Tropical Timber Market Report

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Top Story

Online LCA tool for American hardwoods

The American Hardwood Export Council (AHEC) has launched an online LCA tool to enable timber suppliers to use environmental impact data in promoting US hardwoods.

The tool generates a range of environmental impact data based on the transport of 1 cu.m. of kiln-dried sawnwood from the US to any part in the world.

The tool also shows the time taken to grow 1 cu.m. for various species based on the US Forest Service inventory database.

The LCA tool is available:
https://www.americanhardwood.org/en/environmental-profile/american-hardwoods-life-cycle-assessment-tool

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Central and West Africa

Rumours of an old issue resurface – under-declared grades

Producers report that demand is steady and that there has been a noticeable, moderate upward trend. As previously reported, buyers for the Chinese market are firmly resisting the price increases proposed by exporters in Cameroon. Rumours are circulating that some traders have resorted to under declaring log grades and even volumes in order to reduce export costs.

Encouraging demand in North Africa

Exporters say there is an encouraging growth in demand developing in North African countries such as Tunisia, Libya, Morocco and Egypt with ayous and some of the denser species mentioned.

Producers say that business is good in Middle East countries and that prices are firm, but exporters complain of the continuing difficulties in arranging shipping from West Africa to the Middle East. This is particularly so in Douala Port where vessels can face delays in loading of up to 14 days. Across the region there are complaints of port congestion.

What to do with kevazingo stocks? – the problem remains

The ban on harvesting of kevazingo in Gabon is being enforced but those with stocks of kevazingo built up before the ban are asking how these stocks can be utilised and sold.

Okoume sawnwood has experienced a period of increased demand from several countries and millers in the Republic of Congo are requesting an increase in the export quota to meet this steadily growing demand.

Padouk and tali favoured in India and Vietnam

India has become more active in purchasing padouk, a much favoured timber and is also showing greater interest in tali. Prices for padouk are firm despite a slackening of demand from buyers in Belgium, a traditional market for this timber.

In recent months Vietnam has also shown more interest in tali. At first the interest was in the lower grades but now interest has turned to better qualities. .

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265↑	265↑	170
Ayous/Obeche/Wawa	275↑	265↑	245↑
Azobe & Ekki	275↑	275↑	-
Belli	390↑	390↑	-
Bibolo/Dibétou	195	175	-
Bilinga	260	260	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	250	190
Moabi	345	340	275
Movingui	230	230	170
Niove	175	160	-
Okan	245↑	24%↑	-
Padouk	340↑	295↑	245
Sapele	310	300	245
Sipo/Utile	335	315	245
Tali	405↑	400	-

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	900
FAS scantlings	1020
Strips	640↓
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

Export show positive growth

Ghana's exports of wood products in the first 2-months of this year totalled 57,539 cu.m compared to 56,501 cu.m for the same period in 2017. The products that contributed significantly to the year-on-year increase in trade were as follows: rotary veneer +19%, dowels +16%, billets +12%, kiln dry sawnwood +6%, air dry sawnwood +6% and sliced veneer, +3%.

Of the products exported, sawnwood and billets accounted for most of the export volumes (+80%). Teak, rosewood, wawa, ceiba and papao were the dominant species traded and these were shipped to the India, China, Germany Vietnam and Belgian markets.

AGI calls for stimulus package for industries

The Association of Ghana Industries (AGI) has appealed to government for a stimulus package that will allow local industries to improve export competiveness. The AGI sees good opportunities for local industries with the signing of the Economic Partnership Agreement (EPA) on trade with the EU as well as the African Continental Free Trade Agreement which will boost trade between African countries.

In a recent statement signed by its newly elected president Dr. Yaw Adu Gyamfi, the AGI said “considering the impact of these agreements on Ghana's revenue prospects it is expedient for government to give local industries the needed stimulus package support such as in order to give meaning to these trade agreements that usher Ghana into these regimes”.

According to Dr. Adu Gyamfi, manufacturing is a cornerstone of the economy and urged government to move quickly to implement the ‘One District One Factory’ policy since this will benefit manufacturers.

Sourcing raw materials from Liberia

In late April the domestic press reported that Anthony Partey Asare, Director of Communications for the Domestic Lumber Traders Association of Ghana, said his Association is looking at the possibility of importing raw materials from Liberia to address the problem of domestic timber supplies.

The Association had approached the government appealing for a waiver import duties. Analysts write, “my understanding is that this proposal has been discussed at government levels but the big issue is consideration of duty waivers on import duties and this has become a stumbling block”..

Ghana delegation attends UN Forum on Forests

A six-man Ghanaian delegation led by the Minister of Lands and Natural Resources, Mr. John Peter Amewu, attended the 13th Session of the United Nations (UN) Forum on Forests, in New York.

The Minister delivered a keynote address on the Voluntary Partnership Agreement (VPA) processes in Ghana. The delegation also be discussed the country’s contribution to the UN Strategic Plan for Forests (2017-2030).

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	580
Niangon Kiln dry	630

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	316	450
Chenchen	449	505
Ogea	473	596
Essa	413	525
Ofram	350	406

NB: Thickness

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	1,098
Avodire	1,177
Chenchen	789
Mahogany	1,088
Makore	913
Odum	1,488

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	378	640	641
6mm	396	535	626
9mm	345	446	560
12mm	470	463	480
15mm	450	402	430
18mm	405	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	490	564
Ceiba	240	195
Dahoma	414	530
Edinam (mixed redwood)	520	599
Emeri	380	428
African mahogany (Ivorensis)	843	1039
Makore	775	975
Niangon	620	675
Odum	918	841
Sapele	700	750
Wawa 1C & Select	360	446

Malaysia

Ministries being reorganised

On 9 May Malaysian elected a new government replacing the party that had ruled Malaysia for around 60 years. The government is now in the hands of Pakatan Harapan (Alliance of Hope).

The head of the now ruling coalition, Dr. Mahathir Mohamad, has said the government will be serviced by a small Cabinet initially comprising 10 key ministerial positions: finance, home affairs, defense, education, rural development, economy and international trade, public works, multimedia, science and technology and foreign affairs.

There is no news yet on under what ministries forestry and the timber industries will fall.

State takes control of Sabah Forest Industries

The Sabah State government has announced it will take control of the failed India-owned pulp and paper mill, Sabah Forest Industries (SFI), in Sipitang. This will secure the jobs for the approx. 1,500 workers at the plant. The State Government had been searching for a suitable buyer for SFI but to no avail.

SFI is one of Malaysia's largest plantation owners and processors. The forest estate extends over 25,000 hectares and processing capacity includes pulp and paper manufacturing facilities, a sawmill, veneer mill and plywood factory.

Valuing forest concession in Sabah

Valuation of forests in tropical countries always generates considerable interest and the recent valuation of a forest concession in Sabah is no exception. A Forest Management Unit 5 (FMU5) timber concession in Sabah extending over 88,920 hectares, for which Priceworth International is proposing to pay RM260 million, has been independently valued at RM433.8 million, significantly higher the earlier valued.

The company is seeking shareholder approval for the purchase of the concession rights for FMU5 which has 79 years remaining on the 100-year licence to manage, extract and sell timber from the area.

Priceworth said the proposed acquisition of FMU5 would cement its position as the leading integrated timber player in Sabah with both upstream and downstream assets.

Malaysian young designers in India

The Sarawak Timber Industry Development Corporation's (STIDC) 'Pool of Young Designers' was recently in Mumbai participating in the 30th INDEX India, an international interiors, architecture and design event.

The aim of the visit was to explore opportunities in the Indian market. The young team brought with them their exclusive designs and innovative products for display. STIDC's participation in INDEX Mumbai is part of its promotional programme to commercialise new designs developed under the designers programme.

April plywood prices

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm) US$ 740 FOB
CP (3'x 6') US$ 550 C&F
UCP (3'x 6') US$ 650 C&F
Standard 4x8 panels
South Korea (9 mm and above) US$ 480 FOB
Taiwan P.o.C (9 mm and above) US$ 500 FOB
Hong Kong US$ 480 FOB

Indonesia

Indonesian enterprises invited to Laos

Wishnu Krisnamurthi, Head of Economic Division of the Indonesian embassy in Laos has said that Laos offers many opportunities for Indonesian businessmen, including those in the wood processing sector. He said there are even opportunities to import roundwood from Laos.

According to the domestic press in Indonesia the Secretary General of the Indonesian Furniture and Handicraft Industry Association (HIMKI) will visit Laos to gain a firsthand appreciation of opportunities. The government in Laos is trying to attract inward investment and offers generous support to investors.

Recently a representative of the Laos Furniture Association was in Indonesia to court Indonesian firms. During the visit the head of the Lao delegation signed a MOU with the HIMKI under which Indonesian companies will help with the development of timber processing.

In August 2015 and May 2016 regulations the Lao government prohibited the export of logs and "lightly processed sawnwood". This had an immediate impact on timber exports particularly those to China.

For more see:
https://www.forest-trends.org/publications/impacts-of-the-laos-log-and-sawnwood-export-bans/

Plantation log production set to rise

The debate on the availability of plantation logs continues. Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concessionaires (APHI) has said that despite the recent decline in log production, 2018 production should improve.

He said that while national plantation round wood production in the first quarter of this year was some 330,000 cu.m below that of last year due to adverse weather conditions, prospects for the rest of the year look promising as the dry season should result in an increase in harvesting.

Restoration of peatlands helps in reducing incidence of fire damage

The Ministry of Environment and Forestry has reported a significant decline in the number and extent of forest fires over the past three years. One reason behind the decline is the efforts on restoration of peatlands.

