Tropical Timber Market Report

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ITTO

Contents

Headlines

Top Story

US plywood imports fall across the board in June

US imports of hardwood plywood fell by almost one third in June. The biggest losers were shippers in China who saw the value of shipments in June fall steeply.

The US has introduced antidumping duties on Chinese plywood and its impact became very apparent in June.

Hardwood plywood imports from most other countries also declined, a sign that the new antidumping duties are not the only reason for the overall decline in US plywood imports.

See: Page 19

Central and West Africa

Hints of softening prices for some timbers

There are some signs of a slight weakening in prices for a few of the less popular species and sipo and doussie seem to have fallen out of favour with buyers. However, for the main species (log and sawnwood) FOB prices remain unchanged from the beginning of August.

Reports from European importers mention that stocks of padouk are building up and this may result in some slowdown in orders and a possible downward pressure on FOB prices.

Efforts to secure jobs at WIJMA mills

Heavy rains affected operations in Cameroon in August. The issue of WIJMA, a major producer in the country, being outbid in a tender for a forest concessions continues to evolve.

Reports suggest that, in order to secure the significant number of jobs at WIJMA mills, negotiations between the government and the company have begun to resolve this situation. The government clearly does not wish to see massive job losses which would be inevitable if WIJMA pulls out.

World Bank and IMF in talks with government of Congo

The economy in the Republic of Congo is in serious trouble and the government is in discussion with the World Bank and IMF to resolve its financial difficulties which have resulted in most government infrastructure projects being suspended with resultant job losses.

The country's export revenues have dropped and public debt is rising dramatically. Inflation is now around 50% and the Congolese franc has lost 30% against the dollar making it one of the world's worst performers this year. In addition, the Central Bank is reportedly low on foreign exchange having just three weeks of import cover remaining.

All change once more in Gabon

News is circulating that Gabon has a new forestry minister and that there have been more changes in senior staff at the forestry department. Analysts write that this seems likely to further delay signing of pending proposals for compulsory kiln drying of export sawnwood and the new Forest Code. The proposal for a temporary halt in harvesting and milling of kevazingo is said to be under re-consideration by the new minister.

As an interim measure, to allow the new minster and staff to be briefed fully on current issues, it appears as if all forests related proposals, agreements and authorisations will now have to be approved by the Minister of Economy, Régis Immongault.

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 seeks to increase export volumes

The government is preparing a strategy to increase exports from US$290 mil. to US$500 mil. by 2020 under the Africa Growth and Opportunity Act, a United States Trade Act enacted on 18 May 2000 which has since been renewed to 2025. This legislation significantly enhances market access to the US for qualifying Sub-Saharan African countries.

Ship-based power unit arrives

With a recently concluded 10 year agreement between Karlpower Ghana Ltd and the Electricity Company of Ghana Limited (ECG), the government has taken a decisive step to end the power supply problems in the country.

In late August a large ship-based power plant known as Karadeniz Powership Osman Khan arrived in Ghana. The 'power-ship' will start delivering electric power to Ghana's grid in September.

The vessel is anchored in the Tema Fishing Harbour. It is anticipated that the unit will provide around 450MW, a significant contribution to the country's electricity supply.

The Association of Ghana Industries (AGI) has lobbied for years trying to get the government to address the power shortage problem. A report from the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana says SMEs in Ghana which include many timber manufacturing companies suffered financial losses in years of power outages.

ISSER estimates that these businesses lost about US$56.24 mil. due to the energy crisis that began in 2011.

Ghana Ports go paperless

The government is promoting a paperless port system that will significantly improve port operations. The paperless port clearing process is expected to start from September 1, 2017.

Preparations for paperless port operations started in 2012 but were seriously delayed as neither the port authorities nor customers were prepared.

In May-2017 the government outlined 3 measures for the removal of customs barriers within the country, mandatory Joint Inspections and paperless port operations. Port operations have been identified by users as centres of corruption and inefficiency.

According to the Ghana Ports and Harbours Authority statistics, the country has been recording impressive cargo traffic. Arrivals at Tema Port in 2016 rose by 1,269,288 tonnes or 10.5% year on year.

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

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

South African Forestry Assurance Scheme (SAFAS)

South Africa is developing a South African National Forestry Certification Standard as part of the South African Forestry Assurance Scheme (SAFAS) which will seek endorsement by the Programme for Endorsement of Forest Certification (PEFC). South Africa became the fourth African national member of PEFC in June this year alongside Cameroon, Gabon and Ghana.

The SAFAS website spells out the objective as to have a National Certification Scheme that is based on the The National forest Act No 84 of 1998 which defines Principles, Criteria and Indicators for sustainable forest management that is appropriate for all scales of forestry operations.

SAFAS writes, "The goal is for forestry certification to be a tool for improving forest management and to facilitate access to markets that require certification. Currently about 80% of South African plantations are certified under the FSC system but very few of these plantations are on private farms or in communal areas."

For details see:
http://www.timber.co.za/news/article/opportunity-to-participate-in-the-development-of-the-south-african-forestry-assurance-scheme-safas-
and
http://www.forestry.co.za/safas/

Challenges in the construction sector – Master Builders meet in September

The annual Master Builders South Africa (MBSA) Congress will be held 11-12 September in Cape Town.

On the agenda is the emerging economic transformation in the county’s construction sector and the impact of ratings downgrades on the future of the industry.

Speakers will include Craig Lemboe, senior economist at the Bureau for Economic Research, who will assess the medium term prospects for the industry.

The Deputy Minister of Trade and Industry, Bulelani Magwanishe, will explore avenues for sector growth which was a feature of his address on regional integration for African cooperation and development.

For more see:
http://www.bizcommunity.com/Article/196/494/166690.html
and
http://www.masterbuilders.org.za/congress/annual-congress

In related news, a new national building inspector qualification is expected to be launched in 2018 to fill a gap in the housing sector.

Analysts write, independent home inspection in SA is far behind international norms. In South Africa, because of loopholes in the Consumer Protection Act of 2008, most of the existing home stock is sold – voetstoots - or ‘as is’ which places the buyer at significant risk. South Africa’s largest independent home inspection company, HouseCheck, has estimated that less than 1% existing homes sales in South Africa are surveyed professionally.

The development of the new inspection qualification has been supported by sector stakeholders such as the Banking Association South Africa, various municipalities, the National Home Builders Registration Council, the National Association of Building Inspectors, the South African Home Inspection Training Academy and the National Regulator for Compulsory Specifications.

The launch of this new profession will generate job opportunities, raise standards in the construction industry and improve consumer protection.

Malaysia

Labour shortage – automation not the answer says Furniture Federation

The acute shortage of labour in the furniture manufacturing sector has been raised once more.

Koh Chon Chai, President of the Federation of Johor Furniture Manufacturers and Traders Association, has said many companies in Muar, a centre of furniture manufacturing in Malaysia, had been forced to cease operation because they could not attract enough workers.

Koh said companies in furniture sector in Malaysia are short of around 10,000 workers and this is putting at risk the 800 factories that are active in the furniture export market which is worth almost RM 10 billion a year. The government has been calling on the industry to adopt a greater level of automation but this is not the answer said Koh.

See http://www.thesundaily.my/news/2017/08/17/muar-furniture-sector-short-10000-workers

ASEAN aims for SFM and conservation of natural resources

The Malaysian Timber Certification Council (MTCC) participated in an exhibition held in conjunction with the 20th ASEAN Senior Officials on Forestry (ASOF) Meeting in Putrajaya.

The ASOF Meeting is an annual event which gathers senior forestry officials from ASEAN Member States (AMS) to formulate and implement regional cooperation projects and activities related to forestry, conservation and timber trade.

The Meeting was attended by over 80 senior officials from all AMS (except Singapore). The exhibition is in support of ASOF’s sustainable forest management and conservation of natural resources aims in the region.

Through a Working Group on Pan ASEAN Timber Certification Initiative established under the ASOF platform, MTCC has been sharing its experiences and expertise in operationalising the Malaysian Timber Certification Scheme (MTCS) with other AMS.

Currently, only Malaysia and Indonesia have an operational national timber certification scheme in ASEAN. The implementation of a national timber certification scheme is in line with the Strategic Plan of Action for ASEAN Co-operation in Forestry (2016-2025) where all AMS are required to implement the ASEAN Criteria and Indicators for Sustainable Management of Tropical Forests.

Multi-disciplinary scientific expedition continues ITTO’s initiative in Sarawak

ITTO was the global pioneer in working on transboundary conservation in 1993 with the first project spanning Lanjak Entimau in Sarawak and Bentuang Karimun in Indonesia.
Sarawak has since continued this work on transboundary conservation including the ongoing work in the Heart of Borneo.

