Tropical Timber Market Report

Volume 21 Number 15, 1st – 15th August 2017

Contents

Top Story

Foreign furniture makers in Indonesia moving to Vietnam

Several foreign owned furniture companies have relocated from Indonesia to Vietnam to take advantage of the more attractive business environment.

The Indonesian Furniture and Handicraft Industry Association say production costs are rising in Indonesia so it is only natural that companies would seek the most favourable locations. Some 20,000 jobs are at risk if foreign furniture manufacturers decide to leave Indonesia.

Vietnam's furniture exports were just over US$7 billion last year, more than four times that of Indonesia's.

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Headlines

Central and West Africa

Order books looking good for 2 months

Log and sawnwood FOB prices remained unchanged through into early August and producers appear confident that the current market stability will continue for the time being.

Demand for logs and sawnwood is forecast to remain at the present level allowing millers to balance log availability with shipments. Many sawmills report satisfactory forward order books equivalent to two months of full production.

Business for the Chinese market is steady and producers report regular but modest increases in the volumes being ordered, especially for the most favoured species.

While some forecasters are suggesting the Chinese economy may slow, this does not fit with the mood of buyers for this market who seem to be convinced the economic prospects for the country are sound.

One year ban on bubinga export mooted

The Gabon Minister of Forests, now on a visit to China, has appointed new senior forestry officials. The Director General for Industry in the ministry is said to be considering a one year ban on the felling of bubinga/kevazino.

This is in order to secure time to bring in regulations aimed to allowing only large sawmill operators to be involved in bubinga export. It is anticipated that the new regulations would allow only export of sawn and further processed bubinga.

Owendo Port open for business

The new port in Owendo built by OLAM is operational and it has been reported that Maersk shipping line will focus on the port to take advantage of the lower cost handling charges.

Stories are circulating that OLAM is negotiating to take over management of Société Nationale Des Bois Du Gabon (SNBG), the government timber company.

Such a deal would add a considerable area of forest concession to OLAM's already significant forest holdings. With sound management, analysts say this may open the way for other timber companies to invest in manufacturing operations within SNBG.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	245	240	160
Ayous/Obeche/Wawa	245	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)	245	240	190
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	230	205	-
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	430
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	300
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	555
FAS scantlings	560
Padouk FAS GMS	870
FAS scantlings	990
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Ghana joins satellite based forest monitoring project

The Forestry Commission will participate in a project to monitor activities in the country's forest so action can be taken immediately to protect against illegal activities.

The project will develop new methods to detect changes in the forest cover to provide for fast and accurate identification of deforestation and degradation. This five year project being funded by the UK Space Agency's (UKSA) International Partnership Programme and will be conducted in Ghana as well as Brazil, Colombia, Indonesia, Mexico and Kenya.

Trials will be undertaken in three forest types; forest reserves, reforestation areas and coastal ecosystems.

Project Coordinator, Professor Ernest Foli, said the system can distinguish between tree crops and the natural forest cover.

Business sentiment improving says industry association

The Association of Ghana Industries (AGI) has released its second quarter Business Barometer Index (BBI) report. The BBI for the second quarter 2017 stood at 109.2, up from the 103.8 in the first quarter. The BBI measures business sentiment.

When meeting the press, the president of the AGI, James Asare-Adjei, indicated that, at the beginning of the year business confidence rose and had continued rising into the second quarter with most businesses having high expectations for the business environment this year.

However there are major challenges facing the private sector such as the high cost of electricity, high interest rates, access to credit, exchange rate movements as well as tough competition from imports. Asare-Adjei urged the government to address the cost of energy, the high interest rates and the bureaucratic hurdles at the ports.

Boule Export prices

	Euro per m^3
Black Ofram	365
Black Ofram Kiln dry	482
Niangon	570
Niangon Kiln dry	620⬆

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	314	400
Chenchen	425	624
Ogea	467	604
Essa	439	645
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	898
Avodire	897
Chenchen	691
Mahogany	1484
Makore	1223
Odum	1,070

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	361	610	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	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	332
Dahoma	360	382
Edinam (mixed redwood)	520	580
Emeri	380	510
African mahogany (Ivorensis)	870	889
Makore	685	720
Niangon	620	650
Odum	755	850⬇
Sapele	700	745⬆
Wawa 1C & Select	354⬇	420

South Africa

Rand forecast to weaken further

Analysts report little movement in demand for wood products as confidence has slipped due to the political turmoil. To the surprise of analyst, President Zuma survived another vote of no confidence, his 8th, but this time over 30 of his own party voted against him.

The South African rand weakened prior to the no-confidence motion and continued to fall even though the motion form the opposition was voted down. Analysts warn that further falls in the rand are likely in the coming months.

All eyes have now turned to the expected clash at the ANC convention in November so prospects for a quick recovery in the rand exchange rate look slim.

Sentiment in construction industry at 2008/9 crisis level

There is still no sign of funds flowing into the government infrastructure programme so millers and traders have to try and survive while waiting. A report from Stellenbosch University's Bureau for Economic Research (BER) says optimism in the construction sector has fallen to levels last seen during the 2008/9 economic downturn.

Construction prices have risen this year which is good news for companies but the BER says demand in the second half of the year is expected to weaken. There are already sign that this is likely as applications for building plan approvals have started to fall.

The political and economic turmoil in the country has had a profound impact on non-residential construction with building plans falling over 60%.

For more see: https://www.ber.ac.za/home/

The residential housing market is very quiet with little or no activity in detached units. There are some apartment blocks and town houses being built but the timber input per square metre is lower in apartment blocks than in detached units.

Market round-up

Demand for American hardwoods has seen some growth but this is mainly due to the exchange rate with ash, walnut, white oak and red oak being the main movers.

The panel market has been stable with some expansion in demand for MDF. Plywood producers say stocks are moving well enough. The decking market has been very quiet this year as homeowners hold onto their savings.

Sales of meranti have improved slightly and the price increases reflect the higher cost of import rather than firmer demand.

The consumption of wood products from African shippers is hampered by slow arrivals. There were some deliveries of iroko recently and sales were brisk when they arrived. Analysts report a shortage of kiaat in the domestic market which has driven endusers to use alternatives.

Malaysia

A focus on Africa to boost trade

Malaysia built up a RM9.88 billion trade surplus in June, the 236th consecutive monthly surplus since November 1997 and the highest surplus since April 2016.

Bilateral trade between Malaysia and new markets in Africa is expected to grow 3-4% this year as the government is actively promoting Malaysian products in the region. This comes after Malaysia-Africa bilateral trade dropped 14% in 2016.

The main exports to Africa were of electrical products and machinery, palm oil and refined petroleum products while Africa's top exports to Malaysia were agriculture products, comprising cocoa bean, minerals, fruits and natural rubber.

Export round-up – First 5 months

Malaysia's wood product exports rose 6.8% to RM9.75 billion in the first five months of this year compared to the same period a year ago.

The timber industry was one of the major contributors to national export earnings recording between RM20 billion and RM22 billion in revenue annually over the past 10 years. It is expected that growth in wood product exports this year will be around 5%.

Furniture dominated export earnings in the first five months of this year at RM3.28 billion followed by plywood (RM1.96 billion) and sawnwood (RM1.6 billion).

In related news, the government intends to review the National Timber Industry Policy (NATIP) to redirect the course and strategic policies of the industry to fit into the current situation. The review, to be conducted for the first time since NATIP's implementation in 2009, will involve stakeholders, skilled manpower, innovation and technology as well as sustainability.

Increase in protected forests in Sabah

The area of Class 1 Forest Reserves (i.e. Protection Forest) in Sabah has been increased from 1,353,677 hectares to 1,386,614 hectares following amendment to the Forests (Constitution of Forest Reserves and Amendment 2017) by the State Legislative Assembly.

The total State Forest Reserves, after the reclassification, is 3,540,748 hectares an increase of about 474 hectares compared to 2016. Sabah is expanding a protected forest near Mount Kinabalu to ensure the survival of a butterfly species that can only be found in the area.

Following the re-classification and establishment of the new forest reserves, the Totally Protected Area (TPA) in Sabah increased 26% to 1,906,896 hectares compared to only 1,874,061 hectares in 2016. There is confidence the State government will be able to achieve its 30% TPAs target by the year 2025 as planned.

As a result of the change, Class II Forest Reserves (Commercial) have declined from 1,668,272.95 hectares to 1,659,899.95 hectares. Also reduced was Class III Forest Reserves (Domestic) which went from 4,673 hectares to 4,656 hectares following the amendment.

The area of Class V Forest Reserves (Mangroves) went from 256,0097 hectares to 232,039.29 hectares and the Class VI Forest Reserves (Virgin Jungle Reserve or VJR) declined from 107,013 hectares to 106,911 hectares.

Apply latest technologies for plantation development

A 'Pest and Disease' workshop was held in Kuching as the State gears up to increase the rate of plantation establishment. The main theme of the workshop was that efforts need to be made to ensure pests and diseases, which have caused many forest plantations to fail, are avoided in Sarawak.

There were calls for greater investment in new technologies, capacity-building and research and development for early detection and control of threats.

This point was driven home by Professor Michael J. Wingfield, a tree health expert and president of the International Union of Forest Research Organisations (IUFRO). He elaborated on the need to research tolerant planting stock to ensure the success of investment in plantations.

Plywood prices

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$ 610 – 620 FOB
CP (3' x 6')	US$ 490 C&F
UCP	US$ 560 C&F
Standard 4x8 panels	
Middle East (12mm)	US$ 400 FOB
S. Korea (9mm and up)	US$ 415 FOB
Taiwan P.o.C (9mm and up)	US$ 410 FOB
Hong Kong	US$ 405 – 415 FOB

Indonesia

Furniture makers moving out to Vietnam
From the beginning of this year several foreign owned furniture companies have relocated from Indonesia to Vietnam to take advantage of the more attractive business environment.

