Tropical Timber Market Report

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Sustainability bond to finance rubberwood plantations in Indonesia

The UN Environment Programme has announced a partnership with the World Agroforestry Centre, ADM Capital and BNP Paribas for the issuance of a US$95 million Sustainability Bond to help finance sustainable rubber plantations on heavily degraded land in two provinces in Indonesia

Out of a concession area of 88,000 hectares, roughly 45,000 hectares will be set aside for community livelihoods and conservation

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Headlines

Central and West Africa

Producers await buyers for Chinese market to see reaction to higher FOB prices

Analysts say there is little to report in terms of market reaction to the higher log FOB asking prices which were increased sharply after the Cameroon increased Customs fees for export logs.

Producers say it is unlikely there will be any consideration of the proposed new FOB prices until buyers for the Chinese market begin business in March.

Informal indications are that the new prices are unlikely to be accepted but, as current business activity is very slow, there are no real guidelines on how markets will respond. However, producers are confident that they will achieve a price increase because of the rising trend in both softwood and hardwood log prices in all major markets.

In spite of the proposed higher log FOB prices, sawnwood prices are unchanged and production and demand appear to be in balance in major markets. European markets are still dull and appear unlikely to change for the better until the spring and summer.

Sudden interest in belli and tali

The few buyers that are active at present are in the market for the heavier hardwoods such as belli and tali for which FOB prices are now on the rise.

The available volumes of these species are very limited and producers question for how long this sudden interest in belli and tali will continue.

Hints that kevazingo trade may be banned

It is rumoured that strict regulation of kevazingo production could be announced very soon and some are suggesting this may even extend to a total ban on logging this valuable timber.

Heavy rains are hampering transport operations in Gabon. Companies in the country continue to risk government action being taken against those that fail to follow approved management plans. For guilty companies heavy fines have been imposed.

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	480+
FAS fixed	480+
Moabi FAS GMS	625+
Scantlings	630
Movingui FAS GMS	440+

Ghana

Fall in plywood exports drag down 2017 earnings

Data from the Research and Statistics Unit of the TIDD shows Ghana's cumulative exports of wood products in 2017 totalled 339,227 cu.m which earned the country a total revenue of almost Euro190 million.

Compared to 2016 there was an almost 15% decline in export volumes and a 16% drop in the value of exports.

In 2017 air-dried sawnwod accounted for 64% of export volumes followed by kiln-dried sawnwood (11%) and billets (9.5%). Another 10 products made up the balance.

Export volumes

	2016 cu.m	2017 cu.m	% change
Sawnwood (AD)	246,875	217,840	-11.8
Sawnwood (KD)	50,506	37,912	-24.9
Billets	27,372	32,274	17.9
Plywood (O/L)	30,071	15,549	-48.3
Sliced Veneer	15,748	13,452	-14.6
Boules (AD)	908	1254	38
Boules (KD)	241	336	39.7
Curl Veneer	50	65	28.2
Others	25,271	20,609	-18.4
Total	396,992	339227	-14.6

Data source: TIDD, Ghana

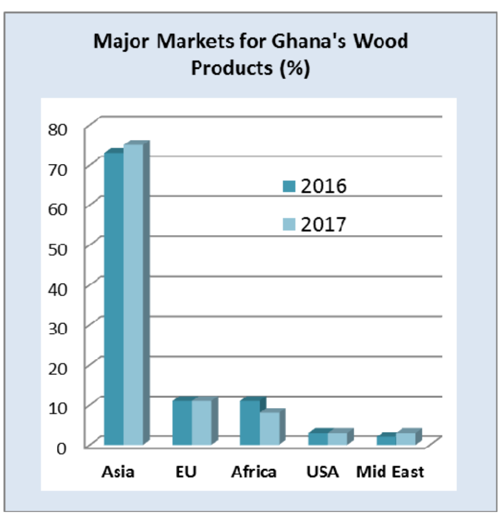
In terms of trends, in 2017 exports of billets (logs), boules and curl veneers increased while exports of other products, particularly sawnwood and plywood, declined.

Ghana's overland plywood exports plummeted to just 15,549 cu.m in 2017 from a peak of 30,071 cu.m in 2016 and this resulted in the combined export earnings from plywood and sawnwood to drop by around 48% (Euro 10.33 mil. in 2016 to Euro 5.32 mil. in 2017).

Asia, Ghana's main export destination

Ghana's export markets included Germany, Italy, France, UK and Belgium in Europe, China, India, Vietnam in Asia and South Africa, Morocco, Cape Verde.

In 2017 poles and billets accounted for 10% of exports (34,170 cu.m), sawnwood, plywood, boules, veneers and kindling accounted for 87% of exports while mouldings, flooring, dowels and furniture accounted just over 3% of exports. The leading species for these markets were wawa, teak, ceiba, gmelina, and rosewood.



Data source: TIDD, Ghana

Asian and Middle East markets accounted for over 70% of export volumes in 2017 as well as in 2016. Demand from Europe and America remained at the same level as in 2016 but sales to African countries fell accounting for just 8% of exports in 2017 compared to 11% in 2016. The drop in Africa's share of Ghana's exports is attributed to the almost 50% decline in export volumes destined for Nigeria.

Calls for tax overhaul

The Association of Ghana Industries (AGI) has called on government to revise the tax exemption currently granted to some companies. The AGI says exemptions are discriminatory and companies benefitting tend to be importing products that compete directly with locally manufactured products which has slowed investment in manufacturing.

Ghana Statistical Service data show that since 2010 growth of the manufacturing sector has been falling from a high of 10% in 2010 to 4.6% in 2016 and now estimated at 3%, the lowest in more than a decade.

Correction

In the previous ITTO report it was stated that a furniture test centre has been established by the Timber Inspection Development Division of the Ghana Forestry Commission, this was incorrect. The following correction has been provided by the test centre team.

"To improve the quality and add more value to locally made furniture a testing facility has been established at the Forestry Research Institute of Ghana (FORIG) of the Council for Scientific and Industrial Research (CSIR) located at Fumesua near Kumasi.

The centre has modern equipment for testing furniture, plywood and wood-based panels and was made possible by technical support from UNIDO, with Bern University of Applied Sciences (BFH) in Switzerland, as the consultant.

Funding of the project was provided by the Government of Switzerland under its Trade Capacity Building Programme. The centre was built was renovated by CSIR-FORIG.

This centre, say analysts, is the first of its kind in the West Africa. The centre is expected to stimulate growth in Ghana's added value wood product sectors. The centre was opened on 6 February 2018 at CSIR-FORIG campus.

Speaking at the function, the Minster for Trade and Industry, Alan Kwadwo Kyeremanteng, who was represented by the Director-General of Ghana Standards Authority (GSA), said that the government will do all it can to support growth in the wood products sector to lift Ghana's productivity and competitiveness locally and internationally.

A representative of the Minister for Environment, Science, Technology and Innovation stated that the Government will ensure that Ghana wood and wood products and related services are designed, manufactured and traded in a sustainable manner to match the needs, expectations and requirements of the consumers.

He added that the second and third wood processing levels would be strengthened in order to generate more jobs and to increase added-value production in Ghana.

He expressed concerned about the influx of low quality and cheap foreign wood products (especially furniture) onto the Ghanaian market, which according to him, could be checked through the test centre to ensure that they meet standards before they enter the local market".

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	414
Niangon	544⬇
Niangon Kiln dry	610⬇

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	369⬆	450
Chenchen	449	505⬆
Ogea	473	596
Essa	413	525⬇
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	1,098⬆
Avodire	1,177
Chenchen	1,177⬆
Mahogany	1,228⬇
Makore	1,336⬆
Odum	1,417⬇

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	352	640	641
6mm	640	535	626
9mm	345⬇	446	560
12mm	470	463	480
15mm	450	402⬆	430
18mm	417	417	383

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	485	564
Ceiba	240	288
Dahoma	453⬆	557⬆
Edinam (mixed redwood)	520	599⬆
Emeri	380	428
African mahogany (Ivorensis)	843	995⬇
Makore	775	846
Niangon	620⬆	675
Odum	918	1029
Sapele	700	746⬇
Wawa 1C & Select	360⬇	449

Malaysia

Shortages of raw materials and skilled workers could hold back furniture export performance

Malaysia's timber exports are expected to increase 5% this year from the RM23.22 bil. in 2017, according to Dr. Jalaluddin Harun, Director General of the Malaysian Timber Industry Board (MTIB). His confidence stems from the high demand for Malaysian timber in Japan, the United States, member states of the European Union, Australia and India.

Harun reported that Malaysia ships to more than 160 countries but marketing efforts will be focussed on those countries with which Malaysia has trade agreements.

The main issues facing the timber sector, said Harun, are shortages of both raw materials and skilled workers and this must be addressed. Harun estimated that 80% of Malaysian made furniture is of rubberwood and efforts must be made to secure this resource for the domestic industry.

'Design Connects People' – theme for Malaysian Fair

The Malaysian International Furniture Fair (MIFF) 2018 is eyeing a 5% increase in sales this year despite the recent rise in the ringgit against the US dollar. The annual event recorded sales of US$940 mil last year.

