétou	180	170	-
Bilinga	230↑	230↑	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	235↑	225↑	180↑
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	225↑	200↑	-
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	530↑
Okoumé FAS GMS	380↑
Merchantable	290
Std/Btr GMS	320↑
Sipo FAS GMS	535↓
FAS fixed sizes	555↓
FAS scantlings	560
Padouk FAS GMS	800↓
FAS scantlings	920
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	620
Scantlings	710
Strips	410↓
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

BVRIO trading platform for Ghana

The BVRIO 'Responsible Timber Exchange', trading platform to connect buyers and sellers of legal and certified timber products first mentioned in the ITTO market report Volume 20 Number 20, 16–30 November 2016, has launched a Ghana chapter.

This development has been encouraged by the Forestry Commission (FC) and the management of BVRIO plans to work with the FC to take advantage of Ghana's wood tracking system which assures legality.

The BVRIO website says "the BVRIO Responsible Timber Exchange is a negotiations platform to promote the trading of timber products from legal and/or certified sources creating transparency, efficiency and liquidity in this market. The platform has an in-built risk assessment system to assist users in conducting the due diligence of each of the timber consignments traded."

See: http://bvrio.org/timber/

UNIDO support on ISO management

Inspectors from the Timber Industry Development Division of the Forestry Commission recently benefitted from training on International Standards Organisation (ISO) and International Electro-technical Commission (IEC) management systems.

The workshop which received technical support from the United Nations Industrial Organization (UNIDO) Trade Capacity Building (TCB) programme, was meant to deliver knowledge and skills in implementing the ISO/IEC 17020 standards.

Manufacturers to get boost from tax cuts

Oxfordeconomics has reported that the Ghana government is waiting for approval from ECOWAS to remove taxes on selected imports, a move which is in line with the ECOWAS Common External Tariff.

When approved the construction sector will benefit as import duties on raw materials will be eliminated. Taxes on machinery and raw materials for production will be removed which should boost manufacturing.

In the real estate sector, the decision to remove the 5% VAT on property transactions outlined in this year's spending plan should also help reduce the cost of both residential development and boost home sales.

See http://www.oxfordbusinessgroup.com

Business leaders stress need to support SMEs

Leaders of Ghana's Private Enterprise Federation recently met with Minister Designate for Investment and Business Development.

The press statement from PEF says the CEO of PEF, Nana Osei-Bonsu emphasised the need to build capacity, identify opportunities and create structures to enable the private sector, especially the SMEs, take advantage of the opportunities that will be created by the government.

The Minister is reported to have pledged to work with the Federation to achieve his goal of developing at least 1000 businesses each year for the next four years.

He stated that he has two key objectives; the first is how to get investments into critical sectors of the economy and the second is how to identify and support key existing Ghanaian businesses to become more efficient and profitability.

The Private Enterprise Foundation (now Federation) was established in 1994 as the apex institution to forge consensus and provide the leadership voice for advocacy, on the initiative of the Association of Ghana Industries, Ghana National Chamber of Commerce and Industry, Ghana Employers' Association and the Federation of Associations of Ghanaian Exporters.

See:
http://www.pef.org.gh/index.php/en/about-pef/statements-releases/58-pef-meets-new-minister-designate-for-investment-and-business-development

Analysts report markets remain very quiet and as a result few price movements have been reported.

Boule Export prices

	Euro per m^3
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	530⬇
Niangon Kiln dry	560⬆

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300⬇	400
Chenchen	368	624
Ogea	525	604
Essa	509	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	967
Avodire	897
Chenchen	597
Mahogany	994
Makore	698
Odum	1,583

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	610	641
6mm	527	535	626
9mm	407	474	560
12mm	364	463	480
15mm	393	420	430
18mm	346	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	276
Dahoma	382	450
Edinam (mixed redwood)	520	599
Emeri	380	560
African mahogany (Ivorensis)	1001	931
Makore	685	726
Niangon	437	550
Odum	755	849
Sapele	782	747
Wawa 1C & Select	380	421

South Africa

Rand crashes on rating downgrade

The recent cabinet reshuffle in South Africa has not been received well in financial markets. Almost immediately the country's credit rating was relegated to junk status and the rand plummeted. The rand weakened more than 10% against the US dollar in just a few days.

The South African Central Bank said any decision to support the rand would be made after assessing the impact of the currency movements. The Central Bank Governor said it was too early to tell if the credit rating downgrade would push the economy in to a recession.

Analysts in South Africa write "things are all a bit unsettled here since S&P issued their downgrade giving South Africa non-investment/junk status. The agencies maintained the financial rating as investment grade so that may slow the rand decline.

The political upheaval from the cabinet reshuffle has sparked widespread protests around the country which is affecting business confidence. The impact of this turmoil is likely to be higher interest rates and higher inflation which will hurt the property market. At the moment buyers in the building and construction sectors are only purchasing for immediate needs.

Weak demand all round

Demand for meranti, especially for window and door frames, has been undermined by price competition from local produced aluminium alternatives. Also, local aluminium product manufacturers can offer quicker deliveries which are an advantage in a situation where endusers are buying to only satisfy current projects.

Analysts report the market for domestic pine is also weak which has driven some Cape mills to extend marketing into the Johannesburg area, an indication that their nearby markets are not strong. At the moment pine prices are steady but if demand weakens further price discounting will follow. This situation is mirrored in the panel market where plywood prices have fallen sharply.

On the other hand, demand for American hardwoods is holding up say analysts as these hardwoods are mainly for bespoke production but eventually there is likely to be resistance against the higher rand prices due to the exchange rate.

All in all not a great picture. Analysts write "The domestic housing market has turned very weak as people are uncertain if they can get a mortgages in the new environment and I expect the commercial/shopfitting market will also decline as new projects are put on hold."

Malaysia

Global trade picking up

Trade analysts, RHB Research, pointed out that exports from Asia have started to recover and RHB has forecast Malaysia's overall exports could recover by as much as 6% in 2017 compared to the 1.1 % growth seen in 2016. RHB Research also pointed out that Malaysia's export growth in February was the strongest recorded in almost seven years.

In terms of markets, the acceleration in February exports was helped by a growth in shipments to China, ASEAN member countries, the EU and US. However exports to Japan slowed in the first two months of 2017.

Only STA members can get harvesting license

It has been confirmed that companies tendering for short term timber licences must first be members of Sarawak Timber Association (STA) and should be legitimate timber operators having experience in harvesting and have no previous record of illegal logging activities.

This clarification came after an announcement by the State government that it intends to issue short term timber licenses through an open tender process. Short term timber licenses are only issued for state land forests which have been approved for development or for Native Customary Land (NCL), Development Areas and Native Communal Reserve approved for development.

The duration of these short term licenses will depend on the size of the area involved and the timber stock. Successful bidders are still subject to payment of royalty, premium, cess and other charges based on the volume of timber extracted.

STA Training

STA Training (STAT), a training provider owned by STA, has also been appointed by the State as a training provider under the state Forest Rules (Trained Workmen) legislation, 2015.

STAT has been training the industry workforce in various skills. For forests managers, STAT offers a post-graduate diploma in applied science, conducted in collaboration with Lincoln University, New Zealand.

Fibreboard exports

Malaysia exported 1.036, mil. cu.m of fibreboard in 2016, an increase from the 2015 exports of 985,854 cu m. The 2016 exports earned a healthy RM 1.183 billion. Most of the fibreboard (83%) was produced and exported by mills in Peninsular Malaysia.

Analysts report that a major producer, Evergreen Fibreboard Bhd. is expanding manufacturing capacity targeting demand for boards for furniture production. In addition to expanded fibreboard production the company intends to add a second line for the production of RTA furniture.

Mid-March plywood export prices

Plywood traders in Sarawak reported February FOB export prices as:

Floor base FB (11.5mm)	US$565-575/cu.m
Formboard panels CP (3'x 6')	US$430/cu.m
Coated panels UCP (3'x 6')	US$500/cu.m
Standard panels	
S. Korea (9mm and up)	US$400/cu.m
Hong Kong	US$490-495/cu.m.
Middle East	US$405-410/cu.m

Indonesia

Minister - not all markets require SVLK certified products

In a press statement, Airlangga Hartanto, Indonesia's Minister of Industry, suggested not all furniture and wooden craft items need to be SVLK certified and shipped with a V-legal documents. He asserted that the V-legal document and FLEGT license was a requirement for the EU market only.

The Minister said many manufacturers shipping to markets other than the EU have not requested SVLK certification as this was not a requirement in those non-EU markets. However, at present it is a requirement that all products listed in the VPA need to be verified legal through the SVLK system. This should be reviewed, said the Minister.

In follow-up statement the Minister revealed that his ministry was considering policy options to ensure the furniture and craft industries remain competitive in international markets. This was in response to complaints from businesses that the current regulations impeded export growth.

Hartanto said the future of Indonesia's furniture industry is bright as the government has developed policies and regulations that will support competitiveness of the sector. He said the government is working to eliminate barriers faced by manufacturers so that the full potential for design, production and marketing can be achieved.

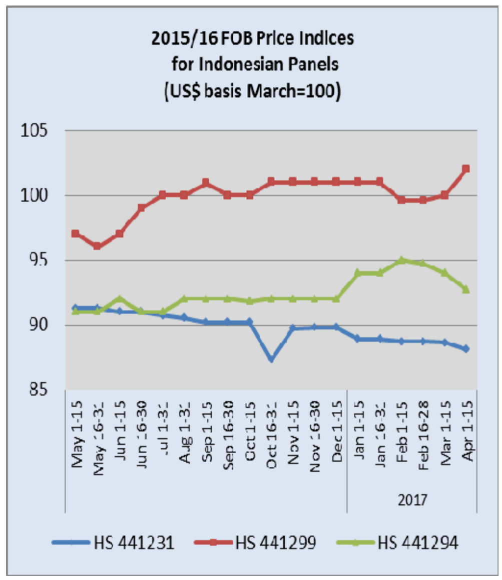
In related news, the Association of Indonesian Furniture and Handicraft Industries (HIMKI) has submitted a proposal to the Minister of Environment and Forestry asking for downstream manufacturers to be exempted from the requirement for SVLK certification.