Abdul Sobur, Deputy Chairman of the Indonesian Furniture and Handicraft Industry Association said Indonesia's competitiveness is falling as production costs rise and it is only natural that companies would seek the most favourable locations. He estimated that around 20,000 jobs are at risk if all foreign furniture manufacturers decide to leave Indonesia.

Vietnam's furniture exports were just over US$7 billion last year, more than four times that of Indonesia's.

Developments in forest management should not put jobs at risk
Calls have been made for the Ministry of Environment and Forestry to be more creative in encouraging and fostering businesses in the forestry sector that harvest timber without harming the environmental integrity of the forest.

Viva Yoga Mauladi, Vice Chairman of Commission IV of the Representative Council, House of Representatives called for a balanced approach to conservation and economic utilisation

According to Viva, the Minister of Environment and Forestry, Dr. Siti Nurbaya, should try to apply government policies without undermining the business sector.

Issuance of permits for forest industry to be tightened
It is understood that the government plans to tighten requirements for those applying for permits to establish forest industries as a way to better protect natural resources and preserve the environment.

The President has called on the Minister of Environment and Forestry to follow procedures and carefully evaluate the impact the proposed enterprise will have on the forest.

The President further pointed out that several protected forests and national parks were facing the threat of exploitation.

Developing environment-based economy, cooperation with Finland
Dr. Siti Nurbaya, Minister of Environment and Forestry recently met with the Ambassador of Finland, H.E. Paivi Hiltunen-Toivio and Marjukka Mahonen, an adviser to the Finnish Minister of Agriculture and Forestry of Finland.

The discussion focused on cooperation in the fields of bio-economic development at the forest management unit level, efficiency and sustainability of utilisation, bioenergy, sustainable forest management, sustainable wood-based industries, ecotourism, pest and disease control, forest fire protection and capacity building.

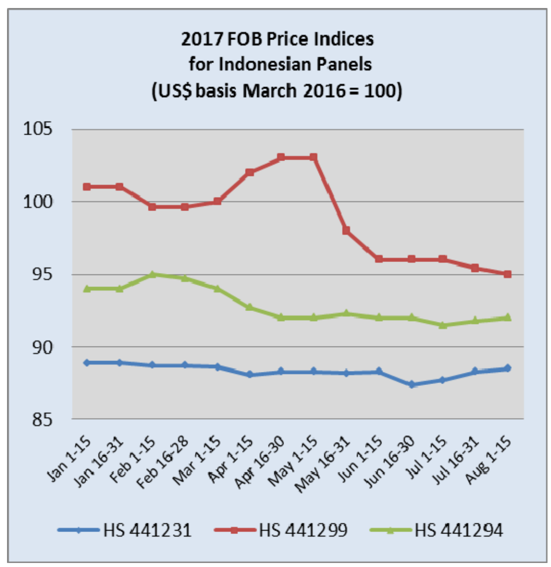
'Light wood' market developments
China has become the main market for Indonesia's 'light wood' products which include plywood, solid cores and blockboard, taking around 3,500 containers per month.

Vice Chairman of the Indonesia Light Wood Association (ILWA), Sumardji Sarsono, said the Chinese market is currently absorbing about 95% of Indonesian exports of these products with the balance going to mainly Japan and South Korea.

Exports of 'light wood' products to the European and US markets are small but could be increased if manufacturers were more innovative in their production of light wood products such as doors and furniture.

Re-denominate the Rupiah - dropping three zeros
The Indonesian media is reporting that Bank Indonesia has been given the go-ahead to plan to redenominate the rupiah which, says the Bank, will improve fiscal efficiency and make commercial transactions simpler.

It has been reported that, while the value of the rupiah would remain unchanged, the last three zeros on all rupiah bills and coins would be eliminated. A draft Bill has to be approved by the cabinet and then discussed in Indonesia's House of Representatives. This may take place in late this year.



Myanmar

Correction
In our previous report we wrote: "Analysts report that the Myanma Timber enterprise (MTE) may rent out its workable heavy machinery and elephants to contractors." This was incorrect and we sincerely apologies to MTE.

The discussion on the arrangement between the private sector and MTE continues below.

MTE clarifies private sector involvement in logging

There has been heated debate on the news that the private sector, through so-called service providers, may be engaged where the capacity of the MTE is insufficient to meet harvest targets.

The Myanmar Times newspaper has carried a reaction to this from the Environmental Investigation Agency (EIA).

See:
http://www.mmtimes.com/index.php/business/27226-eia-accuses-mte-of-stepping-back-from-reform-commitments.html

In a Facebook response, MTE Deputy General Manager, U Khin Maung Kyi, writes "MTE will use their own facility, but in the event of the inadequate facility in the five area of work; felling, skidding, (temporary) road construction, truck logging and loading/unloading logs MTE can use the services of regional people, who have the related experiences, by paying for their service.

There will no involvement at all of the previous private logging companies under the product-sharing sale system. MTE is just capable to harvest 230,000 tons of logs mainly because their heavy vehicles are about 30 years old and (only) 1,300 of 3,000 elephants are fit enough for logging.

MTE is bearing the amount of 50 billion Kyats for the current and retired 30,000 staffs. In order to keep the operation ratio MTE is required to harvest 15,000 tons of teak and 350,000 tons of hardwoods."

According to a retired MTE General Manager, in the past MTE used to hire elephants when the capacity the MTE-owned elephants was insufficient and the MTE would also use local transport companies to save costs.

Tax on sawnwood clarified

The Ministry of Finance and Revenue has intervened in the conflict between exporters and regional Internal Taxation Departments over the tax on sawnwood. The Yangon Division Internal Revenue Department previously stated that a 10% Special Commodity Tax will be levied on all wood products.

It now appears that the 10% tax will apply to sawnwood with a cross sectional area of 12 square inches or more but sawnwood of a smaller cross section and all other semi-finished products will be exempted.

Timber export values on the rise

According to statistics from the Ministry of Commerce, wood product exports have started to rise after the decline following the export ban introduced in 2014. Wood product export values reached US$948 million in the 12 months to 31 March 2014 as producers cleared log stocks in advance of the ban.

Exports of wood products were valued at US$212 million in fiscal 2015-16 and US$247 million in fiscal 2016-17 and this was despite the tough trading environment in the EU.

Last minute suggestions on Forest Law

Just prior to the government debate on the new forestry law civil society groups proposed 4 amendments, 33 addenda and 21 suggestion to the Resources and the Natural Conservation Committees of two houses of the parliament.

The proposals from the civil society groups are related to peoples' rights, the role of communities, forest governance, law enforcement and management, amongst others.

July teak tender prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	29.5	4,390
SG-4	69.9	3,430
SG-5	135.7	2,150
SG-6	116.2	2,255
SG-7	136.7	1,730

NB, the prices above reflect log grade and the region they are sourced .This accounts for SG-6 logs being priced higher than SG-5 logs at this auction.

India

Strong rupee a boon for importers but all struggle with GST compliance

While importers cheer the stronger rupee other business sectors are reeling from the effects of demonetisation and from the introduction of the standardized Goods and Services Tax (GST).

The rupee hit a two-year high in the first week of August and it is expected to strengthen further as foreign financial inflows accelerate in response to the weakening dollar. So far this year, the Indian currency has gained almost 7% against the dollar making it the best-performing currency this year.

The stronger rupee is not yet a concern of the Reserve Bank of India (RBI) which has said it does not expect to intervene except to curb excessive volatility.

Interest rate cut in face of lower consumer prices

The Reserve Bank of India (RBI) lowered its benchmark interest rate to a six-and-a-half-year low of 6% in early August, down from 6.25% after consumer prices fell more than expected and there was an overall slowdown in economic growth. India's gross domestic product grew just 6.1 per cent in the January to March quarter, the slowest since late 2014 and analysts blame the currency swap issue and the GST which is proving tough for companies to adapt to.

In its latest report on the economy the RBI said "weakening industrial performance points to continuing retrenchment of capital formation in the economy".

Regulating the real estate sector

The reputation of India's real estate sector has been undermined by frequent delays in projects and persistent reports of poor quality.

Now a Real Estate (Regulation and Development) Act, 2016 (RERA) will provide the means to regulate India's real estate sector. The act was approved last year and the Union Ministry of Housing and Urban Poverty Alleviation had until May this year to formulate rules for the functioning of the regulator. According to local analysts RERA will greatly improve in transparency in the sector and help protect the interest of the homebuyers.

Each State and Union territory will have its own regulator whose means of operation has been defined by the central government. Analysts report that while some states are behind schedule many will soon have a functioning regulatory system.

For more see: http://indianexpress.com/article/what-is/what-is-rera-and-how-will-it-help-homebuyers-4635705/

CREDAI invites investors

The Confederation of Real Estate Developers' Associations of India (CREDAI) has appointed CBRE South Asia Pvt. Ltd. its strategic partner for the 17th annual international convention NATCON for 10th to 12th August 2017 at the Park Plaza, Westminster Bridge, London.

A press release from CREDAI says the convention is expected to attract top developers and investors from around the world. Key sessions of the three-day convention include – "significance of private equity and banks vis-à-vis the interest of projects", "strategies to garner institutional funding for real estate", "emerging trends in real estate", "social media: a boon or a bane" and "the best practices for navigating through the legal real estate minefield."

Additionally, there will be discussions on various other issues such as the onslaught of digital media, business success stories in customer services and the archetypal model of technology as a disruptor in the industry.

See:
https://credai.org/press-releases/credai-appointscbreas-its-knowledge-partner-for-the-prestigiousnatcon-2017

Central India teak auction results

In Madhya Pradesh teak logs are mainly 2 to 5 metre in length and mostly in girth class 120 cms and below but logs from this area are of good form being cylindrical and the wood has a desirable golden colour with black stripes.

Buyers at the recent auctions were mainly from local mills and merchants from Gujarat, Maharashtra, Rajasthan and South India.

Auctions at almost all the forestry depots in Harda, Jabalpur, Hoshangabad and Betul divisions are now over and more than 8,000 cu.m of teak logs and around 5,000 cu.m of non-teak hardwoods were sold. Further auctions will be held when the monsoon season is over.