The fifth Scientific Expedition for the Heart of Borneo involving 93 scientists and researchers recently visited the Tama Abu Range near the Pulong Tau National Park in Baram, Sarawak. The first such multi-disciplinary scientific expedition was organised by ITTO in 1997 as the Borneo Biodiversity Expedition.

The expedition scientists are from various government institutions, universities and non-governmental organisations from all over the country as well as the United Kingdom, Australia, China, Denmark and Brunei.

Sabah heli-logging issue clarified
The Sabah Forestry Department has cleared the confusion over the helicopter logging undertaken by Sabah Foundation (SF) in the Maliau Basin.

Speaking to the press, Datuk Sam Mannan, the Chief Conservator of Forests in Sabah said the Maliau Basin Forest Reserve is excluded from helicopter logging activities. He clarified that harvesting of timber is only being done in commercial forest reserves in Sabah.

Under the licence agreement SF and Benta Wawasan, which is also part of SF, are the two sole licensees in Sabah allowed to harvest of timber on slopes over 25 degrees provided that only aerial logging systems are employed.

Heli-logging was first tested near Tawau in 2004 and was successful but was stopped a few years later as large areas of forests were re-classified as totally protected areas. The cost of helicopter logging is extremely high. The hourly cost when the trial was undertaken in 2004 was around US$9,000/hour but the volume extracted per day could be as much as 600 cubic metres.

See:
http://www.dailyexpress.com.my/news.cfm?NewsID=119603

July 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

Regulations said to be a drag on export potential
Zanny Zapata Chandra, Secretary of the Indonesian Furniture and Handicraft Association (HIMKI) DPD Bali, has raised concerns over the decline in exports of handicrafts and furniture from Balinese manufacturers.

Chandra said data from the Central Bureau of Statistics show that exports of processed wood products in June 2017 declined over 25% compared to June 2016.

It appears that there has been a steady decline in exports this year and that several factors are responsible, most notably the problem of securing verified legal raw materials and secondly the high cost of SVLK certification especially for SMEs.

Chandra is leading a campaign by the HIMKI to seek revision of the regulations as pertaining to SME SVLK certification and in making it easier for companies to secure raw materials.

Direct exports of merbau from West Papua to China
Millers in West Papua Province have made the first direct shipment of merbau to Shanghai through Makassar Port also known as the Port of Soekarno-Hatta.

Data from Indonesia shows this port has highest passenger traffic among Indonesian ports and the largest cargo traffic in Suluwesi. The Indonesian government ranked this port as a primary port along with the Tanjung Priok in Jakarta, Tanjung Perak in Surabaya and Belawn in Medan.

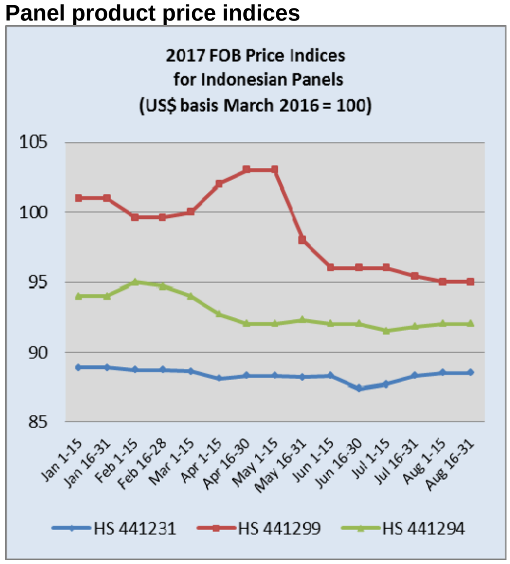
The first shipment of merbau was made by CV Sorong Timber Irian and the Governor, Dominggus Mandacan was at the port to see the departure of this first shipment when he commented that direct shipping routes to China have the potential to impact the economy of the provinces.

Domestic home building plan on track
For 2017 the Indonesian government has targeted the building of 700,000 houses for low-income families and 300,000 houses for higher income earners. This plan is part of the ‘one million houses programme’ launched by Indonesian President.

Information from the Ministry of Public Works and Housing shows that by the first half of this year almost 500,000 homes had been built, some 50% of the target. More than half of these houses were built utlising central government's funds.

The performance of the programme this year is better than last year and this is attributed to the simplified process to establish residential property projects for low-income families. For example it has been made easier to obtain a building permit and the building worthiness certificate.

Panel product price indices



Myanmar

MTE assesses its harvesting and transport capacity

The Minister of Resources and Environmental Conservation, Win Ohn, has informed the staff of the Forestry Department and the Myanma Timber Enterprise (MTE) that, to ensure transparency, third party civil society organisations, national government institutions and parliamentarians must be allowed to monitor the process of hiring logging/harvesting service providers.

This was in response to concerns raised over recent move by MTE to hire service providers due to the limited capacity of MTE. After the heated debate on the issue of contracting the private sector the MTE assessed and detailed its own capacity in various areas as follows:

Feller (felling workers)	0%
Elephants for extraction	65%
Road building vehicles	72%
Loading vehicle	67%
Logging trucks	34%

The plan is that the shortfall will be made up through contracts with the private sector.

The MTE is a state-owned enterprise responsible for the harvesting of logs in Myanmar. Under the 1992 Forestry Law, teak or any other hardwoods extracted by the MTE are deemed legal.

Domestic payments to be made in Kyat says Central Bank – an issue for MTE tender sales

It has become common practice in Myanmar to use currencies other than the Kyat for local purchases. This has led to a depreciation of the kyat and exchange rate volatility.

In moves to reduce volatility and support the domestic currency the Vice Governor of the Central Bank of Myanmar (CBM), U Bo Bo Nge, has said action will be taken against those who do not follow the recent regulation requiring domestic payments to be made in local currency.

The CBM has instructed that foreign exchange offices be permitted to exchange Thai baht for Kyats. The Baht has been the most common foreign currency used for domestic payments.

Analysts have pointed out that MTE tenders are in US dollars which runs counter to the new requirements and that this issue needs to be resolved. MTE is regarded as an important state-owned organisation and has been earning hard currency for the country for around five decades.

August teak tender prices

Grade	H.tons	Average US$/H.ton
SG-1	3.0	6,150
SG-2	25.5	4,370
SG-4	67.9	3,600
SG-5	80.5	2,720
SG-6	58.2	2,475
SG-7	276.6	1,845

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

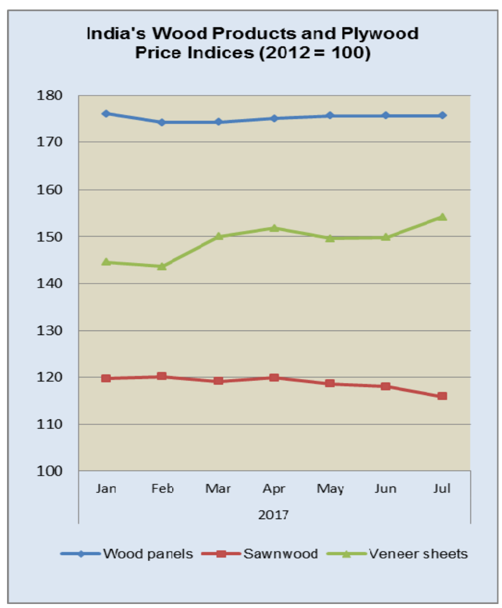
Wood panel and veneer indices tip higher

India's official wholesale price index for all commodities (Base: 2011-12=100) for July 2017 released by the Office of the Economic Adviser to the government (OEA) rose by 1.1% to 113.9 from 112.7 in June.

The annual rate of inflation, based on monthly WPI, stood at 1.88% (provisional) for July 2017 compared to 0.90% for the previous month. Inflation for this financial year so far was 0.62% compared to a rate of 3.81% in the corresponding period last year.

The index for wood products and plywood rose by 0.9 percent to 131.7 (provisional) from 130.5 for the previous month due to higher price of veneer sheets and particleboard. However, the price index for sawnwood declined.

The press release can be found at:
http://eaindustry.nic.in/cmonthly.pdf



Data source: Ministry of Commerce and Industry, India

Plan to become more self-sufficient in timber

The Indian Prime Minister is pursuing an expansion of domestic industrial wood production with the aim of raising the income of farmers and of making the country less dependent on wood imports. To achieve this he plans to coordinate the efforts of all State Forest Departments and private sector organisations.

The plan calls for the cultivation of industrial wood lots and plantations along farm boundaries as well as within the farm.

In addition to expanded farm forests the Prime Minister wants to see large scale plantations on rural non-agricultural land for example alongside roads, along railway lines and along canal banks.