Bambang Hendroyono, Secretary General in the Ministry said that in 2015 some 2.6 million hectares of forest suffered damage, the worst ever recorded. With the establishment of the Peatland Restoration Agency (BRG) things improved.

The BRG has accelerated the pace of peatland recovery and restored the hydrological function of damaged peatlands.

In 2016 the extent of fire damage covered 400,000 ha. and this dropped to 160,000 ha. in 2017. Bambang said close cooperation between central and regional agencies and local stakeholders was important in achieving success.

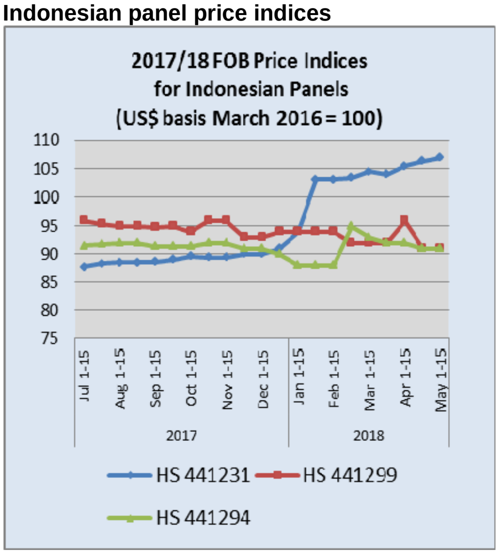
Singapore companies biggest investors

Total direct investment (foreign plus domestic investment) in Indonesia rose 11.8 percent year-on-year (y/y) to IDR 185.3 trillion in the first quarter of 2018 raising expectations that the 2018 direct investment target of Rupiah 765 trillion can be achieved.

The biggest foreign investor was Singapore with around US$ $2.6 billion originating from this single source. Many Singaporean companies that invest in Indonesia have Chinese or Indian parent companies. The second ranked investor was Japan at US$1.4 billion, followed by South Korea, China and Hong Kong.

See:
https://www.indonesia-investments.com/news/todays-headlines/foreign-direct-investment-in-indonesia-rose-12.4-in-q1-2018/item8769

Indonesian panel price indices



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

Myanmar

Investment in plantations required before approvals for processing

It has been reported that the Myanmar Investment Commission is requiring foreign investors in wood processing to first establish plantations to ensure raw material supply.

This has been strongly criticised because it will deter potential investors because of the time it takes for plantations to yield industrial sized logs and because the nature of the plantation business and wood processing require very different skills and level of investment.

In related news, the Forest Department has announced that it has repossessed title over 135,000 acres of plantations because contractual terms have not been met.

Media reports say some 63,000 acres of teak plantations and 72,000 acres of other hardwood plantations have been repossessed. In another instance around 140,000 acres has been repossessed by the Tanintharyi Regional Government because of contract non-compliance by investors who intended to establish palm plantations.

Analysts write that under the previous administration in Myanmar many influential people acquired land for forest plantation and other uses.

The timber industries in Myanmar have to deal with uncertainty of raw material supplies, especially teak. The Forest Department has announced the conditions under which harvests of teak logs from government owned plantations will be allowed.

There are two conditions, say analysts, minimum age 30 years and minimum girth 3 feet.

MTE dollar and Kyat log sale system could create problems for CoC

One exporter, who prefers to remain anonymous recently said that the Myanma Timber Enterprise (MTE) should consider simplifying the system for the sale of teak logs. The MTE is currently selling through two systems, one is sales in US dollars which allows buyers to process for export, the other system is timber sales in local currency but in this case the products cannot be exported.

Barber Cho of the Myanmar Forest Certification Committee has said that, in terms of chain of custody, having two systems one of which allows exports could create problems of verifying legality as it would require the separation of logs and products (US$ purchase or local currency purchase) throughout the supply chain.

As the independent certification bodies in Myanmar will soon start inspections for the issuance of Legality Compliance Certificates this matter should be addressed.

State owned enterprises have heavy financial obligation to governmemt

According to an interview given to the Myanmar Times, MTE Deputy General Manager, U Khin Maung Kyi, said the MTE is targeting sales of 5,000 tonnes of teak and 100,000 tonnes of other hardwoods in the first half of fiscal 2018. This could generate Kyat 63 billion.

The MTE, as a state owned enterprise, is apparently required to contribute some of its revenue to the central government as well as pay corporate taxes. According to a statement by Daw Nwe Nwe Win, Director General from Budget Department, state-owned enterprises must contribute 20% of their revenues to the State as well as pay a 25% tax on net income.

India

Trade in some dalbergia species resumes

As a result of active intervention by the Indian Ministry of Commerce and the Forest Department a resumption of trade in of some dalbergia species has become possible.

CITES notification No. 2018/031 dated 26 March 2018 details the extent of the changes agreed. The following is the text of the CITES notification which can be found at:

https://www.cites.org/sites/default/files/notif/E-Notif-2018-031.pdf

1. The Management Authority of India has informed the Secretariat that the Government of India has banned the export for commercial purposes of all wild-taken specimens of species included in Appendices I, II and III, subject to paragraph 2 below.

2. India permits the export of cultivated varieties of plant species included in Appendices I and II and has indicated that all products, other than the wood and wood products in the form of logs, timber, stumps, roots, bark, chips, powder, flakes, dust and charcoal, produced from wild sourced (W) Dalbergia sissoo and Dalbergia latifolia and authorized for export by a CITES Comparable Certificate issued by the competent authorities of India are exempted from the general ban.

Such Dalbergia sissoo and Dalbergia latifolia specimens are harvested legally as per the regional and national laws of India and as per the prescribed management (working) plans, which are based on silvicultural principles and all are covered under Legal Procurement Certificate; all the material are sold from the Government timber depots through auction or are legally procured and can be exported legally.

3. Starting on the date of this Notification, all the CITES Comparable Certificates will be issued with a footnote, stating that the wild (W) source specimens are covered under Legal Procurement Certificate as per regional and national laws in India.

4. Parties are urged to inform the Indian Management Authority and the Secretariat of any attempted violations.

5. This Notification replaces Notification to the Parties No. 1999/39 of 31 May 1999.

Analysts say that exporters are buying the logs legally from various Forest Departments and that they are delighted to see a resumption of trade.

One positive result of the dalbergia ban has been growing market acceptance of Terminalia tomentosa (Indian laurel) for musical instrument manufacture.

As a follow-up to the easing of restrictions on domestic dalbergia, the local industry has requested government inventory all dalbergia standing trees across the country to make show that India has an abundance of this species and there is no risk of extinction. It seems that a survey will be conducted through the Botanical Survey of India.

Seized Sandalwood to be auctioned

The Maharashtra Thane forest authority will be auctioning 80.46 tonnes red sanders in a 24-hour auction between 16-17 May, 2018. Prospective buyers have until 15 May to inspect the logs.

More details can be found at:
www.mstcecommerce.com.

This is the first time Maharashtra will be auctioning wood from the protected species. Over the past 10 years some 600 tonnes of illegaly harvest red sanders has been seized.

This highly valued timber has a ready international market in China, Japan, the Middle East, Sri Lanka, Bhutan and Nepal.

Builders 'think small' to target buyers on a budget

For Indian home buyers affordability is key and at last builders are adjusing the size of homes to make them more acceptable. Real estate companies are desperate to attract buyers the inventory of unsold homes is enourmous because of the long period of slow sales.

'Space efficiency' (read smaller) 2 and 1.5 bedroom, affordable, homes are in demand and one major company nows offers a one bedroom-hall-kitchen property for first time buyers.

Because of demonetisation and other regulatory changes property prices have begun to drop and adjusting home sizes will bring in more buyers according to local commentators.

Plantation teak prices

Demand for imported logs continues unchanged but the volumes imported are still well below levels prior to the date when banks cut the credit limits for importers, a response by the banks to the banking scandal in the country. Without adequate working importers are struggling to finance imports.

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

Prices for domestically milled imported hardwoods continue unchanged.

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

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

Imported sawn Myanmar teak

The consensus in trade circles is that more and more endusers are moving away from using Myanmar teak as they find cheaper alternate species good enough.

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	4000-4500

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

Prices for imported sawnwood (KD 12%) ex-warehouse 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 ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	54.00
6mm	72.50
9mm	92.00
12mm	113.00
15mm	151.00
18mm	157.50

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	27.50	40.00
6mm	41.00	52.00
9mm	52.00	63.00
12mm	63.00	75.00
15mm	76.00	91.00
19mm	87.00	103.00
5mm Flexible ply	54.00	

Greenply rebrands as Greenpanel

Greenply Industries Limited (GIL) has rebranded its MDF, wood floors, plywood, veneers and doors as Greenpanel. This was announced to coincide with coming on-line of its board production facility at Chittoor, Andhra Pradesh which, the company says, is set to be the largest MDF plant in Asia.

Greenply has a substantial share of the Indian 'organised' plywood market and a 30% share of the domestic MDF market.

Brazil

Deadline for SINAFLOR implementation pushed forward

The Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) has extended, to December 31, 2018, the deadline for the implementation of the National Forest Products Control System. This was slated to come into force 2 May 2018.

The IBAMA regulation 14/2018 establishes transition rules for authorisation of forestry activities submitted under the National Environmental System (SISNAMA).

Requests for authorisation of forestry activities filed with SISNAMA agencies before 2 May can be registered through the Forest Logging Authorisation (Autorização de Exploração Florestal - AUTEX) which is part of the Document of Forest Origin (DOF) system and will stay in place until the 31 December deadline.

The December deadline also applies to applications for revalidation, extension of validity or other procedures related to logging permits previously registered in the DOF system provided that they are submitted to the environmental agency before May.

SINAFLOR is designed to integrate the various IBAMA control mechanisms such as the Forest Origin Document (DOF) and the Annual Operational Plan (POA) as well as the Rural Environmental Registry National System (SICAR).