	Girth cm.	Rs./cu.ft.
4-5 m Length	91+	2100
	76-90	1900 - 2000
	61-75	1750 - 1850
	46-60	1500 - 1650
3-4 m Length	91+	1800+
	76-90	1650 - 1750
	61-75	1450 - 1600
	46-60	1300 - 1400
2-3m Length	91+	1600+
	76-90	1450 - 1550
	61-75	1250 - 1300
	46-60	1000 - 1200

Good quality non-teak hardwood logs attracted higher prices than at the previous auction. Logs of 3 to 4 m. with girths of 91 cms & up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora), bhirra (Chloroxylon swietenia) and Pterocarpus marsupium, were sold at between Rs.700 to 750 per. C.ft. Second quality logs were sold at between Rs.350 to 500 per. c.ft and the lowest quality logs went for between Rs.200 to 300 per c.ft.

Plantation teak log prices C&F Indian ports

Traders report demand for imported plantation teak logs as steady and prices remain unchanged for the moment. Because of the introduction of the GST importers are saddled with higher transaction costs.

Having to pay almost 24% by way of basic duty, plus GST (18%) and surcharges and this is stretching the finances of importers. As the rupee strengthens and because of high transaction costs importers may open price negotiations with shippers.

	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 cross section

Locally sawn hardwood prices

Prices for hardwoods milled from imported logs are unchanged.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1100-1200
Radiata pine AD	600-700
Whitewood	650-750

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7500-8500
Teak B grade	5250-5750
Plantation Teak FAS grade	4000-4500

Price range depends mainly on length and cross section

There were no reports of price movements over the past two weeks. Availability of sawnwood in Myanmar is reported as good but sales in the Indian market have slowed as sellers are attempting to pass on to endusers the full GST.

Prices for imported sawnwood

Prices for imported sawnwood (KD 12%) remain unchanged.

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	1200-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Plywood prices

After adjusting prices for the GST, excise duty etc. some manufacturers have issued new price guides. The panel sector continues with its strong representations to government for a review of the 28% GST on panel products. The aim is to have this lowered to at least 18%.

Prices for WBP marine grade manufactured by domestic mills

Plywood Ex-warehouse	Rs. per sq.ft
4mm	52.00
6mm	69.00
9mm	87.00
12mm	107.00
15mm	143.00
18mm	150.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	25.5	38
6mm	38.5	49
9mm	49	59
12mm	59	71
15mm	72	86
19mm	82	97
5mm Flexible ply	51	

Brazil

Seeking improvements in tropical wood processing

Utilising funds from the Amazon Fund a partnership between the Federal University of Paraná (UFPR), the Federal University of Amazonas (UFAM) and the Brazilian Development Bank (BNDES) have mounted an effort to raise efficiency in the tropical wood processing sector.

This ‘Proindus Project’ aims to identify technological solutions to lift efficiency in the production of high value wood products. The project will establish a network for rural communities in Manaus, Amazonas State.

The project will promote new technologies for added value products and transfer these technologies to rural communities in the Project area. The project will offer training and capacity building from production to marketing. The project aims to contribute to the economic development and social inclusion of rural communities in the region.

Productivity of sawnwood industry rises

The sawmilling industry in Brazil accounts for the highest number of companies in the wood based industry sector and production capacity per enterprise ranges from the large sawmills with an installed capacity of around 250,000 cubic metres output per year to small mills which produce less than 5,000 cu.m of sawnwood per year.

There was a sharp slowdown in national sawnwood production in 2006, well-above the declines seen in other sectors. Most of the decline in output was due to falls in production from Amazon based mills.

In the period 2004-2005 there was a peak in sawnwood exports due to firm demand in international markets and the favourable exchange rate.

The latest data is indicating that productivity in the sawmilling sector (as measured by production vs. worker nubers) has increased gradually since 2015 which indicates those companies still operating are more competitive through optimising their production capacity.

It has been estimated that by the end of 2017 Brazil’s production of sawnwood could be 3% higher than in 2015. Although modest, this represents marked change for a sector that has lagged behind in terms of raising productivity and competitiveness.

Logs and primary products top Brazilian timber exports

In the first six months of 2017, logs and primary products accounted for most of Brazil’s timber exports and the tonnage exported was some 38% higher than in the same period last year, according to the Ministry of Development, Industry and Foreign Trade (MDIC).

The United States is the largest single buyer of pine plywood produced in Brazil accounting for 34% of exports of this product followed by Europe (30%).

The US is also the main market for wooden doors manufactured in Brazil, accounting for over 70% of all wooden door exports.

The largest buyer of tropical plywood produced in Brazil is Argentina (45%) followed by the US (10%), Mexico (8%) and France (7%). As for pine veneer, South Korea, at 42% of all veneer exports, is the major buyer followed by Malaysia at 30%.

The Brazilian timber industry is benefitting from steady growth in US economy. However, recent export data published by the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) shows that, while export volumes are rising on the back of firmer demand, prices are not.

Changes in export destinations appear to be having an influence on the phenomenon of higher volumes but flat prices.

Pine plywood exports totalled 934,682 cu.m in the first half of this year against 835,841 cu.m in the same period last year but companies have been unable to secure better prices.

Last year pine sawnwood was exported mainly to the US, China and Saudi Arabia but this year Mexico became the second ranked market destination taking 22% of all sawnwood exports.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	209
Jatoba	116
Massaranduba	116
Miiracatiara	120
Angelim Vermelho	114
Mixed redwood and white woods	99

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	928
Jatoba	466
Massaranduba	433
Muiracatiara	432
Angelim Vermelho	386
Mixed red and white	257
Eucalyptus (AD)	216
Pine (AD)	156
Pine (KD)	177

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	690
10mm WBP	461
15mm WBP	411
4mm MR	493
10mm MR	367
15mm MR	340

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	256
15mm MDF	311

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)	188

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)	287
12mm C/CC (WBP)	267
15mm C/CC (WBP)	251
18mm C/CC (WBP)	253

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,598
	Jatoba	1,467

Source: STCP Data Bank

Peru

Campaign to register forest plantations

On 12 August a campaign for registration of national forest plantations was launched by the National Forestry and Wildlife Service (SERFOR) and the Regional Government of San Martín.

The Executive Director of SERFOR, John Leigh, reported that through the registration of forest and agroforestry plantations, producers will be provided with a registration certificate by the Regional Environmental Authority (ARA) identifying the area established and the owner.

Across the country there are around 40,000 hectares of registered plantations and in San Martín there are around 2,000 ha. of unregistered plantations. Five trained forest officers will visit areas in Lamas, Mariscal Cáceres, El Dorado, Moyobamba and Bellavista in order to register, guide and provide information to owners.

According to official statistics, between 2000 and 2015, 1.8 million hectares of forest was deforested in the country of which 382,000 ha. was in San Martin. To address this SERFOR has developed a national forest recovery programme and the promotion of plantations.

According to Law No. 29763 of the Forestry and Wildlife Law any plantation, whether for production, protection or recovery must be registered in the National Register of Forest Plantations.

Exports fall in May

According to the Association of Exporters (ADEX), in May 2017 Peruvian timber exports totalled US$47.8 million (FOB) an almost 8% drop compared to May 2016.

Of the total export value in May, China continued as the main export destination with May 2017 exports climbing almost 11% compared to May last year.

China accounts for around half of all Peru's wood product exports. Mexico ranks second at 11% participation but May 2017 exports were down 13% month on month. The US is the third largest market (10%) but here exports dropped a massive 45%. Sawnwood exports during May 2017 were worth US$7.9 million down 23% compared to May last year.

The main export market for Peru's sawnwood in May was the Dominican Republic, accounting for a 39% share of all May sawnwood exports. Second is China with a 25% share. In May there was a sharp decline in the value of sawnwood exports to the US (-52%) and a similar pattern was seen with exports to South Korea (-43%).

Serfor and Customs strengthen cooperation

To strengthen efforts to eliminate the illegal trade in forest and wildlife species in the Piura region SERFOR will assign specilaists to the Operational Control Division of the Paita Customs Department.

Specialists from the Technical Forestry and Wildlife Administration (ATFFS) Piura, a regional office of SERFOR, explained that endangered species are protected by Law No. 29762, the Forest Law and Wildlife and efforts have been stepped up to stop the commercialization of such species through fines and prison sentences as set out in the forestry Law.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m3
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	645-672⬆
Marupa 1", 6-13 length KD	
Asian market	493-562

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	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

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		1296-1380
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

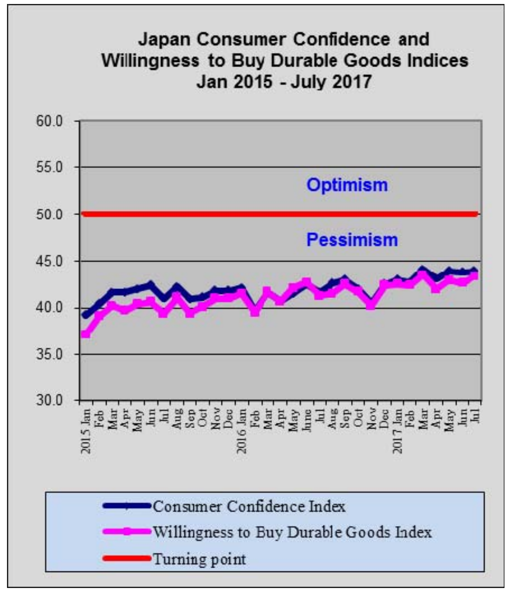
Consumer sentiment rises again but spending unmoved

The Cabinet Office Consumer Confidence Survey for July shows sentiment rose for the first time since May. The seasonally adjusted consumer confidence index rose to 43.9 in July from 43.3 in June. The score was expected to increase to 43.5.

Behind the rise, analyst point to the stable employment situation and stable food and petrol prices. Of the four sub-indices the overall livelihood, income growth and willingness to buy durable goods went up, while that for employment was flat.

