Tropical Timber Market Report

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The ITTO *Tropical Timber Market* (*TTM*) *Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Top Story

Timber Green Supply Chain Initiative

At a recent international workshop a group of Chinese enterprises launched a' Green Supply Chain Initiative' with the aim of establishing and promoting trade in legal and sustainable timber.

Speaking to participants ITTO's Executive Director said that successful green supply chains require a healthy private sector grounded in sound enabling frameworks, including incentives; fair taxation systems; clear rules; the absence of corruption and illegality; clear land tenure and rights; and the involvement of local people and smallholders.

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Headlines

Central and West Africa

Producers ready to move on prices as demand firms

Producers in West and Central Africa report that demand is very firm and while prices are stable, sentiment is for prices to trend higher. As soon as demand improves for a particular species producers are ready to take advantage of this through a price increase.

During June log prices remained unchanged except for the sudden rise for bibolo/dibetou which is up by euro 30 per cubic metre and for ovangkol for which prices have jumped euro 35 per cubic metre and are still rising.

Sawnwood prices are unchanged from a month ago but expected to trend firmer. Analysts write "it seems likely okoume prices will move higher due to very strong demand which appears set to continue".

Chinese shipping company may begin a service out of Douala

The major problems with shipping out of Douala are not yet resolved. The performance of operations at the new port of Kribi has improved, say exporters, but Cameroon is now refusing to accept cargo from Congo Brazzaville and Gabon on the grounds that there is no formal Customs Agreement between the countries.

At Douala Port the congestion and other problems are still causing severe difficulties especially for timber exporters but also for incoming cargo.

It has been rumoured that a Chinese shipping company may begin a fortnightly service out of Douala.In response to this some shippers are said to be unloading containers as they expect the new non-container service could be faster.

If this becomes a reality it will help towards the shortage of empty containers at Douala.

In other news from Cameroon there are rumours the government will put in place a log quota system similar to that in Congo Brazzaville, no date is mentioned, but possibly by the beginning of next year. Cameroon already has had a form of quota for prime log species but this appears not to be fully implemented.

CAR unrest – mills at a standstill

It has been reported that timber businesses in the CAR are at a standstill due to civil unrest. Also, it is rumoured that Rougier is trying to find a buyer for its concession, sawmill and other assets in the country.

Civil service shake-up in Gabon

The government in Gabon intends to slash public service jobs after cabinet approval was given for an economic revitalisation drive. Ike Ngouoni, a government spokesperson said this will check what he termed 'the bloated Civil Service whose wage bill is 59% of State revenue'

The domestic media are reporting that public servants earning more than CFA650,000 month will have their pay cut by 5%, those earning more than CFA2 million will face a 15% cut.

For more see: https://www.cameroon-tribune.cm/

Producers in Gabon believe the new Forests Minister will have a more pragmatic approach to the timber business and is prepared to listen to the views of the trade. Efforts are still underway to find an equitable formula for sale of the already harvested kevazingo and the trade hopes for a limited harvest volume of this much sought after timber.

Producers in Gabon say that, because of the high costs of compliance with the EUTR, they are now much less interested in sales to Europe. There is now very firm demand in other markets.

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

Forestry sector could make greater contribution to economy

A Ghanaian tax expert, Abdallah Ali-Nakyea, has called on the government pay more attention to hurdles faced by the timber industry which was once the fourth largest foreign exchange earner for the country.

This call was made during a workshop organised by the Institute of Financial and Economic Journalists (IFEJ) in partnership with German International Cooperation (GIZ) in Ghana.

According to Ali-Nakyea, the timber industry has the potential to make an enormous contribution to economic growth but this will only happen if government addresses the handicaps faced by the timber sector.

At the workshop Mr. Ali-Nakyea analysed exports by key sectors for the period 2000 – 2016 pointing out that the government is concentrating on the oil and gas sectors to the disadvantage of other equally critical revenue generating sectors such as the wood and timber sector.

Statistics show that the country's wood and timber products are mainly primary and secondary products with tertiary products accounting for less than 5% of production and export.