As Malaysia prepares for the Malaysian International Furniture Fair (MIFF) 2018, Tan Chin Huat, MIFF founder and chairman, said the strengthening ringgit was unlikely to affect exports as overseas buyers are more concerned about design and quality.

This year the theme for MIFF is "Design Connects People", and the Fair will run between March 8-11. The organisers say the Fair is expected to attract 600 exhibitors from countries with 70% of the fair space being taken up by Malaysian exhibitors.

For more see: http://2018.miff.com.my/

Revised fees in Sarawak to impact industry

The Sarawak Forest Department will introduce higher fees for planted forest timber and also higher transportation fees for hardwood timber with effect from 1 March this year.

The fee for planted forest timber will be raised from RM0.50 per cubic metre to RM1.50 per cubic metre and a charge of RM1 per cubic metre will be introduced for natural forest timber to pay for tracking the movement of logs through the issuance of Shipping Pass or Land Transport Pass.

Indonesia

Fiscal incentives to boost investment

Sri Mulyani Indrawati, Indonesia's Minister of Finance, has said the government plans to introduce better tax incentives to attract business investment.

The focus will be on four incentives namely tax allowances, tax holidays, tax deductions for small and medium enterprises and incentives for research and development. The government is also considering expanding the range of business sectors that can benefit from these incentives.

Sustainability bond to finance rubber plantations

The UN Environment Programme has announced a partnership with the World Agroforestry Centre, ADM Capital and BNP Paribas for the issuance of a US$95 million Sustainability Bond to help finance sustainable natural rubber plantations on heavily degraded land in two provinces in Indonesia.

The UNEP web site says the project involves collaboration with WWF, which has worked with Michelin and RLU to set aside remaining High Carbon Stock (HCS) and High Carbon Value (HCV) forest in the RLU concessions, as well as conservation of wildlife and riparian areas. Out of a concession area of 88,000 hectares, roughly 45,000 hectares will be set aside for community livelihoods and conservation.

See: https://www.unenvironment.org/news-and-stories/press-release/financing-natural-rubber-plantation-indonesia-promoting-sustainable

Land allocation – a call for private sector participation

As part of its land reform programme, the Indonesian government has plans to distribute land certificates over 5 million plots to Indonesian citizens and some 4.2 million plots have already been designated. The Minister of Environment and Forestry, Siti Nurbaya Bakar, has said plots extending over about 2 million hectares of forest land will be allocated this year.

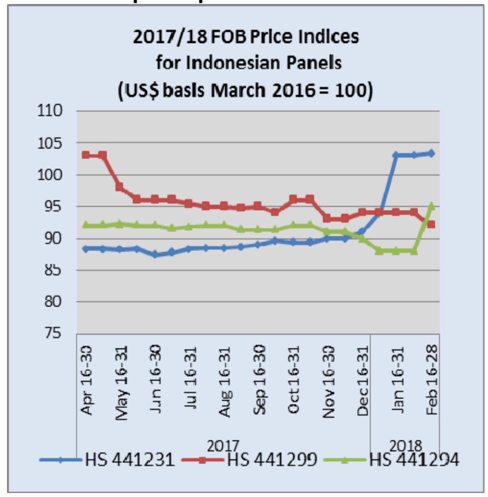
In related news, the Minister has called upon the private sector to participate in advancing social forestry. According to Siti, a number of private parties have announced their interest to work with communities in social forestry areas. Several trials have been made and a number of successful private partnerships have been set up in the Pati forest area, said the Minister.

Satellite imagery to identify fire risk areas

The UK government, through the International Partnership Programme (IPP) will provide grant support for efforts in Indonesia and Malaysia to address the problem of forest fires.

Sam Gymah, the UK's Minister of State for Universities and Science, said the project would be overseen by a British company utilising satellite imagery to record water levels on peat lands where forest fires often occur to provide an early warning system of areas at risk.

Indonesian panel price indices



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

Myanmar

Teak plantation harvests planned

News is circulating that the Forest Department is planning to allow harvesting of some mature (over 30-year-old) commercial teak plantations to partially compensate for the logging ban in the Bago Mountain Range.

Analysts write that the quality of plantation teak will not satisfy quality requirements in international markets. As it is not clear what natural teak harvest levels will be in 2018-19 it is difficult to assess how this will impact industry.

Myanmar is said to have around 2.2 million acres of forest plantations about half of which are of commercial value according to the Ministry of Natural Resources and Environmental Conservation.

There are approximately 1.2 million acres of forest commercial plantations in Myanmar (approx. 50% of the total) a further 30% are plantations in catchment areas and around 16% are for other uses. In addition there are nearly 450,000 acres of firewood plantations and 6,480 acres of mangrove plantations. However, the accuracy of these figures cannot be confirmed as some plantations have been badly managed or illegally cut.

In related news, the online 'Irrawaddy Media' is reporting that Myanma Timber Enterprise (MTE) will harvest only 10,620 teak trees and 193,412 other timber trees in the current fiscal year of 2018-19 although it has quota of 19,200 teak trees and 592,330 timber trees annually.

Export earnings well down on previous years

U Khin Maung Kyi, the Deputy Permanent Secretary of Ministry of Natural Resources and Environmental Conservation, has been quoted as saying income from timber exports and domestic trade will exceed the US$90 mil. in fiscal 2017-18 target which ends 31 March 2018.

This represents a considerable decline from past years. The value of wood product exports before the 2014 log export ban averaged over US$500 million annually. In fiscal 2013-14 exports were close to US$1 billion according to Ministry of Commerce data. In the following year exports declined to just US$93 million. Between April and December 2017 timber export were said to be around US$162 million.

In the latest projected export earnings from the Ministry it is not clear whether US$90 million is MTE earnings from log sales to the Industry or the export value since the Ministry of Commerce has reported earnings of US$162 million for the first nine months of 2017.

EU paying special attention to teak imports

The domestic media (News Watch Weekly) has quoted an Extractive Industries Transparency Initiative (EITI) member, Aung Phyoe Kyaw, as saying that timber exports to the EU have been temporarily suspended because of the strict implementation of the FLEGT licensing system.

Analysts write that this is not correct and that timber exports to the EU have not been suspended but that the Competent Authorities of EU Member States which are responsible to verify due diligence by importers are paying special attention to imports of Myanmar teak.

February teak auction prices sky-rocket

Prices at the February MTE teak log auction sky-rocketed this month especially for the SG4 and SG5 grades.

One lot of SG4 teak logs attracted a price of US$6,099 per H.ton, the highest ever recorded by MTE.

Analysts say most traders at the auction were caught by surprise at the high prices and have put this down to a new buyer for the Indian market entering the trade.

February teak auction prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	70.5	5,350
SG-5	76.4	3,555
SG-6	81.7	2,518
SG-7	121.2	2,186

India

Manufacturing output climbs and business confidence rises

The good news on December industrial production, particularly manufacturing output and a dip in retail inflation, has been interpreted as signaling that the economy is stabilizing leading analysts to be optimistic on third quarter 2017 GDP.

In another signal that economic sentiment may be improving, the quarterly Business Confidence Index, released separately on Monday by the Delhi-based economic think tank National Council of Applied Economic Research (NCAER), registered a growth of 9.1% in January, after declining for two consecutive quarters.

Despite living longer with parents millennials aspire to own a home

A recent survey, the results of which are presented in a press release from CREDAI, has found that over 80% Indian millennials still live with their parents but that a majority aspire to own a quality home.

The survey for this report was conducted by the CREDAI Youth Wing in association its partner the Los Angeles based CBRE, one of the largest commercial real estate services and investment company in the world.

The report highlights the major trends created and driven by millennials, addresses issues such as why millennials live with their parents longer and how millennial consumers spend, save and play.

CREDAI says the report challenges common perceptions and serves as one of the most authoritative studies ever undertaken on such a demographic.

See: https://credai.org/press-releases/credai-youth-wing---cbre-report-finds-millennials-and-youth-as-future-demand-drivers-for-affordable-housing

Big plans to expand forest cover

At the opening of the Commonwealth Forestry Conference in Dehradun, Ajay Narayan Jha, from the Ministry of Environment and Forests, reported that India has a 24% forest cover and that the government plans to increase this to raise the carbon sink to 2.5 to 3 billion tonnes in 2030.
The focus will be on planting trees outside the forests and in the agro-forestry sector according to the former Forestry Director General S.S Negi, also present at the conference.

In related news, the government has announced its plans for managing its compensatory afforestation fund created from deposits by agencies when forest land was utilised for non-forest purposes such as industrial development or infrastructure.

For more see:
http://www.mahaforest.gov.in/fckimagefile/The%20Compensatory%20Afforestation%20Fund%20Rule,%202016-24_04_2017.pdf

Teak and hardwood auction prices

Auctions at various forest depots in North and South Dangs Divisions have been concluded. Some 5,000 cubic metres, mostly teak logs were offered along with other tropical hardwoods.

Analysts report one interesting development at the recent auctions was the purchase of Laurel (Terminalia tomentosa), by a musical instrument manufacturer. The price offered was as high as Rs.1,300 per cu.ft.