The HIMKI proposal gained support when Gati Wibawaningsih, Director General of Small and Medium Industries Division in the Ministry of Industry, said SVLK certification should not be required in the manufacture of downstream products if the raw material utilised is from a SVLK certified supplier.

Oil palm plantations not a cause of deforestation say academics

A group of Indonesia researchers have developed a novel argument on the role of oil palm plantations in deforestation. Their argument runs – the worst deforestation in Indonesia occurred during the resettlement programme and when forest concession allocations were highest between 1960-1980 but that the planting of oil palm only began in early 2000. This issue has been given extensive coverage in the domestic press.

See:
https://sawitindonesia.com/rubrikasi-majalah/berita-terbaru/4-peneliti-sepakat-sawit-penyelamat-kerusakan-hutan/
http://economy.okezone.com/read/2017/03/31/320/1655644/sawit-disebut-bukan-pemicu-deforestasi
https://ekbis.sindonews.com/read/1193066/34/ditentang-uni-eropa-sawit-justru-penyelamat-deforestasi-1490937666
http://beritajatim.com/ekonomi/294067/sawit;_hantaman_isu_deforestasi_dan_persaingan_bisnis.html



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

Myanmar

Business slows in holiday season

Business activity is very quiet at the moment as everyone celebrates Thingyan, the Buddhist festival in Myanmar that marks the New Year. Thingyan celebrations began 13 April and will run until the 17 April and culminate in the New Year according to the Myanmar calendar.

Forest Rangers to be rearmed

Forest Rangers in the Sagging Regions will be retrained and provided with weapons in what is thought to be a move which could be replicated in other regions of the country. Until the military take-over Rangers regularly carried firearms but these were withdrawn.

Over the past two years there have been several fatal shootings of Rangers when they confronted timber smugglers.

Exporters beat tax deadline

To avoid the newly introduced 10% Special Commodity Tax which came into force on 1 April most exporters shipped out almost all of their stock just before 31 March 2017. Analysts in Myanmar believe most was shipped to Europe.

Focal Group for Communication to service importers

Industry and the timber association are extremely anxious about developments in some EU member states with respect to teak imports from Myanmar. The private sector has urged the Forestry Department (FD) and the Myanma Timber Enterprise (MTE) to act to ensure market access for wood products from Myanmar.

In a related development, a Focal Group for Communication, comprising representatives from MTE, FD and the Myanmar Forest Certification Committee (MFCC) has been formed. It is understood that the Group will process inquiries from foreign importers to clarify traceability and the legal status of consignments.

So far, the Group has not made any public statements.

Some sawnwood specifications defined as 'finished products'

According to sources close to FD, the definition of finished products to be applied under the new tax regime has been made. It appears that only sawnwood larger than 12 square inches (for example 2" thickness X 6" width) will be defined as sawnwood under the Special Commodity Tax.

Tamalan seizures continue

The CITES declaration on Tamalan is in force but attempts at smuggling continue. In the past three months the authorities in Myanmar confiscated about 1,500 tons of tamalan discovered ready for shipment in Yangon.

March teak tender prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	30.7	3,237
SG-5	39.8	2,532
SG-6	26.9	1,975
SG-7	37.64	1,957

India

Growth in Indian housing sector

A recent report from Cushman & Wakefield says middle and low income groups will drive housing demand in India with most development set to be in Sura,t Kochi and Visakhapatnam.

These three cities are expected account for almost half of total housing demand up to 2020, says the report entitled "Embracing Change: Exploring Growth Markets for Indian Housing".

The report identifies eleven tier II and tier III cities where housing demand is set to be robust.

See: http://www.cushmanwakefield.co.in/en-gb/research-and-insight/2016/credai-report-2016/

In other housing related news, the government, the Confederation of Real Estate Developers' Associations of India (CREDAI) and the National Real Estate Development Council (NAREDCO) will meet to review the government's affordable housing programme.

The government is calling on CREDAI and NAREDCO to help private sector developers launch affordable housing projects. The government offers incentives to developers willing to build affordable homes but the Minister for Urban Development and Housing and Urban Poverty Alleviation has said, so far, no developers have submitted proposals for affordable homes. The minister is calling on CREDAI and NAREDCO to try and determine why.

Gabon a source of veneer and plywood for Indian industries

Gabon is well known for its timber resources and the recently completed Special Economic Zone (SEZ) has been promoted in Indian newspapers and invitations extended to Indian wood based industries to take advantage of the opportunities offered by the zone.

The Gabon SEZ is a public-private partnership between Olam International, the Republic of Gabon and the African Finance Corporation. Log supplies will be guaranteed for manufacturers setting up in the zone.

Gabon can supply a wide range of timbers with okoume being the most popular for veneer and plywood production.

Apart from okoume, Gabon's reserves of exploitable timber are said to extend to 25-35 mil. cu.m of ozigo, 20-30 mil. cu.m of ilomba, 15-20 mil. cu.m of azobe, 10-20 million cu.m of padouk and large stocks of mahogany, kevazingo, ebony, dibetou, movingui, and Zebrano.

The advertisements in India for the SEZ say companies locating to the zone will enjoy tax benefits and advantageous recruitment conditions.

India has been trying to supplement domestic timber resources through imports from South East Asian countries and some companies have invested in production capacity in Asia to meet domestic requirements of veneers and plywood. But now, because the Gabon SEZ is seen as offering an attractive alternative, some Indian manufacturers have production facilities in Gabon.

For more see: http://www.gsez.com/

As quality of imports fall mills turn to domestic teak

In the previous round of auctions the logs offered were mostly old with few of fresh fellings and this pushed down prices. However, freshly felled logs have become available so prices have rebounded.

Analysts report the quality of imported plantation teak from many suppliers has fallen which is driving millers to purchase domestic teak, especially when auction prices dip.

	Girth cm.	Rs./cu.ft.
4-5 m Length	91+	1900-2000
	76-90	1800-1900
	61-75	1600-1700
	46-60	1500-1600
3-4 m Length	91+	Over 1700
	76-90	1600-1700
	61-75	1500-1600
	46-60	1400-1500
2-3m Length	91+	1300-1400
	76-90	1200-1300
	61-75	1100-1200
	46-60	900-1000

Plantation teak imports
As the Indian rupee steadily gains strength against the US dollar, importers have been encouraged since the landed cost of imported teak has fallen. Over the past two weeks C&F prices have remained steady.

Prices for imported plantation teak

	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

Price range depends mainly on length and girth

Sawnwood prices
Prices for sawnwood milled from imported logs remain unchanged as shown below.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1000-1100
Radiata pine AD	700-800
Whitewood	800-900

Price range depends mainly on length and cross section

GST could result in higher teak prices for endusers
Prices for sawn Myanmar teak remain unchanged from two weeks earlier. Indian importers have seen an opportunity to increase purchases of Myanmar teak as some EU buyers withdraw due to fears of contravening the EUTR.

With an increase in imports likely due to a stronger rupee and the only issue on the horizon which could result in increased wholesale prices is the implementation of the Goods and Services tax set for 1 July this year.

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	1200-1400
Hemlock AB grade	1250-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price variations depend mainly on length and cross section

Pressure to raise plywood prices eases

Resin prices have come down to the relief of plywood manufacturers and anlaysts report the supply of logs is improving. The combined impact of these two developments has eased the pressure for an increase in wholesale prices. As with teak sawnwood, much will depend on the impact of the GST on costs.

Prices for WBP marine grade manufactured by domestic mills

Plywood Ex-warehouse	Rs. per sq.ft
4mm	44.5
6mm	58.75
9mm	75.5
12mm	91
15mm	122
18mm	128.5

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	

Brazil

Industry discusses 2017 economic prospects

Although the Brazilian timber industry ended 2016 on a negative note the Brazilian Association of Mechanically Processed Timber Industry (ABIMCI), together with the Timber Industry Council in the Federation of Industries of Paraná State (FIEP), have projected a more favorable business climate for the Brazilian timber sector in 2017.

In 2015 wood product exports increased 6% and in 2016 rose 2% despite the country's GDP falling for each of those years. It is against this background and because demand in the US market is firming so prospects for 2017 are good says ABIMCI.

In addition to improved overseas demand higher government spending and moves to stimulate the domestic economy should lead to increased timber consumption, especially in civil construction. Housing could be a major growth area in Brazil as the country needs an estimated 80 million housing stock by 2025.

According to the Paraná State Forest Based Companies Association (APRE) the construction sector offers great opportunities for the forestry sector and that is why it is important that manufacturers in the timber industry seek continuous improvement in the quality of wood products offered.

Inspection of wood transport in Mato Grosso State

Representatives of the Center for Timber Producers and Exporters of State of Mato Grosso (CIPEM) recently met with the Brazilian Federal Highway Police (PRF) to discuss current procedures for inspection of forest products being transported by road in the state of Mato Grosso.

The meeting was prompted after several cases where timber had been seized on suspicion of illegality only to be proven to be legal. The problem, according to the Timber Industry Union of Northern Mato Grosso (SINDUSMAD), is not that cargoes are held but that the process to release the trucks is slow and results in financial losses for companies as delivery dates cannot be kept.

SINDUSMAD reported that members had discovered that seized trucks with timber were not secure and pilfering of the timber often occurred. In order to resolve these problems, the establishment of a committee composed of CIPEM representatives to assist PRF in improving the inspection procedures has been proposed.

Another proposal made at the meeting was to conduct immediate audits on seized timber suspected of being illegal before the police 'infraction report' is issued because once an 'infraction report' is issued it can take from three to six months to clear the paper work and release the truck and timber.