One of its objectives is to improve the control of the origin of wood products tracking the steps from authorisation of harvesting exploration through transport, storage, processing and sale. The system aims to increase the degree of security and reliability of the systems as a whole.

Furniture production recovering

In the first three months of this year the furniture industry recorded an increase of 8.9% in production and in the 12 months up to March 2018 there was an almost 9% rise.

According to the Brazilian Institute of Geography and Statistics (IBGE), compared to a month earlier domestic furniture sales in March fell slightly although year on year March sales were up. Analysis by IBGE suggests that domestic sales in 2018 will be better than 2017 but that month on month volatility can be expected.

The private sector confirmed the slight drop saying March output declined 2.5% compared to February but increased 7% when compared to production in March last year. The weak retail furniture sales reflect consumer uncertainties with the economy and politics in the country.

Woodbased panel exports increase

The value of woodbased panel exports in the first quarter of 2018 totalled US$73 million a 14% rise compared to the same period last year.

Between January and March of this year the main markets for woodbased panels were Latin America (up 11% to US$39 million) and North America (up 21% to US$17 million). In terms of volume, woodbased panel exports totalled 308,000 cubic metres in the first quarter of this year an increase of 8.5% compared to the same period in 2017. In the domestic market, 1.6 million cubic metres were sold, an increase of 3%.

Cooperation agreement with Chinese association

The Brazilian Association of Mechanically Processed Wood Industry (ABIMCI), comprising manufacturers of wood products such as plywood, sawnwood, frames, doors, among others has signed a cooperation agreement with the China Timber and Wood Products Association (CTWPDA) which has over 3,000 members in China.

The goal is to foster closer business ties between the two associations, facilitate access to information between the two Associations and identify trade opportunities between China and Brazil.

According to ABIMCI, Brazil has a real potential for growth in exports and can verify the legal origin of its wood products. Currently, almost 70% of planted forests in Brazil are certified. In 2017, Brazil exported more than 63,000 cubic metres of tropical timber and 328,000 cubic metres of pine sawnwood to China.

The spokesperson for the CTWPDA highlighted the quality of Brazilian wood products and stressed that it is necessary for the Association members to understand the opportunities in Brazil as they work to satisfy Chinese domestic demand.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	220
Jatoba	124
Massaranduba	125
Miiracatiara	126
Angelim Vermelho	116
Mixed redwood and white woods	105

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	946
Jatoba	468
Massaranduba	437
Muiracatiara	437
Angelim Vermelho	399
Mixed red and white	264
	223
Eucalyptus (AD)	158
Pine (AD)	182
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	576
10mm WBP	471
15mm WBP	419
4mm MR	469
10mm MR	348
15mm MR	323

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	247
15mm MDF	297

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1446
Jatoba	912
Massaranduba	826
Muiracatiara	799
Pine (KD)	190

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)	322
12mm C/CC (WBP)	303
15mm C/CC (WBP)	284
18mm C/CC (WBP)	282

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,563
	Jatoba	1,450

Source: STCP Data Bank

Peru

Local enterprises disadvantaged when it comes to financing plantations

A former minister has commented that private forestry sector operatives face two major challenges; a complicated legal framework for forest plantations and securing financing for plantation development.

Domestic financing sources for plantations are limited, difficult to access and attract high interest rates. Plantation forestry depends on long-term financing and a lender that understands that returns on investment can only be made when the trees are ready for harvest which could be as long as 20-30 years depending on the species.

Executive Committee for Forestry Development should be strengthened - ADEX

Erik Fischer, Vice President of the Peruvian Association of Exporters (Adex) has noted that the full potential of the country's Executive Committee on Forest Development is yet to be achieved.

The Executive Committee is charged with initiating economic development in the sector.

"The Executive should be strengthened and logistical, technical, administrative and budgetary support should be provided to accelerate progress through removing the hurdles facing the private sector as it moves to expand the productive sectors and take the country forward", said Fischer.

Specifically, Fischer pointed out that the trade balance for the forestry sector in 2017 was in deficit with imports exceeding the US$315 million while exports were only US$121 million,.

Fischer called on the national authorities to recognise the enormous value of the Peruvian forests but one that contributes the least to the Peruvian economy.

In related news, Drago Bozovich, CEO of Maderera Bozovich, one of the largest exporters of Peruvian timber, has commented on the growing interest of foreign companies in the purchasing local forestry sector enterprises.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m³
Virola 1-2" thick, length 6'-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 m³
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	205-217

Export Veneer Prices

Veneer FOB Callao port	US$ per m³
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 m³
Copaiba, 2 faces sanded, B/C, 8mm	342-371
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m³
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m³
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 m³
Cabreuva/estoraque KD12% S4S, Asian market		1304-1391
Cumaru KD, S4S	Swedish market	979-1098
	Asian market	1085-1115⬆
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Japan

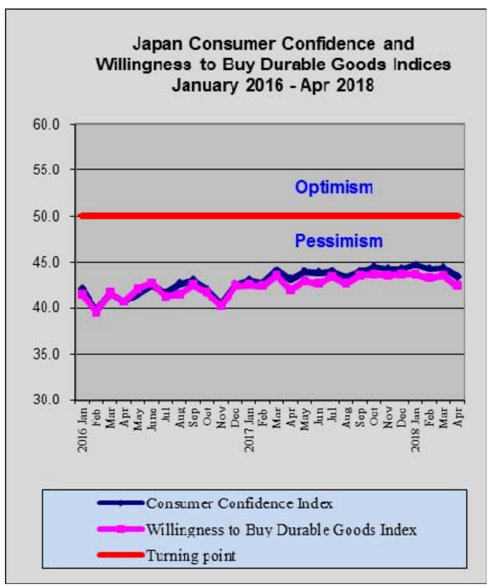
Consumer confidence drops to eight month low

The Cabinet Office April survey suggested Japanese consumers felt negative on economic prospects, the first drop in two months. The consumer confidence index for April dropped to an eight-month low of 43.6 from 44.3 in March.

Japan's six-year economic recovery slowed in the first quarter of this year as the pace of growth in exports slipped while at home rising prices for everyday goods began to worry consumers.

Analysts attribute the decline in the consumer confidence to rising utility costs, higher fuel costs (which are impacting home delivery and other service charges) and the perception that food prices are rising while incomes are stagnant.

The confidence sub-index for 'livelihood' also fell in April and the index for income growth also dropped. In addition there were noticeable declines in the indices for willingness to buy durable goods and the employment prospects.



Data source: Cabinet Office, Japan

Changes in consumer behavior

An article from McKinsey & Company, an American consulting firm with offices in Japan, says Japanese consumers are now behaving more like their counterparts in Europe and the United States.

Once noted for their willingness to pay for quality and avoiding cheaper products, Japanese consumers are now showing keen interest in discount and online bargains.

This shift in the attitudes and behavior of Japanese consumers seems likely to persist, says the McKinsey report, even if the economy recovers because of the rise internet shopping across all age groups and the emergence of a less materialistic younger generation.

This conclusion is borne out by trends in the furniture market where off-shore manufactured low cost items are capturing market share from the traditional 'last a life time' furniture styles.

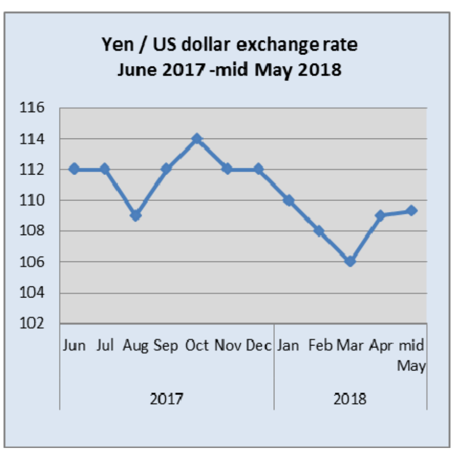
For the full article see;
https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-new-japanese-consumer

Yen set to weaken further

The US dollar rallied against the yen in early May and steadied at just over 109 yen per US dollar. This marked the sixth consecutive week of yen depreciation due to the rise in the dollar because of the hawkishness sentiment in the US Federal Reserve.

Analysts say the outlook for the yen remains weak as the US dollar's strength is likely to continue. All eyes are on the upcoming meeting between Trump and Kim. If there are signs that progress on denuclearisation on the Korean Peninsula is possible then further dollar strength is forecast.

Overall, say commentators, the yen looks set to extend its depreciation to 110.0 against the US dollar. But this depends on prospects for further interest rate hikes in the US and the Bank of Japan maintaining its loose monetary policy.



5-fold growth in smart home demand forecast

Interest in 'smart homes' is growing in Japan and a recent report from Orbisresearch entitled 'Japan Smart Home Industry Production, Sales and Consumption Status and Prospects' says the smart home market in Japan could grow almost fivefold by the year 2024.

The smart home system allows home owner to remotely control and monitor different devices in the home such as cooling, lighting, security and more. In Japan, there is a demand for a safe and secure living environment, especially concerning safety functionalities and discrete monitoring for elderly people.

For more see: http://orbisresearch.com/contacts/request-sample/2035854

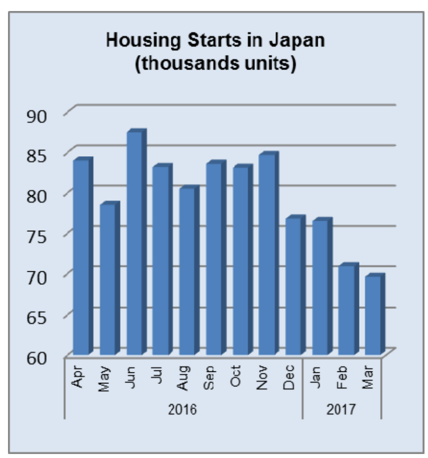
Home builder grabs Global Environment Award

The Japanese house builder, Sekisui House, one of Japan's largest homebuilders in the country was awarded the Grand Prize during the April Annual Global Environment Awards for its eco-friendly, anti-disaster "Smart-Community' Projects. Four other companies were recognised for their environmental initiatives during the award ceremony.