This manufacturer is trying to promote laurel as an alternative to rosewood in the production of musical instruments for export as shipping rosewood, even locally grown rosewood, is a major problem because of the CITES regulations.

Auction prices are shown below

Quality	Rs. Per cu.ft
Grade A ship building	3200-3500
Grade B ship building	3000-3200
Grade A large girth	2600-2700
Grade B large girth	2500-2600
Grade A long	2300-2400
Grade B long	2200-2300
Grade A 15ft & up	2000-2100
Grade B 15ft & up	1900-2000
Grade A 12ft & up	1800-1900
Grade B 12ft & up	1700-1800
Grade A 8-10ft.	1500-1600
Grade B 8-10ft	1400-1600
Small girth low quality	1000-1600

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.800-1300 per 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

Analysts report demand for imported teak logs remains stable but there are growing concerns on the quality and girths of imported plantation teak logs. The weaker US dollar is an advantage for importers but Indian importers are resisting supplier's requests for better prices.

Plantation teak prices

	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

Building work has picked up say analysts and demand for hardwoods has been rising and this is expected to be maintained for some time. In the face of rising consumption, shippers are looking to raise prices but, say analysts, competition in the retail sector is stiff such that there is little room for price increases.

The functioning of the building sector has improved since the government introduced the "Real Estate Regulatory Act" which protects home buyers from builders who unnecessarily delay completing construction work or are slow in handing over homes to buyers.

Ex-mill hardwood prices are shown below.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	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
The level of imports of Myanmar teak are reported as stable and the competition with alternative timbers is becoming more intense.

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
Analysts write that plywood prices are likely to rise in the near future given the firm construction demand additionally there are reports that demand for logs is rising which will eventually lead to higher log prices which will have to be passed on at some time.

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

Prospects for veneer production from plantation grown paricá
The Brazilian Agricultural Research Corporation (EMBRAPA), in partnership with a timber company, is exploring prospects for veneer production from plantation grown paricá (Schizolobium amazonicum) which is present in the lowland Amazon forest.

Trials have shown that out of 10,000 planted seeds about a third germinated and grew to harvestable trees with a diameter of around 25cm after 13 years and that an average growth of three cubic metres per hectare/year was achieved.

The volume of trees with a diameter of over 25 cm was 113 cu.m/ha in the plantation area compared to 95 cu.m/ha in the non-planted area. When converted to veneer the profit would be around R$16,863/ha for plantation grown stock and R$12,381/ha in the non-planted area.

Researchers found that in paricás plantations on degraded land other species began to propagate naturally and after thirteen years the timber in the area had a commercial value 36% higher than that of a degraded plot of the same size where no remedial measures had been conducted.

According to EMBRAPA, there are more than 19 million hectares of degraded forest that needs attention in Pará state and that the use of paricá has great promise in Pará and the wider Amazon. However, to be commercially viable it would be necessary to make changes to legislation that restricts natural forest species logging to trees with a diameter of 50cm or more and of an age of at least 50.

Export update

In January 2018, Brazilian exports of wood products (except pulp and paper) increased 28.8% in value compared to January 2017, from US$183.7 million to US$236.6 million.

The value of pine sawnwood exports increased 23% between January 2017 (US$33.6 million) and January 2018 (US$41.2 million). In terms of volume, exports increased 18% over the same period, from 168,300 cu.m to 198,900 cu.m.

In contrast tropical sawnwood exports fell around 12% in volume, from 32,800 cu.m in January 2017 to 29,000 cu.m in January 2018. But unit prices were higher such that export values fell less than 1% over the same period.

Pine plywood export values increased a startling 55% in January 2018 in comparison with a year earlier from US$34.8 million to US$54.0 million. The volume of plywood exports increased but by only 27% over the same period, from 133,000 cu.m to 169,400 cu.m.

As for tropical plywood, exports increased in both volume and value, from 10,600 cu.m (US$3.9 million) in January 2017 to 12,300 cu.m (US$ 5.1 million) in January 2018.

The good news on exports continued with for wooden furniture where export values rose from US$26.6 million in January 2017 to US$32.0 million in January 2018, a 20% rise.

Furniture exports begins favorably in 2018

2018 started well for furniture exports (all types), reaching US$41.7 million compared tor US$37.5 million last year

For the three main markets, the United States, the United Kingdom and Argentina, the value of January 2018 exports topped US$20 million (US$18.5 mil. in 2017), accounting for almost 48% of all furniture exports.

In terms of imports, in January imports rose 16% jumping from US$45.1 million in January last year to US$51.6 million this January. Shippers in China increased their share of the Brazilian market, from 31% of imports in January last year to almost 38% in the first month of 2018.

Most Mato Grosso forests covered by management plans

The forest-based sector in Mato Grosso state, a large timber producing state, is committed to improving the sustainability of forest activities, seeking new markets and encouraging exports.

Data published by CIPEM (the Center for Timber Producers and Exporters of Mato Grosso State) show that 93% (262,500 hectares) of the legally logged areas in the state is covered by Sustainable Forest Management Plans (PMFS) approved by the State Environmental Secretariat. Additionally, it has been reported that there was a significant drop in identified illegal forest activities.

The CIPEM report emphasises the contribution to the State of the forest sector which is supporting around 90,000 direct and indirect jobs, represents the fourth largest contributor to the state economy and produces around 13 million cu.m for domestic production.

In addition, sustainable forest management provides important environmental services, such as carbon sequestration and sustainable harvesting of non-timber products.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	218⬆
Jatoba	124⬆
Massaranduba	125⬆
Miiracatiara	125⬆
Angelim Vermelho	116⬆
Mixed redwood and white woods	106⬆

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	961⬆
Jatoba	474⬆
Massaranduba	4458⬆
Muiracatiara	442⬆
Angelim Vermelho	399⬆
Mixed red and white	267⬆
	226⬆
Eucalyptus (AD)	160⬆
Pine (AD)	184⬆
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	588⬆
10mm WBP	481⬆
15mm WBP	429⬆
4mm MR	480⬆
10mm MR	356⬆
15mm MR	332⬆

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	252⬆
15mm MDF	302⬆

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

Timber companies at 'BIG 5' Dubai fair

A delegation of Peruvian timber entrepreneurs participated in the 'Big 5' Dubai 2017 Fair considered one of the most important construction and timber sector fairs in the Middle East.

Companies participated in business meetings, visited factories and exchanged information on markets in the region, a major importer of tropical timber especially of products for the construction sector.

The fair attracts the participation of large business groups and buyers of wood products not only from the Middle East but also from the USA, Europe and Asia.

Conserving and utilising Amazon forests – new initiative to be launched

The Ministry of Agriculture and Irrigation (MINAGRI) is planning to approve the implementation of numerous projects worth around US$6.5 million for the recovery, conservation and sustainable use of resources in Amazon forests.

The projects were selected after a third call for competitive bids for funds in the 'SERFOR-CAF Sustainable, Inclusive and Competitive Forestry Development Program' for the Peruvian Amazon.

The selected projects, to be implemented over a two year period, reflect the need to recover and protect the Amazon basins, recover the degraded ecosystems and promote ecotourism. Projects will be implemented in the Amazon regions of Junín, Madre de Dios, Amazonas, Huánuco, San Martín, Pasco, Loreto and Ucayali. Nine of the projects are dedicated to promoting the sustainable use of forest products and protection of the ecosystem.

Mission to Dominican Republic

The consultancy company, Tropical Forest, is organising a trade mission to the Dominican Republic for domestic timber entrepreneurs from 8 -11 March.

The group of Peruvian business people will visit industrial wood processing plants and conduct business meeting with prospective buyers. Dominican importers have expressed an interest in securing supplies of sawnwood, decking, flooring and construction products.

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	483-496
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	957-994
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	662-679
Marupa 1", 6-11 length KD	
Asian market	511-591⬆

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

Growth hits a wall

Japan's economy has grown for eight consecutive quarters, the best performance since a period between 1986 and 1989 during the 'bubble economy'.

But now growth has hit a wall, the combination of much slower growth in two years and the stronger yen in more than twelve months is underlining how difficult it is to revive inflation in Japan, even when other countries are seeing improvements.

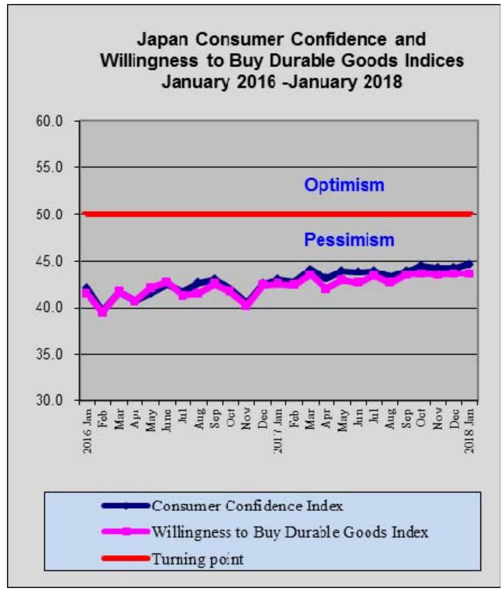
Despite this setback, a short term phenomena according to the Bank of Japan, the government is maintaining the view that steadily expanding industrial output and increased capital expenditure will serve to correct any downturn.