The index measuring willingness to buy durable goods such as furniture rose by 1.0 point to 43.2 in July from 42.2 in June.

Despite the improved sentiment Japanese consumers remain pessimistic measured by the level of borrowing and spending.

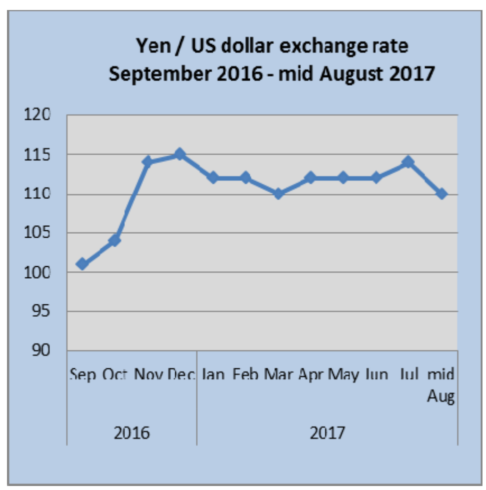


Source: Cabinet Office, Japan

Dollar weakens in face of weaker than expected inflation – yen strengthens

The yen gained strength over the past two weeks driven by the weaker U.S Dollar. Analysts suggest this is because economic reports from the US highlight that inflation in the US is not matching the Federal Reserve's targets.

The yen is hovering at the 110 to the dollar level. Despite the uncertainty over the ability of the US administration to advance its policies the US economy is described as inflation free and healthy.



Investment in homes for rent continues – Bank of Japan issues advisory to regional banks

Data from Japan's Ministry of Land, Infrastructure, Transport and Tourism shows that June housing starts rose sharply (+11%) from a month earlier. However, year on year starts are up just under 2%.

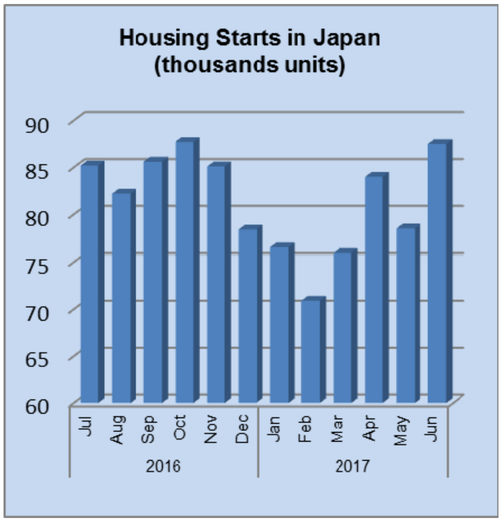
With the latest rise annualised housing starts would come in at 1.003 million. The forecast level for 2017 was 987,000. House builders report a recover in the number of orders received after two months of declines.

Much of the recent growth in housing starts has been driven by construction of homes and apartments financed by individuals building on their own land as a tax-saving measure. Builders are seizing on this opportunity to secure orders and the domestic banks are actively promoting low interest loans for buildings to boost their loan portfolios.

However, as the number of available homes rises landlords are finding it increasingly difficult to attract tenants and rents are falling. This problem is worst for those who have been encouraged to build condominiums in areas, especially rural areas, where there are few job opportunities and communications are poor.

According to a statement from the Bank of Japan, outstanding loans provided by banks continue to rise (currently at an 8 year high) "supported by rises in the amount of loans provided to real estate [businesses] such as those for apartments."

The BOJ has strongly recommended that regional banks must be cautious in extending loans for building for rent without first checking average rental fees and occupancy rates in the surrounding area.

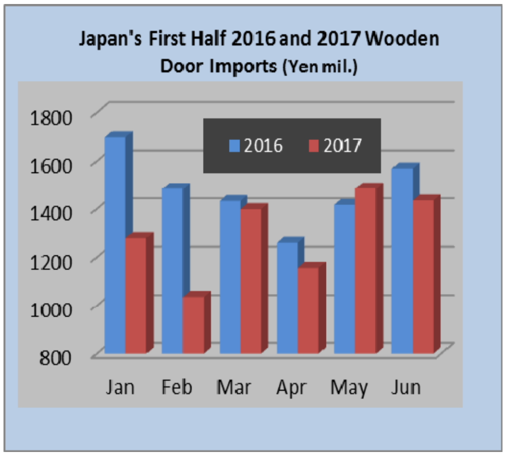


Import round up

Doors

Japan's imports of wooden doors (HS 441820) in the first half of 2017 fell 12% compared to the first half of 2016. Year on year June imports dropped 9% and there was a slight decline in June 2017 imports compared to levels in May.

The three main suppliers in June were China (54%), the Philippines (20%) and Indonesia (12.5%). These three have consistently topped the league of suppliers for the past 12 months. It is not yet clear if the volatility in wooden doors imports observed in the early part of this year has ended.



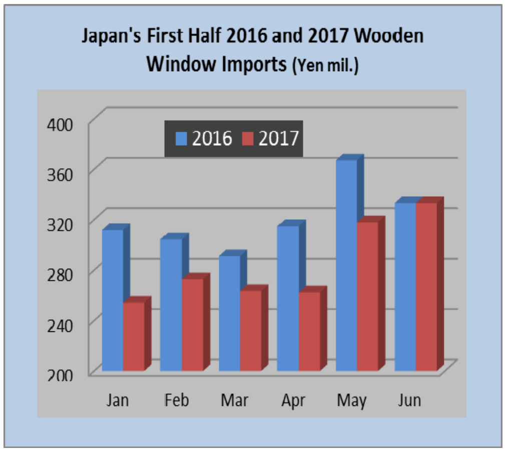
Data source: Ministry of Finance, Japan

Windows

Japan's imports of wooden windows (HS 441810) in the first half of 2017 fell 9% compared to the first half of 2016.

In May this year there was a turn-around in the value of wooden window imports when there was a 20% surge in the value of imports. This upward trend continued into June with a further 5% increase. However, year on year there has been virtually no expansion of wooden window imports into Japan.

The main suppliers of wooden windows to Japan in June this year were China (30%), the philippines (28%) and the USA (25%)

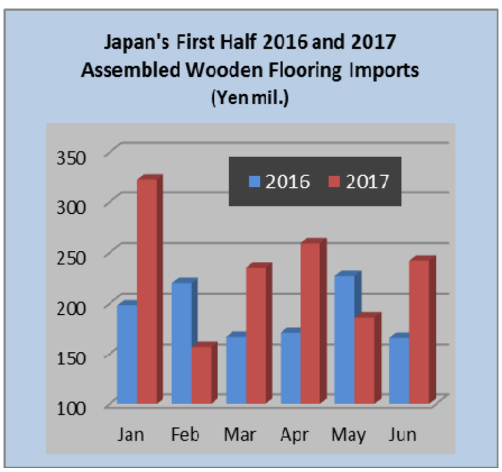


Data source: Ministry of Finance, Japan

Assembled flooring

The volatility in imports of assembled wooden flooring (HS441871-79) observed in the year to-date continues. After dropping in May imports in June were up almost 30%. Year on year flooring imports have increased 46%.

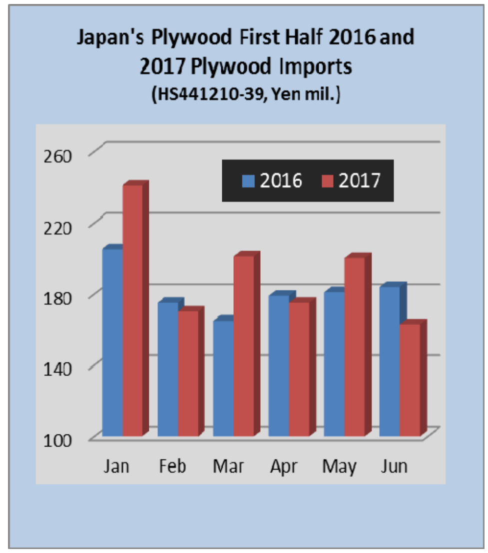
The growth in Japan's wooden flooring imports in the first half of 2017 compared to the same period in 2016 were up 22%. Most of the flooring imports are of HS 441875 (around 60%) with China being the main supplier followed by Indonesia. HS441879 shippers to Japan in the first half were mainly Indonesia, China and Thailand.



Data source: Ministry of Finance, Japan

Plywood

In the first half of 2017 Japan's imports of plywood (HS441210-39) were 8% above the level in the first half of 2016. Despite the overall rise June imports were disappointing, falling almost 19% compared to levels recorded for May. Year on year June imports of plywood were down 11%.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports (000's cu.m)

		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
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	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 concluded

EPA (Economic Partnership Agreement) negotiations with EU (European Union) concluded on July 6.

In wood products export from EU to Japan, it is agreed that the duty will be phased out in seven years after the EPA goes into effect on ten items of softwood lumber like lamina and stud, structural laminated lumber, OSB and particleboard, processed wood like solid wood flooring, piling and beam, other wood products including CLT, keg and barrel, decorative laminated lumber, softwood plywood and hardwood plywood.

At the negotiations, EU insisted immediate removal of the duty on structural laminated lumber, which was agreed on immediate abolishment at TTP (Trans Pacific Trade Partnership) but Japan refused since it will give serious impact to the domestic industry. After hard negotiations, phasing out is the final settlement.

On the ten items, the duty is reduced by 0.3-0.8% in every year and will be zero in eighth year. Assuming it becomes effective in 2020, it will be zero in 2027.

In TPP, there is safeguard to impose duty if import volume reaches a certain level but in the agreement with EU, there is no safeguard.

Wood demand projection for 2017

The Forestry Agency held the first wood demand projection meeting. New housing starts forecast by eleven private think tanks based on GDP for the first quarter is 940,000 units, 3.5% less than 2016's 974,000 units.

Meantime, in wood supply projection, structural laminated lumber is up by 5.2% and plywood is up by 3.2%. Increase of domestic manufacturing on both items by newly build manufacturing facilities. Since there is a gap between declining housing starts and increasing supply of building materials, over-supply may become problem.

