Tropical Timber Market Report

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Top Story

Cameroon raises log export duties

The log export tax has been raised in Cameroon and producers have immediately raised FOB asking prices. Only over the coming weeks will a clear picture emerge of how buyers are responding.

Previously the authorities in Cameroon were considering an export quota system similar to that adopted by the Republic of Congo but there were concerns this could lead to a reduction in revenues from the forestry sector.

So far there has been little effect on sawnwood FOB prices with most producers in the region proposing prices which are only slightly above levels before the log export tax increase.

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Central and West Africa

Cameroon raises log export duties

It will be seen from the tables on the right that there has been a considerable surge in log FOB asking prices. This is the result of producers trying to pass on a new 15% increase in export duties on logs imposed by the government of Cameroon.

The move by producers to raise asking prices by the full 15% export duty is perhaps optimistic. Only over the coming weeks will a clear picture emerge of how buyers are responding. The increased prices, say producers, applies to all markets.

Previous discussions had been on an export quota system similar to that adopted by the Republic of Congo but there were concerns in Cameroon that this could lead to a reduction in revenues from the forestry sector which are significant.

So far there has been little effect on sawnwood FOB prices with most producers in the region proposing prices which are only slightly above levels before the log export tax.

Sawnwood traders appear to be waiting to see the response in the log market but eventually higher log prices will have a ripple effect on sawnwood prices.

Joint effort with China on Kevazingo smuggling

Gabon's Minister of forests recently returned from China and reported having agreed with counterparts there that efforts will be made to stem the flow of illegally harvested and smuggled kevazingo.

Also in Gabon several local companies have been given heavy fines running into the millions of CFA, say analysts, even for what producers say are minor infringements in implementation of their forest management plans.

It is also strongly rumoured that the Minister is likely to bring forward the proposal that all export sawnwood must be kiln dried which has been met with dismay by some millers. To be prepared there are reports that one large miller is already commissioning new kilns.

OLAM to take over assets of SNBG

It has been reported that Singapore based OLAM has purchased the assets of the previously government owned SNBG. The deal gives OLAM milling a peeling capacity, a veneer mill as well as large concession areas. The operations of SNBG were shut down some months ago.

Markets moving from west to east

Producers in the region are coming to terms with the reality of markets moving from west to east and talk of expanding ties in countries where growth is outstripping the slow growth in the EU. In the minds of producers it is India and China that are forecast to be the drivers of demand over the next decade.

Exporters do not expect a dip in trade as Chinese Spring Festival approaches

The Chinese Spring Festival – Chinese New Year – begins 16 February. The traditional slow-down in exports to China during the celebrations and vacations in China has been less than in recent years say producers.

Both African and Asian exporters will now be watching to judge how the higher log prices will affect business after the Chinese holiday period and over the coming months.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	260⬆	255⬆	170⬆
Ayous/Obeche/Wawa	270⬆	260⬆	225⬆
Azobe & Ekki	270⬆	270⬆	180⬆
Belli	295⬆	295⬆	-
Bibolo/Dibétou	195⬆	175⬆	-
Bilinga	265⬆	265⬆	-
Iroko	370⬆	350⬆	270⬆
Okoume (60% CI, 40% CE, 20% CS) (China only)	250⬆	250⬆	190
Moabi	355⬆	345⬆	275⬆
Movingui	230⬆	230⬆	170⬆
Niove	175	160	-
Okan	240⬆	240⬆	-
Padouk	335⬆	290⬆	245⬆
Sapele	310⬆	300	245⬆
Sipo/Utile	335⬆	315⬆	245⬆
Tali	380⬆	370⬆	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1020
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

Readying for FLEGT licenses this year

Ghana is ready to run trials on its FLEGT licensing system this year despite delays in the process to conclude the work. This news was announced during a workshop organized for timber exporters.

Alexander Dadzie, the Vice President of the Ghana Timber Association (GTA), told attendees the delay in implementation was due to the care required in developing the necessary regulations and legislation.

At the same meeting with exporters, Eric Abbeyquaye, the Permit Manager in the Timber Industry Development Division of the Forestry Commission, said that Ghana signed the VPA with the EU demonstrated Ghana's commitment towards ensuring only verified legal timber was exported.

Illegal harvested rosewood auctioned

The Ghana Minister for Lands and Natural Resources reported to parliament that 4,986 cubic metres of seized illegally harvested rosewood was recently auctioned. This auction, in addition to the sales price, netted government around GHc296,000 in auction fees.

The logs in question, said the Minister, had been seized from operators whose felling licences had been withdrawn but who continued to harvest rosewood logs.

The government has now banned the harvesting and sale of rosewood. Future trade in this valueable timber, said the Minister, will be governed by CITES regulations.

Minister's efforts to stop illegal mining recognised

A Christian group in Ghana has named the Minister of Lands and Natural Resources, John Peter Amewu, as the 'Best Minister for 2017'. This, say local media reports, was because the Minister fought hard in 2017 to protect Ghana's water bodies and forests and bring a halt to illegal mining which was destroying the environment and the country's forest cover.

The Ministry of Science and Environment has suggested that the country will need external help in reclaiming forests destroyed by illegal miners.

Ghana's economy rebounding

Ghana's President has said economy is improving such that soon it would be able to forego the financial support provided by the World Bank. This, he said, will be possible because of the government's fiscal responsibility and the crackdown on corruption. Ghana's GDP growth for Q3 2017 shot up to 9.3% from 3.5% in the same period 2016.

For more see: https://www.reuters.com/article/us-ghana-politics/president-says-ghanas-economy-back-on-track-idUSKBN1F62FH

Boule Export prices

	Euro per m^3
Black Ofram	420
Black Ofram Kiln dry	519
Niangon	570
Niangon Kiln dry	610

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300	450
Chenchen	425	502
Ogea	410	596
Essa	377	566
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	1,239
Avodire	897
Chenchen	826
Mahogany	1,732
Makore	2,667
Odum	1967

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	352	586	641
6mm	600	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	364	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	240	320
Dahoma	390	440
Edinam (mixed redwood)	520	580
Emeri	380	428
African mahogany (Ivorensis)	870	1040
Makore	620	846
Niangon	620	675
Odum	755	1029
Sapele	700	775
Wawa 1C & Select	400	449

Malaysia

Industry to face challenges on several fronts

The Borneo Post has reported on prospects for the wood-based industries in Malaysia as assessed by the research arm of Hong Leong Investment Bank.

Hong Leong says in 2018 the timber sector will face a challenge because of the strengthening of the ringgit which will undermine competiveness and profits. A particular challenge will derive from the fact that most export pricing is in US dollars and if the dollar edges up competiveness will be undermined.

Another issue raised in the Bank assessment was that as oil prices climb this will push up resin and other chemical costs leading to higher production costs.

In related news, Malaysia's Minister for Plantation Industries and Commodities, Mah Siew Keong, has laid raised the prospects for a National Oil Palm Trunk Development Plan that will focus on the use of oil palm trunks as an alternative raw material supply.

See: http://www.theborneopost.com/2018/01/17/wood-based-manufacturers-earnings-prospects-to-face-challenges-in-2018/

Professional Designers Programme (PDP)

The third round of the Professional Designers Programme has been launched through collaboration between the Malaysian Timber Industries Board, the Malaysian Furniture Council and the Australian Furniture Association.

This latest programme will focus on lifting Malaysian furniture designs to a higher level through involvement of professional designers. The aim, says the MTIB, is to achieve 70% 'Own Design Manufacturing' in the Malaysian furniture sector by 2020.

This PDP programme will combine domestic culture and styles with production capabilities of local furniture manufacturer to produce attractive designs for the local and international markets.

Sarawak to collaborate with Finnish Institute on sustainable forestry

A spokesperson for the Sarawak State government has said an agreement has been reached with the Natural Resources Institute Finland (LUKE) for collaborative work on sustainable forestry in Sarawak. Plans are being developed for securing funding for efforts on sustainable forestry, integrated land management, forest carbon management and climate change issues.

See: https://www.theborneopost.com/2018/01/25/sarawak-to-collaborate-with-luke-on-sustainable-forestry/

Panel furniture a feature of upcoming furniture fair

In the lead up to the March Malaysian International Furniture Fair set for 8-11 March this year the organisers have a feature article on wood based panel furniture. The MIFF article explains the panel-based furniture market especially in the US is firm on the back of the trend for the younger generation to opt for more affordable furniture.

In the coming MIFF 2018, says the article, an extensive collection of both panel-based furniture and Malaysia's renowned solid wood furniture collection from top domestic and international furniture manufacturers will be on display.

For more see: http://2018.miff.com.my/media/news-and-featured-articles/92/the-popular-demand-wood-panel-based-furniture/

Plywood price update

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$700 FOB
CP (3' x 6')	US$ 530 C&F
UCP	US$ 639 C&F
Standard 4x8 panels	
S. Korea (9mm and up)	US$ 480 C&F
Taiwan P.o.C (9mm & up)	US$ 465 FOB
Hong Kong	US$ 460 FOB
Middle East	US$ 440 FOB

Indonesia

US$3 billion furniture and handicraft export target

Secretary General of the Indonesian Furniture and Handicraft Association (HIMKI), Abdul Sobur, has said furniture and handicraft craft exports in 2018 could top US$3 billion, up over 15% on 2017.

Sobur commented that 2017 exports were not much higher than a year earlier because of problems with productivity and competition from low cost producers in the region. The fact that some foreign companies with factories in Java decided to relocate operations to Vietnam made matters worse for the sector.

Nevertheless, Sobur is still optimistic that the export target of US$5 billion in 2019 can be achieved if regulations that hamper and reduce industrial competitiveness are addressed. To achieve US$3 billion in exports Sobur pointed to the need to address raw material supply issues, improve productivity and designs.

HIMKI companies plan to participate in exhibitions of furniture and craft industries abroad. This year, some exhibitions in countries such Germany, the United States and China will be encouraged and supported by government.

In related news, Bank Indonesia has revealed banks provided loans to furniture manufacturers worth Rp860.01 billion, up almost 15% on 2017.