The PRF stated that it will review cases of timber seizure irregularities and verify the problems to be corrected/rectified, taking into account the "Manual of Procedures for Storage, Measurement and Inspection of Forest Products", which standardises the procedures for those agencies involved in inspection at different stages of the wood supply chain in Mato Grosso.

Growth in Brazil's wood panel exports

Brazil's woodbased panel exports increased in the first two months of 2017.

According to the Brazilian Tree Industry (IBA), in the first two months of the year 174,000 cu.m of woodbased panels were exported, a 40% increase compared to the same period in 2016.

Between January to February 2017 export revenue from the entire forestry sector was US$1.3 billion down 6% year on year and only the woodbased panel sector recorded an increase (US$39 million, up 22%). As a result the trade balance in the forestry sector registered a positive balance of US$1.15 billion in the first two months of the year.

Latin American countries continue to be the main destinations for the Brazil's woodbased panels.

Business round with Mexico

Representatives of ABIMCI participated in a meeting on 'Business Opportunities and Internationalisation' with Mexico in early March. The meeting addressed the business environment, the commercial and trade relationship between the two countries, opportunities for Brazilian companies in Mexico and logistics and customs issues.

Mexico is currently the world's 12th largest economy and the a member of the largest free trade area in the Americas. Mexico's GDP was US$2.31 trillion in 2016 and has been growing at an average of 2.2% over the past three years.

According to ProMexico, the Mexican government's export promotion agency, Brazilian companies can have access to 46 countries in three continents with which the Mexican government maintains trade agreements, representing a market of one billion consumers.

ABIMCI expects the results of this dialogue to be positive in the near future for wood product industries that include mechanically processed wood products, such as sawnwood, veneer and high value-added products. The latter includes, among other products, wood frames, doors, windows, floorings and furniture components.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	211
Jatoba	117
Massaranduba	119
Miiracatiara	121
Angelim Vermelho	116
Mixed redwood and white woods	98

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	936
Jatoba	474
Massaranduba	438
Muiracatiara	437
Angelim Vermelho	390
Mixed red and white	257
Eucalyptus (AD)	221
Pine (AD)	159
Pine (KD)	181

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	592
10mm WBP	455
15mm WBP	405
4mm MR	513
10mm MR	381
15mm MR	353

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	261
15mm MDF	338

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1429
Jatoba	920
Massaranduba	771
Muiracatiara	737
Pine (KD)	189

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

Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,564
	Jatoba	1,467

Source: STCP Data Bank

Peru

Fast track procedure for forest concession allocation

From the end of March access to a forest concession is possible through a revised and shortened procedure according to a provision published by the National Forestry and Wildlife Service.

The areas that can be granted through the new fast track procedure are those concessions which have reverted to the State. There are about 3.3 million hectares of such areas across the country. Also included in the fast track procedure are those forest areas that were offered through public tender but were not taken-up.

Regional Forestry and Wildlife Authorities are responsible for identifying and publishing available areas that can be fast tracked. Erik Fischer, Chairman of the Association of Exporters said this move will help to revive the forest sector which is facing a crisis.

Particleboard imports fall

During the first two months of this year the value of particleboard imports fell 4.6% compared to the same period last year. In the period January - February 2017 Chile was the main supplier of particleboard to Peru.

While Chile maintained its rank as the top supplier, in the first two months of this year fell the value of imports fell 15.5% year on year.

Ecuador was the second ranked but, as with Chile imports declined (17%). In a reversal of the downward trend imports of particleboard from Brazil increased in the January/February period. Novopan Peru was again the main importer of particleboard followed by Arauco Peru.

Coordination of method for measurement of forest resources

The National Forestry and Wildlife Service (Serfor) presented the results of its field investigation aimed at standardising the method for measuring timber resources to an Inter-Institutional Technical Group.

This group comprised representatives of the Regional Governments Loreto, Madre de Dios and Ucayali, the Forest and Wildlife Resources Supervision Agency (Osinfor) of the Ministry of Production, Forest Regents and the National Forest Confederation (CONAFOR - PERU).

This initiative on standardising measurement protocols is being supported by the North American/Peruvian Forest Sector Initiative (PFSI).

National Forestry and Wildlife Plan – top priority

The Ministry of Agriculture and Irrigation, through the National Forest and Wildlife Service (Serfor), has indicated that the development of a National Forestry and Wildlife Plan is a priority as it will result in strategies and actions for the sustainable management of forest resources.

The development of the plan will be coordinated by National Center for Strategic Planning (Ceplan).

Serfor reported that this planning tool will be created through consensus with stakeholders including regional governments, guilds, indigenous communities, academy, civil society and forestry development specialists.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	475-529
Grade 2, Mexican market	365-402
Cumaru 4" thick, 6'-11' length KD	
Central American market	879-925
Asian market	934-981⬆
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD Mexican market	435-466

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	237-255⬆
Spanish Cedar	316-368
Marupa (simarouba)	185-198⬆

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	342-371
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

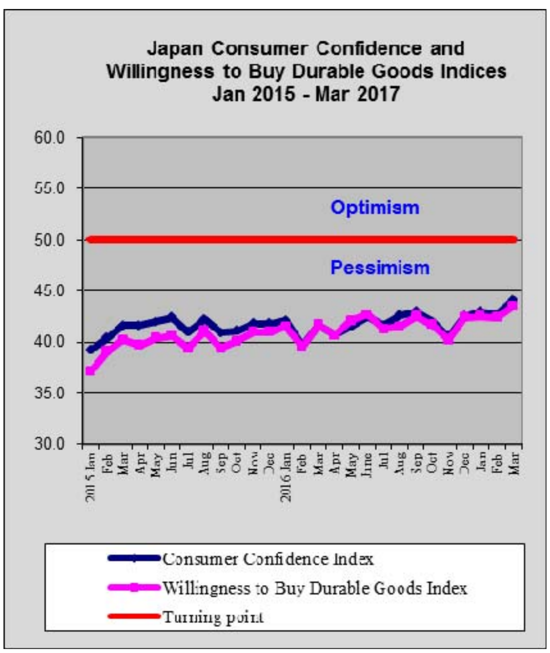
Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1058-1098
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519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

Japan

Falling unemployment and low inflation boosts consumer confidence

According to the Cabinet Office, consumer confidence in Japan improved more than expected in March rising to a three year high. All components of the consumer confidence index trended higher with the indexes for income growth, employment, the willingness to buy durable goods and the measure for overall livelihood rising surprisingly sharply.

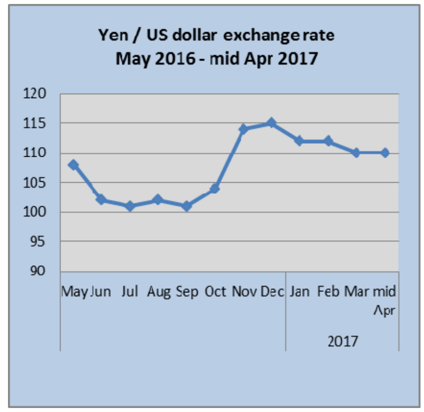
The boost in consumer confidence stems partly from the decline in unemployment and because inflation is minimal which means households feel there disposable income is stable. The main downside to an even bigger boost to consumer confidence is the poor wage growth after the latest round of wage negotiations with the unions.



Data source: Cabinet Office, Japan

Yen swings higher again

The yen barely moved from 110 to the US dollar in the first two weeks of April and still hovers at a four month high against the dollar.

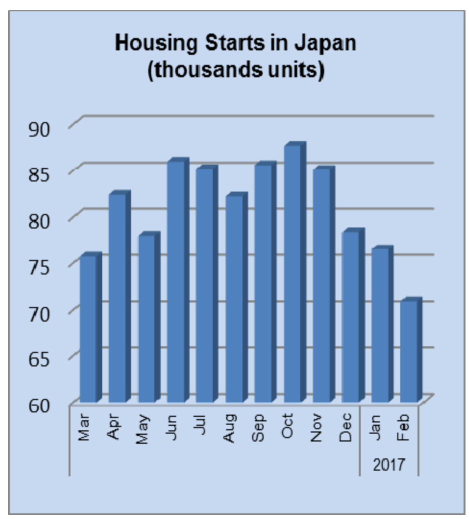


Uncertainty in the US and regional tensions have driven investors back to the safe haven Yen. The stronger Yen will boost importer sentiment and will work to suppress inflation because of its impact in lower energy costs.

Home renovation statistics would improve understanding of housing market trends

The stock of old houses in Japan, many of which have been left untended, is of concern to the authorities as these houses could eventually become unsafe. The government has brought in legislation which encourages owners of homes no longer occupied to either sell or demolish but selling an old home in Japan is no easy task.

In recent years the concept of house reform (renovation) has gained ground driven partly by the interest from middle income earners to own a home.



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

Most of the old homes on the market were built in the 1980s but were not built to last, commonly in Japan, homeowners assume they will have to replace their house after 30-40 years which tends to lead to minimal maintenance.

Against this background the new trend in 'reform' is creating opportunities but has exposed some problems, the main one being the absence of consistent regulatory supervision.

Unlike construction companies, a 'reform' company can open without registration which means anyone can start a reform business and is under no obligation to report customer spending on remodeling. This diminishes to value of statistics on the housing market as only new build data is available.

Exhibition exploring Japanese domestic architecture
The Barbican Centre, a performing arts and exhibition centre in London, is one of the largest of its kind in Europe and is currently exhibiting Japanese architecture.

The Barbican website has details of its exhibition 'the Japanese house' which the Barbican says "is the UK's first major exhibition exploring Japanese domestic architecture from the end of the Second World War, a period which has consistently produced some of the most influential and ground-breaking examples of modern and contemporary design.