Arming forest guards

The government has approved the request from the Forestry Commission (FC) to arm forest guards. Speaking during the International Day of the Forests Mr. Owusu-Afriyie of the FC said, reasonable force would be applied to stop the menace of illegal operations in the forest sector.

Cocoa farmers to plant high value trees

Ghana is benefitting from support from the Climate Investment Fund (CIF) and the African Development Bank as the country begins dealing with climate change issues and moves to a low-carbon future. Plans have been prepared to assist Ghanaian cocoa farmers increase yield from forest cover which provides the shade needed by cocoa trees.

According to the Technical Director of the Ministry of Lands and Natural Resources, Mr. Musah Abu-Juam, some six million trees have been planted since the beginning of the CIF project around 10 years ago. The Forestry Commission is working with project stakeholders to ensure high quality seedlings of suitable species are planted.

At a press conference the Communication Officer of the CIF Project, Mr. Scott Vincent Andrews, said the Fund has provided around US$75 million to help make Ghana greener, more resilient and accelerate its low-carbon development path.

Forest plantation development fund inaugurated

An 11-memeber board for the Forest Plantation Development Fund has been inaugurated by the Minister of Lands and Natural Resources, Mr Peter Amewu.

The board is to oversee the implementation of the Forest Plantation Development Fund and to provide policy guidance, review progress of the programme and approve budgets for operational activities.

The Chairman of the board, Mr. Nana Yaw Osei Barima, pledged to work to ensure compliance with the forest plantation development fund Act 583 and to promote forest projects and as well monitor the progress of the scheme.

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	332	450
Chenchen	348	505
Ogea	473	596
Essa	546	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	794
Mahogany	2,437
Makore	941
Odum	1,417

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	378	640	641
6mm	396	535	626
9mm	358	446	560
12mm	470	463	480
15mm	450	400	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	490	564
African mahogany (Ivorensis)	843	1052
Makore	775	975
Niangon	530	675
Odum	918	946
Sapele	700	791
Wawa 1C & Select	360	482

Malaysia

Ringgit falls below 4 to the dollar

The Malaysian ringgit has depreciated to its weakest level in five months against the US dollar due to concerns over the trade dispute between the United States and China. Also, weakening crude oil prices had a downward influence on the ringgit which was trading at over RM4 to the dollar at the end of the month.

Plan to reduce dependency on foreign workers

Malaysia's Ministry of Human Resource Development is looking at ways to reduce Malaysia's dependency on foreign workers. In 2016, there were 1.8 million foreign workers in the country and in 2017 the number fell slightly to 1.7 million.

The new Minister, M. Kulasegaran, said the foreign workers policy was now being reviewed with a view to creating more opportunities for local workers.

The Minister also said the minimum wage is being reviewed as the government has pledged to incrementally raise the minimum to RM1,500 a month.

Clean Air Act to be enforced in 2019 for existing mills

Malaysian Timber Council (MTC) is organising a Technical Seminar to enable enterprises to better understand Malaysia's Clean Air Regulation 2014 (CAR 2014). The Clean Air Regulation controls emissions of air pollutants from various industrial activities and the legal requirements differ according to the risk from pollution.

Existing enterprises had a five-year period to comply and this ends on 5 June 2019. New factories must comply with CAR 2014 immediately. This regulation applies to timber and timber products.

Plywood price firming

Sarawak's major timber companies are benefitting from the upward trend in plywood prices especially in the Japanese market (see Japan plywood page 13/14). Plywood export prices for the Japanese market have risen sharply since the beginning of this year. Japan imported some RM2.27 bil. worth of Malaysian plywood in 2017. In the first three months of this year, Japan's plywood imports from Sarawak increased 14% over the same period in 2017.

Call for Sabah to review management of natural resources

Sabah Environmental Trust Chief Executive Dr. Rahimatsah Amat, has called on the State Government to review the management of natural resources and strengthen biodiversity conservation in Sabah.

Dr. Amat suggested having more UNESCO World Heritage national parks, assessing state marine resources and biodiversity as well as protecting coastal and marine areas. He said the success of the Heart of Borneo Initiative is an excellent example of what can be achieved and that by 2020 at least 10% of the State should be earmarked for conservation.