The main purpose of this plan is to allow India to be more self-sufficient in wood products which will ease the import burden which today runs into billions of dollars. It is estimated that approximately 5 million hectares of lands is available for this project.

Along with encouraging planting, the government will remove current regulations that restrict felling, transport and sale of trees grown on private land.

This issue was discussed with representatives of states in a national consultation held last month. Though some States expressed reservations, citing limits on available land, most agreed to address changes to regulations and come up with plans to encourage planting.

Plantation teak log prices C&F Indian ports

Demand for imported logs remains steady and importers are benefitiing from the strong Rupee.

Pressure for a revision of Goods and Services Tax (GST) on wood and wood products continues. At the September meeting of the GST Council in Hyderabad, this is on the agenda and the timber industry is hopeful of a successful conclusion of this issue.

	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

Exmill prices for hardwoods are unchanged but are subject to an 18% GST.

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

Price range depends mainly on length and cross-section of sawn pieces

Myanmar teak prices

There was no change in the prices during the past fortnight. The availability of sawn timber is satisfactory but domestic sales have been affected by the high prices and high GST.

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 of sawn pieces

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

Price range depends mainly on length and cross-section of sawn pieces

Plywood prices

As the outcome of negotiations on the GST rates for panels isun known prices remained unchanged.

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	25.50	38.00
6mm	38.50	49.00
9mm	49.00	59.00
12mm	59.00	71.00
15mm	72.00	86.00
19mm	82.00	97.00
5mm Flexible ply	51.00	

October in Mumbai

MUMBAIWOOD 2017 will be held 12-14 Oct 2017 in Mumbai. This show will provide visitors with an opportunity to meet new and existing manufacturers. This show will bring together over 250 exhibitors, around 10,000 trade visitors and influential decision makers within the woodworking and furniture manufacturing industry from across India.

Brazil

Domestic furniture sales – a hint of recovery

In June 2017, national furniture retail businesses achieved a 1.2% increase in sales compared to May. This marked three consecutive months of growth. However, the furniture retail sales index for the first six months of 2017 declined slightly compared to the same period in 2016.

Timber inspection at fixed checkpoint harming the forest sector

Beginning July the Mato Grosso State Agriculture and Livestock Defense Institute (INDEA) launched its Timber Identification Office in the Cuiabá Industrial District.

Following this move it became compulsory for trucks transporting timber to go to this office where the timber will be inspected and certified. This service is charged at R$ 9.57 per cubic metre.

In an evaluation conducted after 30 days from the launch of the new regulation requiring inspection at a central location in the capital of Mato Grosso State, the Center for Timber Producers and Exporters of Mato Grosso State (CIPEM) reported several problems.

CIPEM has stated that the new system does not deliver any benefits to entrepreneurs, the forest sector or the environment. The evaluation by CIPEM found that trucks had to queue for up to three hours to be inspected.

In order to avoid disruption to businesses CIPEM is in favor of the previous roadside check points whereby if the transport documentation is in order trucks can proceed quickly and only trucks with a problem would be directed for further inspection.

The CIPEM survey found that the majority of cases involving irregularities were with timber trucks from other states and not from Mato Grosso. CIPEM also points out that trucks with illegal timber no longer face the risk of being detained as they can avoid the central inspection point.

Export round-up

In July 2017, the total Brazilian exports of wood-based products (except pulp and paper) increased 15.7% in value compared to July 2016, from US$201.1 million to US$232.8 million.

Pine sawnwood export values increased almost 40% between July 2016 (US$ 27.8 million) and July 2017 (US$ 38.8 million). In terms of volume, exports increased 27% over the same period from 147,000 cu.m to 187,200 cu.m.

Tropical sawnwood exports in July increased 0.3% in volume, from 32,400 cu.m in July 2016 to 32,500 cu.m in July 2017 but the value of exports declined 2.0% from US$14.8 million to US$14.5 million.

The year on year value of pine plywood exports increased almost 45% in July, from US$33.9 million to US$49.0 million at the same time the volume of exports increased from 130,300 cu.m to 172,700 cu.m.

Tropical plywood export volumes increased 10% and the value of these exports in July 2017 rose 8% from 12,700 cu.m (US$5.0 million) in July 2016 to 14,000 cu.m (US$5.4 million).

The good news continued with a rise in the value of wooden furniture exports. July 2017 exports were worth US$40.9 million compared to the US$35.9 million in July 2016.

IBAMA looking for increased budget for forest surveillance operations

In June, a delegation from the Brazilian government met with counterparts in Norway to discuss and review trade agreements.

At the meeting the Norwegian government announced that it planned to reduce the resources being made available to the Amazon Fund because deforestation in Brazil rose again. Analysts point out that a drop in funds for the Amazon Fund puts at risk surveillance operations by the Fund.

For in the past three years the Brazilian government has utilised Norwegian resources for agencies such as the Brazilian Institute of Environment and Renewable Resources (IBAMA) and the National Public Security Force.

A recent study on the use of resources from international donations for the purpose of protecting the forests in Brazil reported that more than US$2.2 billion was received of which US$1 billion was donated by the Norwegian government between 2009 and 2016.

According to the report in 2016 46% of the funds contributed by Norway was earmarked for federal agencies followed by State entities and NGOs.

In December 2016 the Ministry of the Environment authorised the transferred R$56 million from the Amazon Fund to IBAMA for operations to combat deforestation during 2017. This amount is almost half of what the Amazon Fund disbursed in 2016.

In March this year, the Brazilian government announced the cutting of federal spending by R$42 billion in the public budget. In response to this the Minister of the Environment sent a letter to the Ministry of Planning saying that the lack of money for forest inspection operations has aggravated the deforestation in the Amazon and asked that IBAMA's budget be increased in 2018.

Technical Trade Barriers committee discusses regulatory issues

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) has been invited to join, as an advisory member, the Brazilian Committee on Technical Barriers to Trade (Comitê de Brasileiro de Barreiras Técnicas ao Comércio - CBTC) in the National Institute of Metrology, Standardisation and Industrial Quality (INMETRO).

This Committee discusses regulatory issues that impact international trade to address potential problems to expanded trade. In addition, the impactof technical barriers to increasing exports are evaluated.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	214⬆
Jatoba	119⬆
Massaranduba	119⬆
Miiracatiara	122⬆
Angelim Vermelho	116⬆
Mixed redwood and white woods	101⬆

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	948⬆
Jatoba	476⬆
Massaranduba	443⬆
Muiracatiara	441⬆
Angelim Vermelho	395⬆
Mixed red and white	263⬆
Eucalyptus (AD)	221⬆
Pine (AD)	181⬆
Pine (KD)	177⬆

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	603⬆
10mm WBP	471⬆
15mm WBP	420⬆
4mm MR	503⬆
10mm MR	375⬆
15mm MR	347⬆

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	262⬆
15mm MDF	318⬆

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

Forestry experts share experiences with Peru's forest officers

In an effort to boost management capacity the National Forestry and Wildlife Service (Serfor) arranged a workshop for local forest officers who had the opportunity to interact with international experts from Chile and the United States who shared their experiences in the development of forest management systems.

At the four day event forest managers participated in conferences, panels, conversations and workshops that allowed them to share information on the application of forestry and wildlife regulations.

Poor interpretation of regulations by officials undermines image of the forest sector

Misinterpretation of the current regulations by the authorities is an obstacle to the expansion of wood product exports said Erik Fischer, the Chairman of the Committee of Wood and Wood Industries of the Association of Exporters (ADEX).

He said "This situation seriously damages the image of the sector, which ended 2016 with a exports dropping 15%", He cited a recent case where the Technical Forest and Wildlife Management Lima Office (ATFFS Lima) unnecessarily held up several shipments that had all the required documents confirming legality.

Fischer said "It (the delay) was a purely administrative issue, a misinterpretation of the norm and not for suspicion of legality or for mismanagement of its traceability".

Indigenous communities meet on forest management

The Forest and Wildlife Resources Oversight Agency (Osinfor) and with support from the United States Agency for International Development (USAID) and the US Forest Service (USFS) conducted training for community forest management in the native community Santa Mercedes del Putumayo on the border area with Colombia.

Participants shared experiences related to community forestry management in the native community Santa Mercedes.