In the wake of the war, the widespread devastation of Tokyo and other Japanese cities brought an urgent need for new housing and the single family house became the foremost site for architectural experimentation and debate. Since then, Japanese architects have used their designs to propose radical critiques of society and innovative solutions to changing lifestyles."

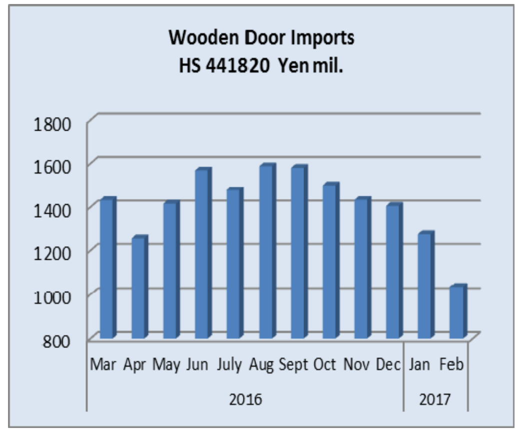
See:
https://www.barbican.org.uk/artgallery/event-detail.asp?ID=19951

Import round up

Doors
Year on year Japan's February 2017 imports of wooden doors (HS 441820) were down once again, this time falling 32% compared to February 2016 and from a month earlier they were down around 19%.

The continuing downward trend in wooden door imports marks five consecutive monthly declines since September 2016. The level of February imports is an unprecedented low.

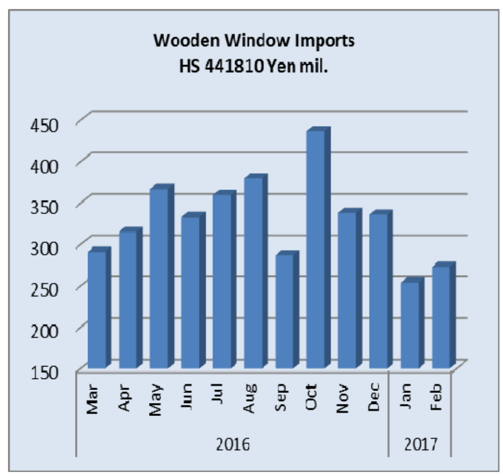
The top suppliers in February in order of rank were China (46%), the Philippines (24%), Indonesia (13%) and Malaysia (6%) accounting for 89% of Japan's wooden door imports for the month.



Data source: Ministry of Finance, Japan

Windows
Year on year, Japan's wooden window (HS441810) imports fell 7% but February 2017 imports rose 7% compared to levels reported for January 2017.

Four shippers accounted for almost 80% of Japan's February 2017 wooden window imports led by the US (42%), China (19%) and the Philippines (18%).
The balance of February 2017 imports came from EU member countries with Italy and Sweden together accounting for 18% of the value of windows shipped.



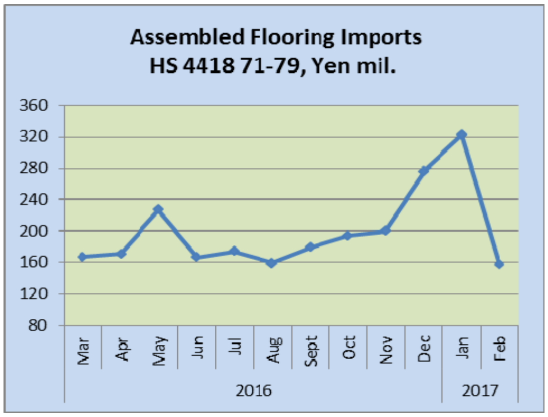
Data source: Ministry of Finance, Japan

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

There was a massive correction in Japan's imports of assembled flooring in February 2017 with the value of imports falling over 50%.

Assembled flooring imports had been rising since August 2016 and there was an unexpected burst in imports in December last year followed by another surge in January this year. Against the backdrop of a weaker yen making imports more expensive the sudden rise is difficult to explain.

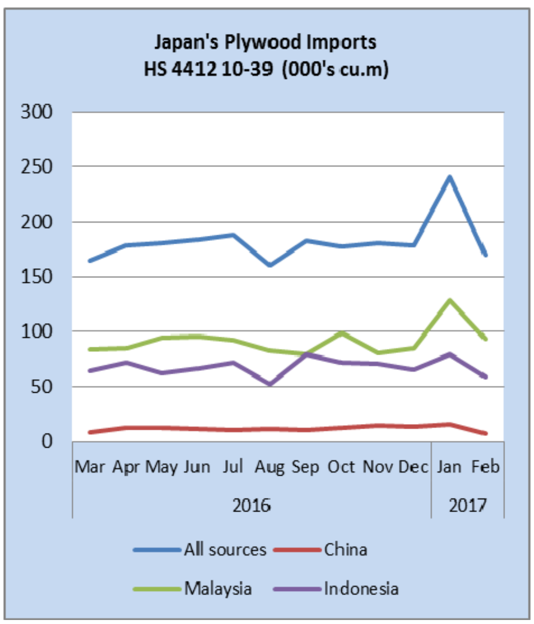
The top assembled flooring suppliers to Japan in February 2017 were Indonesia (37%), China (28%) and Sweden (15%).



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.



Data source: Ministry of Finance, Japan

This trend continued into February this year. Most of Japan's plywood imports are within HS 441231 (87%).

Year on year February 2017 shipments of plywood from China fell 25% and shipments from Indonesia also dropped (-17%). On the other hand, February shipments from Malaysia increased 15%.

While Malaysian shippers managed a year on year increase imports from all three of the major suppliers Malaysia, Indonesia and China in February 2017 were well below levels in January.

China posted the steepest decline with February shipments to Japan dropping 53%. Shipments from Malaysia and Indonesia were down 28% and 26% respectively.

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
2017	Jan	16	130	80
	Feb	7.5	93.3	59

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

Questions and answers on the Clean Wood law

The Clean Wood Act will be effective since May 20 this year. Please refer to the article of Clean Wood Act in No. 693 dated March 10, 2017.

Registration of business will not start until this fall so there is ample time but it is necessary to register when delivery of legally proven wood products is requested.

With this Act what would change and what one has to do to deal with this Act.

Question : Is there any penalty for violation of the Act?
Since the Clean Wood Act is promotion law so there is no legal penalty. If one handles suspicious wood products and they are found illegally harvested wood later, there will not be any penalty. However, if one handles the products knowing they are illegally harvested wood, there are possibilities of inspection, having guiding advice.

If one acts maliciously, registration will be cancelled and the name will be publicised.

Question : What does the Act specify 'wood' ?
It covers wide range of products from logs, lumber, plywood, building materials, furniture and paper.
In these, there will be a certain standard how much wood is used for furniture. If wood use is less than the standard, it is not subject of the law. If products are mainly made of recycled wood like MDF, OSB and particleboard, they are not the subject.

Products like concrete forming panel, scaffolding and sheet pile, which are used only at construction site are not subject but raw materials to make such products like plywood and lumber need to be proved legality.

Question : What does 'confirmation of legality' mean ?
Present methods to prove legality are forest certifications like FSC, PEFC and SGEC, group certification by industrial group and individual certification system like major paper manufacturing companies have then local products certification by prefecture.

Forest certification is sufficient by itself. Items mentioned on statement of delivery of Group certification may be changed or harvest registration may be requested to attach. On imported wood products, it is necessary to have statement to verify that the product is conformed to legal system of producing countries.

If such certification is not available, secondary certification such as EU wood rules or Lacey Act of the United States may be used.

Question : If legality of wood product is not proved, is handling such product prohibited ?
Even with hard effort, if legality is not proved, such product can be handle3d separate from legally proven products. Purpose of the Act is to keep reducing such products little by little.

Question : What is difference between certified enterprise by group certification and registered enterprises by the Clean Wood Act ?

Group certification is a mean to confirm legality and registered enterprises are entitled to use this method. Means of confirming legality are various like prefectural certification.

Registered enterprises confirm legality by forest certifications and group certification and declare to handle such products actively.

Once one becomes registered enterprise, it does not mean that one cancels group certification since registration does not mean to have means of proving legality.

Question : Who are wood related enterprises ?
There are two kinds. First group is ones which receive wood initially such as importers, which receive logs or lumber from overseas suppliers and log auction markets, which receive logs direct from log harvesters. Then there is second group, which received wood from first group such as wood processor, wood distributor and final use of wood like house builders.

Lumber mills, plywood mills and wood chip mills, which receive wood directly from log suppliers are classified as the first group but if logs are supplied through auction market, it is the second group.

Timber owners, log suppliers, overseas wood products suppliers, DIY stores and retailers are not subject of the Act.

Plywood production in February
New orders for softwood plywood by major precutting plants are slowing down now but there is no cancellation for delayed deliveries. Since total inventories are low, users fell uneasiness of future deliveries.

Import plywood market is slightly firming on structural and green concrete forming panels but the prices of coated plywood are weakening and there are some spot low prices.

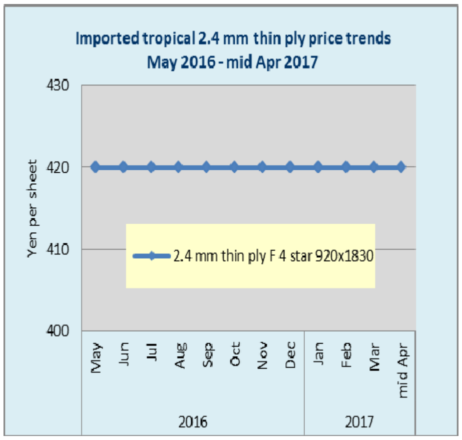
Production of domestic softwood plywood in February was 234,000 cbm, 0.8% less than February last year and 2.7% more than January. In this, structural panel production was 224,500 cbm, 0.6% less and 3.0% more. Meantime, shipment of softwood plywood was 231,600 cbm, 0.9% less and1.4% less.