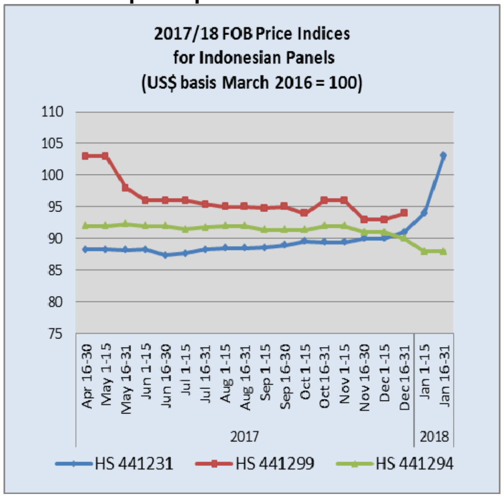
Indonesia ready to return to Salone del Mobile

At a recent press conference Joshua Simanjutak, of the Creative Economy Agency said Indonesia companies will be assisted in participating in Italy's main furniture show Salone del Mobile set for 17-22 April.

Social forestry programmes to be more closely coordinated

Indonesia's Peat Restoration Agency (BRG) along with some NGOs, has called on the government to develop programmes to support communities living in degraded peatland areas. Myrna Safitri, Deputy Head of BRG, said BRG will coordinate its peatland restoration programmes with the social forestry programmes being undertaken by the Ministry of Environment and Forestry.

Indonesian panel price indices



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

Myanmar

Frequent changes to tax laws a problem for enterprises

At a recent workshop, representatives of the American ASEAN Traders Association, along with others, raised the issue of the regular changes that are made to tax laws in the country which make it very difficult for manufacturers to calculate their tax liabilities and production costs.

It was mentioned that it is only in Myanmar that such regular changes are made to tax laws and this can negatively impact potential investors wishing to begin manufacturing operations in the country.

In related news, the American ASEAN Traders Association has called for a review of the current tax regimes which include a commercial tax, a special commodity tax, municipal taxes in addition to corporate tax. They argue that an overall reduction in the tax burden on companies would stimulate further domestic and foreign investment .

The Myanmar Investment Commission has said it hopes that the new Companies Law, set to come into force in August, will create a more investor-friendly environment.

Volume of seized teak logs exceeds planned harvest

During the first three quarters of fiscal 2017-18 around 36,000 hoppus tons of timber was confiscated. This include over 7,000 hoppus tons of teak and 29,000 hoppus tons other hardwoods.

In the current fiscal year the Myanma Timber enterprise (MTE) planned to harvest 15,000 hoppus tons of teak. Against this background the authorities and civil society groups are seriously worried about the huge quantity which has been seized since it represents such a high proportion of the planned legal harvest.

In a related development, since 29 Dec 2017 the Forestry Department has suspended the auction of those logs rejected by MTE because of their poor quality. Such auctions, which are typically held across the country, have been temporarily suspended in an attempt to control illegal trading of Myanmar timber.

Currently, timber purchased by sawmillers during these Forestry Department auctions are not allowed to be transferred between regions and states and products manufactured from these logs shall not be exported.

However, despite the best efforts of the authorities, illegal timber traders and brokers continue to conduct log trading in Myanmar's border towns. Demand for teak in border towns is driving up prices and this illegal trade is distorting prices for verified legal teak used by domestic industry making it difficult for them to operate profitably.

MTE commitment to transparency in harvesting contracts applauded

MTE has made available details of the service contracts with the private sector for this years' harvesting, specifically for felling/cutting, skidding, loading/unloading, road construction and transportation.

The information available shows the name of the service providers, the type of service and the region/area of forest where harvesting will be conducted.

Last year there was confusion over the interpretation of private sector involvement in harvesting.
MTE has confirmed that the past system, whereby private sector contractors were granted permission to buy the logs, will not be continued.

MTE has said clearly they will pay for the service of contractors and that contractors will only be used if MTE finds itself unable to undertake the respective operations. Local analysts are very much encouraged by the serious commitment to transparency by MTE.

January teak auction prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	19.5	3,525
SG-5	68.3	2,515
SG-6	94.8	2,665
SG-7	145.6	1,945

India

Factory output at 17-month high

Data from the Central Statistics Office (CSO) has shown that November 2017 factory output increased at its quickest pace in two years spurred by expansion in the manufacturing sector. Analysts read the data as signalling stronger growth in 2018.

CSO data shows that 15 out of the 23 industry groups in the manufacturing sector had positive output growth in November, the latest for which data is available. This is very goodness for employment.

India/ASEAN collaboration on forestry

According to a press statement from the ASEAN Secretariat, ASEAN Ministers of Agriculture and Forestry and the Indian Minister of Agriculture and Farmers' Welfare welcomed progress made in the implementation of the ASEAN-India Plan of Action 2011-2015 to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity.

Under an action plan 'Promoting Capacity Building, Technology Transfer and R&D for Global Competence in Agriculture', four capacity building activities have been undertaken on IT Application for Agricultural Extension, National seed quality control systems, Organic certification for fruit and vegetables and conventional and molecular techniques for diagnosis of trans-boundary animal diseases.

The ministers also supported joint collaborative projects in the areas of (i) Agroforestry interventions for livelihood opportunities, (ii) Demonstration and exchange of farm implement and machinery, and (iii) Genetic improvement of parental lines and development of heterotic rice hybrids. They noted the endorsement of the Medium Term Plan of Action for Asean India Cooperation in Agriculture and Forestry for 2016–2020 by the SOM AMAF and India.

http://asean.org/storage/2018/01/Joint-Press-Statement-4th-AIMMAF.pdf

Dubai property show delivers good results

CREDAI's Indian Property Show was held in Dubai in early December and attracted over 13,500 visitors. The Exhibition, in collaboration with Dubai based Sumansa Exhibitions, was the first international exhibition of Indian Properties in Dubai after the introduction of India's Real Estate Regulation and Development Act (RERA).

This act has led to a highly positive sentiment amongst homebuyers and this was reflected in the sales of over 1,000 properties on offer at the exhibition.

The event also included state pavilions representing Gujarat, Maharashtra, Delhi – NCR, Rajasthan, Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, West Bengal, Goa, amongst others. Properties in Southern India were in demand.

CREDAI President, Mr. Jaxay Shah said "CREDAI, along with Sumansa Exhibitions, have been able to display the most prime properties from the most credible developers of India in Dubai.

The combination of CREDAI's goodwill and the new era of RERA in the Indian real estate gave the event an extremely strong foundation to flourish amongst a base of keen NRI buyers who also displayed an extremely strong interest in buying Indian properties."

See
https://credai.org/press-releases/credais-indian-property-show-witnesses-strong-participation-from-210-developers-and-13500-visitors

Teak auction prices

Auctions at forest depots in North and South Dangs Divisions ended on 22 January. Of the approximately 5,000 cubic metres sold most were teak logs the rest being tropical hardwoods such as Adina cordifolia, Gmelina arborea, Pterocarpus marsupium, Acacia catechu and Mitragyna parviflora.

Domestic millers are keen to purchase larger girth domestic teak logs as imported teak logs are mainly of small girth material. One significant advantage of purchasing domestically grown teak logs is that the logs are sold with the bark and sap removed. Prices at the recent sale are shown below.

Prices at the recent sales are shown below.

Quality	Rs. Per cu.ft
Grade A ship building	3500-3600
Grade B ship building	3200-3300
Grade A large girth	2800-3000
Grade B large girth	2600-2700
Grade A long	2400-2500
Grade B long	2200-2300
Grade A 15ft & up	2000-2100
Grade B 15ft & up	1700-1800
Grade A 12ft & up	1500-1600
Grade B 12ft & up	1400-1500
Grade A 8-10ft.	1200-1300
Grade B 8-10ft	1100-1200
Small girth low quality	900-1000

First quality non-teak hardwood logs 3-4m long having girths 91cms & up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium attracted prices in the range of Rs.800-1000per cu.ft. Second quality hardwood logs were sold at between Rs.600-700 and low grade logs sold for Rs.250-400 per cu.ft.

Imported plantation teak

Demand for imported logs and the pace of supply has been steady. The combined impact of freight rates and a slightly weaker dollar/rupiah exchange rate, along with increased availability has meant that prices offered to exporters remain unchanged.

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth

Locally sawn hardwood prices

Prices for locally milled hardwoods continue unchanged from the beginning of the year. Millers report demand is firming on the back of increased investment in housing projects especially the affordable housing sector. Analysts note that the acceptance by endusers of red meranti is improving.

Despite the brighter demand, importers are resisting demands from suppliers for price increases citing tough market competition.

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

Imported sawn Myanmar teak

Analysts say that, while there is a steady demand from dedicated Myanmar teak users, others are opting for other hardwoods which are available at more competitive prices.

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	3000-4000

Price range depends mainly on lengths and cross-section.

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 lengths and cross-section.

Domestic plywood prices

Plywood manufacturers are happy that the Goods and Services Tax (GST) on plywood has been reduced from 28% to 18%. However, now they face another issue in rising resin and other chemical costs which has forced them to raise prices.

The current prices, after adjusting for GST and raw material costs are shown below.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	51.50
6mm	69
9mm	87.50
12mm	108
15mm	144
18mm	150

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	26.0	38
6mm	39	49.50
9mm	49.50	60
12mm	60	71.50
15mm	72,50	87
19mm	82.75	98
5mm Flexible ply	51.50	

Brazil

Recover in furniture sector some way off say analysts

According to the Brazilian Institute of Geography and Statistics (IBGE) furniture production increased 4.4% in the first eleven months of 2017, the fastest pace of growth since 2011.

The IBGE conducted state surveys in Paraná and Rio Grande do Sul. In Paraná production rose just over 3% in the first eleven month period but in Rio Grande do Sul there was a decline in production. In comparison to November of 2016, furniture industries in Paraná registered strong growth (+13.5%) while those in Rio Grande do Sul saw a decline of 8%.

Despite the rise in production analysts point out there is little to celebrate as the 4.4% increase is small compared to the overall decline of almost 30% over the previous three years.

Looking at furniture retail prices in 2017 where there was a 0.5% decline and the 5.5% drop in sales volume up to October, analysts estimate furniture consumption in 2018 could be lower than forecast. This suggests that it will be a few years before the furniture sector recovers anywhere close to the boom year of 2010.

IBAMA investigates timber companies – several face charges

In January this year the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) conducted spot checks on logging companies in the Amazon to investigate potential fraud in payment of the Environmental Control and Inspection Fee (Taxa de Controle e Fiscalização Ambiental - TCFA).

IBAMA has reported 2,255 infractions and fines amounting to around R$7 million. In Mato Grosso State alone irregularities were identified in 616 companies. In Pará 355 cases were identified, in São Paulo 308 case and in Rondônia 235 cases.