The Global Environment Award and Fujisankei Communications Group FCG-sponsored Grand Prize has been presented annually with the goal of recognising businesses and other organizations for their innovations and activities conducive to curbing global warming and environmental conservation.

Sekisui House was rewarded for a range of work, including its role in constructing energy self-sufficient, disaster resilient 'smart communities' in 16 locations across Japan.

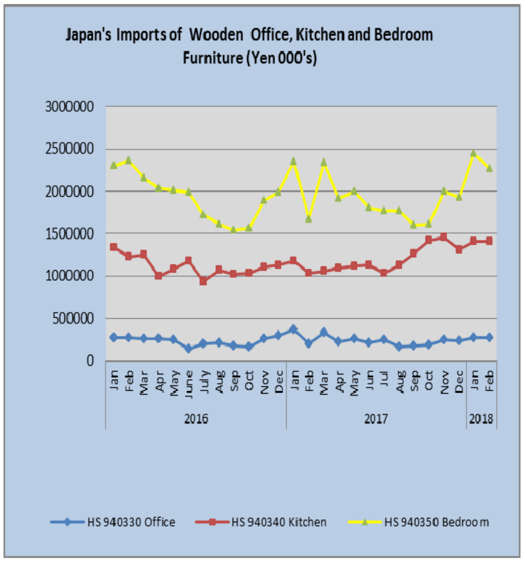
See: https://japan-forward.com/sekisui-house-leads-global-environment-awardees-2018/



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

Furniture imports

The value of Japan's February 2018 imports of wooden office, kitchen and bedroom furniture was largely unchanged from the previous month but significantly higher than in February 2017.



Data source: Ministry of Finance, Japan

Compared to the value of imports in February 2017, February 2018 import values for all three categories of wooden furniture being tracked jumped over 30%. From mid-2017 there has been a steady rise in the value of furniture imports.

Office furniture imports (HS 940330)

August 2017 marked the low point in Japan's imports of wooden office furniture (HS 940330). Since then imports have risen steadily and only in February 2018 was there the first signs of a slowdown as imports dropped about 1% compared to January.

Year on year wooden office furniture imports in February 2018 were some 32% above the value of February 2017 imports. The top four shippers of wooden office furniture (HS 940330) to Japan in February 2018 accounted for almost 90% of all imports of this category of furniture.

China was the largest supplier at 74% of the total in February followed by Taiwan P.o.C (5%), Poland (5%) and the US (4%).

Office furniture imports

	Imports Feb 2018 Unit, 000's Yen
S. Korea	889
China	200332
Taiwan P.o.C	13341
Vietnam	486
Thailand	5630
Malaysia	1179
Indonesia	6188
Sweden	-
Denmark	702
UK	440
France	794
Germany	3441
Switzerland	-
Portugal	5035
Italy	5508
Poland	12632
Turkey	903
Lithuania	1307
Slovinia	-
Slovakia	986
USA	11093
Mexico	-
Total	270886

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

February imports of wooden kitchen furniture (HS 940340) were flat month on month but compared to a year earlier February imports jumped 30%.

In February 2018 there was a sharp rise in Japan's imports of wooden kitchen furniture from China (+55%) and a 25% rise in the value of imports from Italy. The other main shippers, the Philippines and Vietnam say export values drop.

The Philippines is emerging as the major supplier of wooden bedroom furniture to Japan and in February 2018 topped the rank of suppliers being followed closely by Vietnam.

Kitchen furniture imports

	Imports, Feb 2018 Units,000's Yen
China	263036
Taiwan P.o.C	-
Vietnam	465592
Thailand	47033
Malaysia	11867
Philippines	567092
Indonesia	6857
Denmark	-
UK	223
Belgium	264
France	-
Germany	26590
Italy	17279
Finland	-
Poland	270
Romania	-
Canada	2859
USA	1576
Total	1410538

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

February marked a correction in the value of wooden bedroom furniture imports with month on month imports dropping 7.5%. However, year on year, February 2018 imports were 35% higher.

Two shippers account for over 90% of Japan's wooden bedroom furniture imports, China (58%) and Vietnam (33%) with the third ranked shipper, Thailand, only managing around 4%.

In February this year shipments from China were flat and shipments from Vietnam dropped 13% with most other minor suppliers recording slightly lower shipments.

Bedroom furniture imports

	Imports, Feb 2018 Units, 000's Yen
S Korea	336
China	1305389
Taiwan P.o.C	21958
Vietnam	750899
Thailand	85570
Malaysia	43296
Indonesia	6351
Cambodia	-
Sweden	4740
Denmark	851
UK	450
France	977
Germany	278
Italy	7339
Poland	30446
Austria	408
Romania	2250
Bosnia Herzegovina	482
USA	566
Total	2262586

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

Wood demand projections

The forestry Agency held wood demand projection meeting for the second and third quarter of this year.

Generally demand for imported wood products would decline for both logs and lumber while domestic logs for lumber and plywood would increase. This would improve self-sufficiency rate but may result in oversupply of domestic logs.

Reflecting continuous decline of new housing starts compared to the same month a year earlier, forecast of new housing starts by 12 private think tanks is average of 953,000 units, 8,000 units lower than previous forecast.

Due to high export prices, import of North American logs and lumber would decrease. Log supply for the second quarter would improve so the import would increase by 2.4% but the third quarter import would decline by 4.5% due to forest fires during summer months.
The demand for these quarters would stay unchanged from 2017. Actually the demand is more than the supply.

Supply of North American lumber would decline by 4.7% for the second quarter and the third quarter supply volume would stay the same as last year but the demand for the second quarter would decline by 8.3% and for the third quarter by 5.1% because of high export prices due to overheated U.S. lumber market.

The supply is more than the demand so that the inventories at the end of the third quarter would increase. European lumber, which has increased for two straight years, would keep decreasing all through 2018 as the supply side is more interested in other markets and the prices in Japan have climbed high enough.

Supply of both domestic and imported structural laminated lumber for the second quarter would decline by 4.3 % and for the third quarter by 3.8%. Reasons are continuous stagnation of whitewood products and dropping orders for redwood beam as the demand has peaked on imported products while domestic production would stay almost the same as last year.

Radiata pine log supply declined while lumber supply increased in 2017. In 2018, log supply would stay the same as 2017 and lumber would increase slightly in 2018. By higher prices of radiate pine lumber, the demand would shift to lower cost domestic cedar lumber.

Russian log import would continue low through the third quarter due to higher log export duty. Russian lumber import increased by 10.4% in the first quarter but the second quarter supply would be the same as 2017 then drop by 9.1% for the third quarter. Reason is that other markets are more attractive for the Russian suppliers.

Demand for domestic logs would keep increasing through the third quarter. For lumber, the Forestry Agency made policy to give subsidy for use of solid wood then new plywood mill started in April.Also log export would increase to all the market, particularly for China.

South Sea (tropical) logs and lumber

Rainy season in the South East Asian countries seems to be over now and log production is recovering but it will take quite some time to solve log shortage for local plywood mills. With aggressive log purchase by India and China, log prices would continue high.

Plywood mills in Japan are not able to pay any more high prices for logs despite low log inventories while orders rush in with declining supply of imported plywood. Log prices of meranti regular are unchanged at 12,000 yen per koku CIF.

Movement of South Sea lumber like free board has not recovered yet in April but the market prices are high due to high export prices and the suppliers are declining supply.

Indonesian mercusii pine and Chinese red pine free board prices are holding between 115,000-120,000 yen FOB truck per cbm. There are plenty of inquiries on crating lumber.

New plywood plant in Miye

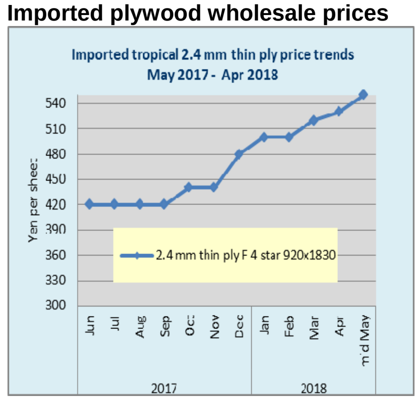
Nisshin Group Ltd. (Tottori prefecture) completed building a new plywood manufacturing plant in Miye prefecture. It has started the production in April. This is the first plywood plant in Kii peninsula, where has rich forest resources.

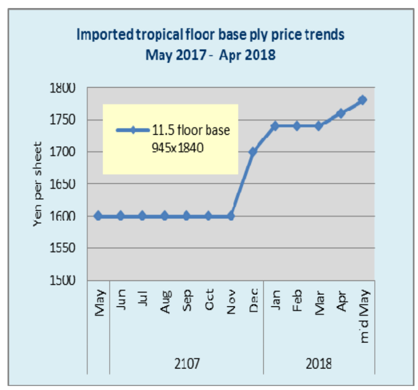
Total investment is seven billion yen. Total employees are about 50. The plant is fully automated to save man power. Annual log consumption is 103,000 cbms at the beginning and it will be expanded to 120,000 cbms in future.