Plywood prices

Meanwhile, plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$ 740 – 760 FOB
CP (3'x 6')	US$ 580 C&F
UCP (3'x 6')	US$ 680 C&F
Middle East (thick panel)	US$ 465 FOB
South Korea (9 mm and up)	US$ 520 C&F
Taiwan P.o.C (9 mm and up)	US$ 520 FOB
Hong Kong	US$ 530 FOB

Indonesia

Indonesian furniture at Canadian exhibition

Indonesian furniture makers exhibited at the recently concluded Canadian Furniture Show held in Toronto. This fair is considered the largest furniture exhibition in the country.

Rafika Arfani, Head of the Indonesian Trade Promotion Center (ITPC) in Canada, said that Indonesian companies had the opportunity to interact with Canadian furniture makers, retailers, designers and importers. In 2017, Indonesian furniture exports to Canada were worth US$14 million and in the first quarter of this year some US$3.42 million had been exported, an increase of 8% over the same period last year.

Timber legality verification for small businesses

The Ministry of Environment and Forestry (KLHK) has plans to help small sized companies comply with the national timber legality verification system (SVLK).

Until recently the main focus of efforts was on companies exporting wood products. The Minister, Siti Nurbaya, said there has been an increase in Indonesian shipments of wood products and the adoption of the SVLK has helped boost exports.

The Director General of Sustainable Production Forest Management in the ministry, Hilman Nugroho, said the aim is to have group SVLK certification so the cost to individual companies would be minimised. He urged the small companies to embrace the idea of cooperation to secure SVLK certification.

The original statement can be found at: https://www.republika.co.id/berita/nasional/lingkungan-hidup-dan-hutan/18/06/21/panxmn366-klhk-terapkan-verifikasi-legalitas-kayu-bagi-pengusaha-kecil

Forecast rise in exports to Taiwan P.o.C

The Director General of National Export Development in the Ministry of Trade has spoken out on the potential to expand exports to Taiwan P.o.C and has said Indonesia's 2018 exports to Taiwan P.o.C are forecast to rise 8% year on year.

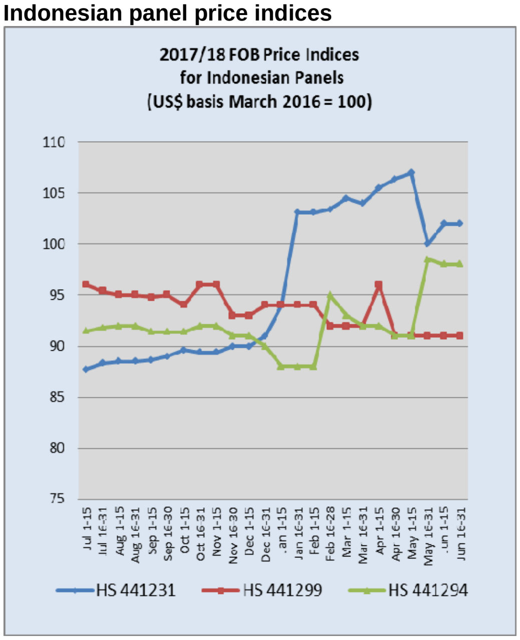
Indonesia's total exports to Taiwan P.o.C include coal, bituminous coal, tin, plywood, copper waste, and scrap.

Export Destinations for V-Legal and FLEGT Licensed wood products January - June 2018

	Weight (tonnes)	FOB (US$ 000's)
Asia	5,432,708	4,270,655
N. America	387,411	942,886
EU	308,255	713,829
Oceania	127,783	213,797
Africa	415,308	182,997
S. America	17,096	18,024
Other Europe	9,003	14,254

Source: http://silk.dephut.go.id/index.php

Indonesian panel price indices



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

Myanmar

Concern for Myanmar's teak exporters

In the first two months of this year exports of wood products amounted to around US$30 million but prospects are not bright for an expansion of trade. There is growing concern for Myanmar's teak-oriented exporters because of the strengthening of EUTR.

According to some timber exporters there was no clear outcome from the recent meeting between the Myanmar delegation and EC in Brussels.