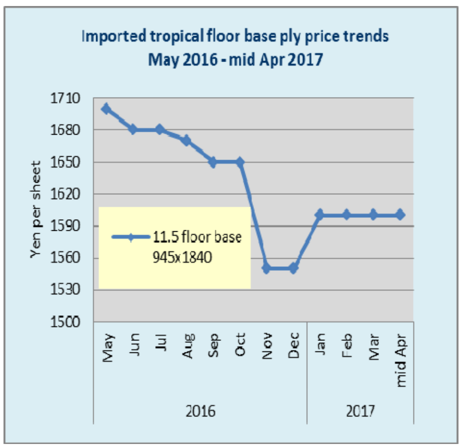
The production exceeded the shipment for the first time in eight months so the inventories were 78,900 cbm, 2,400 cbm increase from January. The supply had been tight since last April then deliveries are much quicker since March but softwood inventories are only for one week consumption so once orders increase from precutting plants, the supply would get tight in no time.

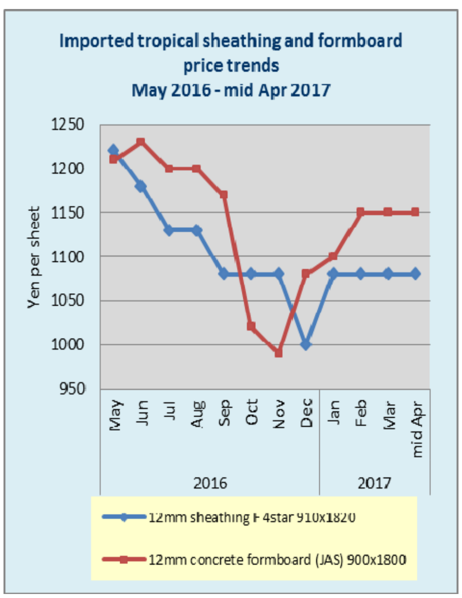
Plywood mills continue full production
Import plywood supply in February was 206,400 cbm, 5.7% less and 33.1% less. It was nearly 100,000 cbm less than January.

By source, 65,600 cbm from Malaysia, 14.2% more and 27.6 % less. 65,600 cbm from Indonesia, 15.1% less and 25.9% less. 32,500 cbm from China, 22.2% less and 52.9% less.

Actually, January arrivals were high with over 300,000 cbm by orders placed in late fall, which arrived in December, then carried over volume from December by the customs clearance delay is registered in January.
The market of imported plywood in Japan continues weak with sluggish demand for coated concrete forming panels.







Review of plywood and panel market of 2016

Total supply of wood panel in 2016 was 8,795,762 cbm, 3% more than 2015. Majority of about 260 M cbm increase was plywood. Domestic plywood production exceeded three million cbm, the highest since 2007.

Softwood plywood marked record high of 2,897,218 cbm, 11.9% more than 2015.

Housing starts in 2016 were 967,237 units, 6.4% more than 2015. In particular, wood based units were 546,336 units, 8.3% more. This stimulated demand for plywood and other panels. Imported plywood volume was 2,770,650 cbm, 4% or 115,000 cbm less than 2015, the lowest since 1990. Wooden panels like particleboard, MDF and OSB increased slightly.

Domestic plywood alone increased significantly. Domestic plywood production in 2013 was 2,810 M cbm when housing starts were more than 2016. Structural plywood production in 2013 was about 2,450,000 cbm then it increased to 2,800,000 cbm in 2016.

An average production during 2013 and 2015 was about 2,430,000 cbm so the increase in 2016 was about 400 M cbm. Structural plywood production maintained level of 2013 even when housing starts dropped from about 980,000 units in 2013 to about 900,000 units in 2014 and 2015.

Meantime, import plywood peaked in 2013 and the volume dropped by about 150,000 cbm in 2014 and about 600,000 cbm in 2015. To fill short supply of imported plywood, domestic plywood production increased.

Domestic panel was 4,958,058 cbm, 7% more then imported panel was 3,837,740 cbm, 2% less. Therefore, share of domestic was 56.4% and import 43.6%. Domestic panel increased by 324,665 cbm. Besides plywood, MDF increased by 222,000 cbm and particleboard by about 20 ,000 cbm.

Imported panel volume dropped by about 80,000 cbm, three consecutive years' decline. The largest factor is decline of imported plywood, which was down by 115,000 cbm in 2016 from 2015. Imported MDF increased by 7,500 cbm and particleboard also increased by 21,000 cbm. Majority of the increase is OSB.

Market of imported plywood mainly concrete forming panels remained sluggish then the market turned round in third quarter finally bu t the demand remained weak so the import was held down all through the year. As a result, Malaysian plywood import was the lowest at 1,075,700 cbm since the peak year of 2006.

Despite reduced import, the market prices continued decreasing with weak demand. Irritated with prolonging depressed market in Japan, Malaysian plywood mills decided to reduce the supply volume for Japan uniformly in August until Japan market recovers.

High export prices became chronic since availability of quality logs becomes hard and transportation cost climbs as harvest areas are farther and farther.

The Sarawak government put tight control on illegal log harvest and tighten log export quota.so log availability gets less and less and the prices continue climb. There seems to be any chance of increasing log supply in Sarawak. Sarawak plywood suppliers proposed higher prices and at the same time, the yen started skidding so the import yen cost increased, which discouraged purchase by the Japanese importers.

Indonesian import was 903,300 cbm, 44,300 cbm more than 2015. Indonesian plywood mainly used for floor base as compared to Malaysian's concrete forming panel. The prices of Indonesian plywood dropped some in Japan market but not as much as Malaysian plywood.

Japanese softwood plywood mills are now trying to take over floor base market so the mills are manufacturing new product apart from traditional structural panel. Some mills are now manufacturing softwood plywood for concrete forming to compete with Malaysian plywood.

China

Substantial growth in 2016 sawnwood imports

Data from China's Customs shows there was substantial growth in sawnwood imports in 2016. China's 2016 sawnwood imports totalled 32.15 million cubic metres valued at US$8.14 billion, a year on year increase of 21% in volume and 8% in value.

The average price for imported sawnwood in 2016 was US$253 per cubic metre, down 10% on 2015.

Of total sawnwood imports, sawn softwood imports rose 22% to 17.82 million cubic metres, accounting for 55% of the national total. The average price for imported sawn softwood in 2016 was US$176 per cubic metre, down 10% year on year.

Sawn hardwood imports grew 20% to 14.33 million cubic metres. The average price for imported sawn hardwoods in 2016 was US$349 per cubic metre, down 10% year on year.

Of total sawn hardwood imports, imports of sawnwood from tropical countries were 5.74 million cubic metres valued at US$2.118 billion, up 20% in volume and 3% in value and accounted for 18% of the national total.

The average price for sawnwood imported from tropical countries was US$369 per cubic metre, a year on year decline of 15%.

China's sawnwood imports in 2016

Volume	2016 mil. cu.m	% change 2015-16
Total sawwood imports	32.15	21
Sawn softwood	17.82	22
All sawn hardwood	14.33	20
of which tropical	5.74	20

Data source: China Customs

Value	2016 US$ mil.	% change 2015-16
Total sawwood imports	8,140	8
Sawn softwood	3,140	10
All sawn hardwood	5,000	7
of which tropical	2,118	3

Data source: China Customs

Average sawnwood prices, 2016

	US$/cu.m	% change 2015-16
Sawnwood price	253	-10
Sawn softwood logs	176	-10
All sawn hardwood	349	-10
of which tropical	369	-15

Data source: China Customs

Surge in China's sawn softwood imports from Russia

Russia was the main sawn softwood supplier to China in 2016 and imports from Russia surged 45% to 10.79 million cubic metres, accounting for 61% of total softwood sawnwood imports.

However, the second ranked supplier of sawn softwood was Canada but imports declined 15% to 3.87 million cubic metres.

The decline in average prices for imported sawn softwood from Canada (-16%) was larger than that from Russia (-8%).

Main countries shipping sawn softwood to China

	2016 sawn softwood imports cu.m	%change 2015-16
Total imports	17,820,000	22
Russia	10,790,000	45
Canada	3,870,000	-15
Finland	910,000	56
Chile	740,000	9
Sweden	630,000	34
New Zealand	360,000	-18
German	160,000	-2
US	70,000	0
Australia	50,000	43
Austria	40,000	109

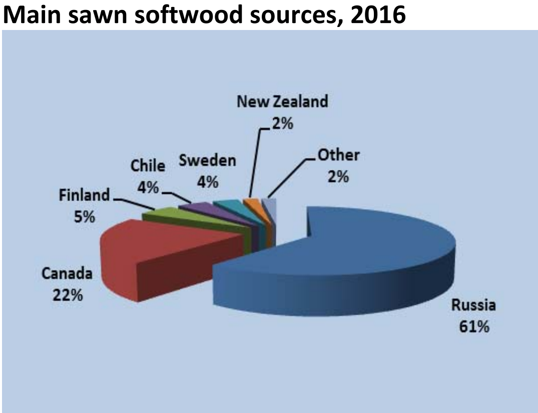
Data source: China Customs

Average sawn softwood prices from top 10 suppliers

	US$/cu.m	% change 2015-16
Russia	167	-8
Canada	157	-16
Finland	236	-7
Chile	238	-7
Sweden	218	-11
New Zealand	251	6
German	217	-16
US	181	-10
Australia	190	-8
Austria	244	-18

Data source: China Customs

Main sawn softwood sources, 2016



Data source: China Customs

Main countries shipping sawn hardwood to China

	2016 sawn hardwood imports cu.m	%change 2015-16
Total imports	14,330,000	20
Thailand	4,140,000	36
US	2,850,000	7
Russia	2,490,000	26
Canada	1,430,000	27
Vietnam	470,000	129
Philippines	310,000	-1
Gabon	290,000	-15
Brazil	270,000	97
Indonesia	270,000	8
Malaysia	270,000	8

Data source: China Customs

Average sawn hardwood prices from top 10 suppliers

	US$/cu.m	%change 2015-16
Thailand	307	-9
US	505	0
Russia	211	-4
Canada	199	-15
Vietnam	331	-13
Philippines	140	-6
Gabon	565	-12
Brazil	254	-26
Indonesia	811	5
Malaysia	370	-25

Data source: China Customs

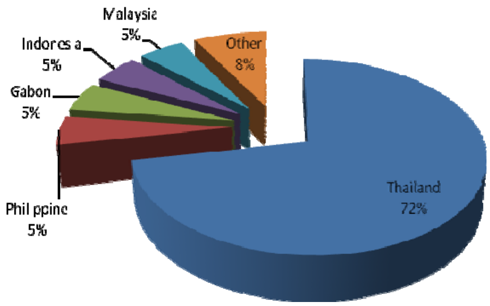
Thailand the main tropical supplier

Of total sawn hardwood imports, sawnwood imports from tropical coumtries were 5.74 million cubic metres valued at US$2.118 billion, up 20% in volume and 3% in value and accounted for 18% of the national total.