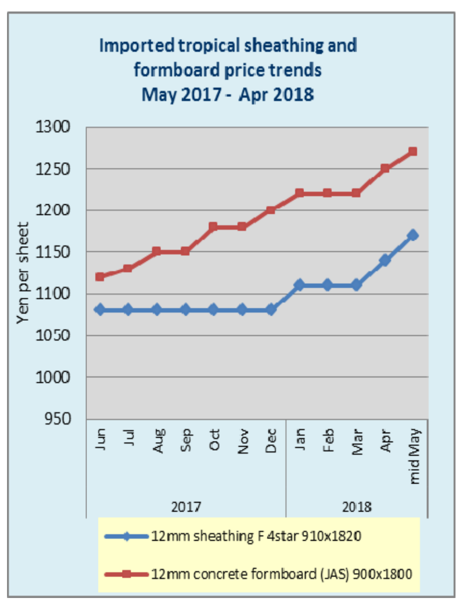
Main producing item is non-structural panels like floor base and coated concrete forming panel. Monthly plywood production will be 6,000 cbms.

To secure logs stably, it has concluded an log purchase agreement with local forest unions, log auction market and timber owners. It will have three routes to collect cedar and cypress logs from Miye prefecture log suppliers, Nisshin will subsidize cost of replantation for timber owners, who supply plywood logs by clear cutting. Nisshin aims to make this plant as the most high production plant in Japan.

Imported plywood wholesale prices







2017 review of laminated lumber

Total supply of both domestic and imported structural laminated lumber in 2017 was 2,434,799 cbms, 11.1% more than 2016. Domestic production was 1,567,000 cbms, 10.3% more and imports were 868,00 cbms, 12.5% more. Both are the highest record.

New housing starts in 2017 were 0.2% less than 2016 but the demand of laminated lumber grew higher than housing starts.

Laminated beam lumber prices climbed steadily supported by strong demand but laminated post prices stagnated due to over -supply and competition with domestic low priced cedar laminated post.

By size, small size was 745,300 cbms, 13.4% more, medium size was 786,700 cbms , 8.7% more and large size was 32,700 cbms, 10.2% less. Overlaid post was 2,300 cbms, 17.9% less.

While structural laminated lumber supply increased, supply of laminated lumber for interior has decreased for four consecutive years with 120,000 cbms, 7.0% less.

Domestic production for both structural and interior was 1,687,000 cbms, 8.9% more, which was 0.6% more than 2006' record high volume.

Source of raw materials of domestic production was 67% of European, 26% of domestic and 6% of North American. Compared to 2016, European increased by 1 point and North American decreased by 3 point then domestic increase by 2 points.Rough estimate in volume is, European was 1,130,290 cbms, 10.5% more than 2016 or 108,000 cbms.

Domestic was 439,000 cbms, 18.0% more or 67,000 cbms. North American was 101,000 cbms, 27.4% less or 38,000 cbms. North American declined because of higher export prices and domestic increase was result of higher production of cedar laminated post.

In total supply of structural laminated lumber, small size was 1,242,531 cbms, 12.4% more, medium size was 1,155,961 cbms, 10.5% more and large size was 37,400 cbms, 9.2% less.

Domestic share was 64.4%, 0.4 pointless. By size, small was 60.0%, 0.5 points more. Medium was 68.1%, 1.0 pointless. Large was 96.2%, 1.0 pointless.

Domestic production of small size has increased for two straight years with 745,300 cbms, 13.4% more. Compared to 2015, it was 24.2% more. With imported small size, total supply was 1,242,531 cbms, 12.4% more, which was more than past record of 1,137,501 cbms in 2013.

The most notable change of small size is rapid expansion of laminated cedar post production.

Total production of domestic laminated lumber increased by 18.0% or 66,788 cbms in volume. Two companies of Chugoku Lumber and Kyowa Lumber increased production of cedar laminated post by about 70,000 cbms, which is almost the same as increase volume in total supply.

Since small size production includes sill, purlin and girder besides post, it is hard to estimate percentage of post but in laminated post, 40% may be domestic cedar laminated post.

In any rate, more than 20% of total supply of small size is domestic species of cedar, cypress and larch. Cost of domestic cedar laminated post would be 50,000-53,000 yen per cbm delivered, which is equivalent to 1,650-1,750 yen per piece. Cost of whitewood laminated post has been 1,850-1,900 yen all through 2017.

While prices of other members like sill and beam have kept climbing, house builders shifted to lower cost cedar post to reduce overall cost. However, it is doubtful if cedar laminated post manufacturers make money when the prices are lower than solid wood KD cedar post. Cedar laminates post prices used to be higher than whitewood laminated post.

Price drop to present level is result of competition among the manufacturers, not by competition with whitewood laminated post. Meantime, whitewood lamina cost in the fourth quarter of 2016 was Euro 243-248 per cbm C&F then it climbed to Euro 255-260 in the fourth quarter 2017. Euro 12 increase in one year.

With weaker yen, the yen cost rose from 33,000 yen per cbm FOB truck port yard to 39,000 yen, 6,000 yen increase. Therefore, there is no winner in terms of profitability for cedar laminated post and whitewood laminated post.

European made whitewood laminated post prices also climbed so the importers were not able to pass higher cost onto sales prices in stagnant market so they lost money.

Import of small size in 2017 was 497,231 cbms, 11.1% more than 2016. This is two consecutive years' increase. Imported value was 25,863 million yen, 24.2% more than 2016 so average cost rose from 46,534 yen per cbm in 2016 to 52,014 yen in 2017,11.8% or 5,480 yen but market prices in Japan has not changed much due to oversupply and competition with cedar post.

Fluctuation of exchange rate of Euro changed the cost month after month from low of 1,850 yen per piece in spring to high of 1,950 yen in summer.

European lamina cost seems to keep climbing this year as demand is strong in Europe and other markets particularly U.S.A. while demand in Japan seems to be lower than last year so if high level supply continues like last year, price hike would be much harder than last year.

On medium size, domestic production was 786,700 cbms, 8.7% more than 2016. Imported medium size increased by 14.3% so total supply of medium size was 1,155,961 cbms, 10.5% more. Since imports increased more than domestic, share of domestic is down by 1.0 point at 68.1%.

Volume of beam and girder in one unit of house is estimated about 1.7 times more than post but supply of medium is lower than small size so share of medium size laminated lumber is still low.

Beam competition is between redwood laminated beam and solid wood KD Douglas fir lumber as compared to post competition is between laminated whitewood and laminated cedar.Shifting from solid wood to laminated beam is going faster.

Inquiries on laminated beam was much stronger than solid wood beam last year so that the prices of redwood laminated beam climbed smoothly last year. Redwood lamina export prices in the fourth quarter 2016 were Euro 240-245 per cbm C&F then it rose to Euro 270 for the fourth quarter 2017 so redwood lamina prices climbed higher than whitewood lamina.

Imported yen cost climbed from 32,000 yen per cbm to 40,500 yen, 8,500 yen up in one year. Cost of imported redwood beam rose from 55,000-56,000 yen in the fourth quarter 2016 to 64,000 yen in fourth quarter 2017, 8,000-9,000 yen increase in one year.

Domestic manufacturers increased the sales prices since last July. The prices of domestic made laminated beam were 56,000 yen per cbm delivered until June. They rose to 58,000 yen in July then 60,000 yen in September. In January this year the prices are 63,000 yen.

Competing Douglas fir solid wood KD beam prices were raised twice late last year by total of 4,000 yen because of higher log prices, which help pushing laminated beam prices up higher. Price increase of laminated beam is smaller than Douglas fir KD beam.

Despite rapid price increase, there is no negative reaction so laminated beam should have solid demand. Higher prices of finished product support purchasing power of redwood lamina.

Medium size laminated lumber import in 2017 was 369,261 cbms, 14.3% more. Share of imports was 31.9%, 1.0 point up. Total value of imports was 19,438 million yen so the average unit price was 52,641 yen per cbm, up by 5,875 yen or 12.6%.

Export prices of redwood laminated lumber were Euro 430 at the fourth quarter 2016, which rose to Euro 450 at the fourth quarter 2017.

Supply capacity of medium size from Europe has been expanding. Finland has been leading supply country. It shipped 123,000 cbms in 2013 then increased to 217,000 cbms in 2017. Share of Finland is 59%. Estonia, Rumania and Germany follow Finland. Plan to increase the production continues in Europe so the supply will increase in 2018 as long as Japan pays competitive prices.

China

Declining wood products trade between China and the USA

According to the data from China's Customs the value of wood products trade between China and the USA fell 16% to US$1,90 million in March 2018. China's imports dropped 5% to US$840 million while exports declined 23% to US$1,050 million.

However, the value of wood products trade between China and the USA in the first three months of 2018 rose about 9% to US$6.26 billion, China's imports increased about 6% to US$2.28 billion while exports value grew 10% to US$3.98 billion.

Log and sawnwood imports

China's log imports from the USA in the first three months of 2018 totalled 1.41 million cubic metres, a year on year increase of 7% over the same period of 2017. China's sawnwood imports from the USA in the first three months of 2018 rose 5% to 709,600 cubic metres.

Exports fibreboard and plywood

China's fibreboard exports to the USA fell 11% to 71,200 cubic metres and plywood exports to the USA dropped 31% to 360,000 cubic metres in the first three months of 2018.

As exports to the USA decline there has been a rise in exports of panel products to Nigeria, Kenya and the UK. In the first quarter of 2018 export volumes to these three markets were Nigeria; 78,900 cubic metres, Kenya; 9,800 cubic metres and UK; 6,000 cubic metres..

The direction of trade of China's plywood exports has also altered with the UK, Thailand and Nigeria becoming more prominent. China's plywood exports to the UK, Thailand and Nigeria rose 28%, 74% and 270% respectively.

Rise in tropical hardwood log imports

China's log imports were 14.38 million cubic metres in the first three months of 2018, up 14% over the same period of 2017, hardwood log imports rose 25% to 4.93 million cubic metres.