Exporters fear that they will lose this important market for teak products if the uncertainties surrounding the trade are not resolved and are urging the government to become more actively involved in finding a solution.

Exporters have expressed despair for the lack of the recognition of all Myanmar has done on traceability and legality verification.

Because little progress has been made they say they are preparing for the possibility that they may lose access to the EU market for teak products. Exporters are urging the government to become more actively involved in finding a solution.

For related news see:
EU yacht industry calls for co-operation with Myanmar on teak. Page 20

Addendum

ITTO has been reminded that the Delegation to Brussels, first mentioned in our report Volume 22, Number 11, 1-15 June 2018 was led by the Myanmar Timber Enterprise.

Company law takes effect

According to Notification 48/2018 of Office of the President, Republic of the Union of Myanmar on 21 June 2018 the Myanmar Company Law took effect. Under the new law foreigners can acquire up to a 35% shareholding of local companies which was not allowed under the previous law. The new law does not apply to the banking sector.

U Zaw Phay Win, an economic adviser has said new Myanmar Company Law will create equal opportunities for both local and foreign investors.

The passing of this law is seen as one of the major achievements of the government as the law replaces the 1914 Company Act and the 1950 Special Company Act.

Hurdles to growth outlined by Chamber of Commerce

A recent Business Sentiment Survey compiled by the Local Industries Development Committee of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), suggests the current economic conditions in the country are not strong and an immediate recovery is not expected.

Among the major handicaps are the depreciation of the Kyat against the US dollar, tax structures and tariffs and weak financial services. These are in addition to the lack of skill human resources and rapidly changing import and export regulations.

June 25th teak tender prices

Grade	H. tons	Average US$/H.ton
SG-1	-	-
SG-2	49.5	6,105
SG-4	49.6	3,170
SG-5	50.2	3,190
SG-6	51.4	2,745
SG-7	281.2	1,765

India

Marayoor Forestry Department auctions 34 tons of sandalwood

The latest e-auction of sandalwood conducted by the Marayoor kerala Forestry Department earned Rs 281.10 million from the sale of around 34 tonnes of sandalwood logs. Marayoor sandalwood is of high quality and is used in the international cosmetic and perfume industries.

There has been a noticeable decline in the illegal harvesting of sandalwood from the Marayoor forests with only nine cases prosecuted in 2017. Illegal felling is still common in private forests but has fallen in other areas following the successful control by the police and forestry officers.

For more see: 'Red sanders can be grown like any other crop' - The Hindu

Plantation teak prices

Demand for imported logs continues unchanged but imports are still affected by the withdrawal of credit facilities.

Another factor impacting imports has been the weakness of the rupee.The rupee has fallen against the US dollar by around 5% over the past month making imports more expensive.

Analysts write that “under these circumstances any rise in C&F prices is ruled out”. The trade feels that the normal banking facilities could be restored by the end of July.

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

Traders are under pressure from suppliers to raise prices but say this is not possible because of stiff competition amongst traders who are offering alternative timbers coming from Guyana and Gabon, for example.

As is usual, consumers look at price and what is suitable for the enduses and are less inclined to follow tradition.

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 the trade is that more and more end-users are moving away from using Myanmar teak as they find cheaper alternate species good enough for their purpose.

The trading patterns are changing with teak and gurjan is changing because of delivery issues and prices compared to alternatives. Gurjan is being replaced by peeler quality logs from Guyana and imports of okoume veneers have encouraged some factories to switch completely over to this new source. Indian companies are expanding veneer production in Gabon.

However, Indian end-users still equate red coloured veneer with strength which has driven some millers to use pigments to colour pale imported veneers.

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 plywood update

As the prospects are for more rupee weakness which will drive up raw material costs millers are intending to raise plywood prices by between 5 to 10% from 1 July 2018.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	57.00
6mm	77.00
9mm	97.00
12mm	120.00
15mm	160.00
18mm	167.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	29.00	42.00
6mm	43.00	55.00
9mm	55.00	67.00
12mm	67.00	79.00
15mm	80.00	96.00
19mm	92.00	109.00
5mm Flexible ply	57.00	

Brazil

Furniture output shows healthy growth but is below average in major furniture producing states

April was a good month for the Brazilian furniture industry as output increased across the country. However, while the average national growth in output was 13.5% in comparison with April last year in Paraná output expanded just 9% and in Rio Grande do Sul, just 8%.