IBAMA says the main issue was that companies traded forest products with a higher volume than declared in the Federal Technical Register System (CTF).

November export update

In November 2017 Brazilian exports of wood-based products (except pulp and paper) increased 14.9% in value compared to November 2016, from US$211.7 million to US$243.2 million.

Compared to the same month a year earlier the value of pine sawnwood exports increased 35% in November 2017 (US$ 32.5 million). In terms of volume, exports increased 29% over the same period, from 165,400 cu.m to 213,700 cu.m.

Tropical sawnwood exports also increased rising 33% in volume, from 31,800 cu.m in November 2016 to 42,400 cu.m in November 2017. The corresponding rise in value was 25%, from US$15.4 million to US$19.2 million.

Exports of pine plywood exports surged 57% in value in November 2017 comparison with figure of November 2016, from US$ 5.0 million to US$55.0 million. In terms of volume, exports increased 36% over the same period, from 132,400 cu.m to 180,100 cu.m.

In November 2017, tropical plywood exports increased 23% in volume, from 12,500 cu.m in November 2016 to 15,400 cu.m and from US$ 5.2 million in November 2016 to US$ 6.2 million in November 2017, a 19% increase.

Brazil's wooden furniture exports rose from US$38.2 million in November 2016 to US$ 41.2 million in November 2017, a 7.9% rise.

December export update

In December 2017 the total value of Brazil's exports of wood-based products (except pulp and paper) increased 26% in value compared to December 2016, from US$220.8 million to US$277.4 million.

Pine sawnwood exports increased 21% from US$ 35.1 million in December 2016 to US$ 42.4 million in 2017 December. In volume, exports increased 15.5% over the same period, from 174,000 cu.m to 201,000 cu.m.

Tropical sawnwood exports rose 16.3% in volume, from 36,700 cu.m in December 2016 to 42,700 cu.m in December 2017. In value, exports increased 14.0% from US$ 17.9 million to US$ 20.4 million, over the same period.

December 2017 pine plywood exports increased 41% in value year on year from US$40.0 million to US$56.3 million. The volume of exports increased by just 15.5% from 154,000 cu.m to 177,800 cu.m.

December 2017 tropical plywood exports increased in both volume and in value, from 17,900 cu.m (US$7.3 million) in December 2016 to 18,400 cu.m (US$ .6 million) in December 2017.

There was also a continuation of the rise in furniture exports which jumped from US$ 39.3 million in December 2016 to US$ 43.9 million in December 2017, an almost 12% rise.

2017 furniture trade – a call to diversify markets

A look at residential furniture export shows that there was an almost 7% rise in 2017 compared to 2016. But analysts consider this a poor performance as half of the exports were dependent on just three countries, the United States, the United Kingdom and Argentina.

Exports to Argentina fell 9% and exports to the UK dropped 13%. The three markets accounted for about 47% the total, just 1% higher than in 2016. The total value of furniture exports was U$633.5 million, some US$50 million below that in 2014.

By State, Santa Catarina continues to lead exports with 36% of the total followed by Rio Grande do Sul, with 29%.

Brazil's imports of furniture continue to rise. 2017 imports totaled US$538.5 million, an almost 16% increase on 2016. China accounted for 33% of this total, a 34% increase over the previous year.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	215⬇
Jatoba	122⬇
Massaranduba	123⬇
Miiracatiara	123⬇
Angelim Vermelho	114⬇
Mixed redwood and white woods	104

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	946⬇
Jatoba	467⬇
Massaranduba	438⬇
Muiracatiara	435⬇
Angelim Vermelho	393⬇
Mixed red and white	263⬇
Eucalyptus (AD)	222⬇
Pine (AD)	157⬇
Pine (KD)	181⬇

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	579⬇
10mm WBP	474⬇
15mm WBP	422⬇
4mm MR	473⬇
10mm MR	350⬇
15mm MR	327⬇

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	248⬇
15mm MDF	297⬇

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1446⬇
Jatoba	886⬇
Massaranduba	804⬆
Muiracatiara	777⬆
Pine (KD)	184⬇

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)	311⬆
12mm C/CC (WBP)	292⬆
15mm C/CC (WBP)	276⬆
18mm C/CC (WBP)	278⬆

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,500⬆
	Jatoba	1,450⬇

Source: STCP Data Bank

Peru

Exports fall for the third consecutive year

Peru's wood product exports to the US dropped by over 50% in the first eleven months of 2017 to US$110.5 million. It is likely that 2017 exports will be the third consecutive year of decline says ADEX, the exporters association in Peru.

The chairman of the Wood and Wood Industries Committee of ADEX, Erik Fischer, has blamed the persistent attacks on the reputation of timber companies in Peru and the detention for months of shipments by US Customs because of spurious claims that shipments were of illegally harvested timber.

Wood product exports to the US were down around 50% in the first eleven months of 2017 compared to the same period in 2016. Because of the problems of shipping to the US this market is becoming less important to Peruvian exporters according to Fischer.

Last year the main markets were China, (US$55 million) followed by Mexico (US$16 million). Other significant export markets included some EU member states countries, the Dominican Republic and New Zealand.

In terms of product, of significance were exports of semi manufactured products (US$68.8 million) such as mouldings and flooring. In addition, there were exports of sawnwood (US$22 million), veneers and plywood (US$9 million), joinery products (US$5 million), furniture and parts (US$3 million).

Promote businesses and forest conservation in Atalaya

When speaking to regional representatives of indigenous organizations, the Ucayali Regional Government, the Municipality of Atalaya, Sernanp and representatives of SERFOR, the Head of the Incentives Unit for the Conservation of Forests (part of the Forests Programme) said investment projects for the Mitigation of Climate Change will support the generation of sustainable businesses in native communities.

The aim of the Forests Programme is to promote the sustainable use of the forest in the region, reduce deforestation and improve the quality of life of the population that live in or depend on the forest.

The president of the Confederation of Amazonian Nationalities of Peru (Conap), reminded the meeting that it is important to generate economic initiatives for indigenous and native communities to raise living standards. This, he said, can be achieved through support for small businesses in the cultivation of coffee, cocoa, fish farming and community forestry.

25% of Madre de Dios forest under sustainable management

According to the records of the National Forestry and Wildlife Service (SERFOR), Madre de Dios has over 25% of its forests under sustainable management.

Around half of this is forest area is for timber harvesting, the other half being for production of chestnuts, shiringa (rubberwood) and aguaje (the so-called miracle fruit for women), important crops which generate significant employment.

In Madre de Dios there are also 190,000 hectares of concessions for conservation there are also areas for afforestation and reforestation.

Madre de Dios is the third largest department in the country and has the largest forest area after Loreto and Ucayali. However, analysts complain the potential of the natural resources is still at risk from deforestation.

Between 2001 to 2016 an area of around deforestation of 163,000 hectares, was lost to small-scale migratory agriculture and illegal mining.

Export Sawnwood Prices

	US$ per m^3
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 m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	478-494⬆
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	942-992⬆
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	662-679⬆
Marupa 1", 6-13 length KD	
Asian market	499-577⬆

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	244-262
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 m^3
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		1304-1391
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1059-1089
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

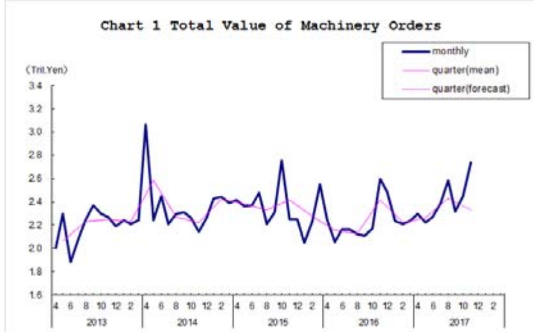
Japan

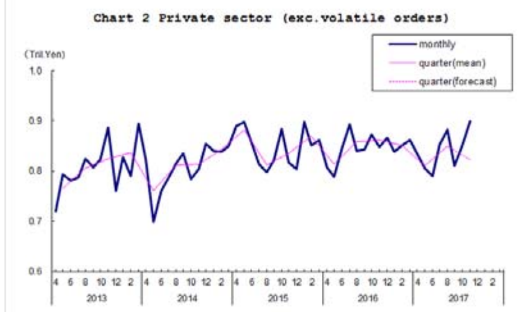
Boost in private sector spending a surprise

Private-sector machinery orders rose in November, the second monthly gain, driven mainly by orders from service sector providers (see graphs right).

While this gain came as a surprise (analysts forecast a decline) the positive numbers add to the sense that the Japanese economy is really picking up. In view of the positive news the Japanese Cabinet Office maintained its forecast for private sector capital spending to continue to increase. However, on a cautionary note, analysts point out that machinery orders by manufacturers declined.

Japanese firms are slowly investing in equipment to boost capacity and in automation to address a labour shortage which is expected to become worse as the population of working age people shrinks.





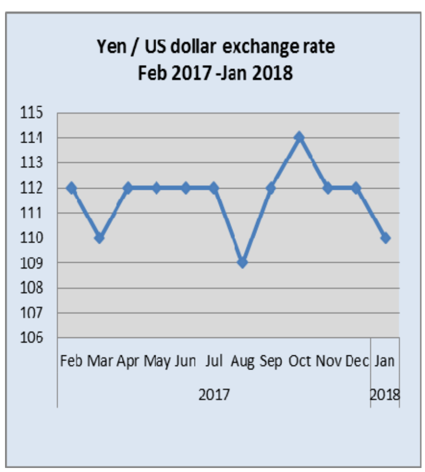
Source: Cabinet Office, Japan

US shutdown drives dollar lower

Worries the US government shutdown weighed heavily on the yen/dollar exchange rate. At one point late in the month the US dollar was at a three-year low marking five weeks of declines.

The stop-gap US legislation to fund essential US government services until mid-February stemmed the dollar fall.

On the 25 January the dollar was at a high of around yen 109 but since gave up some strength. However, analysts are constantly watching for any change in the stance of the Bank of Japan where there are suggestions that it could begin to pull out from its aggressive monetary easing policy, a move which would see the yen strengthen.