The biggest problem is in the labour market where shortages are emerging but not translating into higher wages as yet. Only when this happens will a solid foundation for inflation be established.

Exports support economy but growth at risk from strengthening yen

The latest data on Japan's core machinery orders shows a decline in December. Core machinery orders are regarded as an indicator of capital investment and in a recent government survey it was found that companies expect orders to rise only marginally in the first quarter of this year which risks undoing the recent improvements in spending.

While the yen is competitive against other currencies it is exports that are supporting economic expansion not consumer spending.



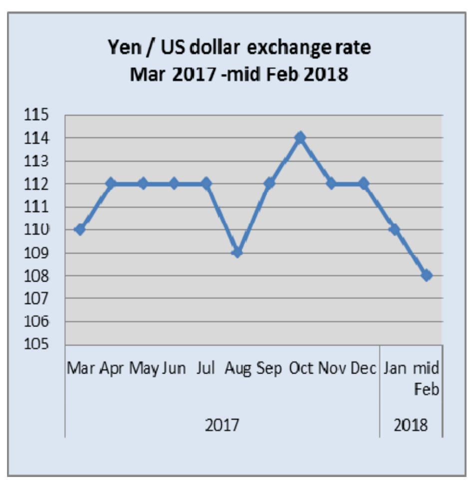
Data source: Cabinet Office, Japan

Yen volatility of growing concern

From ending 2017 at 112/US$ the yen had strengthened by around 5% by the end of February to around 106/US$. The abrupt volatility in the yen dollar exchange rate has been put down to three main converging factors, expectations that the Bank of Japan (BoJ) will begin to unwind its monetary easing policy, pessimism on the US dollar and demand driven by traders looking for a safe haven in the yen.

The Japanese government does not want to see the yen strengthen and this played a role in the decision to reappoint the Governor of the BoJ and at the same time introduced a new deputy who has a reputation for bolder views on monetary easing.

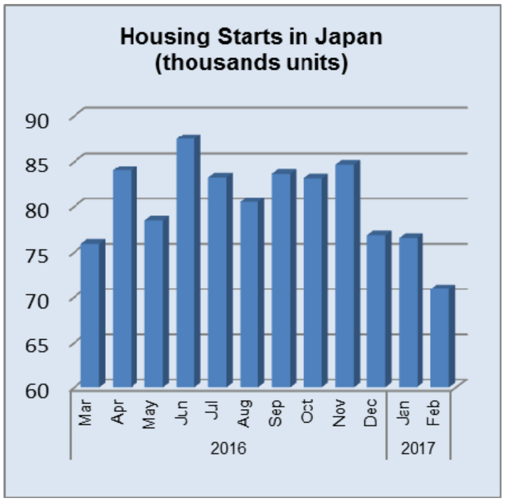
A government spokesperson is quoted as saying "We (Japan) agreed at the Group of Seven and the Group of 20 that excessive foreign exchange moves are undesirable because they can harm the economy. Foreign exchange stability is extremely important."



Bad winter weather and slower bank lending eats into housing starts

Housing starts have been falling since the end of 2016 and while the bad winter weather has disrupted building activity more than usual there does seem to be a correction underway.

Data is showing that real estate financing rates have fallen with 2017 seeing an over 5% decline. Analysts put this down largely to the decision by banks in Japan to cut back on easy term lending rates for apartment construction.

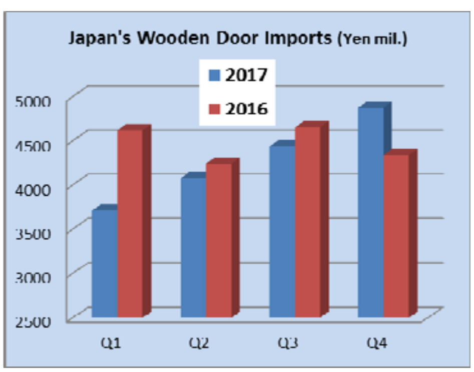


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

The value of Japan's 2017 imports of wooden doors dropped 4% compared to a year earlier. Imports in 2017 started from a low point in the first quarter but expanded throughout the year in contrast to the rather stable value of quarterly imports in 2016. It remains to be seen how the cooling of the buy-to-rent market in Japan which created a rise in renovation expenditure impacts door imports.



Data source: Ministry of Finance, Japan

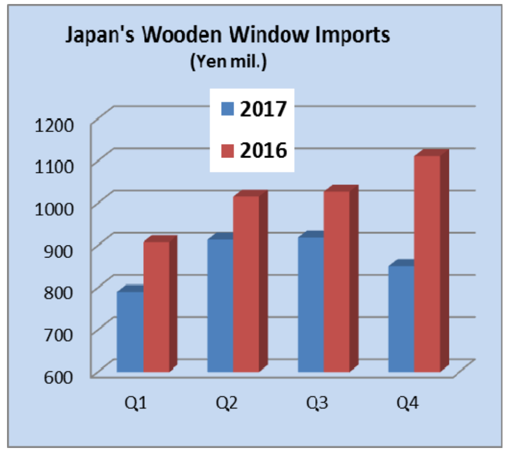
December door imports

December imports of wooden doors (HS441820) reflect a correction from the high in November dropping around 3%. Year on year Japan's wooden door imports were up 17% driven largely by the expansion of home renovation activity.

Shippers in China continue to dominate imports of wooden doors and in December expanded market share to around 60%. The other main suppliers in order of rank were the Philippines (18%), Indonesia (8%) and Malaysia (5%).

Window imports

2017 saw a sharp drop in the value of Japan's wooden window imports (-15%) compared to levels in 2016. The decline in imports was in each quarter, the decline became even more apparent in the final quarter of 2017.



Data source: Ministry of Finance, Japan

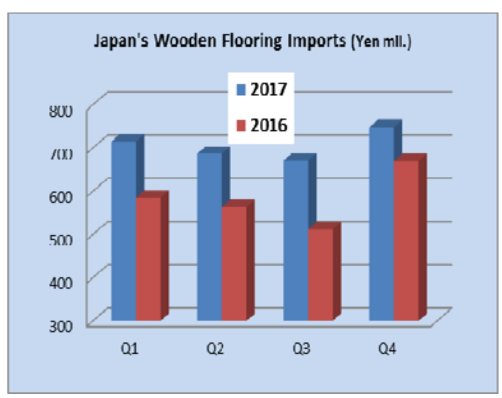
December window imports

Month on month, the value of Japan's wooden window imports were down around 3%.

The top supplier of wooden windows to Japan in December was China which accounted for 40% of all wooden window imports. Other suppliers were the US (24%), the Philippines (20%) and Sweden (8%). Put together, shippers in Europe accounted for just over 13% of the value of Japan's wooden window imports.

Assembled flooring

The value of Japan's 2017 wooden flooring (HS441871-79) imports was up sharply from levels in 2016, rising over 20%. For each quarter of 2017 imports topped those in 2016 and import values in the final quarter of 2107 were at a multi-year high.



Data source: Ministry of Finance, Japan

December imports

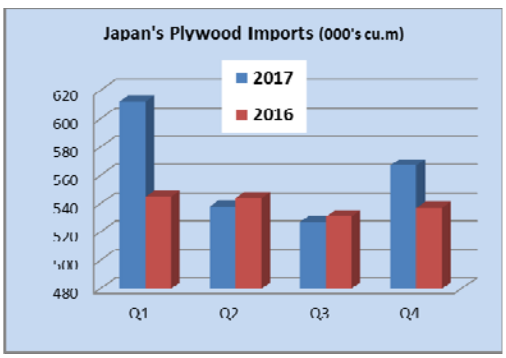
As in previous months wooden flooring imports were dominated by HS 441875 which accounted for 80% of all wooden flooring imports. HS 441879 accounted for 16% of imports followed by HS441874 at 3%.

Shippers in China, SE Asia accounted for most of the HS 441875 shipped to Japan while Indonesia and Thailand joined China as the main suppliers of HS441879.

Plywood

Japan's plywood imports in 2017 at almost 250,000 cu.m were 4% higher than in 2016. Year on year shipments from China were down 3%, Indonesian shipments were down 5% which left Malayia accounting for the rise in 2017 imports. Shipments from Malaysia were up around 9.5% year on year.

The surge in first quarter 2017 imports was due to the high volumes arriving in Japan from Malaysia and Indonesia however the level of shipments slpiped in subsequent quarters. Over 85% of 2017 plywood imports into Japan comprised HS 441231 with a further 8% being HS 441234.