Between January and April this year, while national furniture production grew 10%, in Paraná it reached 7% and in Rio Grande do Sul, 5% year on year.

Price controls compromise competitiveness

The Center for Timber Producers and Exporters of Mato Grosso State (CIPEM) has warned the minimum prices for forest products set by the State Secretariat of Finance (SEFAZ-MT) through Administrative Ordinance “Portaria” Nº 052/2018, may compromise the commercial competitiveness of timber production of Mato Grosso state compared to other states.

To address this CIPEM has initiated a dialogue with SEFAZ-MT emphasising that the state government should consider the approach taken in other competing states saying, if the current structure is maintained, there will be an increased risk of weakened competitiveness.

CIPEM requested and was granted a suspension of Portaria 052/2018 until a review can be conducted without any immediate change in the basis of the tax Circulation of Goods and Services). Forestry represents the main economic activity in 44 municipalities in the Mato Grosso State so disruption of industrial activity could undermine State revenues.

Growth of tropical timber exports

Carrefour International Du Bois, considered one of the largest wood products fairs, was held in late May and entrepreneurs from Mato Grosso State participated in search of new technologies and markets.

According to CIPEM local forestry sector entrepreneurs picked up many tips on trading in international markets. Encouragingly, it was learnt that global purchases of Brazil's tropical wood products are expected to expand around 30% this year, well above the forecasts made by CIPEM at the beginning of this year.

Brazilian wood panels exports increase

Exports of Brazilian made wood-based panels in the first quarter of 2018 totaled US$73 million, an increase of 14% over the same period last year.

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

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m³
Ipê	201⬇
Jatoba	111⬇
Massaranduba	112⬇
Miiracatiara	113⬇
Angelim Vermelho	106⬇
Mixed redwood and white woods	93⬇

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m³
Ipé	844⬇
Jatoba	418⬇
Massaranduba	397⬇
Muiracatiara	396⬇
Angelim Vermelho	365⬇
Mixed red and white	239⬇
Eucalyptus (AD)	199⬇
Pine (AD)	144⬇
Pine (KD)	167⬇

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m³
4mm WBP	530⬇
10mm WBP	432⬇
15mm WBP	366⬇
4mm MR	419⬇
10mm MR	306⬇
15mm MR	283⬇

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m³
15mm MDParticleboard	227⬇
15mm MDF	257⬇

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m³
Ipe	1483
Jatoba	939
Massaranduba	846
Muiracatiara	819
Pine (KD)	196

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 m³
9mm C/CC (WBP)	332
12mm C/CC (WBP)	314
15mm C/CC (WBP)	295
18mm C/CC (WBP)	292

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Decking Boards	Ipê	2,628
	Jatoba	1,450

Source: STCP Data Bank

Peru

Peruvian exports of wood products

Peru's Association of Exporters (ADEX) has reported that wood product exports up to April topped US$40 million FOB, a vast improvement on levels in April 2017 when the FOB value of exports was just US$37.7 million.

Of the US$40 million exported, China continued to be the main export market for wood products accounting for 41% of the total and up 15% in the four months to the end of April. Mexico is in second place with a 12.5% share. Exports to Mexico jumped almost 25% to the end of April. The US market was in third spot at 10% of total wood product exports.

Sawnwood exports between January-April 2018 were worth US$7.8 million FOB up 27% year on year. The main export market for sawnwood is the Dominican Republic with a 31% share but this year sales have fallen 7% compared to 2017.

China accounted for 23% of sawnwood exports in the first four months and there was a 55% increase in sawnwood exports to this market. Mexico ranked third with a 20% share and year on year exports increased 21%.

Imports of US hardwood flooring grows, but Peru's exports fall

Peru's imports of wooden flooring from the US have been increasing but Peru's flooring exports to the US have been declining according to the commercial division of the Peruvian consulate in Los Angeles.