New report on Japan's housing demand

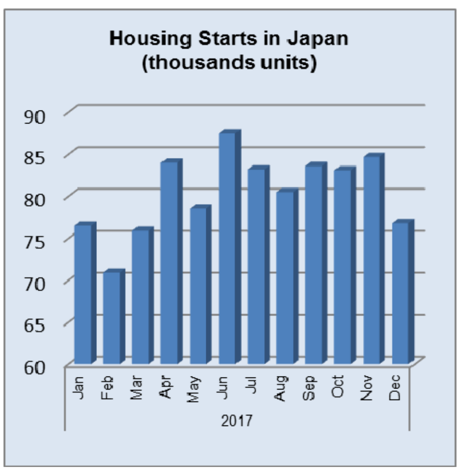
Satprnews, a company in the EU, has announced the release of a report 'Single-Family Housing Construction in Japan to 2020: Market Databook' this, says the Satprnews website, contains detailed historic and forecast market value data for the single-family housing construction industry, including a breakdown of the data by construction activity (new construction, repair and maintenance, refurbishment and demolition).

Satprnews writes "the report provides a top-level overview and detailed insight into the operating environment of the single-family housing construction industry in Japan. It is an essential tool for companies active across the Japanese construction value chain and for new players considering to enter the market."

See: http://www.satprnews.com/2018/01/16/single-family-housing-construction-in-japan-to-2020-market-databook-construction-manufacturing-and-construction-residential-construction-industries/

Housing data from Japan's Ministry of Land, Infrastructure, Transport and Tourism show that December 2017 starts were down year on year, the sixth straight year on year drop.

Annual housing starts for 2017 came in at almost the same level as in 2016



Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

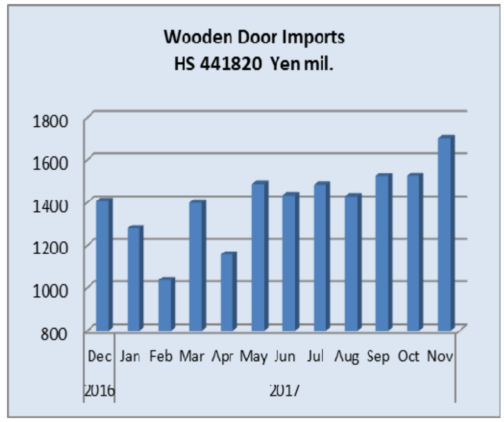
Import round up

Doors

Despite the surprise jump in November wood door imports into Japan, total 2017 imports are set to be below those of a year earlier.

November 2017 imports of wood doors (HS441820) were up sharply year on year (+19%) and compered to levels in October a 17% rise was observed.

Shippers in China continue to capture the lions share of demand for imported wooden doors in Japan and in November accounted for a little over 56% of all wooden door imports. The Philippines was the second largest supplier (18%) followed by Indonesia and Malaysia at around 12% each.

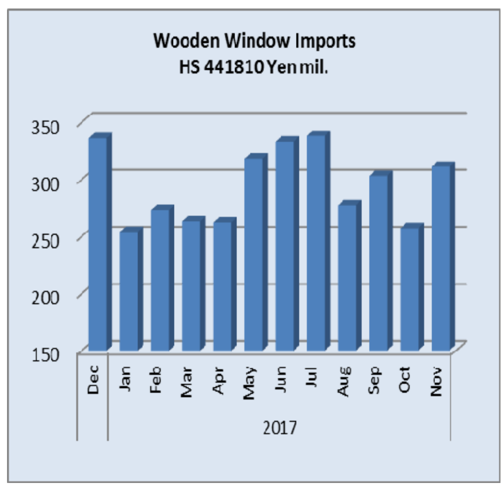


Data source: Ministry of Finance, Japan

Windows

The value of wooden windows (HS441810) imports has become more erratic over the past four months with August 2017 imports dropping only to rise again in September. However the expansion was not sustained towards year end.

Infact, 2017 imports of wooden windows are likely to be significantly below those of a year earlier based on data up to November. Three shippers, China, US and the Philippines each captures around a third of all Japan's demand for imported wooden doors.



Data source: Ministry of Finance, Japan

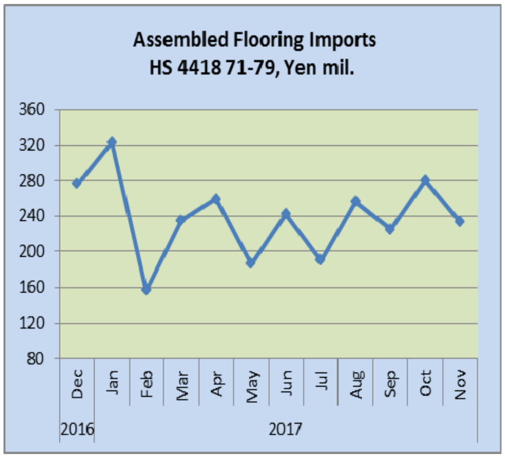
Assembled flooring

If Japan's imports of assembled wooden flooring (HS441871-79) follow the usual pattern then there will be a surge in December imports followed by a decline.

Year on year November assembled flooring imports were up sharply (+17%) but compared to a month earlier import values dropped.

Flooring falling within HS441875 accounted for the bulk (70%) of November wooden flooring imports followed by HS441879 at 25%. Imports of other categories of wooden flooring are small. China was the only supplier of HS441873, for HS441875 China was again the main supplier (67%) followed by Indonesia (11%).

Shipments of HS441879 were fairly evenly distributed between China, Thailand and Indonesia.

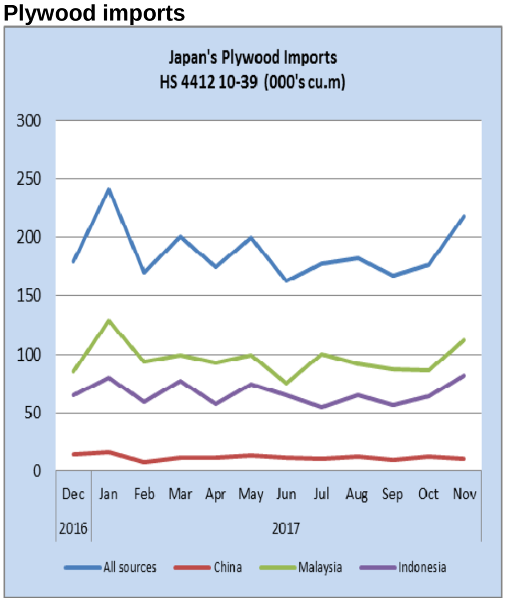


Data source: Ministry of Finance, Japan

Plywood

Japan's November imports surged on the back of increased shipments from Malaysia and Indonesia, both of which were at monthly record highs.

Plywood imports



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

		China	Malaysia	Indonesia
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
	Jul	10.6	100	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82

Data source: Ministry of Finance, Japan

Since June last year Japan's plywood imports have remained at around 170,000 cubic metres per month but October and November shipments have risen lifting the average monthly volume of shipments .

November shipments from Malaysia were mainly of HS 441231 with smaller volumes of HS 4412 33 and 34. November shipments from Indonesia followed a similar pattern with most being HS 441231 but more HS 441234 is shipped from Indonesia than Malaysia.

In contrast plywood shipments from China are of more varied specifications with HS 441231 accounting for most.

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

Japan's wood products exports climbing

There is increasing demand for Japanese wood products from not only neighboring countries but far markets like North America.

Logs and lumber have been exported to Korea, China and Taiwan for last several years. The volume of lumber export for the first ten months of 2017 was more than 107,000 cbms, more than 60% increase from 2016. About 60% is for China, 40% more than 2016. The volume for the U.S.A. was more than 10,000 cbms, more than three times of 2016. There was no export to the U.S.A. until 2013. Plywood export is also three times more than 2016.

Cedar lumber for the U.S. market is new demand after red cedar supply gets short. It is mainly used for exterior like fencing. Main size is 15 mm thick with length of 24 and 3.6 meters. There are increasing inquiries for this products.

Mukai Lumber in Ehime prefecture produces and ships about 700-800 cbms of cedar lumber every month since last summer. There are more sawmills handling this product steadily now. Chugoku Lumber, the largest Douglas fir lumber manufacturer, exported more than 10,000 cbms of cedar and cypress lumber for China, Korea and Taiwan P.o.C in 2017, three times more than 2016 in sales amount.

Presently monthly export volume is more than 10,000 cbms. Log export volume in 2017 did not quite reach one million cbms but it is about 36% more than 2016.

Background of active export of Japanese wood is worldwide climbing of wood prices and booming Chinese economy. Log export prices from North America and New Zealand are likely to go higher this year so there will be more orders for Japanese cedar.

Wood products demand projection

The Forestry Agency held the meeting for wood products demand projection for the first half of 2018. Imported lumber from North America, Europe and structural laminated lumber would decrease while logs from North America for the second quarter and from New Zealand for the first quarter would increase. Supply of domestic logs for lumber would decrease some but logs for plywood would increase by 8.5%.

Housing starts show sign of decline and average of 12 private think tanks forecast for 2017 is 960,000 units, 9,000 units less than previous forecast then forecast for 2018 is 961,000 units.

The Japan Federation of Housing Organization reported that the survey made in last October through house builders indicated that index of orders for the third quarter 2017 was minus 32 points and the amount was also minus 23 points. Orders were minus for six consecutive quarters.

North American lumber supply would continue in 2018 with climbing prices by active North American demand while North American log demand remains firm and the arrivals for the second quarter would be up by 7% but it depends on winter weather on the Pacific coast.

European lumber, which supply increased in the fourth quarter 2017, would decrease in the first quarter 2018 and the purchase remains weak for the second quarter since the market has no strength to pass on higher import cost.

Arrivals of structural laminated lumber for the first half of 2018 would decline by 11.5% while domestic production of structural laminated lumber would remain the same as 2017.

Demand for domestic plywood would continue active for the first half of 2018. The supply would increase as a new plywood mill would start up in April 2018. This would result in higher demand of domestic logs for plywood manufacturing in 2018.

Meantime, there are different views on demand for domestic lumber. Some forecast the same degree of demand of the first half while the others comment slight decline of demand

Plywood

Supply tightness continues on both domestic and imported plywood. Active demand for domestic softwood plywood continues after the New Year by precutting plants. Inventories of imported thin panel, floor base and coated 2x6 concrete forming are down. This seems to continue until March.

November plywood production in 2017 was 271,200 cbms, 8.1% more than November 2016 and 1.3% more than October, which was the highest monthly production. In this, softwood plywood was 257,600 cbms, 6.5% more and 1.5% more.