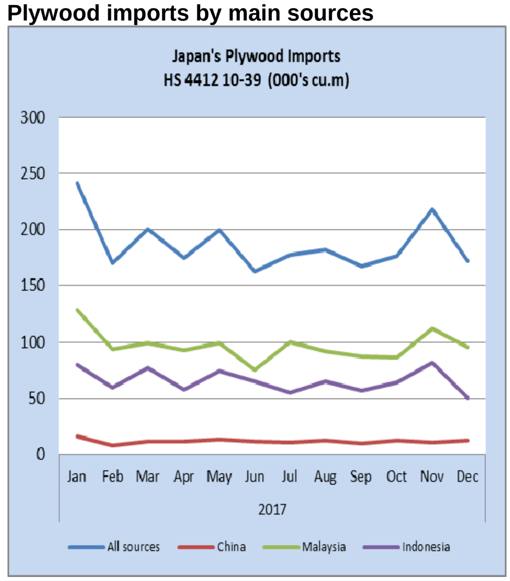


Data source: Ministry of Finance, Japan

Dember plywood imports

Year on year, Japan's December 2017 plywood import volumes were flat but month on month there was an over 20% decline in the vloume of imports with bot Malaysia and Indonesai seeing shipments drop. This year end decline in arrivals of plywood is usual as building activity slows due to the winter weather which in 2017 was particularly harsh.

Plywood imports by main sources



Data source: Ministry of Finance, Japan

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
	Dec	12	95.2	50

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:
http://www.n-mokuzai.com/modules/general/index.php?id=7

Local cedar for eaves of the National Olympic Stadium

The Japan Sport Council announced that wood from 7refectures in Japan will be used for eaves of the New National Stadium for the Olympic Games in 2020. As prayer for the East Japan Earthquake and Kumamoto earthquake, wood from damaged prefectures will be used for entrance gate.

Concept of the new stadium is that it is pride to the world with utilization of domestic wood. Material is forest certified cedar from 47 prefectures. Cedar is cut into 105 mm by 30 mm with the quality of not clear but of small knots.

The eaves surround the stadium with 360 degrees and wood from each prefecture is placed in the direction of the prefecture. For instance, wood from Hokkaido and the North East will be placed on the North side of the stadium. The volume of the wood is 143 cubic meters in total so each prefecture puts up 1.5 – 3.0 cubic meters.

Roof construction will start in February and be completed in November of 2019. Plan is to use the wood from the same prefecture in case of replacement or repair in future.

China approves use of Japanese species for housing

The China Wood Structural Design Standard will be revised in August to allow use of Japanese species of cedar, cypress and larch for post and beam construction in China. Discussion has been held for more than seven years between the Wood Export Promotion Association of Japan (WEPA) and the Housing Construction department of China for use of Japanese wood for Chinese wooden housing.

WEPA stipulates cedar, cypress and larch lumber as structural material so that they can be used to build Japanese style post and beam construction in China. With the revision, Japan now is able to export value added precut lumber for China market.

WEPA has been eagerly promoting Japanese wood for housing and built model house, held seminar and manual of wooden house building in China. There is no accurate statistics for housing starts in China but according to WEPA's estimate, annual starts in urban area is Chinese gives high evaluation to the Japanese style expose use of wood but for actual construction, it is necessary to train Chinese architects for design and carpenters for construction. Canada's 2x4 housing was authorized back in 1998.

Plywood

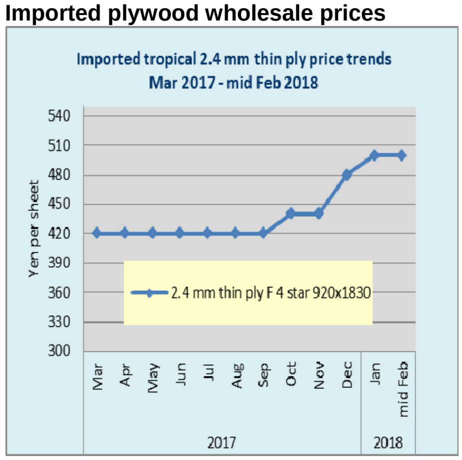
Softwood plywood demand is easing but precutting plants are asking delivery of delayed production. Normally the movement slows down in the first quarter but because of labour shortage, construction works are delayed so the demand is being carried over. Domestic plywood manufacturers are busy catching up delayed orders.

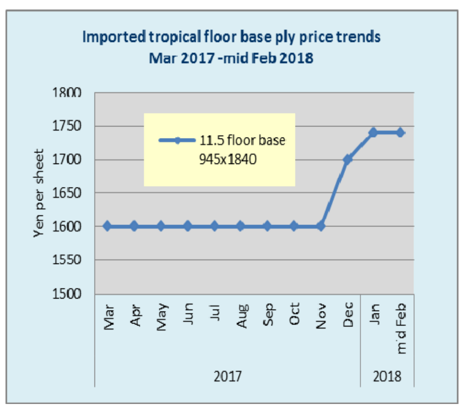
December production and shipment maintained high level despite many holidays. December domestic plywood production was 271,100 cbms, 4.8% more and 4.1% less. Softwood production was 259,300 cbms, 8.6% more and 4.4% less. Softwood structural panel production was 244,800 cbms, 6.5% more and 5.0% less.

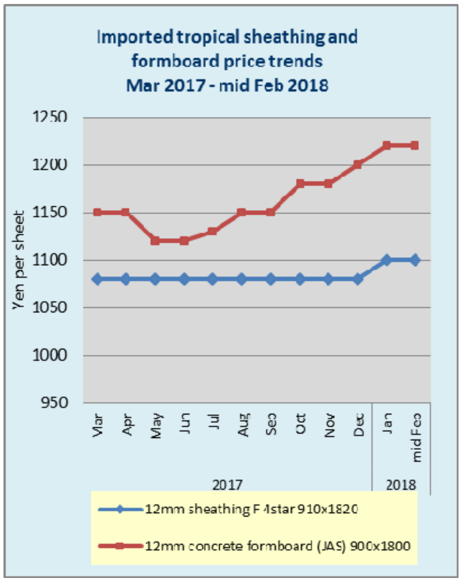
December imported plywood was 232,300 cbms, 0.5% less than December last year and 16.7% less than November. Malaysian supply was 97,200 cbms, 10.7% more and 15.9% less. Indonesian supply was 56,900 cbms, 20.8% less and 37.6% less. Major plywood mills in Indonesia stopped the
operation because of log shortage so the arrivals dropped considerably.

The production in Malaysia and Indonesia should stay low during rainy season so the arrivals do not seem to increase until next spring. The inventories of imported plywood in Japan keep declining by reduced arrivals.

Imported plywood wholesale prices







China

Foreign trade up 14.2% in 2017

It has been reported by the General Administration of Customs (GAC) that the value of China's 2017 foreign trade rose 14.2% year on year to RMB27.79 trillion (USD4.28 trillion) bringing to an end the previous two yearly consecutive declines.

China's exports increased 10.8% to RMB 15.33 trillion while imports surged 18.7% to RMB12.46 trillion in 2017. The trade surplus continued to narrow last year, shrinking 14% to RMB 2.87 trillion compared to the 9%t reduction registered in 2016.

Analysts attributed improved exports to growth in the global economy as well as steady domestic economic expansion, rising commodity prices and increased trade with countries along the Belt and Road routes.

The European Union, the United States and ASEAN are the top three trading partners and 2017 exports to the United States rose 15% year on year.

Chinese private enterprises now play a bigger role in trade.

For more see: http://www.gov.cn/xinwen/2018-01/12/content_5255987.htm#allContent

Expanding trade along the 'Belt and Road' routes

China's foreign trade with countries along the route of the 'Belt and Road' in 2017 rose 18% to RMB7.37, up 3.6% over growth of total national foreign trade. Trade to these markets now accounts for 26.5% of the national total value of foreign trade.

According to a GAC spokesperson, the 'Belt and Road' initiative countries have shared in the benefits in five areas; policy coordination, connectivity, unimpeded trade, financial integration and people-to-people bonds.

It is expected that China's trade with countries along 'Belt and Road' will continue to be the highlight and growth point of China's foreign trade.

Diversification of trade partners

China's trade partners have become more diversified in recent years. In 2017 China's trade with traditional markets such as Europe, the USA and Japan rose 15% year on year. However, emerging markets such as Latin America and Africa grew 22% and 17.3% respectively.

Bilateral trade between China and Australia has been increasing rapidly in recent years. The total value of foreign trade between China and Australia surged 29% to RMB92341 billion, some 15% higher than the national growth rate. Of the total, the value of exports to Australia rose 1.39% to RMB280.56 billion while imports from Australia increased 37% in 2017.

Port handling charges cut

According to China National Development and Reform Commission from 1 February 2018 container handling charges at Dalian Ports, Guangzhou Ports and Shenzhen Ports have been reduced. Charges per container have been reduced to RMB510 from RMB642 at Dalian, to RMB490 from RMB668 at Guangzhou Ports and to RMB980 from RMB1400 at Shenzhen Ports.

It is estimated that these changes will lower logistic costs at these ports by around RMB 950 million per year. The decision on reduced charges came after suspected monopoly. In addition, the National Development and Reform Commission stresses that operating fees in dock should be adjusted to a reasonable level as soon as possible.

The National Development and Reform Commission suspected violation of the "Anti-monopoly Law" in the operation of port enterprises.