Supply projection of structural laminated lumber for 2017 is 7.4% up of domestic products and 1.0% up of the imports. Domestic production will increase significantly by starts-up of new manufacturing facilities. Actually, the first quarter production was 15.3% more than the same period of last year and the second quarter supply projection is 10.0% more then the third quarter would be flat and the fourth quarter may drop down some due to uncertain demand.

The imports of laminated lumber for the first quarter were 25.9% more but the second quarter would be down by 12.2% by supply skip for March and April by major supplier in Rumania and delayed shipments by other suppliers. Third quarter supply would be down by 13% as Rumanian supply would be down by 50%.Therefore, total year supply would be the same as last year.

The demand for the third quarter is the same as last year on redwood laminated beam but that of laminated post would be down.

Plywood supply projection is domestic would be up by 3.6% and the imports would be up by 2.7%.

Domestic production for the first quarter was 0.7% more than the first quarter 2016. The supply for the second and third quarter would be flat or larger so the supply of domestic logs for plywood mills will be more than last year.

The demand for plywood would be slightly up for the third quarter then be down in the fourth quarter.

Imported plywood will have continuous demand for floor base then in the fourth quarter, demand increase for concrete forming panels is expected with increasing starts of condominiums.

Supply of domestic logs for 2017 is down by 2.5% for lumber while up by 0.4% for plywood so overall supply would be down by 1.9%.

On imported logs and lumber, decrease is forecasted for all the sources from North America, Russia, South Sea, New Zealand and Chile.

Growing log export

According to the statistics the Ministry of Finance makes up, cedar log export for the first five months of this year is 57.9% more than the same period of last year with the volume of 294,616 cbms. Cypress log export was 61,014 cbms, 43.0% more than last year.

Yen's exchange rate has been weak to the dollar, which helps increase log export and Chinese economy is stable.

Dominant shipping region is Kyushu. Hokkaido, Akita and Aomori have new exporting ports. Supply side reason to stimulate log export is excessive supply of logs for biomass power generation plants. All the biomass power generation plants improves efficiency of use of local logs together with use of other materials like PKS.

There is no new plan of large biomass power plant except for ones to use imported fuel like PKS and wood pellet so future plants are small in size of less than 2,000 kw. Therefore, demand for logs for biomass power plants will not increase much any longer so unless log suppliers reduce log supply, there will be structural over supply. Log export market is replacing market of surplus logs produced for biomass power plants.

Including hardwood logs, total log export for the first five months are 375,104 cbms, 49.2% more than 2016. Total log export volume in 2016 was 650,414 cbms.

Assuming this year's log export would continue 50% more pace, 2017 total would be nearly 1,000 M cbms. At the same time, lumber export for the same period of time was 50,319 cbms, 57.9% more so total year would be 100 M cbms.

South Sea (tropical) logs

Prolonged rainy season in Sarawak, Malaysia is finally over but log production continues to be tight and port log inventories are very limited. One of major reasons of tight production is newly imposed regulation, which bans harvest of any timber with 50 centimeter at breast high. This was 35 centimeter before.

Harvest quota for 2017 has been notified to log harvesters and volume of new quota is 20-30% less than 2016.

Also allocation percentage for local consumption and export is changed from 70% domestic to 80% and export is down to 20% from 30%.

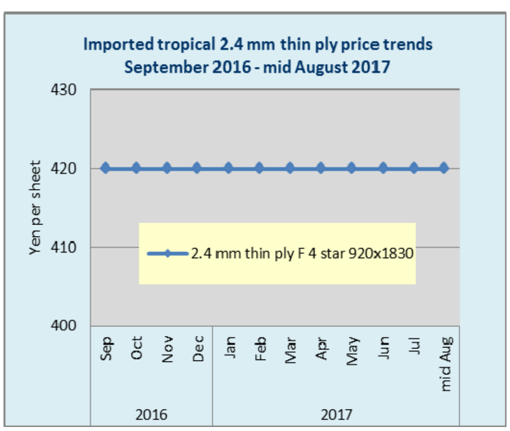
India, the main log buyer in Sarawak, continues aggressive purchase. India introduced new GST (sales tax) since July and rush-in import occurred before this tax is imposed. India is proposing US$40-50 per cbm FOB on meranti regular so FOB prices for Japan are pushed up by US$20-30 high, getting close to US$300.

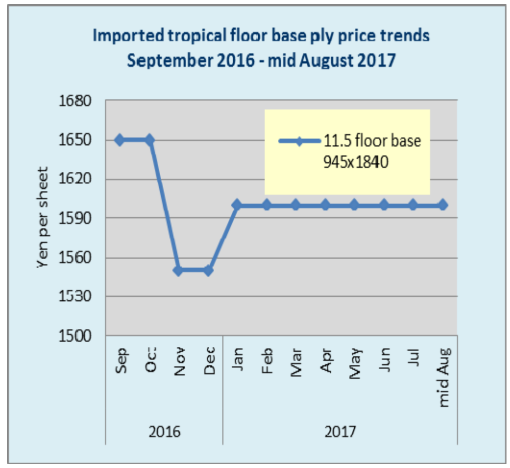
India is also purchasing logs in PNG and Solomon Islands so the log prices in these areas are going up also.

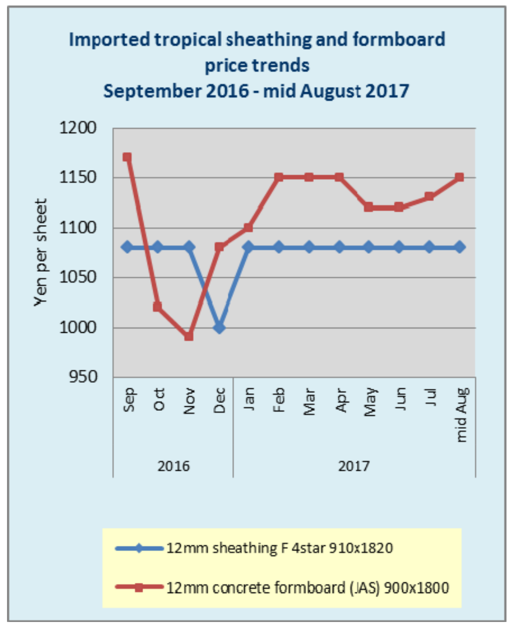
In Sarawak, new timber premium is introduced, which is another factor of higher log cost so log availability continues tight.

Indonesian laminated free board manufacturing plants are down by Islamic Ramadan. Japan market is not active so the supply and demand is balanced but export prices are firming at more than US$900 per cbm C&F.

Imported plywood wholesale prices







China

Wood products factories included in list of polluters

The 2017 list of polluting industries in Beijing has been jointly released by the Beijing Municipal Commission of Economy and Information Technology and the Environment Protection Bureau.

Those targeted include wood-based panel and furniture companies. Compared to the 2014 list 17 new categories have been included. The wood products sector was included because organic solvent adhesives and diluents have been added to the directory of pollutants.

In the first half of this year 495 manufacturing enterprises have been moved out of Beijing. The industries involved included furniture and wood product processing plants and these have been ordered to cease operation in Beijing.

Drying kilns down as power company to begins maintenance

The Manzhouli Power Company has announced power supply will be suspended between 20 August and 1 September 2017 due to maintenance. Local analysts report that this is bound to have an impact on the stocks at Manzhouli Port and could have a short term impact on the price of timber.

Red sandalwood through Ningbo Port

According to Ningbo Entry-Exit Inspection and Quarantine Bureau, 12.5 tonnes of red sandalwood logs were imported through Ningbo port recently. The average price was US$46,000 per tonne, breaking the record for the highest priced timber through the port.

According to the CITES Convention trade in red sandalwood is not permitted however, this batch of red sandalwood originated from the recent CITES approved auction in India.

Shenzhen redwood benefit from The Belt and Road

According to Shenzhen Redwood Culture and Art Association the development of Shenzhen redwood products will benefit from the 'Belt and Road' strategy of the government.

There are more than 300 redwood furniture manufacturers concentrated in Guanlan Town, Baoan District, Shenzhen City. These enterprises employ around 40,000 works and have an annual output value of more than RMB3 billion.

At present, more than 80% of the national precious redwood logs are purchased in Shenzhen and mainly in Guanlan Town. There are nearly 500 redwood log traders in the town and redwood furniture products were worth RMB3.6 billion last year.

Six of the top domestic redwood furniture brands are made in Guanlan Town. Redwood enterprises in Guanlan Town have more than 2000 patents and have won more than 100 national awards.

The Chinese government has launched the development strategy named 'Belt and Road' which will benefit importers and traders in redwood.

Shenzhen enterprises import redwood logs mainly from Southeast Asian countries such as Myanmar, Vietnam, Cambodia and Indonesia. Logs and sawnwood are also sourced in Africa, with smaller volumes from Latin America.

Shenzhen redwood furniture is exported mainly to the US, Italy and Australia. All the source countries are included in the' Belt and Road' plan

The authorities in Shenzhen have been promoting the development of redwood industry through sculpture competitions, exhibitions and workshops.

Linyi City panel mills told to close

It has been reported that most wood-based panel enterprises in Linyi City, Shandong Province have been told to cease operation as they do not meet environmental protection and safety regulations.

The authorities will stop water and power supplies to the mills and for those mills that cannot upgrade to meet the new standards the machinery in the factories will be removed.

Teams from the Environmental Protection Bureau conducted surveys in Linyi City for one month to identify non-compliant factories. The impact on plywood prices in the local market was immediate.

All wood-based panel markets in China have been affected by investigations conducted by the Environmental Protection Bureau and there has been a steep decline in panel output from mills in Hebei and Shandong Provinces.

However, Guangdong wood-based panel manufacturing enterprises have not been affected because they have a strong awareness of environmental issues and have been able to satisfy the new requirements. In the first half of 2017 the volume of laminate decoration panel of one company rose more than 40% from the same period of last year.