The average price for sawnwood imported from tropical countries was US$369 per cubic metre, a year on year decline of 15%.

Five tropical countries supplied just over 90% of China's 'tropical' sawnwood requirements in 2016 namely, Thailand (62%), Philippines (5%), Gabon (5%), Indonesia (5%), Malaysia (5%).

Main tropical sawnwood sources, 2016



Sawnwood imports from Thailand, Cambodia and Peru rose 36%, 24% and 12% year on year respectivel,y but year on year imports from Laos, Ecuador, Cameroon fell 36%, 30% and 28% respectively.

Main tropical countries shipping sawnwood to China

	2016 hardwood imports from tropical suppliers cu.m	% change 2015-16
Total imports	5,740,000	20
Thailand	4,140,000	36
Philippines	310,000	-1
Gabon	290,000	-15
Indonesia	270,000	8
Malaysia	270,000	8
Cameroon	90,000	-28
Laos	70,000	-36
Peru	60,000	12
Cambodia	40,000	24
Ecuador	40,000	-30

Data source: China Customs

Average tropical sawnwood prices from top 10 suppliers

	US$/cu.m	%change 2015-16
Thailand	307	-9
Philippines	140	-6
Gabon	565	-12
Indonesia	811	5
Malaysia	370	-25
Cameroon	681	0
Laos	822	-34
Peru	836	2
Cambodia	313	-17
Ecuador	963	6

Data source: China Customs

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	9800-11800
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

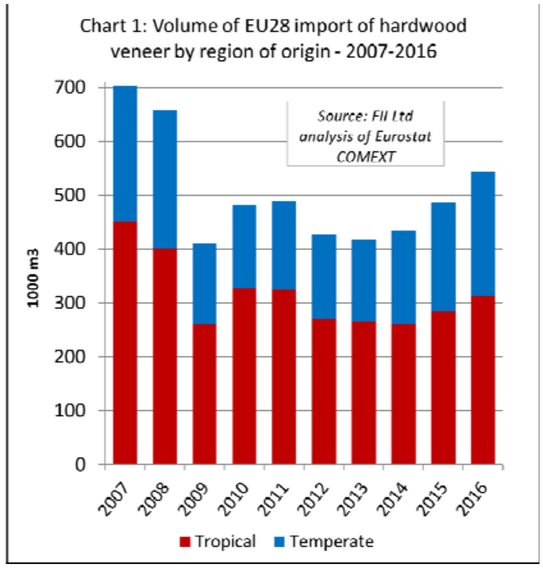
Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	14-20⬆
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

Europe

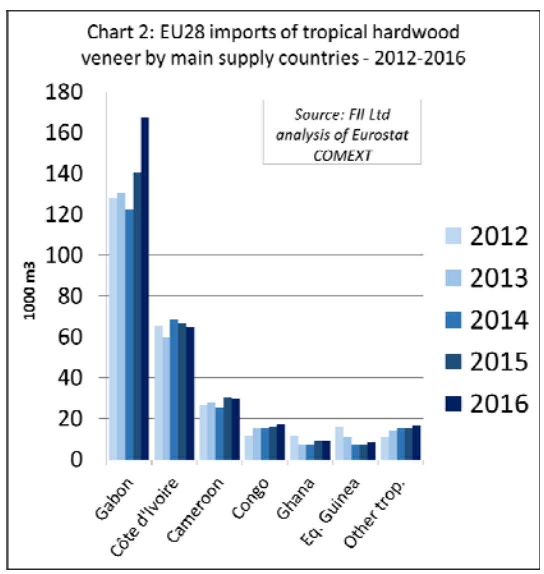
Recovery in EU tropical veneer imports continued during 2016

The upturn in EU imports of hardwood veneer which began in 2013 continued last year. The EU imported 542,000 cu.m of hardwood veneer from outside the region in 2016, 12% more than in 2015. Imports from the tropics increased 10% to 313,400 cu.m, exceeding 300,000 cu.m for the first time since 2011.

However, EU imports of tropical veneer are still well below volumes of over 400,000 cu.m per annum prevailing before the financial crises (Chart 1).



EU imports of veneer from temperate countries increased 14% to 228,900 cu.m in 2016, almost entirely due to a 39% rise in trade with Ukraine to 81,600 cu.m following the country's decision to implement a log export ban from November 2015 which encouraged increased exports of processed hardwood products from Ukraine in 2016.



EU imports of hardwood veneer from Gabon, the leading tropical supplier, ended the year 19% up compared to 2015 at 167,600 cu.m. This is due both to better consumption in the EU and to rising investment in veneer production capacity in Gabon, on-going ever since the country banned log exports in May 2010.

Strong growth in EU imports of Gabon veneer in the first half of 2016 was sufficient to offset a slowdown in the second half of the year when trade was disrupted during the dispute over Gabon's presidential election.

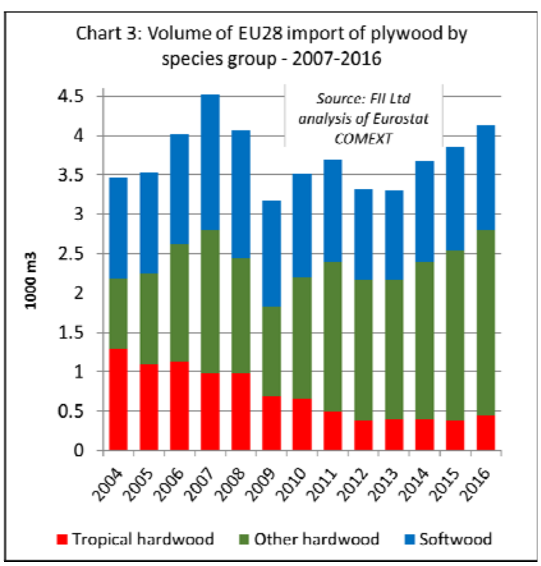
In 2016, there were also increases in EU veneer imports from Congo (+9% to 17,100 cu.m), Equatorial Guinea (+17% to 8,400 cu.m) and the Democratic Republic of Congo (+3% to 4213 cu.m). These gains offset a slight decline in imports from Côte d'Ivoire (-3% to 64,700 cu.m), Cameroon (-1% to 29,900 cu.m) and Ghana (-3.4% to 9,100 cu.m) (Chart 2).

Nearly all the largest EU markets for tropical veneer imported more in 2016. Imports increased into France (+16% to 135,000 cu.m), Italy (+2% to 68,500 cu.m), Spain (+15% to 41,600 cu.m), Greece (+22% to 20,000 cu.m), Germany (+3% to 14,500 cu.m), and Belgium (+62% to 11,300 cu.m). These gains offset a decline in imports by Romania (-36% to 9,400 cu.m) and the Netherlands (-1% to 6,800 cu.m).

EU plywood imports rise to near record levels

EU imports of plywood increased by 8% to 4.13 million cu.m in 2016, the second highest level ever recorded, although some way short of the peak of around 4.50 million cu.m in 2007 (Chart 3).

Much of the gain in 2016 was due to a sharp increase in imports of birch plywood from Russia encouraged by extreme weakness of the Russian rouble against the euro and other EU currencies. In 2016, EU imports of Russian birch plywood increased 25% to 1.08 million cu.m, with most destined for Germany, the Baltic States, Poland, the UK and Netherlands.



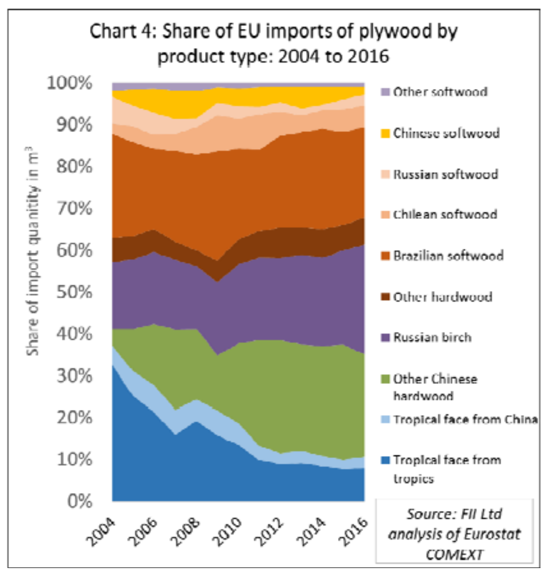
EU imports of tropical hardwood plywood also increased last year. Imports of products manufactured in tropical countries increased 11% to 320,000 cu.m in 2016, while imports of products faced with tropical hardwood manufactured in China increased 25% to 120,000 cu.m.

In 2016, the share of tropical countries in total EU plywood imports recovered a little ground, rising to 7.8% after sliding to an all-time low of 7.5% in 2015 (Charts 4 and 5).