The shipment of softwood plywood was 268,500 cbms, 6.5% more and 1.7% less. Since the production was more than the shipment, the inventories were 102,900 cbms, 2,300 cbms increase.

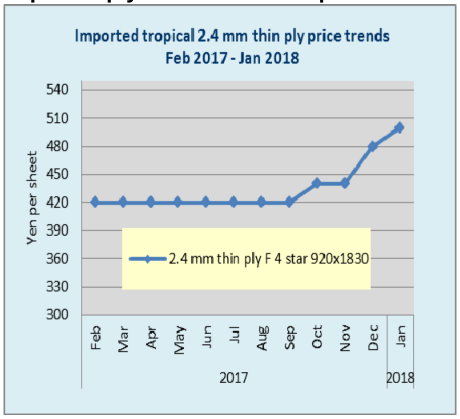
Usually December is busy month for distribution so many failed to deliver even with produced plywood due to shortage of trucks. Many construction works are carried over into January so busy demand would continue through January.

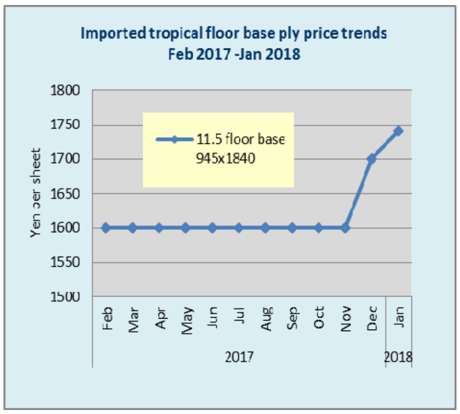
Arrivals of imported plywood was 279,000 cbms, 20.3% more and 20.5% more. Malaysian supply was 115,600 cbms, 39.0% more and 31.9% more.

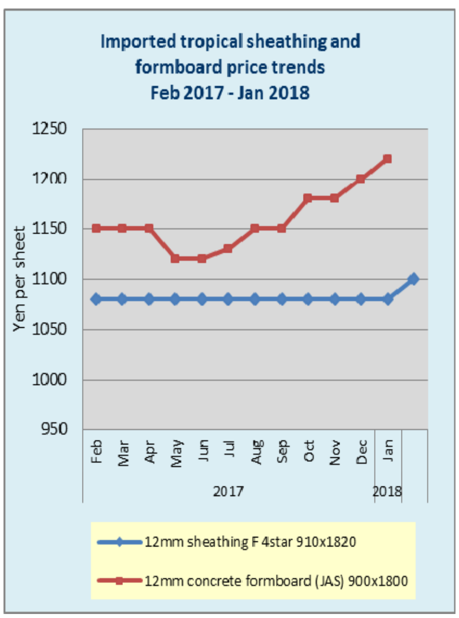
Indonesian supply was 91,100 cbms, 15.1% more and 25.4% more. Chinese supply was 57,900 cbms, 6.8% more and 5.8% more. Despite supply increase in November, the supply from South East Asian countries would be down in December because of arrival of rainy season.

The movement of imported plywood in Japan continues inactive but the demand should pick up in 2018 for various constructions related to the Tokyo Olympic Games in 2020 and start of urban redevelopment and if the supply declines when the demand recovers, some fear delay of construction activities.

Imported plywood wholesale prices







South Sea (tropical) logs

South East Asian countries are in rainy season now so log production is low.

Japanese plywood manufacturers have been struggling to secure material logs since last fall and some bought mersawa to supplement meranti. Present market prices of Sarawak meranti regular are 12,000 yen plus per cbm CIF and further increase is expected.

Domestic inventories of keruing and melapi for lumber manufacturing are down. Lumber manufacturers commented that they may need to consider using genban instead of logs.

Movement of laminated free board from China and South East Asia continues slow. The inventories are low but demand and supply are balanced. Market prices of Indonesian mercusii pine are high end of level of 110,000 yen per cbm FOB truck and Chinese red pine are middle of 110,000 yen level.

Inventory of solid lumber of keruing and white serayah used for truck body and ship building is very low.

Russia to increase log export duty

The Russian government announced a new ministerial ordinance regarding log export from the Far East regions. It states that if any company, which achieved a certain amount of wood processing, wishes to export logs, 6.5% export duty rate is applied then the duty will be increased step by step and the rate will be 80% after 2021, which practically prohibits log export.

The idea is to promote wood processing in the Far East regions. The ordinance is effective since January 1, 2018.

While promoting processing wood, the government allows export of logs unsuitable for processing and the annual quota of log export is four million cubic meters. Applicable species are whitewood and larch.

Any company, which has amount of share of 20% of all export processed products, is allowed 6.5% export duty then processed percentage is raised year after year like 25% in 2019 and 35% after 2021. Processed products mean lumber, veneer, plywood and wood chip.

Log export duty rate is raised step by step. 25% in 2018, 40% in 2019, 60% in 2020 and 80% after 2021. China buys sizable volume of Russian logs and if this is strictly applied, China will need to look for log sources elsewhere and the most likely sources would be North America and New Zealand.

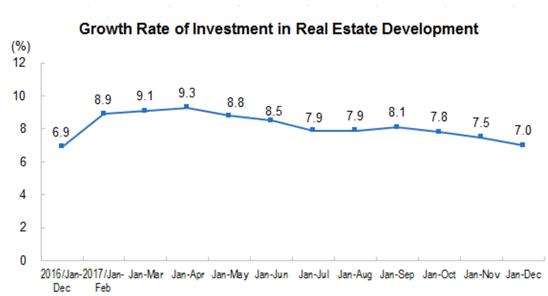
China

Pace of real estate investment slowed in 2017

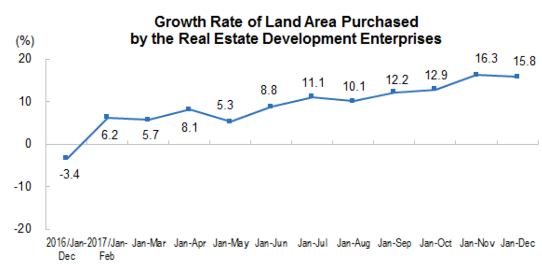
According to China's Statistics Office, investment in domestic real estate in 2017 increased 7% year-on-year however, the pace of growth slowed compared to a year earlier. Investment in residential buildings in 2017 was up by 9.4%.

Investment in eastern region grew by over 7% year-on-year. Growth in the central region went up by almost 12% but growth was much slower in the western and northeastern regions.

Despite the slower pace of investment in construction projects the pace of growth in land purchases was in the opposite direction. In 2017 the land area purchased by real estate developers expanded by almost 16%.



Source: National Bureau of Statistics, China



Source: National Bureau of Statistics, China

Behind the slowing pace of construction was the toughened conditions put on housing loan applicants.

According to a report from the People's Bank of China bat the end of last year loans to the property sector were slower than in 2016 due to intensified government efforts to curb housing market speculation. Many cities and government agencies introduced a host of restrictions to curb speculation in the housing market.

The latest data from the National Bureau of Statistics is showing that new housing sales prices fell in December.

See:
http://www.stats.gov.cn/english/PressRelease/201801/t20180126_1577671.html

Association to challenge US anti-dumping duties

China's National Forest Products Industry Association (CNFPIA) has indicated it would challenge the ruling on plywood anti-dumping rates imposed in the US. The Association is calling on enterprises that have been penalised to appeal the US Commerce Department's ruling.

Formaldehyde listed as a controlled chemical

In late December the list of controlled chemicals announced by the Ministry of Environmental Protection, the Ministry of Industry and Information Technology and the Health and Family Planning Commission defines 22 including formaldehyde.

The listing aims to ensure proper handling and diaposal of dangerous substances in order to implement the Action Plan of Water Pollution Prevention and Control.

Analysts report that the Environment Ministry will act to control formaldehyde emissions as this is recognised as a hazardous chemical. This latest move will present woodbased panel manufacturers with a considerable challenge.

For more see:
http://www.zhb.gov.cn/gkml/hbb/bgg/201712/t20171229_428832.htm

Water paint instead of oil paint

Beginning January this year China began collecting an environmental protection tax and has changed the regulations on waste and pollutant disposal mechanism which have not been strengthened for 40 years. Analysts say this first 'green tax' will require enterprises to contribute more to protecting the environment.

In recent years efforts have been made to promote waterborne coatings whose use leads to reduce VOC emissions.

In 2015 what was locally called the strictest environmental protection law in the history of China was introduced and included a 4% tax on oil based and paint manufacturers. At the same time many cities in China began to say 'no' to solvent based paints. Beginning in July 2015, the use of oil based paint was banned in Shenzhen City.

Following this the use of paint spray was prohibited in the Beijing furniture manufacturing industry. Also, in February 2017 enterprises in Jiangsu province were required to complete a transfer from the use of oil based paint to water based alternatives.

The momentum for cooperation between national and local policies to control the production and use of oil based paint is gathering pace say analysts.

Panel production halted due to frozen logs

According to panel manufacturers in Shuyang and Pizhou City in Jiangsu Province and those in Heze and Linyi City in Shandong Province, it is so cold that the poplar logs used for panel production have become frozen and cannot be peeled.

With the Chinese traditional New Year coming in mid-February companies have decided to cease production early allowing workers to enjoy a longer holiday. Analysts anticipate that the early cessation of panel production is likely to lead to shortages and price increases.

Furniture enterprises moved out of Beijing

According reports from the Beijing Furniture Industry Association Congress held in early January, the income of furniture manufacturers in Beijing rose 3.5% to RMB5.7 billion in the first ten months of last year.

The Congress also reported that around 150 furniture enterprises moved out of Beijing in 2017. To accommodate them three furniture industry clusters have been built in Lutai, Hangu and Shenzhou Cities.

Environmental Protection was the most debated topic amongst the Beijing furniture industry participants at the Congress as they were aware the Beijing Environmental Protection Department would require enterprises to have pollutant discharge licenses but only after environmental impact assessments have been concluded.

Jingjiang – a new imported timber manufacturing base

With the opening of the Jiangsu Wanlin International Timber Market, a RMB4.5 billion investment in the Jingjiang national development zone Jingjiang City, Jiangsu Province has become a major national base for imported timber and processing.

It has been forecast that more than 1 million cubic metres of timber will be traded through the market.