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	241-259⬆
Spanish Cedar	332-374⬆
Marupa (simarouba)	191-204⬆

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

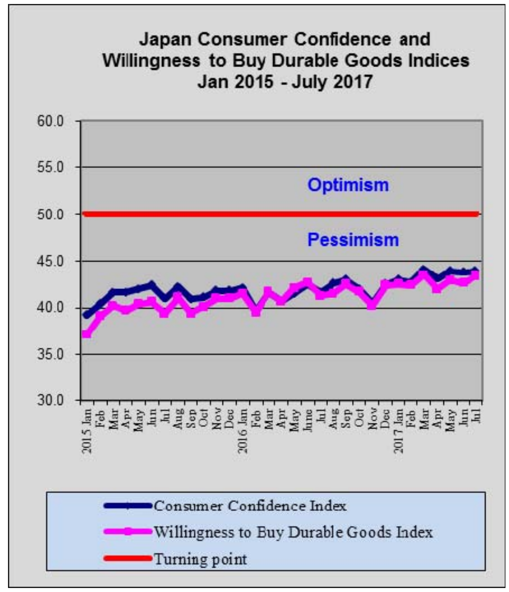
Japan

Inflation to gain solid foundation if wages rise

Rising energy costs lifted in inflation in July and an upward trend would be driven by further gains in energy costs and could be sustainable if wage growth and consumption pick up.

The Ministry of Internal Affairs reported that the core consumer price index for July, which excludes fresh food prices, rose 0.5% marking the seventh consecutive monthly rise. As unemployment in Japan is currently very low wages should rise which would lift household incomes and encourage consumer spending.

However, the Bank of Japan (BoJ) Governor, Haruhiko Kuroda, warned that the 2% inflation target remains distant and that the current pace of growth in the Japanese economy looks unsustainable. He said “I think (the recent quarterly) 4% growth is excellent but we don’t think 4% growth can be sustained. Around 2% growth is likely,”

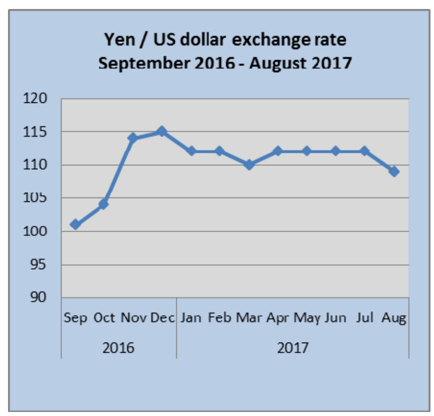


Source: Cabinet Office, Japan

Yen testing new strength

The yen continued to strengthen against the US dollar in the second half of August helped by the weaker US dollar and reports that suggest US inflation is not matching the Federal Reserve’s targets.

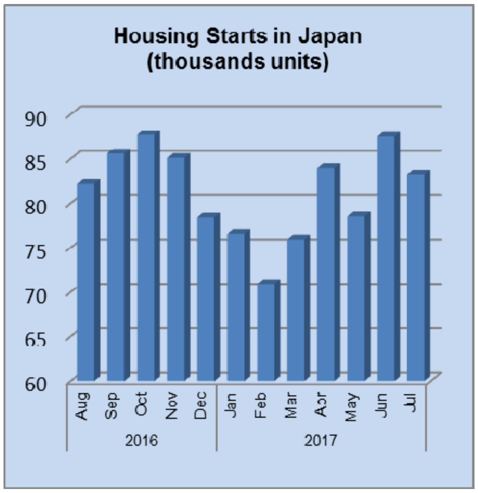
The Yen was hovering at around 109/110 to the US dollar in late August. As annual inflation is still now where near the BoJ target of 2% it is very unlikely that the BoJ will change course on interest rates any time soon.



Housing starts affected by holidays

The August ‘Bon’ holiday in Japan is on a par with the New Year’s holiday in terms of importance and family preparations. While not an official holiday, almost all companies close for 4-5 days and families head out of the cities back to their hometowns.

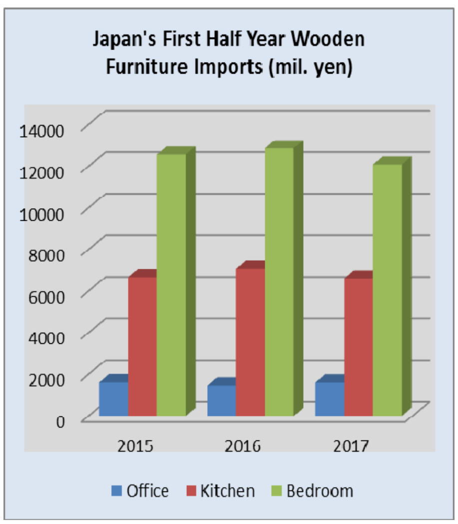
With construction companies losing 4-5 days of work time it is not surprising that housing starts in August dipped. However, August 2017 starts were some 2% below levels in August 2016 and compared to July starts were down 5%.



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

Japan's wooden furniture imports

Bedroom furniture dominates Japan's wooden furniture imports followed by kitchen furniture and office furniture. While wooden office furniture imports in the first half of 2017 were higher than in the two previous years office this was not the case for either kitchen or bedroom furniture where the value of imports in 2017 was down on the two preceding years.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

In June three shippers, China, Taiwan P.o.C and Portugal accounted for almost 79% of Japan's wooden office furniture imports.

Office furniture imports

	Imports June 2017 Unit 1,000 Yen
S. Korea	973
China	144676
Taiwan P.o.C	10233
Vietnam	-
Thailand	9065
Malaysia	1900
Philippines	-
Indonesia	3496
Sweden	-
Denmark	2306
UK	3170
Belgium	-
France	1158
Germany	4894
Switzerland	-
Portugal	9666
Italy	1860
Finland	1366
Poland	6272
Lithuania	2847
Slovakia	3195
USA	3845
Mexico	-
Brazil	-
Australia	-
Total	210922

Data source: Ministry of Finance, Japan

China is the largest supplier at 69% of all June 2017 imports of the product followed by Taiwan P.o.C (5%) and Portugal (4.5%). Shippers in Thailand accounted for around 4.5% of June 2017 wooden office furniture imports by Japan.

Year on year, June 2017 imports of wooden office furniture were 50% higher than in June 2016 when office furniture imports fell dramatically. Month on month June 2017 wooden office furniture were down 20%.

Kitchen furniture imports (HS 940340)

Year on year, Japan's imports of wooden kitchen furniture fell slightly (-4%) but compared to the value of May imports there was a modest rise in June.

The top three shippers of kitchen furniture to Japan, Vietnam, the Philippines and China continue to account for almost all (86% in June 2017) of Japan's wooden kitchen furniture imports. In June, imports from Vietnam rose 9%, imports from the Philippines jumped 16% while imports from China fell over 30%.

The main EU shippers of wooden kitchen furniture to Japan are Germany and Italy but shipments are small compared to those from Asian suppliers.

Kitchen furniture imports

	Imports, June 2017 Unit 1,000 Yen
South Korea	-
China	86470
Taiwan P.o.C	-
Vietnam	509767
Thailand	13983
Malaysia	14352
Philippines	369155
Indonesia	74280
Denmark	215
U KING	764
Belgium	-
Germany	23417
Spain	-
Italy	7636
Poland	-
Austria	-
Romania	3224
Slovenia	9246
Canada	9733
USA	3299
Total	1125541

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The volatility in the value of Japan's imports of wooden bedroom furniture reported in previous reports continued into June 2017. After appearing to recover in May the value of June 2017 imports dipped again dropping 9%.

Year on year, June 2017 imports of wooden bedroom furniture dropped 9%. China was the main supplier in June, continuing its dominance of bedroom furniture imports into Japan but June shipments from China were flat.

On the other hand, shipments from the other main suppliers, Vietnam and Malaysia, were moving in opposite directions. June shipments from Vietnam dropped 20% while shipments from Malaysia rose 11%.

Bedroom furniture imports

	Imports June 2017 Unit 1,000 Yen
S Korea	-
China	1123397
Taiwan P.o.C	33946
Vietnam	456308
Thailand	50441
Malaysia	60647
Philippines	426
Indonesia	13797
Cambodia	1977
Sweden	-
Denmark	-
UK	-
Belgium	-
France	382
Germany	-
Switzerland	659
Portugal	-
Spain	269
Italy	8365
Poland	41292
Russia	311
Austria	231
Hungary	1473
Romania	-
Turkey	-
Estonia	-
Latvia	-
Lithuania	10560
Bosnia-Herzegovina	778
USA	1707
Mexico	2326
Total	1809292

Data source: Ministry of Finance, Japan

The top three suppliers of wooden bedroom furniture to Japan in June were China (62% of all arrivals), Vietnam 25% of arrivals and Malaysia a modest 3% of arrivals.

For the first time this year the value of shipments from Mexico were high enough to enter the top shippers.

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

South Sea (Tropical) logs
Demand for South Sea hardwood logs for plywood manufacturing has been declining year after year. Import of logs for the first half of this year was only 61,527 cbms, 33.6% less than the same period of last year. There are only several mills using South Sea logs in Japan and log importers have difficulty to make one full shipload.