Peruvian shipments od wooden flooring in 2017 dropped 53% year on year relegating Peru to 25th position in respect of flooring shipments to the US. This negative performance was due to the fact that Peru had problems with verifying the legality of some shipments of wooden flooring.

Peruvian composite panel imports rising

Between January and May this year Peruvian imports of PB/MDP amounted to US$37 million, an increase of around 16% compared to the same period of 2017.

The strong recovery of Peruvian imports of PB/MDP was noteworthy in April and May as in the first quarter of the year imports had fallen 14%.

Jaguars cope in well managed forests

The Scientific America has reported on a study published in the March issue of Biological Conservation which concludes that in some well managed and lightly logged forests in Guatemala and Peru, Jaguar populations were comparable to those in protected areas.The study was conducted by scientists at the San Diego Zoo, the Wildlife Conservation Society, and Peru's National Forest and Wildlife Service.

See
https://www.scientificamerican.com/article/jaguars-thrive-in-lightly-logged-forests/

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	978-1010⬆
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)	205-217

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	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

2% Inflation eludes Bank of Japan

Recent data from Japan's Ministry of Internal Affairs and Communications shows that the May consumer price index rose 0.7% year-on-year, unchanged from April. This index includes oil products but excludes fresh food.

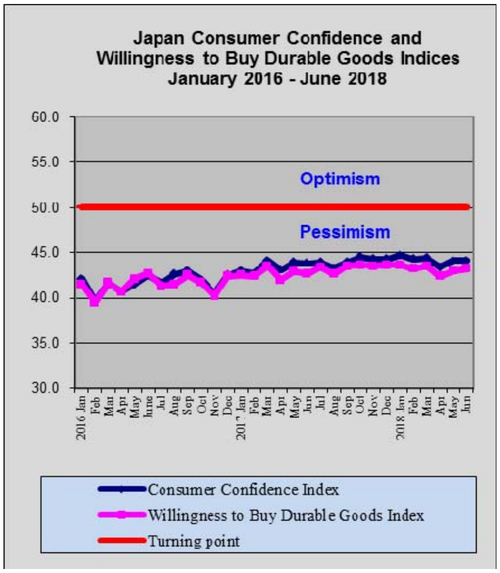
Analysts were quick to point out that this underlines how difficult it has been for the Bank of Japan to achieve its 2% inflation target despite over five years of massive fiscal stimulus.

Against this background it is unlikely that the Bank of Japan will halt its ultra-easy monetary policy while the ruling majority government is in power.

The economy is expected to recover in the second quarter from the contraction recorded in the first quarter but there are many risks ahead especially the looming trade war between the US and China.

Japan's consumer confidence weakened marginally in June according to data released by the Cabinet Office.

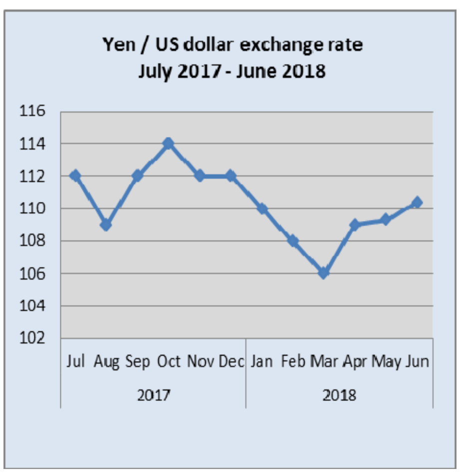
The consumer confidence index dropped to 43.7 in June from 43.8 in May. The index for livelihood fell to 41.9 in June from 42.1 in the previous month. Similarly, the index for income growth declined. But the gauge of willingness to buy durable goods rose from the previous month.



Data source: Cabinet Office, japan

Concerns on impact of looming trade war

The US dollar rate weakened against most other major currencies in the second half of June driven down by fears of escalating trade tensions between the United States and its major trading partners. Currency traders are increasingly concerned that the global economy may be negatively affected.