The new development zone is in the Yangze River Delta at Jingjiang Port which has a capacity to handle 100 million tonnes.

Seven enterprises have established production operations at the new site and they can produce around 1.3 million cubic metres of wood products annually.

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

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

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

Europe

Mood of optimism pervades European trade shows

The European trade show season is now well underway, starting in Germany during January with the Domotex flooring show in Hanover and the IMM furniture show in Cologne. The shows provide good insights into European wood market prospects in the year ahead.

There was mood of optimism at both shows this year, with each reporting a significant rise in visitor numbers and exhibitors, in line with the general improvement in economic performance across the continent.

However, the shows once again highlighted the challenges both for tropical manufacturers in relation to other wood manufacturers, and for wood generally compared to non-wood materials in the European furniture and interiors sector.

DOMOTEX 2018 showed that the European flooring sector continues to be a diminishing market for tropical wood suppliers and product manufacturers.

The IMM show was more positive for tropical suppliers, highlighting that some furniture manufacturers in the tropics are successfully implementing innovative market development strategies in Europe, building on traditional skills and craft traditions, as well as lower labour costs and environmental initiatives like FLEGT licensing.

Natural materials preferred at Cologne furniture show

IMM held in the German city of Cologne between 15th and 21st January, was host to around 1200 exhibitors – over 70% from outside Germany – and 125,000 visitors, a slight increase compared to the similarly-sized event in 2016, with larger numbers attending from both Europe and Asia.

The proportion of foreign visitors rose to around 50% compared to 46% in 2016. From Europe, increases in visitor numbers were particularly evident from Spain (+31%), Belgium (+16%), France (+11%) and Eastern Europe (+54%). Significant increases were seen in visitors from Asia (+50%), with especially strong growth from China (+82%) and Japan (+63%), as well as the Middle East (+15%), Australia/Oceania (+51%), North America (+12%) and Central America (+21%).

In terms of overall styles, the show highlighted once again the fashion in Europe for contemporary furniture with a Scandinavian touch. Discreet designs, fresh new interpretations of traditional forms, mainly small and practical furniture with charm in pleasant colours were on show.

These styles conform to the current European desire for simplicity and a sense of orderliness in the home, to help cope with modern life flooded with information, while also providing comfort and reassurance. Solid wood, accompanied by appropriate natural materials, such as stone, wool or wool-like textiles, wicker, leather and metal, dominate as materials.

The preference for natural materials went hand in hand with an interest in sustainability which permeated the show, with an expanded range of sustainable and fair-trade furniture and an emphasis on healthy home living. This extended to the choice of colours, with a strong preference for warm earth colours, including shades of smoked oak and teak.

Attendance at DOMOTEX 2018 at all-time high

DOMOTEX held in Hannover, Germany, between 12th and 15th January claims to be the world's leading trade fair for floor coverings.

It was host to 1,615 exhibitors this year, an all-time record, with the largest exhibitor nations other than Germany being Turkey, India, Belgium, China, Netherlands, Iran, Italy, Egypt and the USA.

There were 45,000 visitors to the show, another record and up from around 40,000 last year.

Nearly 30,000 visitors came from outside Germany, of which around 60% were from other European countries, 25% from Asia and 11% from the Americas. This year there was a significant increase in attendance from the United States and South and Central America.

The majority of DOMOTEX visitors were buyers from specialist retailers and wholesalers as well as architects and interior designers and workers from the skilled trades. A significant increase in attendance was particularly evident among home furnishing and furniture stores, architects, interior designers, contract floorers and skilled tradesmen.

The trade background to DOMOTEX 2018 is shown in Chart 1. This highlights that the recent trends towards a narrowing in the EU trade deficit in wood flooring and a rise in internal EU trade levelled off in 2017. Both these trends were indicative of a rise in the relative competitiveness of domestic European flooring manufacturers compared to external suppliers and were partly driven by the relative weakness of European currencies.

Recent strengthening of European currencies against the US dollar has helped boost the competitiveness of external suppliers of flooring to the EU market, but so far this has only slowed their decline in share and not led to any significant improvement in sales.

EU imports from China, by far the largest external supplier accounting for around 60% of total imports, were 16.0 million sq.m in the 12 months to end November 2016, compared to 16.2 million sq.m a year earlier and over 21 million sq.m in 2012.

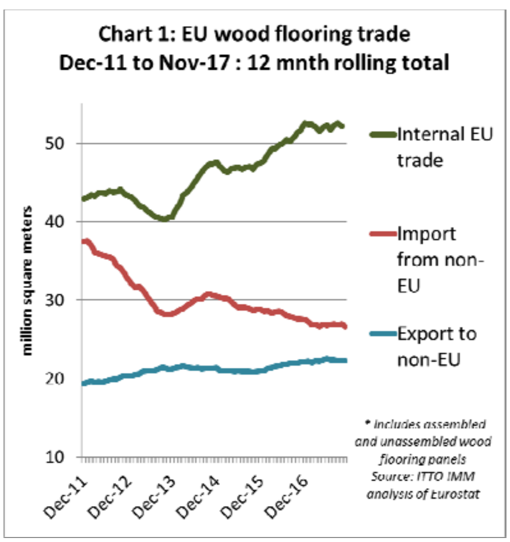


Chart 1: EU wood flooring trade Dec-11 to Nov-17 : 12 mnth rolling total

EU imports of wood flooring from tropical countries also declined again in 2017. EU flooring imports from tropical countries were 3.04 million sq.m in the 12 months to end November 2016, compared to 3.68 million sq.m a year earlier and 5.61 million sq.m in 2012.

In the 12 months to November 2017, imports from Malaysia were 2% more than the same period the previous year. However, imports from Indonesia, Brazil, and Peru all fell by over 25% in the same period (Chart 2).

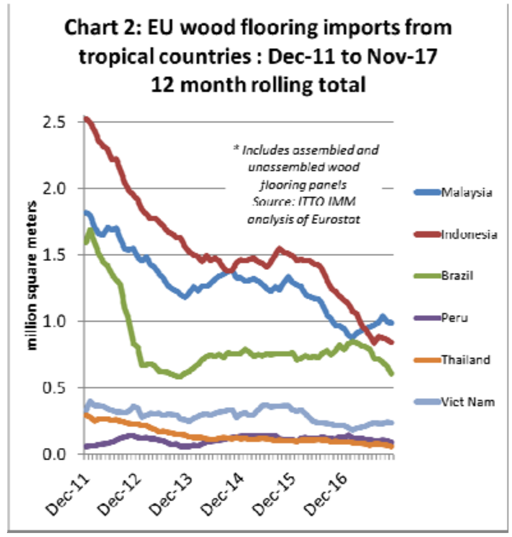


Chart 2: EU wood flooring imports from tropical countries : Dec-11 to Nov-17 12 month rolling total

The report of the European Federation of the Parquet Industry (FEP) board meeting held at DOMOTEX 2018 also shows that total European consumption of parquet flooring (i.e. faced with real wood and excluding laminates) is growing only very slowly, despite the improvement in economic conditions.

According to FEP's first estimates for the year, total parquet consumption in Europe increased only 1% in 2017, a slowdown compared to the 1.7% increase reported in 2016.
This implies that overall in 2017, the EU consumed around 101 million sq.m of real-wood flooring, around 70% from domestic manufacturers and 30% from imports.

This estimate is based on information received from member country and company representatives present at the board meeting. It should be seen as a first estimate subject to variations, in anticipation of the consolidated results to be presented at FEP's annual General Assembly next June in Sorrento, Italy.

This moderate progression is mainly a result of a decline in consumption in Germany, the biggest European market for parquet, and Switzerland. In contrast, all other European countries are benefiting from positive trends reported in the construction sector and rising consumer confidence.

At country level, Poland, The Netherlands, Belgium and Sweden are experiencing the highest growth in parquet consumption, followed by the Czech Republic, Austria and France. Parquet consumption in the Southern European markets such as Italy and Spain is also progressing though to a lesser extent.

The political situation in Spain and the coming elections in Italy are somewhat limiting the positive developments observed in 2016. The Nordic market (Denmark, Finland and Norway) remains stable after years of turbulence.

FEP reports that the slow pace of increase in European wood flooring consumption is partly owing to difficulties in wood procurement, particularly for oak which now surfaces around 80% of all parquet manufactured in Europe. EU manufacturers have been particularly affected by restrictions on exports of oak timber imposed by Russia, Belarus, Ukraine, and Croatia.

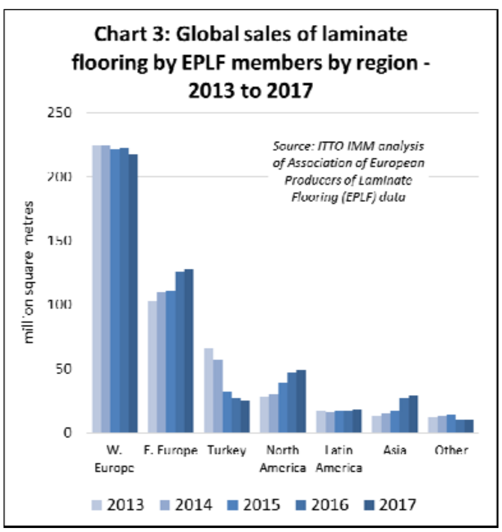
FEP also noted the tough competition from "wood look flooring substitutes" as another reason for the very slow increase in parquet flooring consumption in recent times.

Laminate flooring losing share to non-wood alternatives

Much of the competitive pressure on real-wood flooring comes from the laminate flooring industry, which is large with sales figures dwarfing those of the parquet industry. However, this sector is also now losing share in Europe to a range of non-wood flooring solutions such as luxury vinyl tiles, porcelain tiles, and products made of recycled materials and other renewables like bamboo and cork.

According to data released by the Association European Producers of Laminate Flooring, to coincide with DOMOTEX 2018, total European sales of laminate flooring were 346 million square meters in Europe in 2017, around 1% less than in 2016. Sales in Eastern Europe increased 2% to 128 million square meters. However, this was insufficient to offset a decline in sales in Western Europe, by 2% to 218 million square meters.

European laminate flooring manufacturers are compensating for the decline in European consumption by increasing sales in other parts of the world, particularly North America and Asia. (Chart 3).



Meanwhile, there are signs that the carpet sector, which remains dominant in European flooring despite the recent trend to harder and cleaner flooring types, is now responding more effectively to the competition. Annual sales of carpets in Europe are still around 700 million square meters.