In Sarawak, Malaysia, timber premium was raised about US10 per cbm since last July so meranti regular log FOB prices for Japan are about US300 per cbm, US15 up from June. In Japan, log prices are up by 500 yen to 12,000 yen per koku. This price is more than twice as high as North American Douglas fir logs and Russian logs for plywood.

Hardwood lumber demand is mainly free board of South East Asian products, which is used for window frame and interior finishing of stores. Imported volume in the first six months was 235,990 cbms, 5.7% less.

Lumber manufacturers in producing regions have hard time to secure materials logs due to harvest restrictions and increase of imposing tax. Indonesian mercusii pine laminated free board prices are about US960, US50 increase in last several months. The prices in Japan are 110,000 yen per cbm. The importers need to have 120,000 yen.

Keruing and merapi solid wood lumber has particular use for truck body and ships' interior. The volume is limited but the prices have been increasing so users look for substituting materials.

June plywood supply
Total plywood supply in June was 495,500 cbms, 0.1% less than June last year and 3.3% less than May. Domestic plywood supply continued high by full production of plywood mills so the supply exceeded 270 M cbms after three months since last March.

Meantime, imported plywood volume declined to 217,000 cbms because of decrease of Malaysian supply, which was about 22% less than June last year.

Domestic softwood plywood supply was 286,600 cbms, 6.7% more and 9.4% more. Supply tightness is now disappeared and the mills can make immediate deliveries.

The demand by large house builders and precutting plants have ample orders since April so that orders for plywood continue firm and steady.

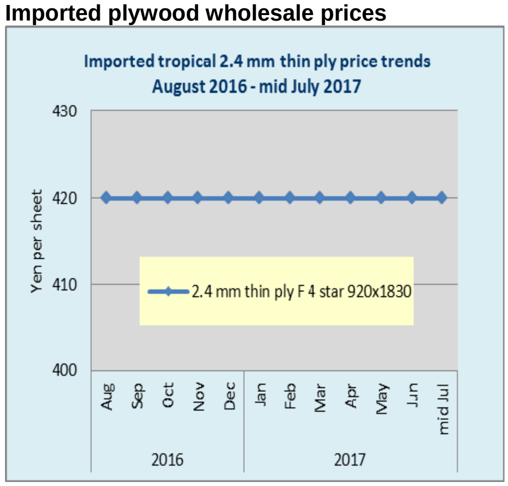
The shipment was also firm with 263,000 cbms, 3.0% more and 9.4% more. This is the highest monthly shipment in last three years.

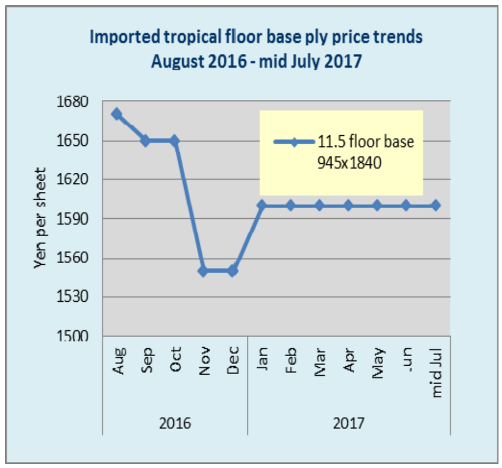
The inventories of softwood plywood were 93,900 cbms, 2,600 cbms more than May but the level of inventories continue low.

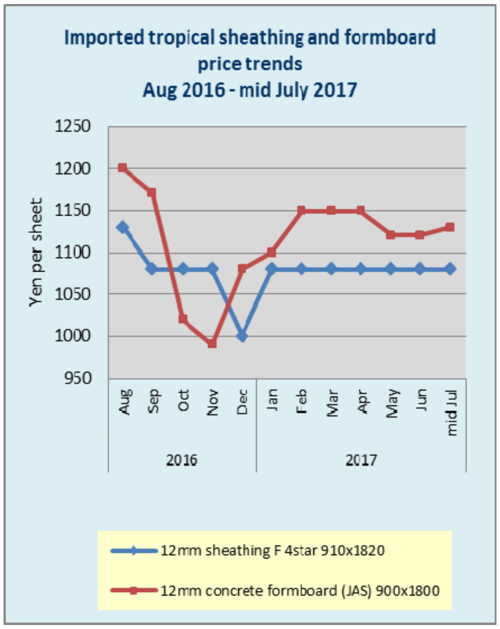
Decrease of Malaysian plywood in June was large with 22.0% less than June last year and 24.6% less than May. Plywood mills in Malaysia and Indonesia suffer log supply shortage by foul weather so the shipments delay by about a month and a month and half.

Log supply shortage continues in July and August so major supplier in Sarawak, Malaysia announced 30% production curtailment after September. Volume of imported plywood seems to continue declining in coming months.

Imported plywood wholesale prices







North American logs and lumber import for the first six months

Imported volume of North American logs for the first half of the year was 1,369,400 cbms, 8.5% less than the same period of last year. North American lumber was 1,096,004 cbms, 2.4% more.

Decrease of log import is result of high import volume of last year and increase of lumber is also reflected by smaller volume of last year. Compared to 2015, log import is 6.8% more and lumber is 4.8% less.

Supply of Douglas fir and hemlock logs and lumber on coastal regions was tight due to log supply shortage by severe winter weather. SPF lumber supply from interior was steady but now future supply may be affected expanding forest fires in interior of British Columbia.

By supply source, logs from the U.S.A. were 881,142 cbms, 11.6% less than the same period of last year and from Canada were 487,988 cbms, 2.4% less.

Log prices in the U.S.A. have stayed at high level, supported by active domestic market and expansion of log export to China. Demand for Canadian logs is supported by active production of plywood mills in Japan but winter weather was also severe in coastal B.C. so the log prices also stayed up high.

By species, all the species except for hemlock declined. Particularly red cedar and yellow cedar (cypress) decreased considerably because of delay of harvest by foul weather and active demand in the U.S. market, which pushed log prices largely.

Like log supply, lumber supply is also affected by heavy snow in winter, which hampered log harvest on high elevation so hemlock and cypress supply dropped by slow start of log harvest.

Supply of SPF lumber from interior was not affected by snow but the prices climbed by low inventories in Japan and active domestic market of North America. Forest fires in interior B.C. would influence SPF supply in the second half.

China

New environmental protection regulations

The State Council has amended regulations on environmental protection and management of construction projects and the changes will become effective 1 October 2017.

One of important changes is that fees will no longer be charged for the examination and approval of environmental impact reports, environmental impact reports forms and environmental impact registration forms for construction projects.

In addition, government departments will be required to notify the construction enterprises, in writing, their assessments and decisions within 10 days of the submission of environmental impact reports from enterprises.

Soon - RMB100 billion custom made furniture market

China’s custom made furniture market segment has been growing in recent years and this segment accounts for around 20% of the total domestic furniture market value.

In 2016 the market for custom made furniture was worth RMB70 billion and it is forecast that this will expand to RMB90 billion in 2017 and that the growth in this market segment will be around 4% annually over the next 4-5 years rising to RMB 100 billion by 2020.

Cabinets and wardrobes currently dominate the demand for custom made furniture and the market penetration of this type of furniture is 60% for cabinets and 30% for wardrobes.

Monitoring of ‘eco board’ in Shanghai

‘Eco board’ has established itself in the home decoration and indoor home furnishing market in recent years. Eco board is blockboard or plywood laminated with impregnated paper on one face and is marketed as an ‘ecological and environmentally friendly wood panel’. Some of these products are marked E0 for formaldehyde emission level.

Recently, the Shanghai Municipal Quality and Technical Supervision Bureau conducted formaldehyde emission test on some ‘Eco board’ to determine if they conform to the national mandatory standard GB 18580-2001.

Wood-based panels directly used indoor must comply with the E1 formaldehyde emission limit requirements in national mandatory standard GB 18580-2001.

There is no Standard for E0 level formaldehyde emission of wood-based panel in the national standard so E0 level "Eco board" has no relevant basis.

However, some flooring products are classified E0 for formaldehyde emissions. E0 emission levels must be less than 0.5 mg/L (desiccator test method).

The Shanghai Municipal Quality and Technical Supervision Bureau announced the results of risk monitoring to 'Eco board' makers and suggested they take the following measures.

- Cease production and sales of wood-based panel products for which emission levels for formaldehyde are more than 1.5 mg/L.

- Improve the standards and quality control system of enterprises, strengthen the quality control of raw materials, use formaldehyde free adhesive or low formaldehyde emission adhesive, improve production technology of decorative veneer, as well as reduce the formaldehyde emission.