According to the latest statistics, in the first half of 2017 the output value of wood-based panel in Guangdong province rose 1.45% to RMB21.43 billion from the same period of last year.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-30000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	28000-40000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

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	9000-10000
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	9000-9500
Ash	No knot	5600-6300
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	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Europe

EU considers future of illegal logging and deforestation policy

During June 2017, two large conferences in Europe addressed policy issues in relation to deforestation and illegal logging. The conferences reaffirmed the EU's continued political commitment to trade related policy measures in response to concerns about illegal logging and deforestation.

The conferences also highlighted developments in EU policy on issues such as sustainable forest certification and green procurement with significant implications for future development the European market for tropical wood products.

The first conference, the “Illegal logging Update Meeting”, is a regular annual event hosted by Chatham House in London.

The second conference was organised by the European Commission (EC) to present an evaluation and future work plan for the EU Action Plan on “Forest Law Enforcement Governance and Trade” (FLEGT).

The EC meeting also included discussion of the potential for another EU action plan to address wider causes and solutions to deforestation – such as pressure from agricultural commodities and carbon financing.
FLEGT update

The EC’s own evaluation estimates public expenditure of Euro 900 million on the FLEGT Action Plan, mainly derived from the EC budget, in the ten years of its operation prior to 2014. That figure is now likely to exceed Euro 1 billion.

Most of the money has been spent on support for FLEGT Voluntary Partnership Agreements (VPAs) with tropical countries which aim to develop legality licensing systems for all wood exported from partner countries.

The EU Timber Regulation (EUTR) was introduced in March 2013 primarily to give a market incentive for tropical countries engaged in the VPA process – FLEGT licenses are given a “free pass” through the due diligence requirements of EUTR.

At the meeting in Brussels in June, EC officials were candid about the progress of the FLEGT VPA process, noting that the results have been mixed so far. Seventeen tropical countries which together account for over 80% of global tropical wood exports, have either signed or are involved in negotiations towards a VPA. However, only one – Indonesia – has so far issued FLEGT licenses.

Progress varies widely in other partner countries. In some - like Congo, Ghana, Guyana, Honduras, and Vietnam - negotiations are very active. In others - like Côte d'Ivoire, Cameroon, the Central African Republic, DRC and Malaysia - negotiations have stalled or are proceeding only very slowly. There is considerable variation in the willingness of government authorities and industry in partner countries to engage in negotiations or to commit their own resources.

EC officials speaking in Brussels acknowledged that the development of licensing procedures has been considerably more complicated than first envisaged. However, they were also keen to emphasise that, even in the absence of licenses, there have been broader and potentially more significant benefits of the FLEGT process in many partner countries, notably relating to stakeholder participation and benefits-sharing and in legislative reform and capacity building.

EU takes a more nuanced approach to FLEGT

The experience gained from the FLEGT process to date, and growing awareness of the diverse needs and expectations of different tropical countries, is encouraging the EC to take a more nuanced approach to the FLEGT process.

At the Brussels conference, EC officials said that in practice, negotiation of a VPA requiring implementation of a comprehensive legality licensing system for all exports into the EU is not necessarily the most appropriate tool for all tropical countries.

While no country will be ‘a priori’ excluded from the VPA process in the future, decisions by the EU to begin negotiations with additional tropical countries will be based on careful assessment of a range of factors such as the level of political will, recognition of the rule of law, and institutional capacity in the partner country, together with the current and potential future level of trade with the EU.

EC officials noted that it may be necessary to establish and formally acknowledge an extended preparatory phase for some tropical countries where requirements for a full VPA are not met.

Options other than a full formal VPA may also be considered to deliver FLEGT objectives in some countries, for example specific forest sector support programmes, FLEGT structured-dialogues, and as a component of wider free trade engagements.

However, it was also stressed that the EU would retain the existing policy of only allowing EUTR due diligence checks to be by-passed by importers if the imported timber is accompanied by a FLEGT license.

FLEGT shortcomings

Speaking at the Brussels conference, EC officials acknowledged weaknesses in the FLEGT process even in countries where negotiations have been progressing.

Specifically, it was noted that there needs to be more focus on improved monitoring of VPA impacts, reporting of activities, better understanding and more effective handling of domestic and informal markets in tropical countries, and wider engagement with the private sector.

A particularly critical need was identified to ensure SMEs are adequately consulted and involved during the development of licensing systems. The licensing system offers both challenges and opportunities for smaller operators and their engagement is central to success.

On the one hand, in many countries, smaller operators tend to be those most dependent on informal sources of timber supply and licensing procedures may therefore greatly reduce their access to raw material.

On the other hand, because FLEGT licensing must be applied to all operators, irrespective of size, it demands capacity building and the development of innovative new mechanisms for legality assurance that could improve smallholders access to international markets.

EU debates changing context for VPAs

In considering the future of VPAs and the wider FLEGT Action Plan, EC officials at the Brussels conference said they needed to take account of the changing market and policy context. It was noted that the EU's relative weight in the global timber trade has fallen considerably since the Action Plan was first initiated in 2003, due both to the financial crises in Europe and the rapid growth in emerging markets.

EC officials also noted that concerns surrounding illegal logging are not limited to tropical countries, and that an important focus of future FLEGT-related dialogue will be with other timber-supplying countries like Ukraine, Belarus, and Russia.

At the same time, there have been major developments in other policy initiatives notably, in 2015, agreement of UN Sustainable Development Goal 15 (SDG 15) to halt global deforestation by 2020, and the Paris Agreement which places efforts to tackle deforestation and promote sustainable forestry at the heart of global carbon mitigation measures.

EC officials particularly emphasised the potential to link future evolution of the FLEGT Action Plan to the EU's External Investment Plan (EIP) which covers countries in both Africa and the EU's "neighbourhood" such as Ukraine and Belarus.

The EIP aims to encourage private investors to contribute to sustainable development in these countries, for example by providing guarantees for investments and loans to entrepreneurs and companies with viable business proposals meeting social needs in sectors traditionally regarded as higher risk. With a contribution of Euro 4.1 billion from the EC, the EIP is expected to leverage more than Euro 44 billion of investments by 2020.

Indonesia calls for strong focus on FLEGT market promotion

Indonesia was a key focus of discussion at both the Chatham House meeting and the Brussels conference in June as participants were keen to hear about market impacts of FLEGT licensing during the first six months of operation.

In a presentation to the Chatham House meeting, Putero Parthama of the Indonesian Ministry of Environment and Forestry (MEF) reported that the FLEGT licensing framework now extends to 25 million hectares of forest and 3400 manufacturers in Indonesia.

Nearly 23,000 FLEGT licences were issued for shipments into the EU between 15 November 2016 and 31 May 2017, the leading destinations being Netherlands (5,009), UK (4,088), Germany (3,752), France (2,166), Belgium (2,152), Spain (1,429) and Italy (1,304).

Mr Parthama noted that while there have been teething problems during the first few months of operation, the licensing system is now working well. To date, there have been 95 cases of license infringements reported by EU import authorities involving 79 of 848 exporters that have sold products into the EU.

Most infringements have been for minor technical issues – such as the license being printed on the wrong paper or a failure to complete all sections of form. However there have been a few potentially more serious cases, for example involving submission of invalidated licenses or products listed on the license not matching the actual content of the consignment.

While progress has been made on the supply side, Mr Parthama said that it's not yet possible to report any strong positive developments on the demand side.

He noted that there is no sign yet of a price premium for licensed products and that international buyers typically still request other forms of certification. He emphasised that there is much work to be done to explain the role and value of the licensing system in the EU and other export markets.

This message was reinforced in the presentation to the Chatham House meeting by Robianto Koestomo of APKINDO. Comparing Indonesian monthly trade data during the period immediately before and after implementation of the licensing system, Mr Koestomo observed that Indonesian plywood exports to the EU had yet to register any change in response to FLEGT licensing.

Mr Koestomo said that "FLEGT products are still not widely known" and expressed concern that FLEGT licensed products may be subject to greater costs and scrutiny at the EU border compared to non-licensed products. He called on the EC to do more to ensure that FLEGT licensed products have greater access to the EU market than non-licensed products.

Rudiyanto Tan of Samko Timber provided a more upbeat commentary on the immediate market impact of FLEGT licenses in his presentation to the Chatham House meeting. Samko Timber procures 95% of timber supply, comprising falcatta and rubberwood, from private and community owned plantations, mainly in Java.

Products offered by the company include plywood, LVL and decking, around 70% for the domestic market and 30% for exports. The supply base for Samko Timber is highly fragmented, comprising between 200,000 to 300,000 farmers, which has been a significant obstacle in efforts to achieve FSC and PEFC certification.

Mr Tan is hopeful that FLEGT licenses will now offer an opportunity for the company to increase exports.

The feedback he has had from EU customers on the license has been good, noting that it had provided reassurance that wood is not illegally harvested, eased the lengthy explanations required about the legality of Indonesian wood exports, and is reducing costs to clients by saving time and streamlining due diligence paper work.

However, Mr Tan also noted that FSC and PEFC are still the preferred option for many clients and few accept that FLEGT licenses offer the same level of assurance.

He encouraged the Indonesian licensing authorities to collaborate with FSC and PEFC to harmonise auditing procedures and thereby reduce costs of certification to Indonesian operators.

EU demand side measures

At the Brussels conference, the EC restated their firm commitment to supporting improved market access for FLEGT licensed timber in the EU. The main mechanism to achieve this is through implementation of the EUTR a process which, according to EC officials will remain an "over-riding priority" of the EU.

The EC reported that all EU Member States have now implemented enforcement sanctions regimes in line with their EUTR obligations and have begun checking compliance by EU operators.

It was also noted that several legal actions have been initiated against EU companies for alleged failures in their due diligence systems, although so far only in a few Member States including Netherlands, the UK, Germany and Sweden.

The EC emphasised that the effectiveness of EUTR should not only be assessed by the number of court cases. More important is the extent to which it motivates behavioural change, which depends on a range of measures in addition to sanctions.