Carpet manufacturers are now concentrating on improved durability and performance, and are exploiting the wide variety of designs, styles, and colours, and benefits of noise reduction. They are also responding to rising environmental concerns in Europe by investing in development of biodegradable and more sustainable products.

Some indication of intense competitive pressure on wood floors is provided by the media coverage of DOMOTEX 2018 which barely touched on new wood products and instead focused heavily on innovations to increase the use of recycled and alternative materials.

For example, the designer website IDEAT spoke about the "omnipresence of eco-designed products, innovations in floors made from natural materials and processed without chemicals, and coatings derived from recycled products". Despite this focus on the environment, only recycled wood flooring products featured in the article alongside products in a range on non-wood materials.

An example is a new wood-look floor covering manufactured by German giant Windmöller derived primarily from rapeseed and other natural vegetable oils celebrated because "it contains no PVC or petrochemical elements".

IDEAT also highlighted the "insistent presence of cork" at DOMOTEX 2018, including a product by the Portuguese company Wicanders with a high definition wood finish printed directly on to the cork.

In addition to the green theme, exhibitors at DOMOTEX 2018 were keen to align with the show's motto "Unique Youniverse" which was splashed across the various exhibitions and aimed to highlight an industry trend towards individualization; the tailoring of flooring products and support services to customers' needs and lifestyles.

Although natural wood products are by their nature 'unique' and 'individual', this theme creates challenges for suppliers of wood flooring, particularly overseas suppliers located at some considerable distance from the final consumer.

Non-wood flooring suppliers were very keen to emphasise the huge range of colours and finishes they can offer, in large volumes, including the ability to duplicate the look, and increasingly the feel and texture, of wood and other natural materials as required, and their ability to respond immediately to changeable customer demands.

Wood flooring innovations

While the European parquet flooring sector was not the headline act at DOMOTEX 2018, the industry was keen to demonstrate various innovations to maximise the advantages of natural wood, improve the quality of products and the range of applications, and to simplify the installation process.

An example was the Italian company Garbelotto which works creatively with lengths and widths of wood to produce unusual herringbone patterns, and also offers a new line of floors designed "to optimize the natural essence of wood" through use of a water full-cycle coating treatment that slows down the oxidation of the boards and leaves them exceptionally matt.

Another example was the German company HocoHolz promoting a new line responding to rising demand for flooring in very wide natural boards, offered with the company's standard 19 surface finishes and either a patented click system or tongue and groove connection for bonded laying if required, with the aim of ensuring that "all rooms can be planned to suit individual, customized requirements."

Similarly, the Belgian Vetedy Group which specializes in producing and distributing high-quality outdoor terrace decking and indoor parquet flooring - often using tropical woods including teak, merbau, iroko, padauk, doussie, and wengé - has built sales on the success of its internally developed Softline system which allows fitting of wooden terraces with no visible fastenings.

At DOMOTEX this year, the company showcased another innovative system, Techniclic, which extends the advantages of invisible fastening to luxury wooden facades, walls and ceilings.

ITTO/EC IMM Report

ITTO-IMM reviews Indonesian furniture presence in Cologne

IMM Cologne 2018 was attended by Robin Fisher, consultant to the ITTO's Independent Market Monitor (ITTO-IMM) initiative. On behalf of ITTO-IMM, Mr Fisher identified and interviewed a large number of furniture retailers, wholesalers and manufacturers, focusing particularly on those engaged in supply of Indonesian products to the European market.

The interviews undertaken by Mr Fisher are the first stage of a larger study commissioned by ITTO-IMM with the objective of better understanding the structure of the trade in FLEGT licensed furniture products with the EU, with respect to products, competitiveness, and distribution networks. The results of the larger study will be made available during 2018 at the ITTO-IMM website (www.flegtimm.eu).

There was a wide variety of furniture sourced from Indonesia on display at the show, and the range of exhibitors also highlighted the different market niches and distribution channels involved in supply of Indonesian wood furniture to the EU, for example: Lower-end mass produced outdoor furniture, mainly in plantation grown teak, as exemplified by Indoexim, selling to larger department chain stores, furniture retailers, and garden centres throughout Europe.

Higher-end outdoor furniture – high quality products usually designed by European designers and distributed under European brands such as Gloster, Fischer-Möbel, Ethimo, Life Outdoor Living, and Kettal which market themselves as "outdoor space designers" particularly towards contract customers in the hotel and hospitality sector.

The products combine teak, both from plantations and often recycled, occasionally acacia and mango wood, with other high-quality materials such as stainless steel, lacquered aluminium, powder coated steel, glass. In some cases, the product is entirely manufactured in Indonesia in others certain components are made in Indonesia and assembled in Europe. Products are distributed via specialist retailers of top end outdoor furniture.

Locally-designed Indonesian indoor furniture, which tends to be hand-crafted in solid wood, often quite heavy and with a rustic and rough finish and targeting the low to middle end of the market.

The most commonly used species are teak, mahogany (Toona Sureni), mango wood, munggur (Indonesian redwood) and acacia. The use of black forged iron combined with the solid wood is a dominant trend in this style of furniture.

Large industrial Indonesian manufacturers of both interior and exterior furniture. The Vivere Group which was exhibiting in Cologne is an example of an Indonesian company making a very wide variety of furniture including mass-produced panel-based furniture with modern design concepts, often for large scale contracts, and which also has a subsidiary that specializes in high end furniture for the export market.

The competitive market position of each of these types of Indonesian furniture varies widely and needs to be better understood to fully appreciate the impact of policy measures like FLEGT licensing.

For example, the more traditional locally-designed Indonesian furniture is competing directly with, and was often exhibited alongside, furniture from India of a similar type and in similar species (although furniture in sheesham wood was specific to the Indian continent).

Some EU-based furniture importers and wholesalers are working with some of these smaller craft-based Indonesian manufacturers and are helping them to "westernize" furniture product lines to meet customer trends in Europe. These companies are now selling Indonesian interior furniture to a wide range of customers from big to small retailers as well as online.

In contrast a large Indonesian group like Vivere is competing more directly with large manufacturers elsewhere in Asia. However, part of their strategy is also to differentiate in the international market by bringing Indonesia's traditional strong craft skills into more modern designs.

Vivere have called on Indonesian designers to come up with furniture designs that highlight Indonesian hand weaving skills with natural rattan while embracing contemporary design with clean lines and a light touch.

Rattan is combined with coated metal frames and occasionally some elements in teak. In Cologne they were launching Sadha an indoor furniture range which includes teak hand rests for their sofas and armchairs.

Trade consultations on the EU FLEGT VPA initiative
In March, The Building Centre in London, UK will host the first in a series of trade consultations on the EU FLEGT VPA initiative and FLEGT licensing system.

This event is being organised by the EU FLEGT Independent Market Monitoring (ITTO EC/IMM) project in cooperation with the Global Timber Forum (GTF).

For more see: http://www.ttf.co.uk/article/imm-to-hold-flegtrade-consultation-in-london-on-8-march-672.aspx

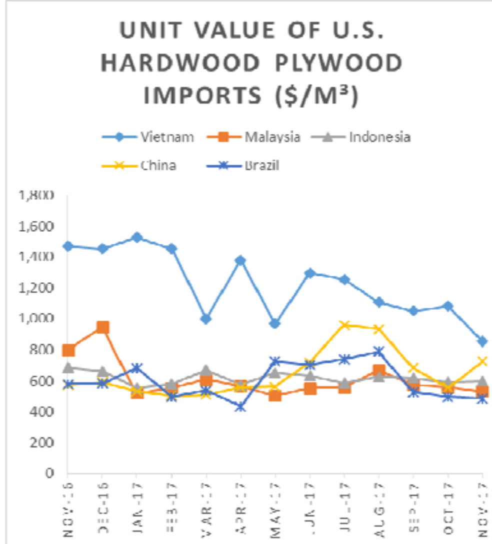
North America

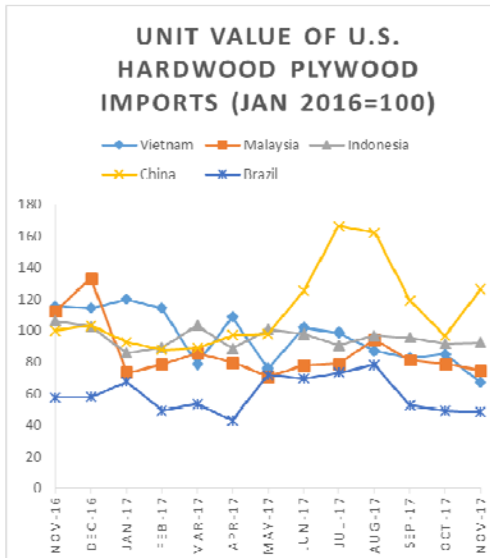
Duties on Chinese plywood benefit other suppliers
Hardwood plywood imports grew strongly in October before declining again in November.

Not surprisingly imports from China were significantly down because of the US antidumping and countervailing duties on plywood from China. Year-to-date plywood imports from China were 24% lower than in November 2016.

All other major plywood suppliers shipped more to the US year-to-date compared to the same time last year. Despite the increase in imports from Indonesia, Malaysia, Ecuador and others, the total volume of US hardwood plywood imports was 5% lower year-to-date than in November last year.

Hardwood plywood prices and indices



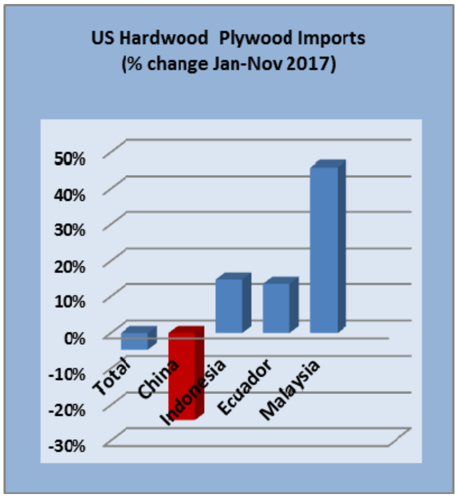


Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics
Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

Higher flooring imports from Indonesia and Thailand
Imports of most processed wood products from tropical countries declined in November. Only tropical hardwood veneer imports recovered in November with Italy accounting for almost half of all US imports of tropical veneer.

Hardwood moulding imports from Brazil were also down significantly in November, both month-on-month and year-to-date.