However, Russian birch plywood achieved by far the largest increase in share of EU imports last year, rising from 22.4% in 2015 to 26.0% in 2016. This was largely at the expense of Chinese plywood faced with non-tropical hardwoods (including birch plywood, mixed light hardwood made with plantation grown poplar and eucalyptus, and various other forms of combi-plywood).

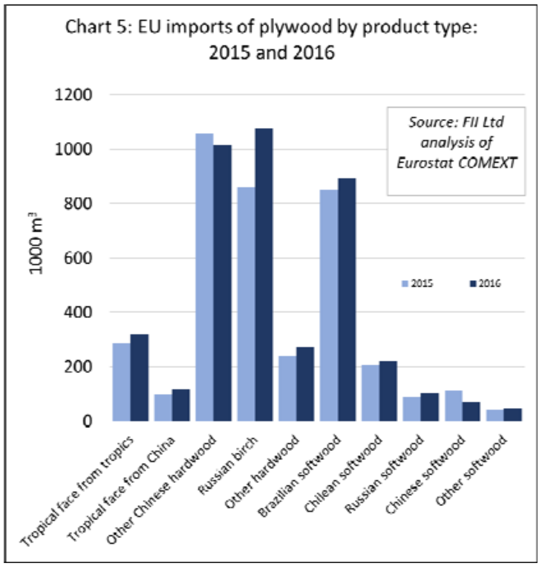
Between 2015 and 2016, EU imports of Chinese non-tropical hardwood plywood fell 4% to 1.01 million cu.m and share of this commodity in total imports fell from 27.5% to 24.5%.

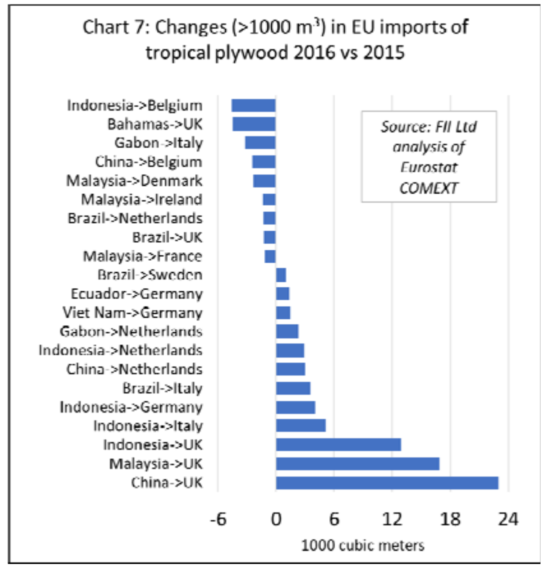
EU imports of softwood plywood increased by 2% to 1.33 million cu.m in 2016, with rising imports from Brazil (+5% to 890,000 cu.m), Chile (+2% to 220,000 cu.m) and Russia (+13% to 100,000 cu.m). These gains offset a 36% fall in EU imports of softwood plywood from China, to 70,000 cu.m.



The changing composition of EU plywood imports may be partly related to enforcement of EUTR and CE marking requirements which is encouraging a shift from Chinese mixed light hardwood products to plywood containing more clearly identified species of known origin and technical performance.

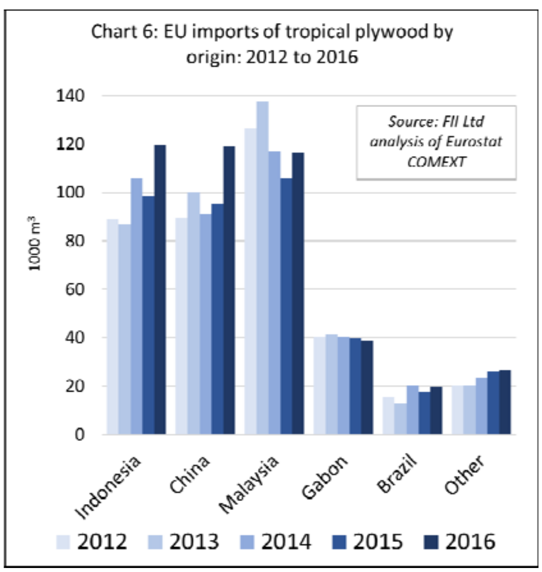
This factor tends to favour Russian birch plywood and Chinese plywood faced with hardwood species of known tropical origin, together with plywood imported directly from tropical countries.





During 2016, EU imports of tropical hardwood plywood increased 21% to 119,000 cu.m from Indonesia and 10% to 116,500 cu.m from Malaysia.

There was also a 13% increase in EU imports of this commodity from Brazil, although at 19,000 cu.m in 2016, trade with Brazil is less than one tenth of the level prevailing a decade ago. EU imports of tropical hardwood plywood from Gabon declined by 4% to 38,600 cu.m in 2016. (Chart 6).



Rise in tropical hardwood plywood imports concentrated in the UK

Last year's increase in EU imports of tropical hardwood faced plywood manufactured in China was heavily concentrated in the UK (Chart 7).

In recent years, of all EU importing countries, the UK has been most tempted by the low prices and relatively short transit times offered by Chinese plywood suppliers.

UK importers have also been under intense pressure to demonstrate conformance to EUTR after the NMO, the UK's enforcement agency, published a report in February 2015 revealing failures by several UK importers of Chinese plywood to meet regulatory requirements. Specific concerns were raised over the lack of accurate information on species content in Chinese hardwood plywood.

The sharp rise in UK imports of Chinese plywood faced in tropical hardwood may therefore be a result of efforts to ensure more accurate identification of species content.

It also suggests that a significant proportion of this material is faced with FSC or PEFC certified tropical hardwood, or at least that Chinese manufacturers are now successfully reassuring customers of the legality of their tropical veneer supplies by other means.

The rise in EU imports of Malaysian plywood in 2016 was destined almost exclusively for the UK. Rising imports from Indonesia were more evenly distributed between the UK, Italy, Germany, and the Netherlands. These gains were sufficient to offset a big fall in imports of Indonesian plywood by Belgium.

For Gabon plywood during 2016, a gain in Dutch imports was offset by a decline in imports by Italy and France. More than 50% of all EU plywood imports from Gabon were destined for the Netherlands during 2016, while 30% were destined for Italy.

In 2016, direct imports of Gabon plywood into France, traditionally one of the largest markets for this commodity, were only around 5100 cu.m, less than half the level of imports typical in the years before 2013.

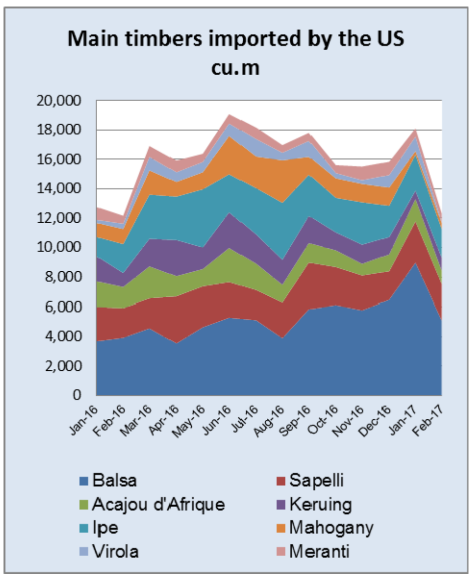
North America

Drop in balsa imports

US imports of all sawn hardwood fell 24% in February from the previous month. 53,345 cu.m. of sawn hardwood worth US$31 million were imported in February. The steepest drop was in imports of several temperate species, but tropical imports also declined.

The volume and value of tropical sawnwood imports fell by almost one third in February. A total of 16,107 cu.m. was imported, valued at US$15.5 million. Despite the decline, year-to-date tropical imports were 27% higher than in February 2016.

The largest drop was in imports of balsa sawnwood from Ecuador. Imports fell 43% to 5,088 cu.m. in February. Sapelli and ipe imports were also down from the previous month but remained at relatively high levels (2,446 cu.m. and 1,953 cu.m., respectively).



Imports from Cameroon declined to 1,910 cu.m. in February due to lower volumes of sapelli (1,334 cu.m.) and acajou d'Afrique (408 cu.m.). Ghana on the other hand increased shipments of both species to the US in February.

Malaysia also grew exports to the US in February from the previous month, but year-to-date volumes remained below February 2016. Malaysia shipped 779 cu.m. of keruing and 269 cu.m. of red meranti to the US market in February.

Italy supplied over 1,000 cu.m. of tropical sawnwood to the US market in both January and February.

Canadian tropical imports up in February

Canadian imports of tropical sawnwood were worth USUS$1.87 million in February, up 13% from January.

The value of year-to-date imports was unchanged from February 2016. Imports of virola, imbuia and balsa (combined) increased to USUS$646,233 in February. Year-to-date imports of the three species were up 68% from February last year.

Sapelli imports were almost unchanged from January at US$380,644, down 27% year-to-date compared to February 2016. Cameroon was again Canada's main source of imports at US$547,083 in February, but year-to-date imports were down from the same time last year.

Imports from Brazil grew substantially in February and were worth US$184,539. The majority was likely ipe sawnwood, which is not classified separately in Canadian trade data. Among the smaller suppliers Thailand, Gabon and Guyana increased sawn hardwood exports to Canada in February.

Weak start of the year for furniture industry

New furniture orders were flat in January compared to the same time last year according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors. In November and December new orders were up 8% and 11%, respectively. Just over half of all survey participants reported order were down.

January furniture shipments increased 2% from January 2016. Inventory levels at distributors and manufacturers were slightly up from December.

January retail sales at furniture stores were unchanged from January 2016 according to US Census Bureau data. This was despite strong consumer confidence in the economy and higher personal income.

Overall retail sales were up 5% from January last year with strong growth in building materials and garden stores, home furnishings (but not furniture) and car sales.