- Regularly inspect raw materials and products, supervise the quality of the product to ensure the quality and safety of products.

- Mark the range of the product's formaldehyde emission on product packaging and do not use any promotional language that could lead to consumers misunderstanding the risks involved.

Production and exports of Guangdong furniture

According to Guangdong Furniture Association there are 1,170 furniture enterprises each having annual sales value of RMB5 million in Guangdong Province. The total income of furniture enterprises in the province was RMB100.5 billion in the first half of 2017, a year on year increase of 15%.

Of the total, wooden furniture dominates production. In the first half of 2017 the income of wooden furniture enterprises was RMB56.2 billion, a year on year increase of 16%, accounting for 56% of the total.

The USA still is the main market for wooden furniture from Guangdong and in 2016 exports to the USA were worth RMB40.3 billion, a year on year increase of 1.5%, making up 31% of the provincial total.

Guangdong furniture enterprises have been diversifying their international markets to include the Philippines, Indonesia, Thailand, Russia and new markets such as Iraq, Kuwait, Pakistan, Singapore, Malaysia and Saudi Arabia.

The enterprises have also been diversifying their product range and quality in efforts to expand market share. Through branding they hope to improve competitiveness in international markets and aim to explore sales of furniture with domestic cultural characteristics, new Chinese style furniture, fashion and simple furniture emphasising functionality.

A first - Japanese cedar through Jingjiang Port

According to the Jingjiang Entry-Exit Inspection and Quarantine Bureau, around 3,000 cubic metres of Japanese cedar logs were imported through Jingjiang Port recently making the first time for such arrivals.

Jingjiang has become China's third largest port in terms of log import volumes. Log imports in 2016 exceeded 3 million cubic metres. In 2009 log imports through the port totalled just 700,000 cubic metres. So far this year, log imports through the port have exceeded 2.2 million cubic metres and are set to reach 3.5 million cubic metre by year end.

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

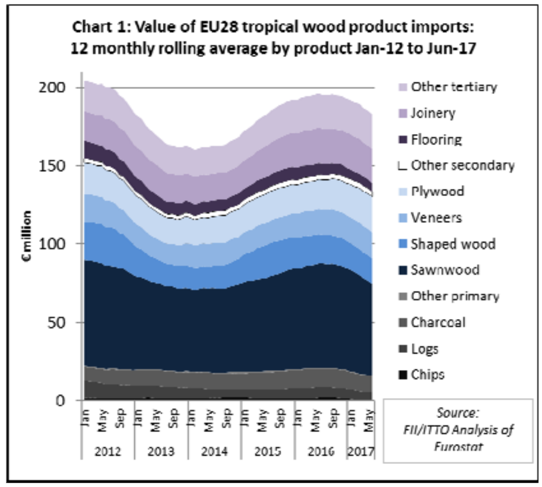
Shanghai Furen Forest Products Market Wholesale Prices

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

Slowing pace of EU tropical timber imports during first half

The slowdown in EU imports of tropical timber products registered in the first quarter of 2017 continued into the second quarter. Twelve monthly rolling average imports, which peaked at just below Euro196 million in June 2016, fell to Euro183 in June 2017. Most of the rise and subsequent slowdown in EU tropical imports was driven by sawn wood. (Chart 1).



The decline in EU tropical wood imports this year is, in some ways, even more troubling than other larger downturns which have regularly afflicted the European trade in the last decade. The downward trend runs contrary to broader economic conditions across the continent which, while hardly buoyant, are more robust than at any previous time in the last five years.

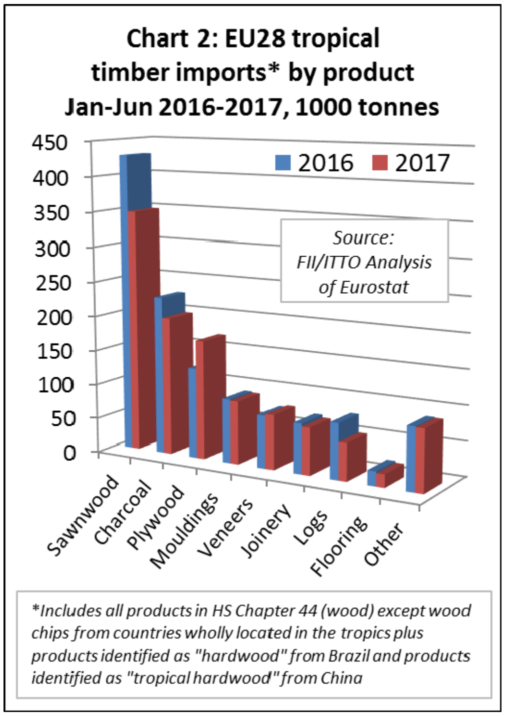
The downturn comes at a time when EU tropical wood imports have barely recovered from the all-time low of 2013 and affects nearly all products and EU markets.

Only plywood and veneer imports rise in first quarter

In the first half of 2017 compared to the same period in 2016, total EU imports of tropical timber products declined 8% to 1.12 million metric tonnes (MT).

There was an 18% decline in EU imports of tropical sawn to 349,000 MT, a 13% decline in imports of tropical charcoal to 199,000 MT, a 33% decline in imports of tropical logs to 54,000 MT, and an 11% decline in imports of tropical flooring to 19,000 MT.

These losses were only partly offset by a 31% rise in imports of tropical plywood to 171,000 MT and a 3% rise in imports of tropical veneer to 78,000 MT. (Chart 2).

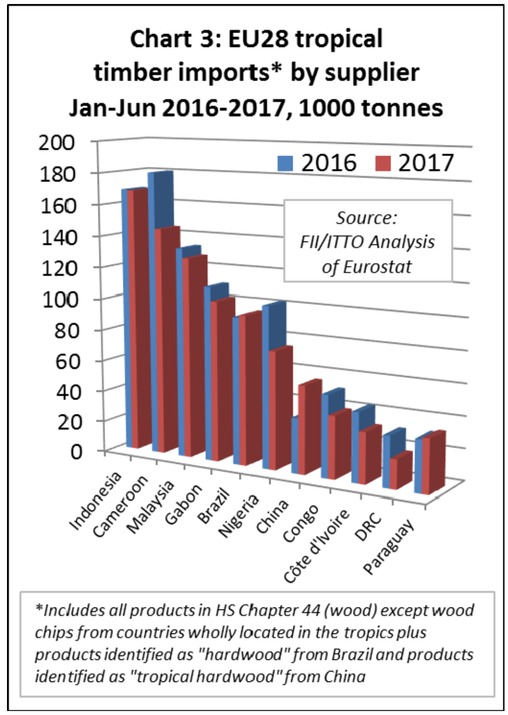


The EU imported 168,000 MT of tropical timber products from Indonesia in the first 6 months of 2017, exactly equivalent to the same period in 2016. This is much less than hoped since Indonesia became the first country to issue FLEGT licenses in November 2016. However, Indonesia has performed better than nearly all other tropical timber supplying countries in the EU market this year.

EU imports declined from all other major tropical supplying countries in the first half 2017, with the lone exception of Brazil. Imports from Brazil were 95,000 MT during the period, a slight (2%) increase compared to the first half of 2016.

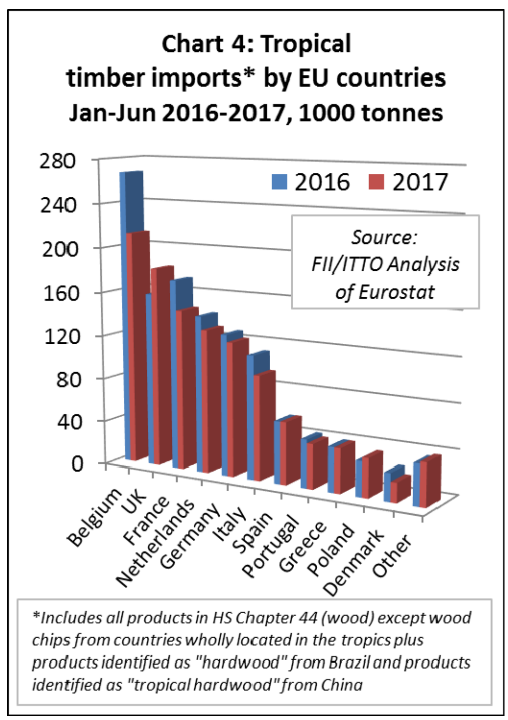
EU imports of tropical products (nearly all plywood) also increased 60% from China to 56,000 MT in the first half of 2017.