Of total hardwood imports in the first quarter 2018, tropical hardwood log imports totalled 2.65 million cubic metres, up 23% over the same period of 2017 and accounted for 18% of the national total. The value of tropical log imports in the first three months of 2018 was US$837 million reflecting a 28% rise.

The average price for imported tropical logs in the first three months of 2018 rose 5% to US$316 per cubic metre.

Before its log export ban Myanmar was a major source of tropical logs for China. Data from China's Customs shows log imports from Myanmar in the first three months of 2018 were just 2,500 cubic metres valued at US$3.43 million. At an average price of US$1,372 it seems unlikely that these were plantation logs.

China imported tropical logs mainly from Papua New Guinea (32%), Solomon Islands (28%), Equatorial Guinea (11%), Nigeria (5%), Cameroon (5%), Congo Brazzaville (4%). The top 10 suppliers accounted for over 90% of China's tropical log imports in the first three months of 2018.

Average tropical log prices Q1 2018

	US$/cu.m
PNG	316
Solomon Is.	233
Equatorial Guinea	197
Nigeria	276
Cameroon	737
Congo-Brazzaville	326
Laos	320
Sierra Leone	779
Ghana	741
Suriname	721

Data source: China Customs

Rise in tropical sawnwood imports

China's sawnwood imports were 8.29 million cubic metres in the first three months of 2018, up 5% over the same period of 2017. Sawn hardwood imports rose 15% to 2.91 million cubic metres.

Of total sawn hardwood imports, sawnwood imports from tropical coumtries were 1.67 million cubic metres valued at US$662 million, up 25% in volume and 32% in value and accounted for 20% of the national total.

The average price for sawnwood imported from tropical countries was US$395 per cubic metre, down 7% from the the same period of 2017. Six tropical countries supplied just over 90% of China's 'tropical' sawnwood requirements in the first three months of 2018 namely, Thailand (72%), Gabon (7%), Indonesia (5%), Philippines (4%), Malaysia (4%) and Cameroon (2%).

Main tropical sawnwood sources

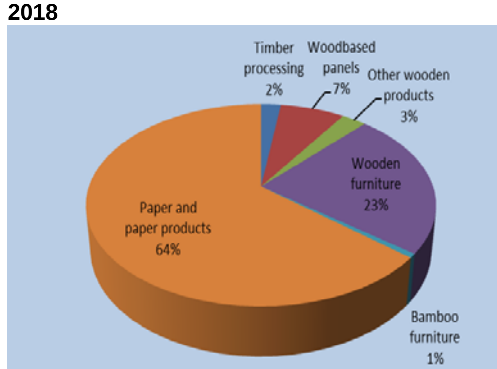
	Q1 2018 imports cu.m	% change year on year
Thailand	1199.1	28
Gabon	117.6	32
Indonesia	87.3	40
Philippines	65.5	-21
Malaysia	64.3	-11
Cameroon	29.7	23
Laos	16.4	114
Nigeria	15.6	121
Ecuador	14	325
Peru	10.9	-31

Data source: China Customs

Slow growth in timber processing industry of Guangdong province

It has been reported that the growth of timber processing industry in Guangdong province slowed in the first three months of 2018 and the value of output was RMB100.39 billion. Paper products and wooden furniture are the main outputs from the industry in Guangdong province.

Wood product output in Guangdong province in Q1 2018



Analysts write that the main reason for the decline in the value of wooden furniture and flooring output is that enterprises, especially the Taiwanse companies, have relocated to Vietnam being attracted by lower taxes and the educated and abundant labour force.

The products manufactured by companies in Vietnam are very competitively priced in the international market which has created a marketing challenge for those remaining in Guangdong. An additional factor weakening output from Guangdong mills is that Guangdong Real Estate Regulations and control policies in the province have resulted in an almost 10% drop in housing starts.

A further factor behind the decline in output has been the closure of plants that were technically deficient or could not afford to comply with stricter environmental regulations.

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+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

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	3100-3600
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

Protests in Europe against oak exports

One prized timber has been the object of protests on the Champs Élysées, a free trade legal challenge by the EU to the Ukraine and at a recent European conference in London. That commodity is European oak!

The species must currently rank as one of the most sought after hardwoods. Alongside US white oak, it has become the European consumers' timber of choice for furniture, flooring and joinery.

In fact, demand is such that one of the EU's fastest growing retailers, solid oak furniture specialists and now USA-based 'Oak Furniture Land', is predicting its sales will hit £1 billion in five years, up from £300 million in 2016.

Europe's oak is also in strong demand elsewhere, principally in Asia and most notably China. Much of the material is still processed by Asian producers, particularly in Vietnam and China, and made into manufactured product for export to Europe, the US and elsewhere.

But increasing volumes are used for goods destined for expanding domestic Asian consumption, led once more by the Chinese market.

China has been importing more European oak lumber, but its imports of logs have been growing faster, to the point it is seriously concerning the European processing sector, fearing for its raw material supply. The result has been calls for export controls, notably in the sawmillers' protests in Paris.

France is Europe's biggest oak source and believes it has been most affected by the Asian log drain. Some say it even threatens to reduce the scale of French sawmilling, with the repercussions for downstream businesses and jobs.

French mills acknowledged steps have been taken to alleviate the situation, including a government measure stipulating that 300,000 cu.m of timber from state forests had to be further processed in the EU. Some companies were reported to be bypassing this by trucking logs to Belgium for simple squaring for export to China and elsewhere, but the policy is thought to have had some impact.

New phytosanitary regulations, curbing timber treatment in the forest and stipulating it is undertaken in notified premises was also said to have put an added administrative brake on log exports.

At the same time the French have been actively marketing their oak lumber in Asia, with some success.

"We're selling more sawn timber to China and at least 10 other Asian countries, with fastest growth now in Vietnam and India," said Florence Perrucaud, export manager at sawmillers Ducerf. Guillaume Maniere, export sales manager at Monniot reported a similar experience. "Asian flooring and furniture producers are now our main industrial qualities customer and we're supplying them beams for lamellas and cutting to their specified thicknesses."

But despite rising export demand for sawnwood and the log export restraints, French mills say the flow out of the country remains considerable and there is currently no reason to think it won't rise further.

Adding to the pressure on European oak sawmills and timber processors is the unprocessed timber export ban by Ukraine. This was imposed for a decade in 2015 on all timber except pine, then extended to the latter in 2017.

A European parliament study alleges the measure was introduced to support Ukrainian timber processing and manufacturing sectors and was thus contrary to trade agreements. So far, however, Ukraine has resisted EU demands to have the ban lifted.

EU countries hit hardest by the Ukrainian ban, says the European Organisation of Sawmill Industries (www.eos-oes.eu), are Romania, Slovakia, Poland and Austria, which between them in 2014 imported 1.4 million cu.m of Ukrainian roundwood.

At the same time, the European industry has faced temporary oak log and green lumber transit and export controls in Croatia. These were introduced last summer, ostensibly to prevent the spread of oak lace beetle (corythucha arcuata).

Raw timber was estimated to have accounted for a third of Croatia's total €1.09 billion wood exports in 2016 and the export ban is reported to have left sawmill customers in the rest of the EU, notably Italy, short of material. It is also said to be causing green timber bottlenecks as, despite increased investment in kilning, including from Italian sawmillers, the Croatian industry does not have enough drying capacity to handle previously exported material.

Increasing wider EU concern about Croatia's move have been reports in its press that the ban will assist its domestic processing and manufacturing sectors by reducing competition for raw materials, implying this was part of the original motivation.

The result of this combination of factors has been oak price rises, especially for logs.

"While lumber has risen 20% in three years, log prices have increased by 40%," said export sales manager Marie-Thérèse Carrey of French hardwood mill Eurochêne.

And the upward trend looks set to continue, according to one EU trader-importer. "We're currently seeing European oak rising around 5% every six months, with 26mm-40mm dimensions under particular pressure" he said.

All these issues were addressed at the European Oak Conference, hosted in London by the UK Timber Trade Federation on 19 April, and a capacity audience of 110-plus delegates from the UK and the rest of Europe underlined the intense trade interest.

The opening address came from Silvia Melegari, Secretary General of the EOS, whose 35,000-sawmill membership in 13 countries represents 77% of all European sawn wood output. She underlined the seriousness of the raw materials situation facing EOS members, particularly due to Chinese demand.

Various ingredients had come together recently, she maintained, to heighten China's appetite for roundwood hardwood of all types (with its imports jumping from 14.3 million tonnes in 2016 to 16.5 million tonnes in 2017), but particularly oak. Its domestic market for timber goods has been expanding rapidly. At the same time, it has further reduced its own natural forest harvest and cut VAT on log imports.

"We've seen overall European sawn oak exports to China rise 34% in the last seven years, but log exports have increased 244% in the same period," said Ms Melegari. "And in 2010 63% of oak roundwood exported from EU countries was consumed in other EU countries. In 2017 50% was exported outside the EU, with 42% destined for China."

She did not draw a direct connection with roundwood exports, but also stated that 30% of French, Belgian and German hardwood sawmills had closed in the last 10 years.

While the EOS acknowledges it is difficult to dissuade forest owners from selling logs to the highest bidder, it is actively lobbying national and EU governments to support the European hardwood sawmill sector. A group of MEPs had written a letter to European Commission President Jean-Claude Juncker on the topic and urged an EU action plan for the industry.

An appeal has also been made via the European Economic and Social Committee requesting measures “to ensure wood supply from the region’s forests is sufficient to satisfy local industry needs on a sustainable basis,”.