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

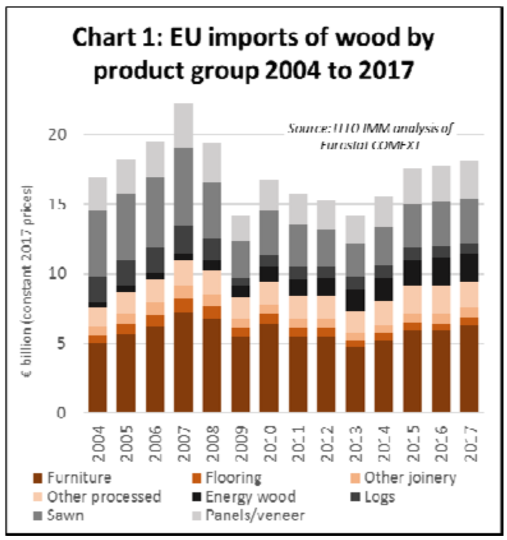
Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
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

Europe

Recovery in EU wood imports continues in 2017

The total value of EU imports of wood products was Euro 18.17 billion in 2017, 2.4% more than in 2016. This followed an increase of 1.3% to Euro 17.74 billion in 2016. In 2017 EU import value was at the highest level since 2008 just before the global financial crises (Chart 1).



Imports into the EU were boosted in 2017 by stronger economic growth. According to Eurostat, the EU economy grew at its fastest rate in 10 years in 2017, registering a 2.5% increase on the year before. That is the highest annual growth since 2007, when the economy expanded by 2.7%.

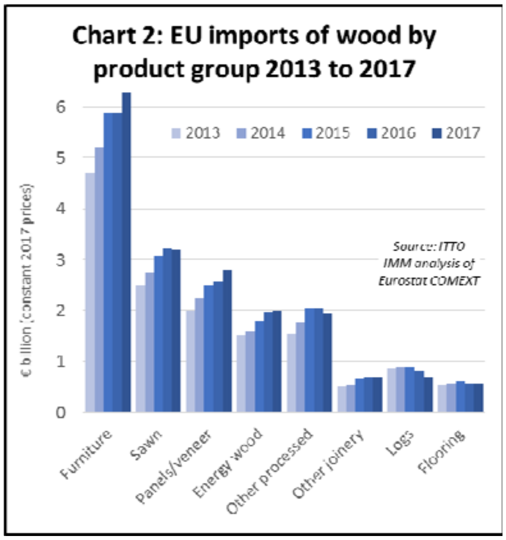
The bloc of 28 countries put in a strong performance in the final quarter of the year, growing 0.6%, mainly driven by good economic results from Germany, Spain and France.

Good economic growth fed through into a rise in the value of the Euro last year, which strengthened against the U.S. dollar by around 15% during 2017.

For importers in the eurozone, this helped offset the general rise in global prices for timber products resulting from strong demand in other regions including China, North America and the Middle East.

Considering individual products (Chart 2), the value of EU imports of wood furniture increased by 7.3% to Euro 6.29 billion in 2017 after a slight dip in 2016. EU imports of wood furniture increased from all the main supply regions last year, including China and South East Asia.

However, the strongest growth in EU furniture imports in 2017 was from European countries outside the EU. This forms part of general trend of increasing EU dependence on wood furniture manufactured in central and Eastern Europe.



The value EU imports of sawnwood (including softwoods and hardwoods) was unchanged in 2017, at Euro 3.2 billion, ending the rising trend which began in 2013. There was a particularly significant 21% decline in the value of EU sawn wood imports from Africa in 2017 which offset a 12% rise in imports from the CIS countries.

EU imports of sawn wood from Russia and other CIS countries continue to benefit from the relative weakness of currencies in the region.

EU imports of panels (mainly plywood) increased 9% to Euro 2.79 billion in 2017. This follows a 3% rise in 2016 and an 11% increase in 2015. Most of this gain was due to a rise in plywood imports from Russia and other Eastern European countries. The value of EU plywood imports from China and tropical countries was generally stable or declining in 2017.

The long-term rise in EU imports of energy wood continued in 2017 with annual import value exceeding Euro 2.01 billion for the first time. This was only 3% more than in 2016, a slower pace of increase compared to average annual growth of 11% in the previous five years.

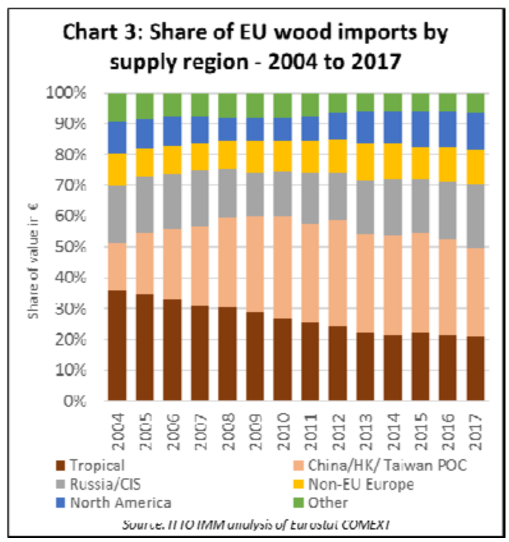
EU imports of energy wood (now dominated by pellets) increased sharply from the CIS region last year. Imports from the US, still by far the largest external supplier to the EU, were stable in 2017.

Following a 22% increase in 2015 and 4% increase in 2016, EU imports of other joinery products (mainly doors and laminated wood for window frames) declined 1% to Euro 690 million in 2017.

Imports of joinery products from Russia and Ukraine continued to rise last year, while imports from the tropics and China lost ground (although China is still the single largest external supplier).

EU imports of wood flooring were stable at Euro 550 million in 2017, after falling back 9% in 2016. Flooring imports from China, by far the largest external supplier, were flat in 2017, while imports from the CIS region increased 12%, helping to offset a decline in imports from South East Asia and South America.

The value of EU imports of wood products from tropical countries decreased 1.8% to Euro 3.78 billion in 2017. This follows a 1% fall the previous year. The share of tropical countries in the total value of EU wood product imports declined from 22% in 2016 to 21% in 2017. This is a resumption of a long- term trend in declining share of tropical countries in total EU imports after a brief rebound in 2015 (Chart 3).



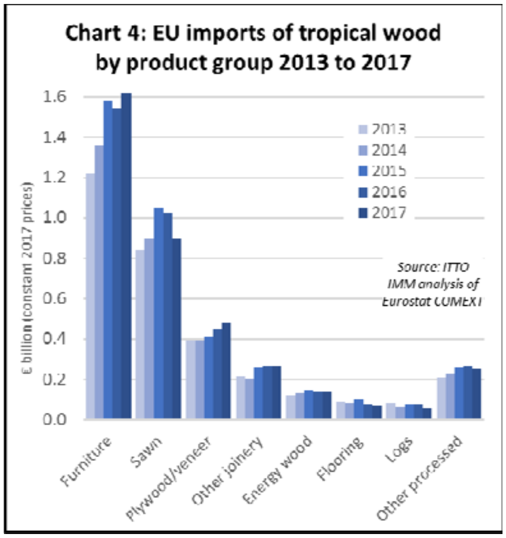
China's share in total EU imports of wood products fell from 30.5% in 2015 to 28.9% last year, the lowest level since 2008. Meanwhile the share of Russia and other CIS countries increased from 19.3% to 21.1%.

In 2017, there was a slight increase in share of EU imports from non-EU European countries (from 10.9% to 11%) and North America (from 11.5% to 11.7%).

The slight decline in the total value of EU wood product imports from the tropics in 2017 hides variations between products groups (Chart 4).

Last year, there was a sharp 13% decline in EU imports of sawn wood from tropical countries, from Euro 1026 million to Euro 896 million. There was also a continuing decline in EU imports of tropical flooring, by 12% to Euro 68 million, and tropical logs, by 29% to Euro 53 million.

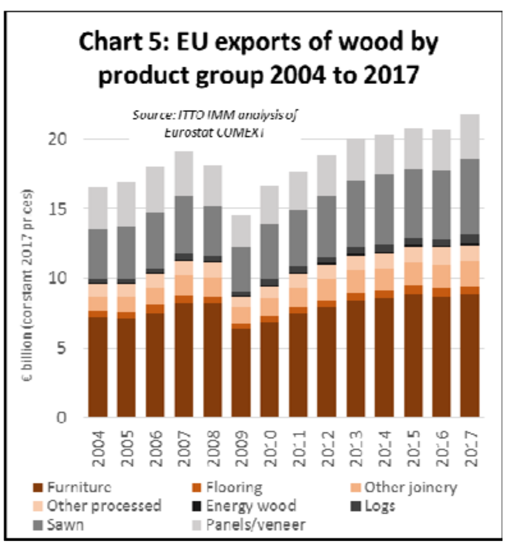
However, these declines were offset by rising EU imports of tropical furniture, up 5% to Euro 1.62 billion, panels (mainly plywood), up 7% to Euro 480 million, and energy wood (notably charcoal), up 2% to Euro 143 million.