In contrast, direct EU imports of tropical products from Cameroon declined 20% to 145,000 MT, Malaysia declined 4% to 128,000 MT, Gabon declined 8% to 102,000 MT, Nigeria declined 27% to 75,000 MT (mainly charcoal), Congo declined 24% to 40,000 MT, Côte d'Ivoire declined 27% to 32,000 MT and DRC declined 43% to 19,000 MT. (Chart 3).



After rising strongly in 2016, imports of tropical timber products in Belgium declined 21% to 212,000 MT in the first half of 2017. Imports in France, Germany and Italy, which were sliding in 2016, declined further in the first half of 2017.

Imports fell 16% to 146,000 MT in France, 5% to 122,000 MT in Germany and 16% to 95,000 MT in Italy. After showing signs of recovery last year, imports in the Netherlands weakened in the first half of 2017, falling 8% to 131,000 MT. (Chart 4).



Improving Euro zone economies not lifting tropical imports

The decline in tropical wood imports into eurozone countries is surprising given evidence of improving economic conditions in the region. Growth in the eurozone picked up to its fastest pace since 2011 in the second quarter of this year, with GDP in the past 12 months rising by 2.2%.

In the three months to June the eurozone economy grew by 0.6%, matching the same healthy number from the first quarter of the year. German GDP grew by 0.6% in the quarter, Spain’s by 0.9%, France’s by 0.5% and the Netherlands by an unexpectedly strong 1.5%.

This positive trend has contributed to a sharp increase in the euro-dollar rate, from 1.05 in early January 2017 to nearly 1.20 by the end of August. It’s possible that this rise in rates is acting temporarily to discourage imports. EU buyers are often unwilling to build stock at a time when euro import prices are falling and they anticipate further price decreases in the future.

It is significant that the UK is the only major EU market where tropical wood imports held up well in the first half of 2017. UK imports increased 21% to 90,000 MT during the period.

Again, this seems to conflict with underlying economic trends. The UK grew by 0.3% in the second quarter of 2017, a significantly slower rate of increase than the major eurozone economies. Much of this growth was driven by the service sector. Industrial output shrank by 0.4% and construction contracted by 0.9% during the same period as uncertainty has mounted since the Brexit vote.

This uncertainty is also reflected in exchange rates. The British pound has weakened sharply against the euro and stayed quite flat against the dollar this year. In contrast to eurozone importers, those in the UK had an incentive to build stock in the first half of 2017 in expectation of a further weakening in the exchange rate and rising import prices later in the year.

If the divergent trend in UK and eurozone imports of tropical timber in the first half of 2017 is driven mainly by short-term changes in exchange rates, then a reversal may be expected in the second half of the year - UK imports are likely to slow and eurozone imports to rebound again.

However, if the downward trend in the EU tropical timber trade continues, even as economic activity recovers in the eurozone, then it will be necessary to look to more fundamental causes.

It is possible, for example, that the combined effect of increased EUTR enforcement, limited availability of independently certified or legally verified tropical timber, the difficulty of demonstrating negligible legality risk in the absence of such certification, the existence of large alternative markets where there is still little demand for such assurances, and the further development of wood and non-wood substitutes, will be a long-term and ever deepening slump in the EU market for tropical timber products.

North America

Plywood imports fall across the board in June

Hardwood plywood imports fell by almost one third in June to 209,842 cu.m. but year-to-date imports were 22% higher than in June 2016. The value of plywood imported in June declined 15% month-over-month to US$139 million.

The largest drop was in imports from China. China’s plywood shipments to the US fell by almost half to 84,913 cu.m. in June. The value of Chinese plywood imports was down one third from May.

The US introduced preliminary antidumping duties on Chinese hardwood plywood in June. Cash deposits based on the preliminary duties of 57.36% to 114.72% are now required for hardwood plywood from China. Only Linyi Chengen Import and Export Co. Ltd. was assessed at a rate of zero.

Hardwood plywood imports from most other countries also declined in June, a sign that the new antidumping duties are not the only reason for the overall decrease in US plywood imports.

Malaysia was an exception and almost doubled the value of shipments to the US market in June. The US imported 10,323 cu.m. of hardwood plywood from Malaysia in June almost doubled compared to June 2016.

Veneer imports up from Côte d’Ivoire and India

Tropical veneer imports grew in June to US$2.6 million, but the year-to-date value of imports is only half of what the US imported in June 2016.

Italy was again the largest source of tropical veneer in June, but veneer imports from Côte d’Ivoire increased 56% in June to US$465,475. Imports from India were also up at US$307,871. Veneer imports from China, Ghana and Cameroon declined in June.

Brazil loses market share to China in hardwood mouldings market

The US imported US$15.0 million worth of hardwood moulding in June, down 15% from May. Year-to-date imports were slightly higher (+1%) than in June 2016.

Imports from most countries declined in June with the large drop in imports from Brazil. Brazil’s shipments fell one third to US$2.4 million. Imports from Malaysia fell to just over US$0.5 million in June.

Imports from China accounted for over 40% of total hardwood moulding imports in June. Chinese moulding imports were worth US$6.2 million, up 27% year-to-date from June last year.

Hardwood flooring imports significantly up from 2016

Hardwood flooring and assembled flooring panel imports increased in June to US$5.4 million and US$13.3 million, respectively. Year-to-date hardwood floor imports grew 23% compared to the same time last year.

Year-to-date imports of assembled flooring panels (engineered wood flooring) was only slightly higher than in June 2016.

Hardwood flooring imports from Malaysia more than doubled from May to US$413,458, but year-to-date imports are still less than half compared to June last year. Indonesian shipments increased to US$766,634 in June, but the largest month-over-month growth was in imports from China. Hardwood flooring from China was worth US$1.9 million in June.

In assembled flooring panels, both China and Indonesia exported less to the US than in May. Canada was the largest import source of assembled flooring in June, but in year-to-date imports China is still slightly ahead of Canada. Assembled flooring imports from Thailand increased significantly in June (US$692,010).

China expands dominance of wooden furniture imports

Wooden furniture imports declined slightly in June to US$1.61 billion, but year-to-date imports remain well above June 2016 levels (+10%). Year-to-date imports from all major supplier countries were up in the first half of 2017, compared to the same time in 2016.

Furniture imports from China, Mexico and Europe grew in June, while imports from Vietnam, Canada, Malaysia, Indonesia and India were down from the previous month. China increased its share in US wooden furniture imports in June accounting for over 50% of imports of the top seven shippers.

Data source: US Census Bureau, Foreign Trade Statistics

Imports from Europe were worth US$143 million in June, up 6% from May. More recently the euro-dollar exchange rate has become less favourable to European exporters, which is likely to dampen the growth in European furniture exports to the US.

Non-upholstered seating furniture and office furniture imports dropped the most in June (14% and 13%, respectively). Kitchen furniture imports increased by 3% in June while imports of upholstered seating were unchanged from May.

Higher US furniture orders despite weak retail

The latest survey data on US residential furniture manufacturers and distributors was surprisingly positive, despite lower retail sales reported by the US Census Bureau.

New furniture orders increased 8% in May from the same time last year, according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors. New orders were 7% higher than in April. Over half (58%) of all survey participants reported order gains, up from 47% in April.

Furniture shipments increased 7% from May 2016 and 12% from April this year. Inventory levels at distributors and manufacturers were slightly up from April but consistent with business conditions.
Retail sales at furniture stores were declined 1.9% in June from the previous month. June sales were unchanged from June 2016, according to the US Census Bureau.

Furniture retail appears a bit weak when considering the high consumer confidence in the economy, low unemployment and an overall strong housing market. Many other retail sectors grew even less than furniture retail. Total US retail and food services decreased 2.7% in June from the previous month.

GDP growth up in second quarter

GDP growth accelerated in the second quarter of 2017. GDP grew at an annual rate of 2.6% in the second quarter of 2017, according to the advance estimate by the Bureau of Economic Analysis. In the first quarter, real GDP increased 1.2%. Higher personal consumption and non-residential construction contributed to the higher GDP in the second quarter.

The unemployment rate has changed little in recent months and was 4.3% in July.
Consumer confidence rose in August to its highest level since January 2017, according to the University of Michigan's survey of consumers. Consumers have a more positive outlook for the overall economy and for their personal financial circumstances. The University of Michigan's estimate for personal consumption growth in 2017 remained at 2.4%.

Housing market steady despite lower July starts

Housing starts decreased 4.8% in July to a seasonally adjusted annual rate of 1,155,000, according to the US Department of Housing and Urban Development and the Commerce Department. July starts were 5.6% lower than in July 2016.

The largest decline was in the more volatile multi-family construction sector, while single-family starts were nearly unchanged from June. Multi-family construction was at its highest in 2015 and has since declined as more Americans are looking to purchase single-family houses.