The EU, said Ms Melegari, was also continuing to pursue legal proceedings over its decade-long log export ban against Ukraine, where oak comprises 28% of the forest, second only to pine at 35%. Partly as a response to the measure it has now blocked payment of the €600 million final tranche of a package of ‘macro financial assistance’.

However, speaking at the European Oak Conference on behalf of the Ukrainian Association of Wood Processors, trade journalist Vasyl Masyuk said the export ban was unlikely to be dropped. It was popular in his country’s timber and timber using sectors and there were concerns that without it, Ukraine risked becoming primarily a raw materials supplier to the EU and Asia.

This echoed reported comments from Liudmyla Hurina of the same organisation. “Since the ban, Ukraine’s wood processing figures have grown by 15% and furniture companies’ by 12%, while the export of processed lumber has risen by 12%,” she said.

Other EU producers also gave their market perspective at the conference. Rafał Gruszczyński of the Polish Economic Chamber of Commerce said his country’s mills, previously key importers of Ukrainian oak logs, were hit by high raw material prices and shortages.

He added, however, that the complexity of Poland’s log auction system was likely a deterrent to export buyers, notably in China. Polish sawn oak exports last year were around 85,000m3, of which 29% each went to Slovakia and Austria, 18% to Germany and 1% to China.

Jean-François Guilbert, Managing Director of the French Timber promotional body, said 2017 French sawn oak output had been relatively strong at 615,000m3, with buoyant domestic demand from the railway, flooring, joinery, furniture and barrel industries.

However, according to Mr Guilbert, rising oak lumber prices were not offsetting more sharply increasing raw materials costs and oak log exports to China remained a worry. In 2007 they comprised just 7% of the French harvest, he said. Last year they hit 23%.

Some traders report a degree of European market migration to other hardwood species due to European oak price and supply pressure. These include European and American ash, and US white oak, although the latter is also characterised by growing global demand, including of course from China, and upward price pressure.

In what one trader described as ‘the oak obsessed European market’, the American Hardwood Export Council (AHEC) also sees opportunities for the US red variety of the species. This has not been anything like as popular with European specifiers as US white or European oak, but there’s belief current market pressures could change that.

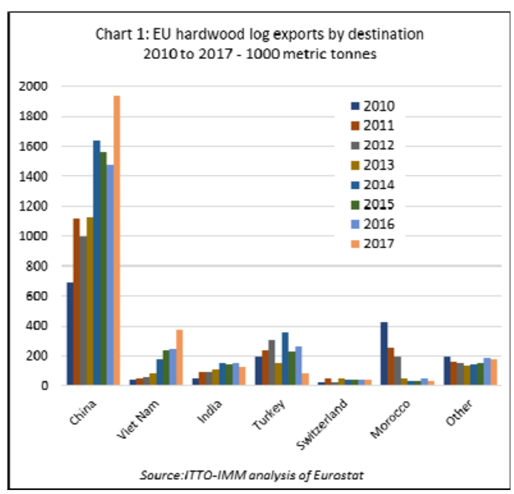
EU hardwood log export hike continues

In 2017, total EU hardwood log exports were 2.8 million tonnes, up 15% on 2016 and 53% on 2012.

In 2004, the EU exported just 7000 tonnes of hardwood logs to Vietnam. By 2017 that figure had risen to 377,000 tonnes. The growth in imports continued to accelerate throughout the period, with the biggest jump of 577% coming in the five years from 2012.

While it may have outstripped it in terms of growth rate, however, Vietnam still has some way to go to catch up with China as the EU’s biggest hardwood log customer. Over the 13-year period to 2017, EU exports to China increased from 365,000 tonnes to 1.94 million, with growth in the last five years hitting 95%.

Last year for the first time India overtook Turkey to become the third largest EU hardwood log buyer, even though exports to India fell 37.5% from 2016 to 129,000 tonnes. (Chart 1).



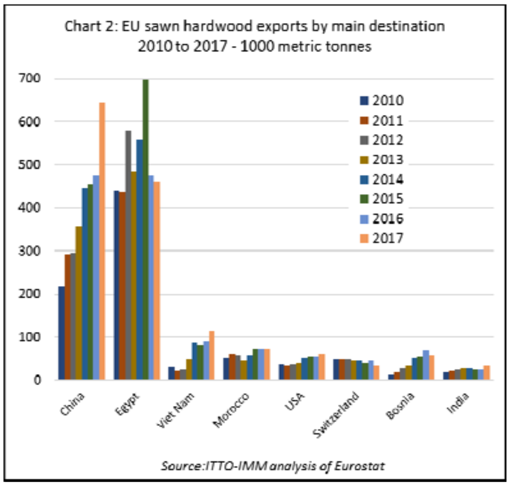
In terms of species, beech was the EU’s biggest hardwood log export last year, with a total of 799,000 tonnes. But oak continued to catch up rapidly with log exports rising a further 46% to reach 728,000 tonnes.

The third biggest log export species was birch, although its 2017 total was down 20% at 500,000 tonnes.

Total EU sawn hardwood exports were 1.9 million in 2017, a rise of 7.4% on 2016 and 31% on 2012.

China took top spot in terms of EU sawn hardwood exports in 2017, with its total rising 119% since 2012 and 35.4% last year to reach 645,000 tonnes.

Egypt remained the second biggest market for EU sawn hardwood outside the region, with a total of 460,000 tonnes, but Vietnam again saw fastest growth, with EU exports to the country rising 379% in the five years to 2017 to 113,000 tonnes. (Chart 2).



Beech remained by far the EU's biggest sawn hardwood export, and the total grew another 12.7% to 1.36 million tonnes. Oak followed someway behind at 256,000 tonnes, but this represents 93.1% growth since 2012.

Ash was third biggest sawn export species in 2017, at 50,000 tonnes, and the EU's fourth largest export category was sawn tropical hardwood. The latter grew 10% to 24,000 tonnes, but this was down 23.2% on five years ago. The EU's exports of sawn tropical hardwood are mainly destined for neighbouring countries such as Switzerland, Norway and Bosnia, but smaller amounts go further afield, including to the USA, Japan, China and UAE.

ITTO-IMM and ATIBT to hold joint conference during Carrefour

The ITTO/FLEGT Independent Market Monitor (IMM) is to hold a second EU Trade Consultation jointly with an ATIBT conference on 31 May during the Carrefour du Bois trade show in Nantes, France.

ATIBT will open the conference with a series of short presentations covering the organisation's mission as well as some of its most recent activities, including the Lesser Known Species (LKTS) project and the Fair and Precious tropical timber promotion programme.

IMM will then speak about FLEGT licensing and sustainable forest management in Indonesia, trends in EU tropical timber trade, results from IMM's on-going EU furniture sector scoping study and FLEGT recognition in European public procurement.

The afternoon will be dedicated to workshops on the following topics:

- Purchase dynamics for companies sourcing from Indonesia, including knowledge about legality and sustainability standards
- FLEGT impacts on Central African producing countries
- Market trends for tropical timber in Europe

The event is free but pre-registration is required. Further details, including the agenda and registration form are available at:

http://www.flegtimm.eu/index.php/newsletter/flegt-market-news/59-imm-and-atibt-will-hold-joint-conference-during-carrefour

North America

Lower ipe and sapelli imports

The US imported 71,797 cu.m. of temperate and tropical sawn hardwood in March, down 10% from February. The value of hardwood imports grew in March, but tropical imports declined in both value and volume.

Tropical sawn hardwood imports declined for the third consecutive month to 17,496 cu.m. Year-to-date tropical hardwood imports were down 9% compared to March 2017.

While imports of the major species declined in March (ipe, sapelli and balsa), imports of jatoba, meranti and teak increased. Keruing sawnwood imports were slightly down in March, but year-to-date volumes more than doubled from March 2017.

The largest growth in tropical hardwood imports year-to-date was from Malaysia.

Canada imports more tropical sawnwood through the US

Canadian tropical sawnwood imports grew in March, but year-to-imports remained lower than at the same time last year. The month-over-month drop was mainly in imports of mahogany and meranti.

Sapelli sawnwood imports recovered in March. Compare to last year, Canada imported more sapelli from the Congo, while imports from Cameroon declined. The share of tropical imports via the US grew to over 40% in March.

Online LCA tool launched for American hardwoods

The American Hardwood Export Council (AHEC) has launched its online LCA tool which enables timber suppliers to use environmental impact data in promoting US hardwoods.

Architects, designers and their clients can find data on the carbon footprint, depletion of non-renewable resources, water contamination and many other environmental impacts associated with processing and transport.

The tool covers the main commercial US hardwood species (22) in any thickness. It generates a range of environmental impact data based on the transport of 1 cu.m. of kiln-dried sawnwood from the US to any part in the world. In addition to the LCA data, the tool calculates the growth time of 1 cu.m. for each species, based on the US Forest Service inventory database. The abundant red oak forests grow 1 cu.m. in 0.57 seconds.

The data is derived from an ISO conformant LCA model. The eight environmental impact categories shown are a selection of those used in EN15804-conformant Environmental Product Declarations (EPDs) of construction products and are being pilot tested for the EU's Product Environmental Footprint initiative.

The LCA tool is available on the AHEC website at americanhardwood.org

Thermally modified US hardwoods pushed SE. Asia

The American Hardwood Export Council has brought its promotion of thermally modified hardwoods from Europe to Asia.

At recent furniture fairs in Singapore AHEC displayed heat treated white oak and red oak. Some of the US hardwoods were heat treated at a plant in Indonesia, as reported in the Import/Export Purchasing News (April/May 2018).

IWPA joins U.S. Global Value Chain Coalition

The US Global Value Chain Coalition was formed in late 2017 to educate policymakers about the importance of global trade to US employers.