The EU is implementing a wide-ranging EUTR compliance and assurance strategy, which includes continuous upgrade of guidance documents, development of an information exchange platform between implementing authorities in the EU member states, and direct support for collection and communication of information on legal frameworks in producer countries and on best-practices in due diligence.

EC officials acknowledged that there continue to be enforcement challenges, notably strict limits placed on public expenditure in the EU since the financial crises. However, this is also encouraging regulatory innovation and a focus on "smarter risk-based approaches".

Furthermore, there is strong support for EUTR from the private sector in Europe. Trade associations and individual companies are actively working alongside regulatory authorities to improve compliance. For example, both enforcement authorities and large retailers concerned about the risk of prosecution now regularly test the species content of "high-risk" products using DNA and isotope analysis alongside more traditional methods.

An active programme of impact monitoring is also underway. An analysis of EUTR compliance in the private sector, to focus particularly on SMEs, has been commissioned by the EC and is due to be undertaken in the next 12 months. This is an addition to the work by the FLEGT Independent Market Monitor (IMM), funded by the EC and hosted by ITTO, to assess the impact of FLEGT licensing on trade.

EU government procurement

Alongside EUTR, discussion with government officials from various EU Member States at the Brussels conference highlighted their concern to ensure that, where possible, FLEGT Licenses are recognised alongside FSC and PEFC labels as sufficient evidence of "legal and sustainable" timber in government procurement policies.

Unfortunately, this is not something that can be imposed at EU level. While EU Directives for public procurement provide opportunities for recognition of licenses by public authorities in the EU, responsibility for this area of policy is with national governments.

At present, only three Member States – the UK, Luxembourg and Denmark – recognise FLEGT licenses alongside FSC and PEFC. There are now calls to extend this recognition to other Member States, particularly Germany, the Netherlands and Belgium which already have detailed green procurement policies and have been active in excluding anything other than FSC and PEFC certified wood from government contracts.

Global co-ordination of demand-side measures

In addition to encouraging demand for licensed timber in the EU, the EC also hopes to encourage similar demand in other parts of the world. Regulations imposing legality due diligence requirements on timber traders have been in place in the US and Australia for several years.

Japan's Clean Wood Act came into force in May this year. South Korea will enforce similar regulations from March 2018. The timber legality assurance systems (TLAS) developed as part of the FLEGT VPAs should assist conformance to import requirements in all these countries.

Furthermore, many of the VPA countries are themselves becoming much larger importers of timber products. The TLAS implemented in Indonesia and Peninsular Malaysia, and planned for development in Vietnam, all include requirements for legality verification of imports as well as domestically harvested timber.

The EC is also engaged in a dialogue with China, both to support the development of timber legality assurance in China's provinces and to explore options for trade measures giving greater recognition to verified legal timber in China's huge market. The EC is considering organising a large international conference next year to move forward these various trade initiatives.

"Zero-deforestation" policies demand innovation in certification

The need for innovative approaches to demonstrate sustainability of "forest-risk" commodities was a key theme of the discussion in Brussels on how to address causes of deforestation other than illegal logging.

This discussion originated with an EC study from 2013 which considered just how much, and in what ways, European consumption of resources is contributing to deforestation.

Working through the numbers, the report attributed only 200,000 hectares of total global deforestation of 232 million hectares between 1990 and 2008 to the EU's imports of wood products.

This compares to 8.7 million hectares attributed to EU imports of agricultural cash crops and livestock products.

The study highlighted that policy measures in consuming countries targeting only the wood trade - whatever their merits in improving environmental and social performance in other areas - can play little or no role to prevent or slow deforestation.

The study led the EU to commit, in the Seventh Environmental Action Plan, to consider an Action Plan on Deforestation and Forest Degradation. It also encouraged, in December 2015, the Amsterdam Declaration towards eliminating all deforestation from European commodity chains by no later than 2020.

The Declaration, which was endorsed by the governments of Denmark, France, Germany, the Netherlands and the UK, places a strong emphasis on more responsible private-sector management of supply chains and trade.

The Amsterdam Declaration parallels the New York Declaration on Forests released at the UN Climate Summit in 2014 which has encouraged 415 companies to make more than 700 public commitments to address “embodied deforestation” in their supply chains for four “forest risk” commodities; palm oil, soy, cattle and timber.

These commitments, alongside the UN SDG 15 on deforestation, are focusing minds on methods of verifying sustainability for a wide range of “forest-risk” commodities which are cost-effective, equitable and not in conflict with one another. It makes no sense, for example, to require tough standards for sustainable timber production if weaker standards are recognised for “sustainable” palm oil, cocoa or soy.

This would send out mixed signals and could even encourage more conversion. Furthermore, a lot of commercial cash crops in the tropics derive from smallholders and frameworks need to ensure these operators are not excluded from certification frameworks.

At the Brussels conference, a potential solution to these various challenges was identified in so-called “jurisdictional certification”.

Frances Seymour, who chaired the conference, has been a keen advocate of this approach in her role as a Senior Research Fellow at the World Resources Institute, and she argued cogently that it should be given serious consideration in future forest policy development.

The aim of “jurisdictional certification” would be to link implementation of corporate commitments to efforts to reduce deforestation at the scale of political jurisdictions - districts, states, provinces, or even entire countries.

Multiple stakeholders—including companies as well as government agencies, smallholders, indigenous and civil society groups—would come together to agree on goals for better land-use, and how to achieve them.

Performance standards (such as “no deforestation” and “no exploitation”) would be then applied at the scale of entire administrative units rather than at the level of individual farms, plantations, or concessions. All “forest-risk” commodities from that region would then be recognised as “sustainable”.

“Jurisdictional certification” would better accommodate competitive interactions between land-uses than existing certification systems that focus on single commodities. It would be much more equitable for smallholders and the chain of custody would be greatly simplified as products need only be identified to region of origin rather than to individual management unit.

The jurisdictional certification concept could integrate well with the EU’s FLEGT licensing approach – which can be regarded as a type of national-level jurisdictional certification. There should also be opportunities for linkage of this form of certification to payments for eco-system services such as carbon storage and watershed protection.

There are many obstacles to widespread adoption of this approach. Many operators, service providers, and NGOs have invested heavily in existing certification frameworks and may resist moves perceived to undermine their market position.

However, the EU’s June conferences at least highlighted that there is growing recognition of the limitations of existing certification frameworks and of the need to find innovative solutions that more effectively target deforestation and are more equitable for small non-industrial forest operators and smallholders.

North America

Tropical imports outpace temperate hardwoods in June

Imports of sawn temperate and tropical hardwood grew 13% in June to 75,404 cu.m. The value of imports increased just 2% in June to US$43 million. The overall volume was lower than in June 2016 when the US imported 86,178 cu.m. of sawn hardwood.

Imports of tropical species grew faster than temperate hardwood imports in June. Tropical sawn hardwood import volumes grew 17% from May to 22,402 cu.m., while the value of imports increased by 5%.

Much of the June growth was in imports of sapelli (4,717 cu.m.), balsa (5,506 cu.m.) and "other tropical" (3,083 cu.m.).

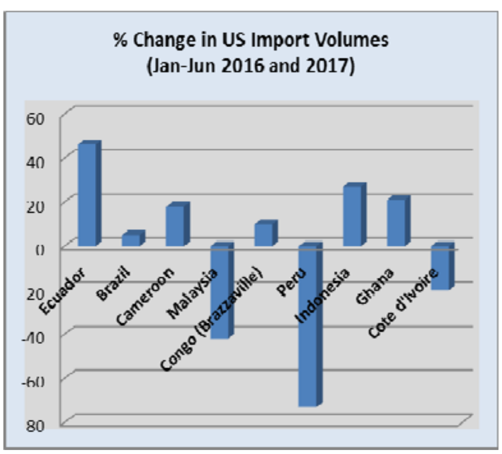
Ipe sawnwood imports fell by one third in June to 2,438 cu.m., but May imports had been quite high. Year-to-date ipe imports were up 2% compared to June 2016.

Imports from Malaysia grew to 1,667 cu.m. in June, but year-to-date imports were down 42% from June last year. In June 2017 keruing accounted to half of all US sawnwood imports from Malaysia, followed by "other tropical", meranti and teak.

Sawnwood imports from Indonesia were up in June, both month-over-month and year-to-date. Over half of of the 1,368 cu.m. imported from Indonesia in June were "other tropical", followed by keruing, meranti and mahogany.

First half 2017 sawnwood imports

US imports of tropical sawnwood in the first half of 2017 were 9% higher than in the same period in 2016. However, there were some significant changes in the sources of tropical sawnwood.



Data source: US Census Bureau, Foreign Trade Statistics

Year on year 2017 imports from Peru dropped a massive 73% and imports from Malaysia were down 42%. On the other hand US imports of sawnwood from Cameroon were up 18% in the first half of this year and imports from the Republic of the Congo rose 10% compared to 2016.

Canadian imports of meranti and "other tropical" sawnwood rise

Canadian imports of tropical sawnwood were worth USUS$1.65 million in June, down 24% from May. Year-to-date imports were still 5% higher than in June 2016 because May imports had been exceptionally high.

Imports of all major species declined in June. Only meranti imports were up (USUS$3,780) and imports of "other tropical" (USUS$497,292). In fact the strongest growth was in imports of tropical sawnwood not specified in the trade classification system ("other tropical").

Several countries grew sawnwood exports to Canada in June despite the overall decline. Imports from Brazil increased to USUS$147,781 in June. Sawnwood imports from Congo (formerly Brazzaville), Indonesia, Malaysia and the US were also up in June. Mahogany imports from Congo/Brazzaville increased as did sapelli imports from the US.

Sales halted of wood flooring linked to PNG logging

A Global Witness report of its investigation of the chain of custody of timber from PNG to the US market via manufacturing plants in China says taun (Pometia spp.) flooring is manufactured in China from logs that are often illegally harvested.

According to the report the concessions granted to logging companies were often in violation of the rights of local communities under PNG law.

The claims made by Global Witness have been challenged by the Papua New Guinea Forest Industry Association (PNGFIA) and a posting on the website of Forestry and Development says "There is no basis for the claim that the tiny amount of PNG timber that ends up in the US market was harvested illegally."