The number of building permits issues for single-family homes, which indicates future building activity, were unchanged from June at a seasonally adjusted annual rate.

The size of new single-family homes has decreased during the second quarter of 2017, according to US Census Bureau data. This is a good sign for the housing market, according to the National Home Builders Association. Directly after the recession home sizes rose because high-end wealthy buyers returned to buying homes sooner. A decline in home sizes indicates that more households including first-time buyers are now investing in housing.

Builders' confidence in the market for new single-family homes gained in August, according to the National Association of Home Builders/Wells Fargo Housing Market Index. The cost of building lots, labour and building materials remain a concern.

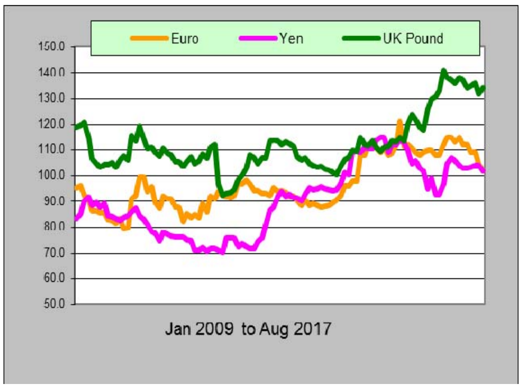
Total sawn softwood imports and imports from Canada have declined since the US imposed preliminary countervailing duties on most Canadian softwood in April. The US has increased softwood imports from Europe, while purchasing from Brazil has remained steady and imports from Chile have even declined in the first half of 2017.

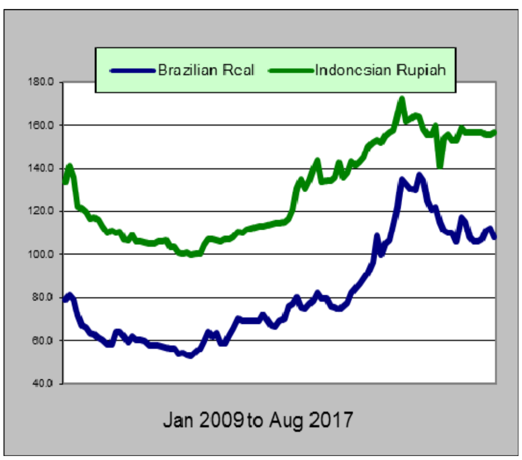
Dollar Exchange Rates

As of 25 August 2017

Brazil	Real	3.159
CFA countries	CFA Franc	550.07
China	Yuan	6.6482
EU	Euro	0.8387
India	Rupee	64.00
Indonesia	Rupiah	13348
Japan	Yen	109.30
Malaysia	Ringgit	4.2725
Peru	New Sol	3.2385
UK	Pound	0.7763
South Korea	Won	1121.58

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



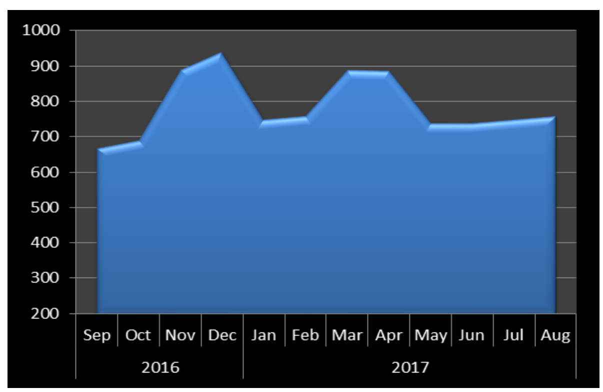


Abbreviations and Equivalences

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
MT	Metric tonne
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 – August 2017

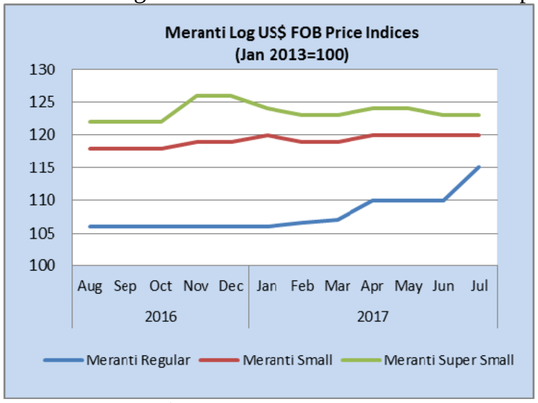


Data source: Open Financial Data Project

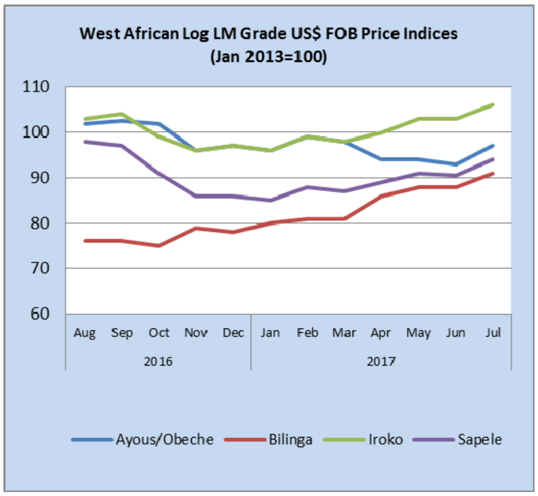
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

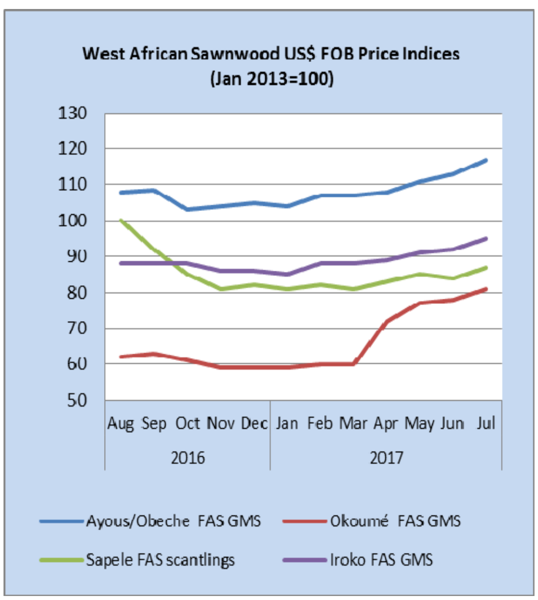
Price indices for selected products

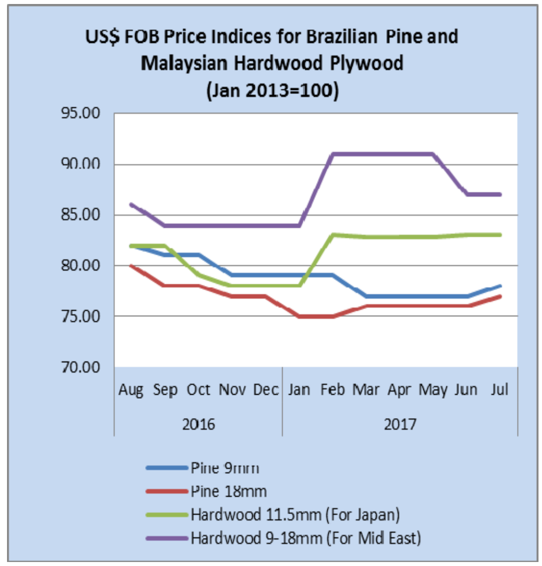
The following indices are based on US dollar FOB prices

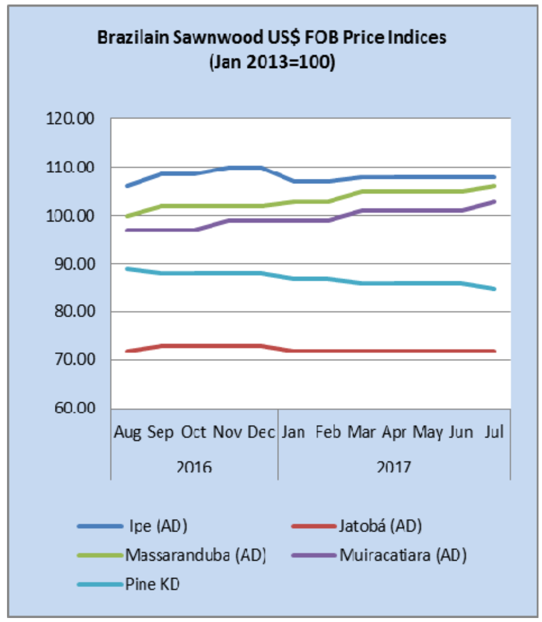


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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