With interest rates still low furniture retail sales are expected to pick up this year. Despite pre-election promises by President Trump on trade policy there has been no real change and few developments are expected for much of 2017. Wooden furniture imports were at record high levels in January.

First DLT manufacturing plant in North America

The first manufacturing plant for dowel laminated timber (DLT) is being built in Canada near Vancouver. DLT panels are engineered wood products similar to cross laminated timber (CLT), nail laminated and glue laminated timber.

Unlike in CLT wood fibres are all in the same direction in DLT. Instead of nails or glue, DLT uses hardwood dowels that expand and lock the softwood into a structural panel. The panels are made entirely of wood without the use of plastic, metal or glue.

DLT panels can be used for building floor, wall and roof structures. Of the approximately twenty existing DLT plants most are in Austria, Germany and Switzerland, according to the Journal of Commerce. The technology was invented in Switzerland.

Mass timber panels like DLT and CLT are prefabricated and quick to erect at the building site. A disadvantage of DLT compared to CLT is the lower stability when the panels are exposed to rain during construction.

The 50,000 sq.ft. DLT production facility is being built from mass timber and is scheduled to open in January 2018.

Timber Innovation Act to promote timber construction in the US

The Timber Innovation Act is a new bipartisan legislation put forward to the US Congress to advance the design and construction of tall timber buildings. The Act would create a research and development program for tall wood structures.

The US has fallen behind other countries in mass timber technology and its application in construction of tall buildings, according to the Binational Softwood Council, whose mandate includes expanding the market for softwood in the US and Canada.

The Senate and the House introduced the bill in March to the support of almost 100 organizations and companies. More information about the Timber Innovation Act is available at: http://www.timberinnovation.org/index.html

The first tall wooden building in the US will be built in Portland, Oregon later this year. The 12-storey building will be made with CLT for the floors and the exterior and have glulam beams and columns.

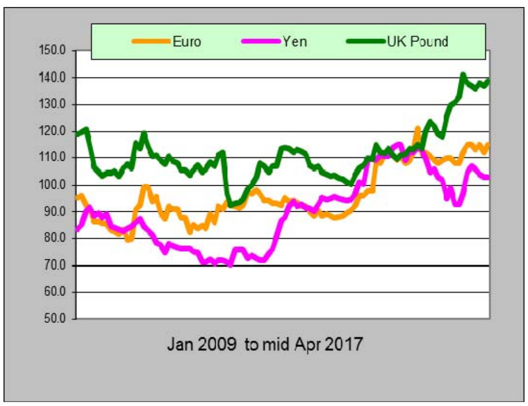
The tallest wood buildings is currently in Vancouver, British Columbia, with 17 wooden stories on a concrete foundation.

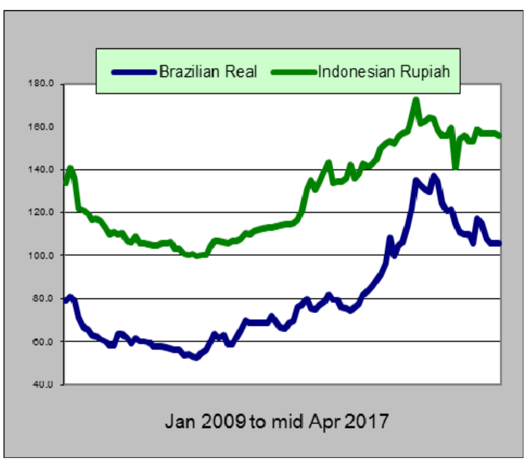
Dollar Exchange Rates

As of 10 April 2017

Brazil	Real	3.12322
CFA countries	CFA Franc	620.1
China	Yuan	6.9026
EU	Euro	0.9438
India	Rupee	64.625
Indonesia	Rupiah	13280
Japan	Yen	110.94
Malaysia	Ringgit	4.4355
Peru	New Sol	3.2462
UK	Pound	0.8054
South Korea	Won	1143.47

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



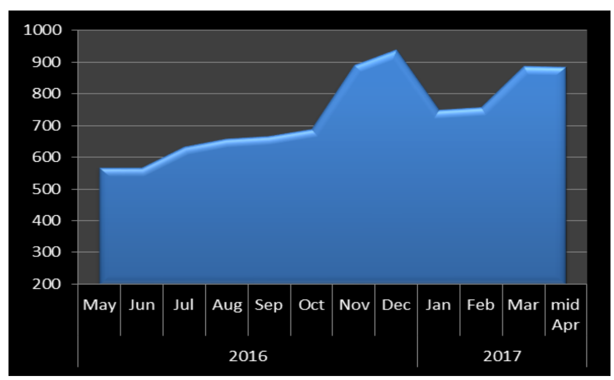


Abbreviations and Equivalences

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
May 2016 – mid April 2017

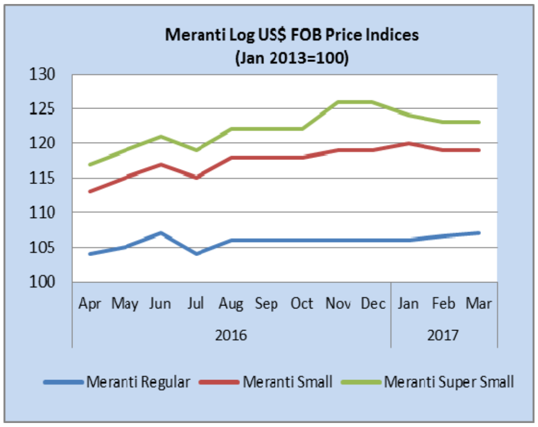


Data source: Open Financial Data Project

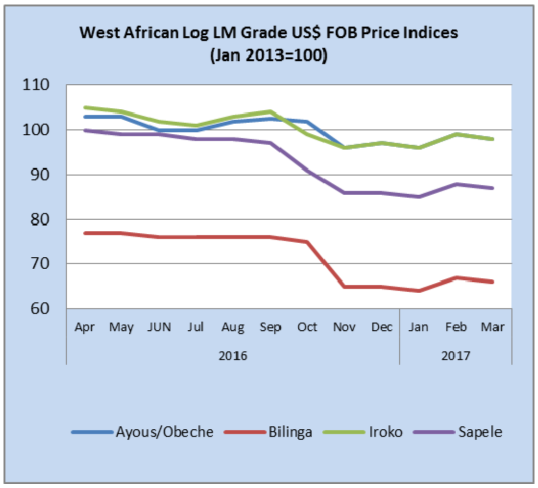
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

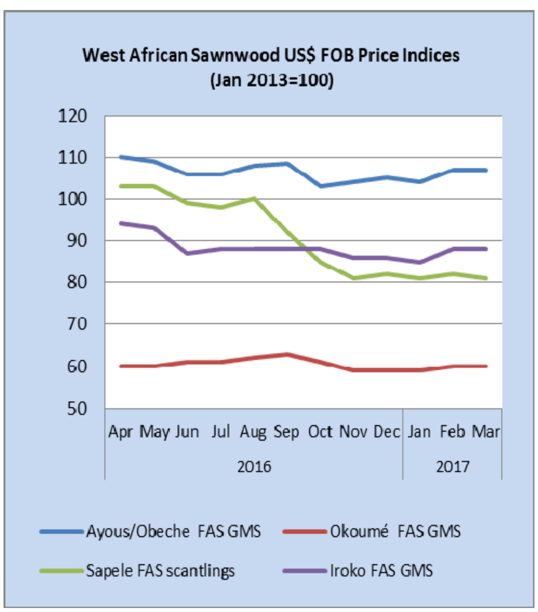
Price indices for selected products

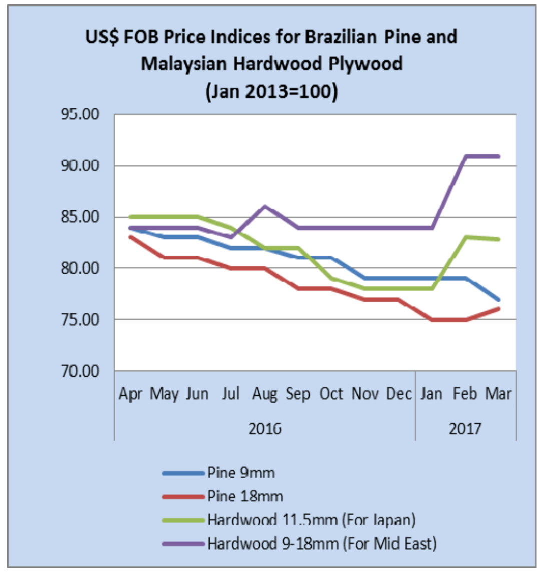
The following indices are based on US dollar FOB prices

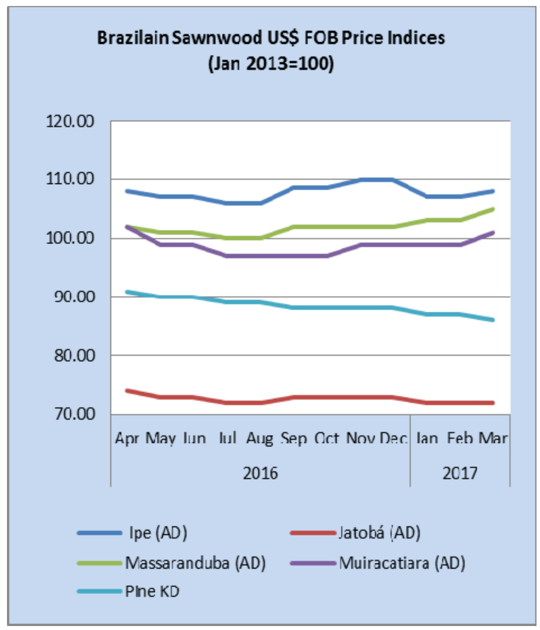


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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