EU wood products exports at record level in 2017

In 2017, the EU exported wood products with a total value of Euro 21.8 billion, 5% more than in 2016 and overtaking the previous record level of Euro 20.51 billion in 2015 (Chart 5).

The EU increased exports of a wide range of wood products last year, but there was particularly strong growth in sawnwood, logs, energy wood, and panels. The increased exports were mainly destined for North America, China and other Asian countries.



Last year, the rate of EU export growth exceeded the rate of import growth, resulting in an increase in the EU's timber product trade surplus with the rest of the world, from Euro 2.97 billion in 2016 to Euro 3.62 billion in 2017.

Brexit to significantly impact EU trade balance

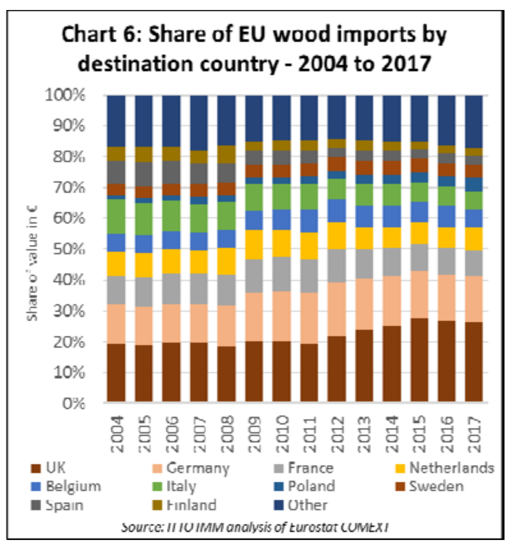
Looking to the future, the EU trade data highlights the extent to which Brexit will impact on the EU trade balance.

The UK is consistently the largest EU importer of timber products from outside the bloc, due partly to the country's limited domestic forest resources, partly to the UK's coastal position and traditional trade links with many countries in other parts of the world, and partly to the UK's relatively concentrated timber distribution and retailing sectors which has been more accessible to external suppliers, particularly in China and Asia.

The UK's share of total EU imports of timber products from outside the bloc increased sharply from 19% in 2011 to 28% in 2015. The UK's share of total EU timber product imports declined slightly in 2016 and 2017, but only to a little under 27% (Chart 6).

During this time the UK was recovering from the financial crises, driving a strong increase in imports from outside the EU, particularly wood furniture and plywood from China, and wood furniture from Vietnam.

There was also a big increase in UK imports of wood pellets during this period, mainly from the U.S., driven by the UK's climate change commitments which encouraged some large energy suppliers to switch from coal to biomass.



Without the UK, in terms of global trade, the EU becomes more relevant as an exporter, and less relevant as an importer of timber products. This is because the UK is not only a large importer of timber products from outside the EU, but also a large importer from other EU countries, and only a small exporter to all parts of the world.

In 2017, the value of the timber trade surplus of the EU excluding the UK was Euro 12.69 billion, more than three times the Euro 3.62 billion surplus with the UK included.

Last year the EU27 (i.e. excluding the UK) imported Euro 13.91 billion (compared to Euro 18.17 billion for the EU28) and exported Euro 26.60 billion (compared to 21.79 Euro for the EU28).

UK pledges to retain FLEGT commitment after Brexit
In relation to policy initiatives like FLEGT, the decline in the relative significance of the EU as an importer of timber products after Brexit will be mitigated by the commitment of the UK government and timber trade to continue to support the VPA process and EUTR.

Speaking at a meeting organized by the UK Confederation of Timber Industries in February, Therese Coffey, parliamentary under-secretary of state at the Department for Environment, Food and Rural Affairs (DEFRA), stated that: “When the UK leaves the EU, the Withdrawal Bill will make sure the whole body of European environmental law continues to have effect in UK law.

That [includes] two regulations that the UK timber sector played a great role in shaping: the European Union Timber Regulation and the Forest Law Environment Governance and Trade Regulation”.

She went on to state that: “We are committed to supporting sustainable and legal timber and forest industries and recognize the value of the EUTR and the EU FLEGT initiative in assuring this."

This was believed to be the first time that a UK minister had made a definitive statement of this kind and was welcomed by the audience of forestry and timber sector representatives and leading businesses.

“The UK timber sector was at the forefront in the development of the EUTR and the EU FLEGT initiative and the vast majority of our members support their retention post-Brexit,” said David Hopkins, UK TTF Managing Director, and Director of the CTI.

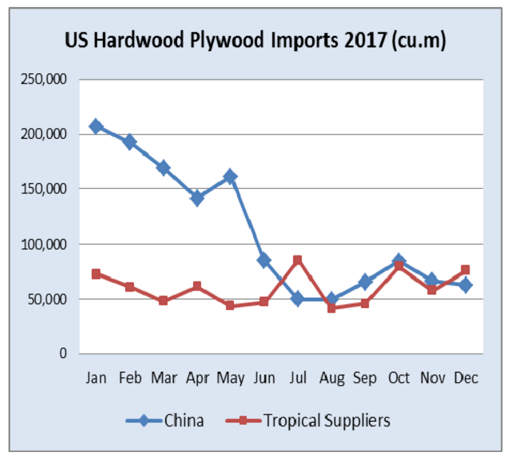
“The EUTR is a business friendly, flexible regulation to ensure goods are sourced responsibly, protecting the environment and business reputation. Abandoning the regulation [and support for the EU FLEGT initiative] now would cause unnecessary upheaval and market confusion. I would like to thank the Minister for this commitment and giving us the certainty our sector needs.”

North America

Only China saw US plywood imports slip in 2017
Hardwood plywood imports totalled 2.95 million cu.m. in 2017 valued at US$1.77 billion. The import volume declined 6% from 2016, while the value of imports was down 2%.

The decline from the previous year was entirely in imports from China, which fell 27% compared to 2016. Imports from China were down significantly from June onwards after the US imposed antidumping and countervailing duties on plywood from China.

All other major plywood suppliers increased exports to the US in 2017. The largest growth was in imports from Malaysia (104,408 cu.m., +60%), Cambodia (94,086 cu.m., +379%), and Vietnam (61,029 cu.m., +179%). Cambodia and Vietnam in particular have become alternate sources for US plywood importers after the duties on Chinese plywood came into effect.



Data source: US Census Bureau, Foreign Trade Statistics

Mixed import performance for joinery and flooring
Imports of most processed wood products (except veneers) were higher in 2017 supported by growth in US housing construction, renovation and remodeling.

Solid hardwood flooring imports increased while engineered/laminate flooring imports decreased 9% from 2016. Laminate flooring in particular has strong competition in non-wood products such as vinyl plank flooring.

Hardwood flooring imports from China and Brazil expanded in 2017 but Malaysia and Indonesia shipped less hardwood flooring last year to the U.S. than in 2016.

Hardwood moulding imports were slightly higher than in 2016, but moulding imports from Brazil and Malaysia declined in 2017.

Strong growth in wooden furniture imports from Vietnam and India

The U.S. imported US$18.5 billion worth of wooden furniture in 2017, 11% more than in 2016. Imports from all key supplier countries increased. China accounted for 47% of all wooden furniture imports in 2017, followed by Vietnam with 20%. The strongest growth rate was in imports from Vietnam and India.

US imports of all types of furniture increased in 2017. The strongest growth was in imports of kitchen furniture, upholstered seating and office furniture.

Retail sales at furniture stores were almost unchanged in the last two months of 2017 according to US Census figures. The advance retail estimate for January 2018 indicates retail sales of furniture and home furnishings to be 5% higher than in January 2017.

The latest Smith Leonard survey of US residential furniture manufacturers and distributors reports the following growth figures for November 2017: New furniture orders increased 11% compared to November 2016. Furniture shipments were up 4% year-to-date from November last year.

Both the furniture industry and wood product manufacturing reported contraction in January, according the Institute for Supply Management. Most other US manufacturing industries reported growth during the period.

US kitchen cabinet manufacturers reported a 2.9% increase in sales in 2017, according to the Kitchen Cabinet Manufacturers Association's monthly Trend of Business Survey. Participating cabinet manufacturers reported total sales of US$6.9 billion for 2017. Participants in the business survey represent about 70% of the U.S. cabinet market.

Encouraging employment and consumer sentiment data

The unemployment rate was unchanged in January at 4.1%. Employment continued to trend higher in the construction and manufacturing sectors according to the US Bureau of Labor Statistics. GDP increased 2.6% in the fourth quarter of 2017 according to the advance estimate released by the Bureau of Economic Analysis. In the third quarter, GDP growth was 3.2%.

Consumer confidence rose in early February to its second highest level since 2004 according to the University of Michigan Surveys of Consumers report. A large proportion of households reported they expect income gains during the year ahead.

Strong gains in residential construction

Housing starts in January were at a seasonally adjusted annual rate of 1.33 million according to the US Census Bureau and the U.S. Department of Housing and Urban Development. January starts increased 10% from December with much of the gain being in multi-family construction (+24%) but single-family house construction also increased (+4%). The National Association of Home Builders association forecasts a 2.7% annual growth in housing starts to 1.25 million units in 2018.