On the other hand, hardwood flooring imports from China were up in November, despite an overall decline in US flooring imports. Assembled flooring imports from both Indonesia and Thailand gained significantly in the US market compared to 2016.



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

US furniture market outlook positive

Imports of wooden furniture were up 4% in November. Except for Canada and India, most countries increased furniture exports to the US. Malaysia was the strongest performer in November.

Wooden kitchen furniture imports grew the most in November, followed by upholstered and non-upholstered seating and bedroom furniture. Wooden office furniture imports declined.

The US furniture industry reported growth in December, according the Institute for Supply Management, while wood product manufacturing declined. Retail sales by furniture stores increased 8% from October to November according to US Census data. When home furnishings are included, retail sales grew 5% during the previous twelve months compared to the year earlier.

The latest Smith Leonard survey of US residential furniture manufacturers and distributors reports the following growth figures for October 2017: New furniture orders increased 8% compared to October 2016. Furniture shipments were up 5% year-to-date from October last year.

Strong economic indicators

Employment in US manufacturing and construction increased in December. The overall unemployment rate was unchanged in December 2017 at 4.1%. US GDP increased at an annual rate of 2.6% in the fourth quarter of 2017 according to the preliminary estimate by the Bureau of Economic Analysis. In the third quarter GDP growth was 3.2%.

US tax reform enacted

The US recently enacted the most comprehensive tax reform since 1986. The tax plan cuts corporate tax rates permanently from 35% to 20%. Individual tax rates for certain income brackets are lowered temporarily until 2025, unless the cuts are extended at a later date.

Despite the tax cuts consumer confidence was largely unchanged in January according to the University of Michigan Surveys of Consumers report. More consumers thought the tax reform would be positive than the number of respondents who said it would be negative.

2017 US housing starts highest since 2007

Housing starts were up 2.4% in 2017 compared to 2016 according to newly released data from the US Department of Housing and Urban Development and the Commerce Department. Total housing starts were 1.2 million in 2017. Residential construction was strongest in the West in 2017.

Over 70% of total starts were single-family homes, which is a positive signal for the economy and for wood product demand. Single-family starts grew by 8.5% from 2016, while multi-family construction fell by over 10%.

The National Association of Home Builders predicts continued growth in housing production in 2018. The association forecasts a 2.7% growth in starts to 1.25 million units in 2018.

Canadian housing starts up 12% in 2017

Housing starts in Canada were higher in 2017 than predicted by the Canadian Housing and Mortgage Corporation (CMHC) at the start of last year. Housing starts increased 12% compared to 2016, based on preliminary starts data for December 2017.

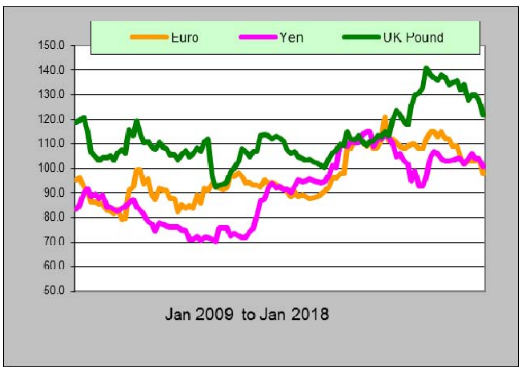
Multi-family construction grew 16% in 2017, while single-family starts increased 5%. CMHC remains concerned about overvalued housing in several areas of Canada relative to population and income.

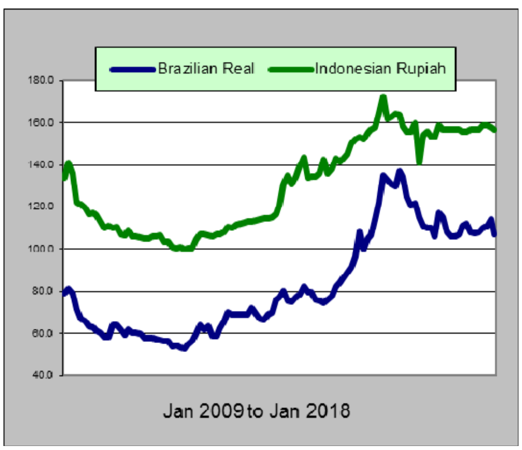
Dollar Exchange Rates

As of 25 January 2018

Brazil	Real	3.1511
CFA countries	CFA Franc	527.43
China	Yuan	6.3154
EU	Euro	0.8047
India	Rupee	63.605
Indonesia	Rupiah	13321
Japan	Yen	111.26
Malaysia	Ringgit	3.8705
Peru	New Sol	3.21
UK	Pound	0.7062
South Korea	Won	1064.35

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



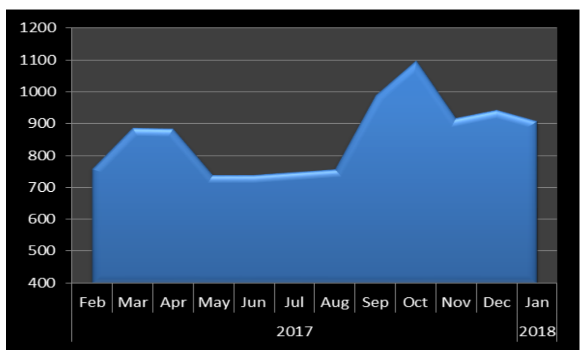


Abbreviations and Equivalences

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
February 2017 – January 2018

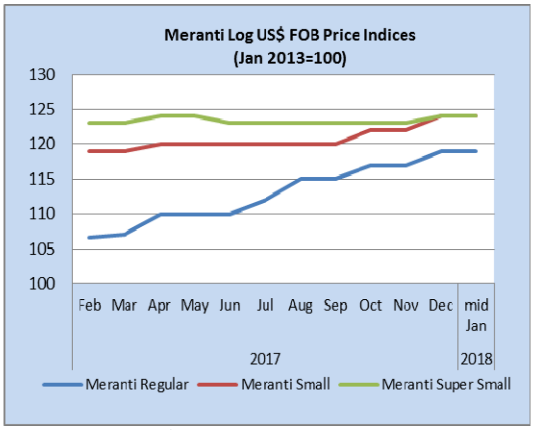


Data source: Open Financial Data Project

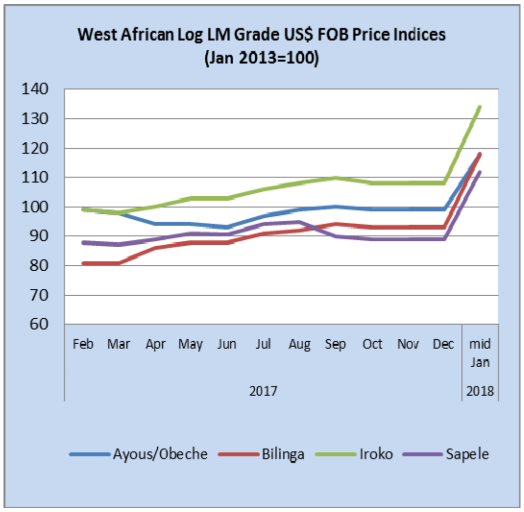
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

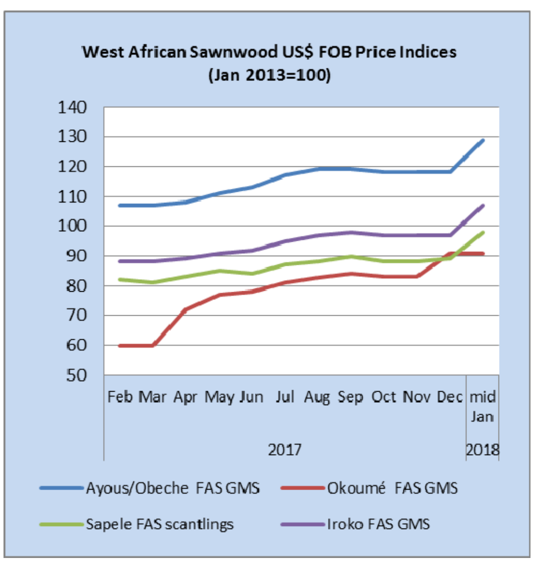
The following indices are based on US dollar FOB prices

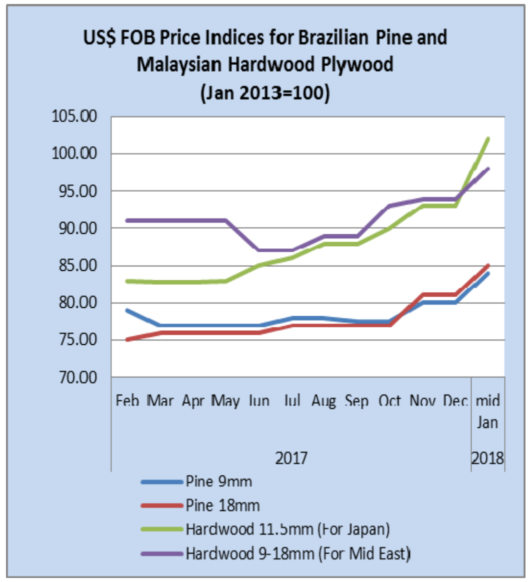


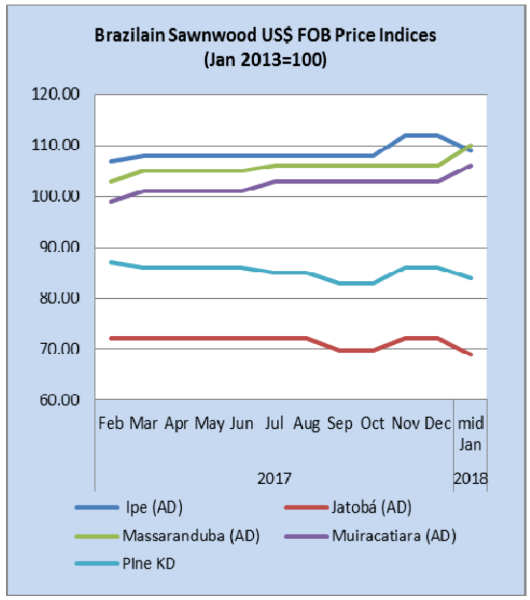
Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties and the stronger euro. It is unlikely the raised 'asking' prices will be accepted in full by buyers.







Note: Jatobá is mainly for the Chinese market.

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