The coalition initially focused on retail trade, especially consumer apparel, but recently the International Wood Products Association (IWPA), who represents importers and distributors of imported wood, joined the coalition.

The IWPA will continue through the coalition its work towards keeping trade free and avoiding trade wars, protectionist measures and non-tariff barriers on wood products.

Construction cost on the rise

Construction material prices grew in April and were 6.4% higher than at the same time in 2017, according to U.S. Bureau of Labor Statistics data. April saw the largest month-over-month increase in almost three years.

The trade dispute with Canada over sawn softwood imports and the proposed tariffs on steel and aluminium contribute to price increases.

While residential and non-residential construction is expected to grow over the next year or two, the price increases along with other factors such as labour shortages, may impede further progress.

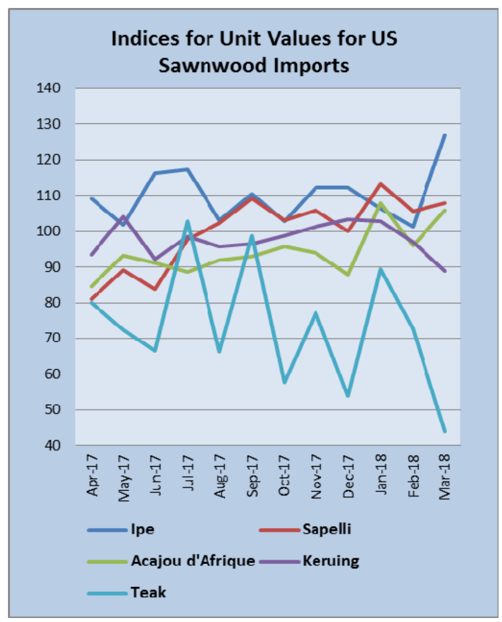
US cities topped the list of most expensive cities in the world to build in this year according to the engineering consultancy Arcadis.

Washington State to increase construction with' mass timber'

Washington State passed legislation that directs the State Building Code Council to include rules about the use of mass timber in building construction. The purpose of the law is to make it easier to build commercial and residential buildings in wood over six storeys high.

Two new CLT mass timber manufacturing plants were recently announced for Washington State, according to Woodworking Network.

Mass timber construction uses large prefabricated wood members for wall, floor and roof construction. Mass timber products include glue-laminated timber (glulam), cross-laminated timber (CLT) and nail-laminated lumber (NLT).



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

Note: Indices are derived from customs value 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.

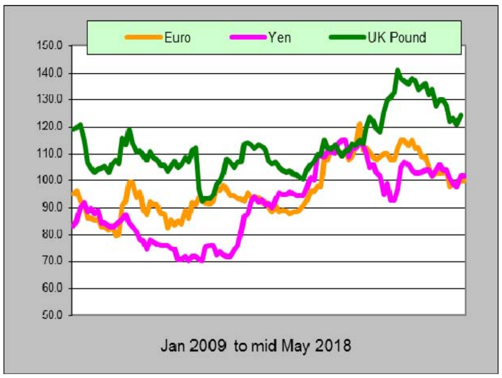
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

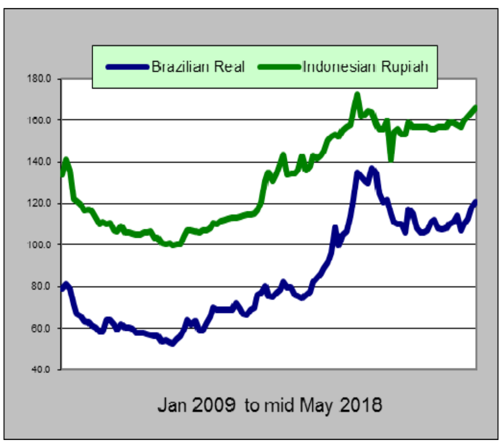
Dollar Exchange Rates

As of 10 May 2018

Brazil	Real	3.4723
CFA countries	CFA Franc	543.46
China	Yuan	6.3269
EU	Euro	0.8224
India	Rupee	66.9214
Indonesia	Rupiah	13929
Japan	Yen	1097.43
Malaysia	Ringgit	3.912
Peru	New Sol	3.22
UK	Pound	0.7179
South Korea	Won	1082.22

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



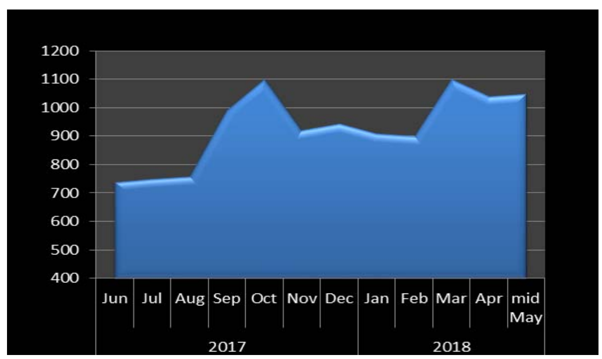


Abbreviations and Equivalences

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	Cost insurance and freight
C&F CNF	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, Weather 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
June 2017 – mid May 2018

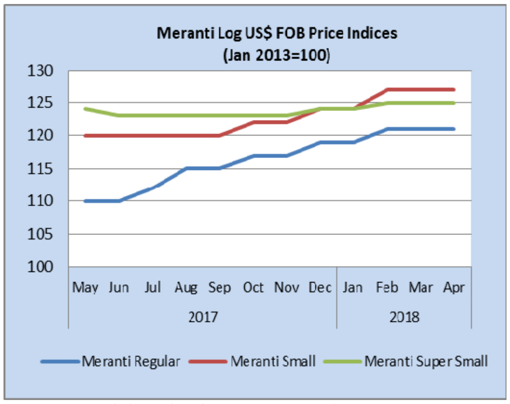


Data source: Open Financial Data Project

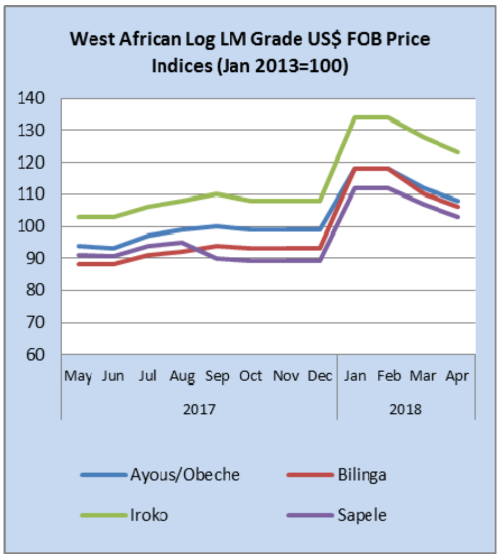
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

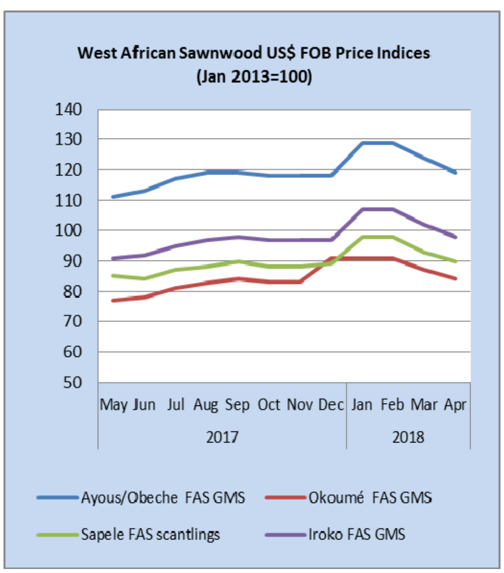
The following indices are based on US dollar FOB prices

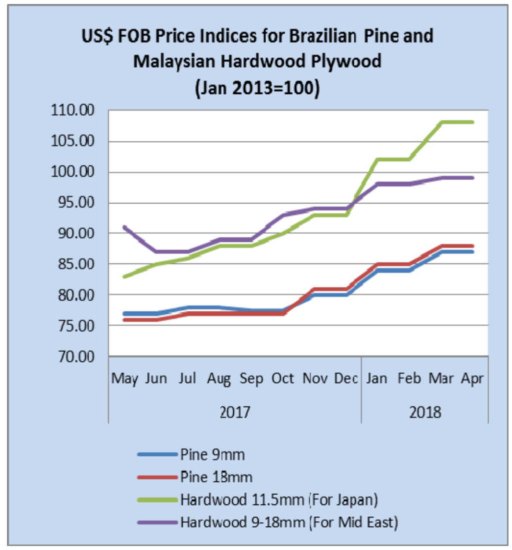


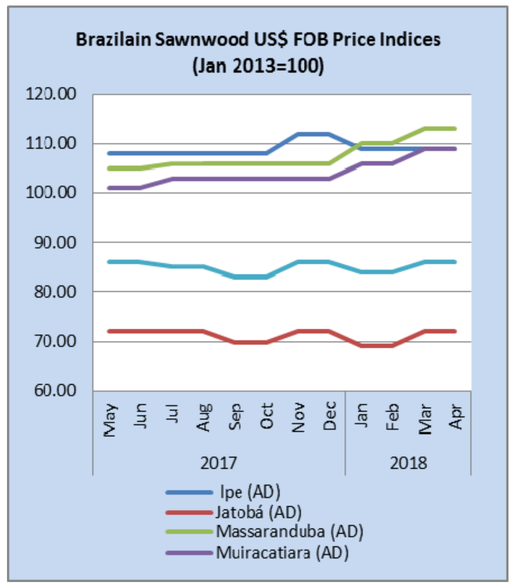
Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties.. The raised 'asking' prices have not been accepted in full by buyers.







Note: Jatobá is mainly for the Chinese market.

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