See:
http://forestryanddevelopment.com/site/2017/08/07/western-activists-attack-pm-and-forest-exports/

EPA approves fourth accreditation body under new formaldehyde emissions rule

The US Environmental Protection Agency (EPA) has approved the American National Standards Institute (ANSI) as an accreditation body to provide accreditation services under the EPA's Formaldehyde Emissions Standards for Composite Wood Products rule.

Accreditation bodies accredit and oversee EPA-recognized Third-Party Certifiers who are responsible for certifying that composite wood products are compliant with the emissions standards found in the rule.

All producers of composite wood panels sold on the US market are required to have their products tested by an EPA-recognized Third-Party Certifier.

ANSI is the fourth accreditation body recognized by the EPA.

The lists of EPA-recognized accreditation bodies and Third-Party Certifiers are available on the EPA website:

https://www.epa.gov/formaldehyde/recognized-third-party-certifiers-under-formaldehyde-emission-standards-composite-wood

US bill could exacerbate construction labour shortage say National Association of Home Builders

Two Republican senators have introduced a bill that would reduce legal immigration by about half over the next decade. Currently 1 million green cards for permanent legal residence are given to immigrants every year.

The legislation would cut the annual number to just over 500,000. The bill includes restrictions for adult family members and extended family of US residents and favour higher skilled applicants for green cards. No changes are planned to temporary, non-immigrant visa programs like the H-2B non-agricultural worker visa.

The National Association of Home Builders (NAHB) is concerned that the labour shortage in construction may worsen without a new market-based visa programme.
The NAHB and other industry associations are expected to lobby for a flexible program that will fill the current labour gaps in construction and manufacturing.

Affordable Housing Credit Improvements Act to promote construction of rental apartments

Another Senate bill introduced to address the housing affordability crunch has been referred to the Senate Finance Committee.

The bipartisan bill would boost construction by increasing tax credits for low income housing, make a 4% credit rate permanent, and include measures to preclude local opposition to affordable housing projects.

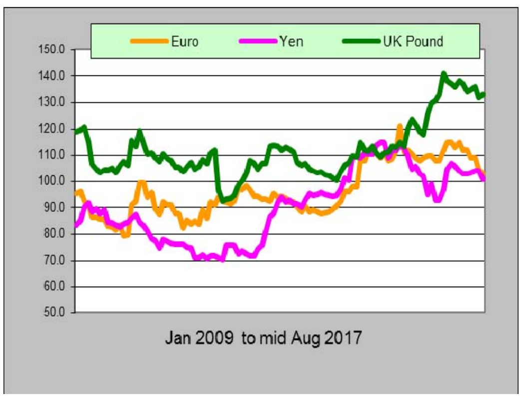
The National Home Builders Association estimates an additional 400,000 housing units would be built over the next decade if the legislation passes.

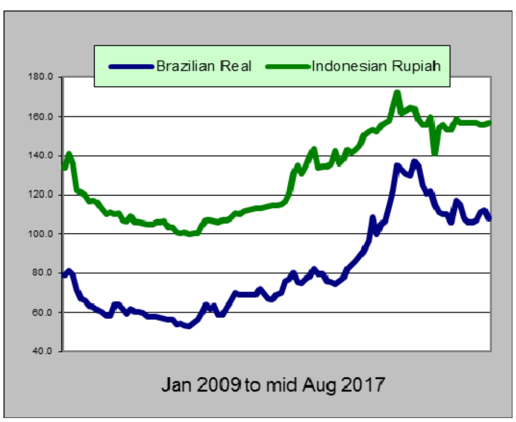
Dollar Exchange Rates

As of 10 Aug 2017

Brazil	Real	3.1937
CFA countries	CFA Franc	557.55
China	Yuan	6.6647
EU	Euro	0.8458
India	Rupee	64.09
Indonesia	Rupiah	13358
Japan	Yen	109.19
Malaysia	Ringgit	4.295
Peru	New Sol	3.244
UK	Pound	0.7686
South Korea	Won	1142.860

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



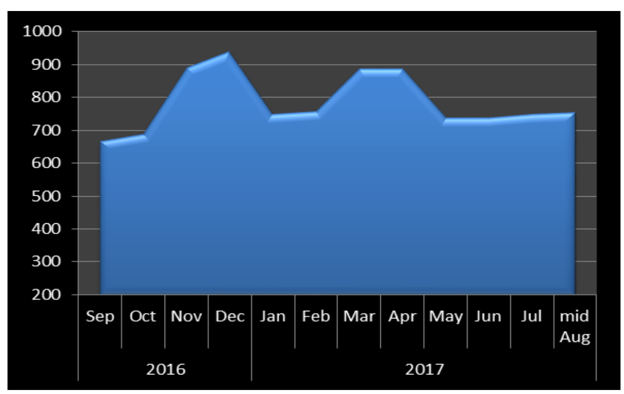


Abbreviations and Equivalences

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
September 2016 – mid August 2017

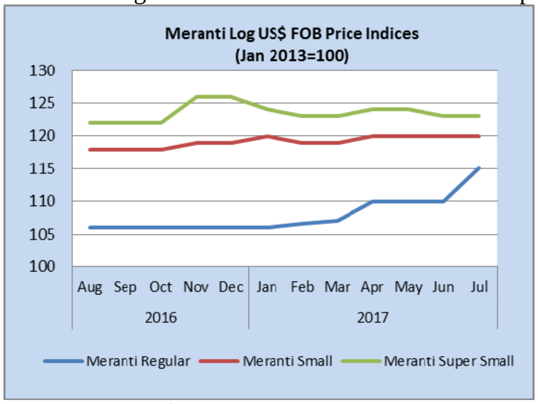


Data source: Open Financial Data Project

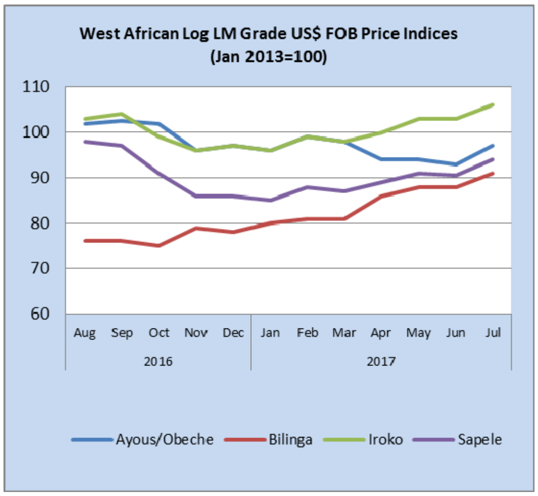
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

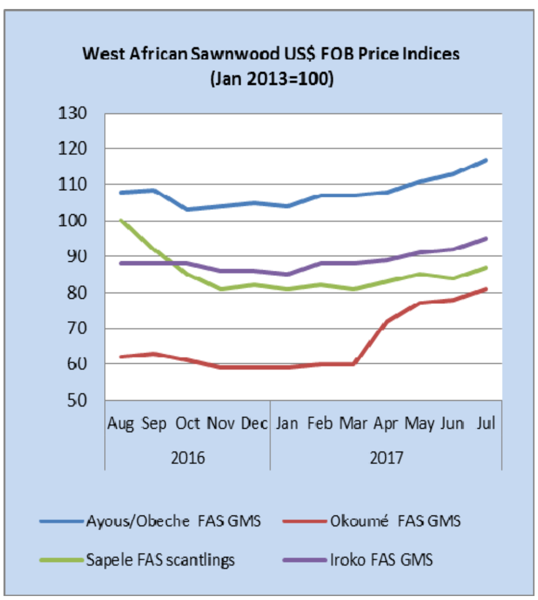
Price indices for selected products

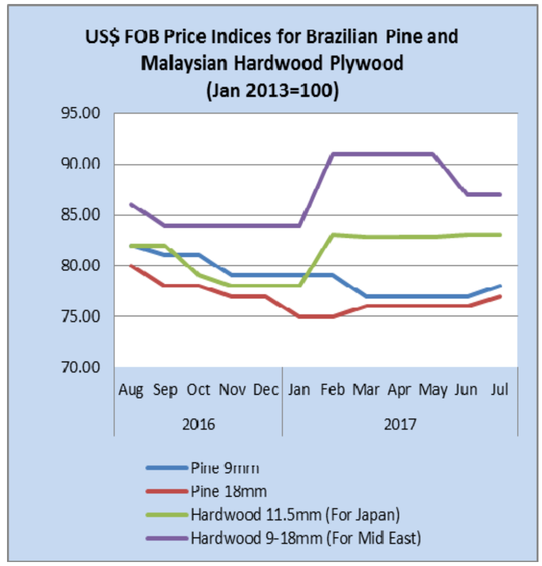
The following indices are based on US dollar FOB prices

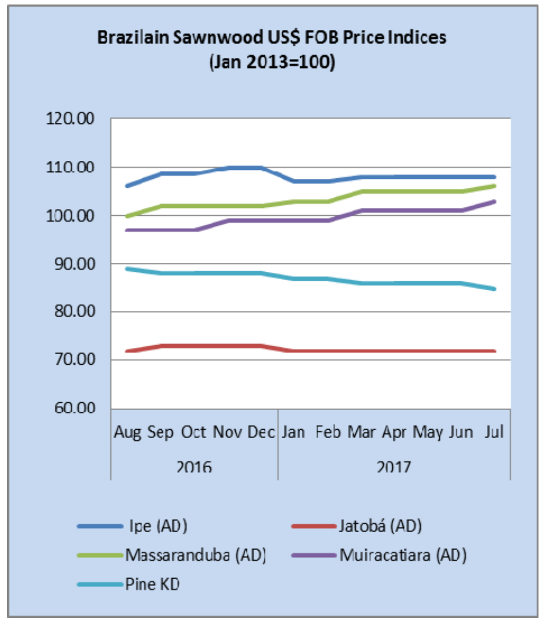


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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