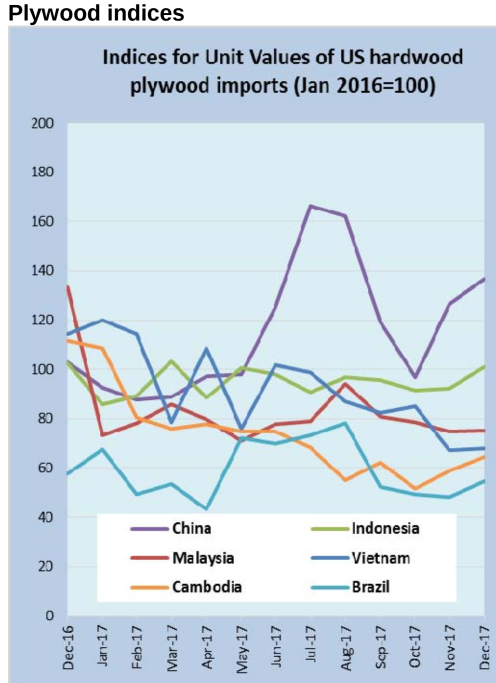
Court rejects deadline extension for formaldehyde emissions rule

A federal court ruled that the US Environmental Protection Agency had no authority to delay compliance with formaldehyde emission standards. The ruling was in favour of two environmental groups who challenged the delay.

The extension would have given manufacturers and importers an additional year before having to comply with the Formaldehyde Emission Standards for Composite Wood Products. The original compliance deadline was December 12, 2017.

Several US industry associations filed briefs with the court in support of the deadline extension, including the Composite Panel Association and the International Wood Products Association who represents importers. Parties have until March 9 now to confer on an alternative compliance date for the formaldehyde emissions rule.

Plywood indices



Data source: US Census Bureau, Foreign Trade Statistics
Note: Indices are derived from Customs values and exclude shipping, insurance and duties

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

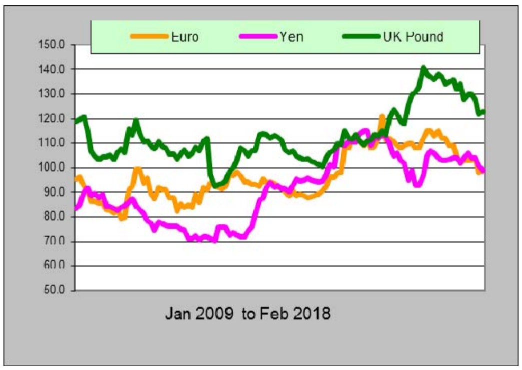
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

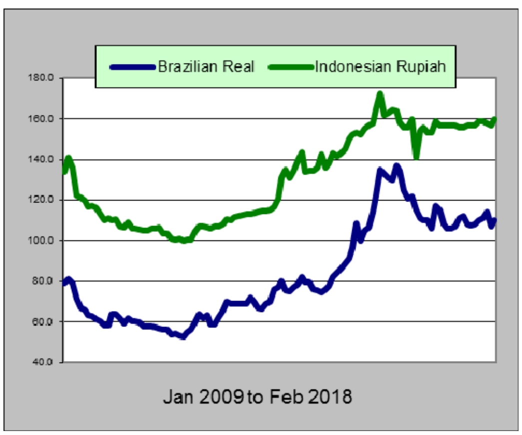
Dollar Exchange Rates

As of 25 February 2018

Brazil	Real	3.2258
CFA countries	CFA Franc	531.88
China	Yuan	6.3159
EU	Euro	0.8118
India	Rupee	64.80
Indonesia	Rupiah	13655
Japan	Yen	106.98
Malaysia	Ringgit	3.9025
Peru	New Sol	3.25
UK	Pound	0.716
South Korea	Won	1070.65

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



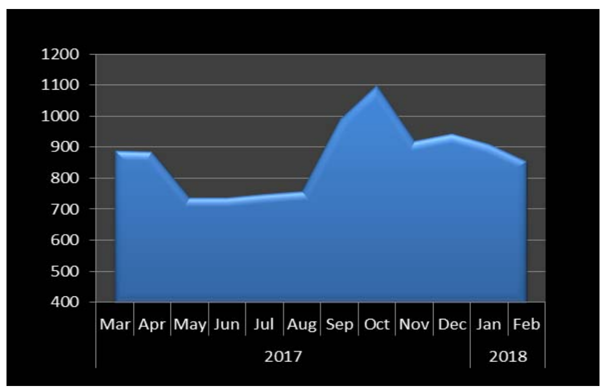


Abbreviations and Equivalences

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
March 2017 – February 2018

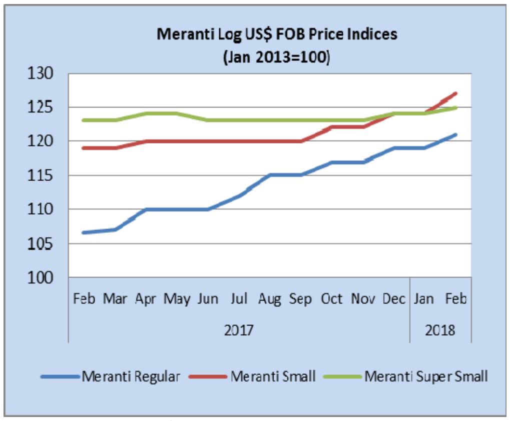


Data source: Open Financial Data Project

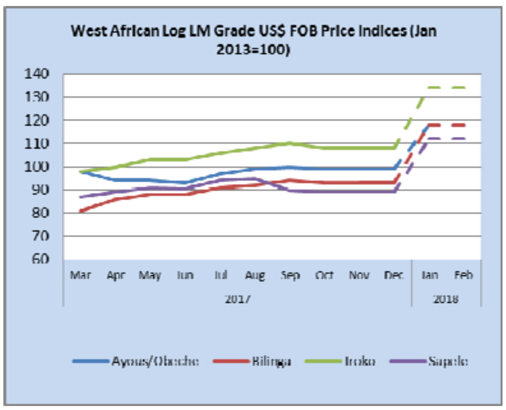
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

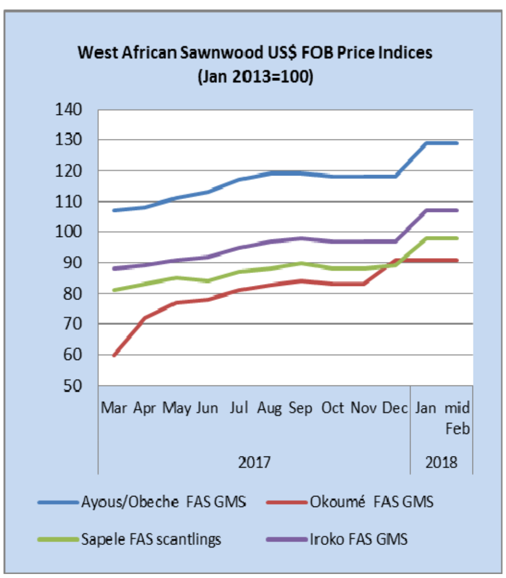
The following indices are based on US dollar FOB prices

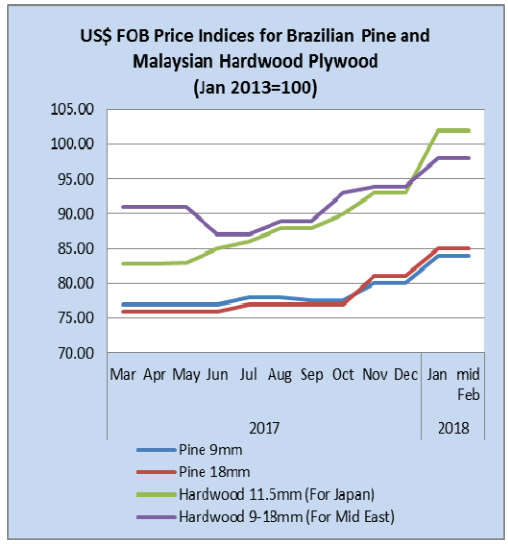


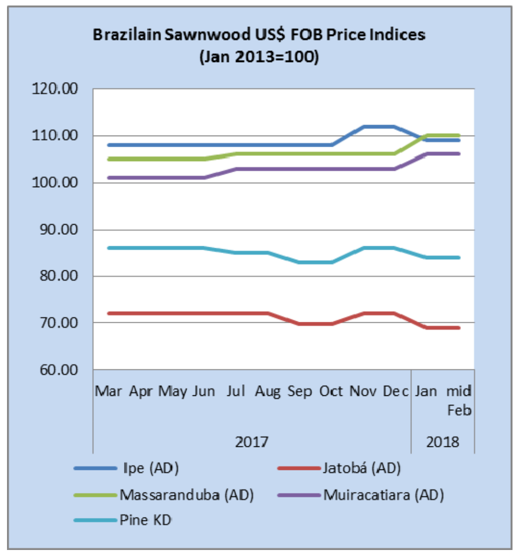
Note: Sarawak logs for the Japanese market



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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