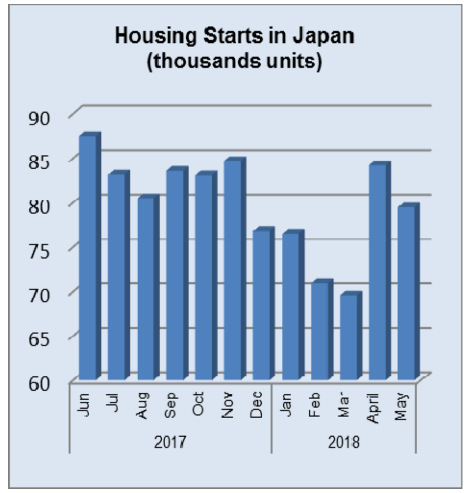


Unexpected June rise in housing starts

The May housing data from Japan's Ministry of Land, Infrastructure, Transport and Tourism showed an unexpected downturn from a month earlier despite being slightly higher year on year. Housing starts were forecast to drop 6% in May.

Factoring in the May data then annualised starts at the current rate would be 996,000.

The survey of construction companies revealed that orders received by the major companies dropped almost 19% year on year in May in contrast to April's rise.



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

Import round up

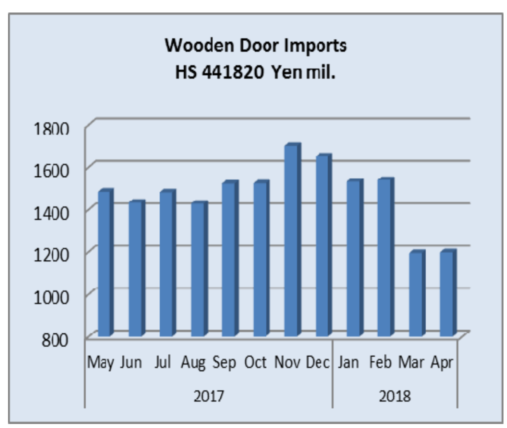
Doors

March door imports

The sharp drop in the value of imports of wooden doors (HS441820) in March was sustained into April. But Year on year, April imports were some 4% up.

March imports were driven down by much lower shipments from China and a modest decline in shipments from the other main suppliers, the Philippines and Malaysia.

As in previous months China was the major supplier of wooden doors to the Japanese market. Imports from China accounted from 56% of total wooden door imports with a further 18% from the Philippines, 10% from Indonesia and 7% from Malaysia. These four shippers accounted for over 90% of Japan's April wooden door imports



Data source: Ministry of Finance, Japan

Window imports

April window imports

After the slight recovery in the value of wooden window imports in March which reversed the downward trend recorded in the previous two months, April imports declined.

Year on year, April 2018 imports of wooden windows were down just over 25% and compared to levels in March there was a 10% decline.

The top three shippers of wooden windows to Japan in April were the same as in March but shippers in China displaced the US as the top supplier by a small margin.

In April China accounted for 32% of Japan's wooden window imports followed by the US (28%) and the Philippines (23%). There was a substantial import of wooden windows from Sweden in April which acounted for a further 9% of total wooden window imports.

Data source: Ministry of Finance, Japan

Assembled flooring

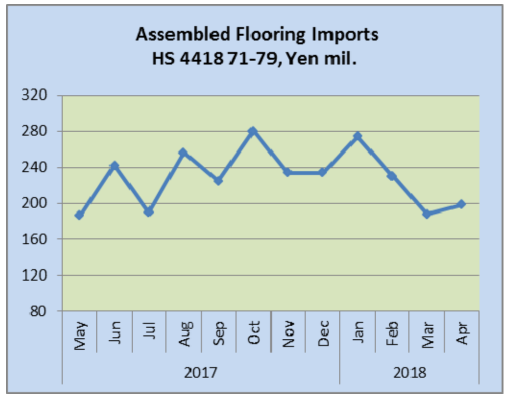
April imports

As in previous months wooden flooring imports were dominated by HS 441875 followed by HS441879.

Together these two categories of assembled flooring accounted for over 80% of the value of all assembled wooden flooring imports.

In order of rank by value, China, Malaysia and Indonesia were the main shippers of HS441875 in April while for HS441879 the main shipper was Indonesia at 47% of all shipments of this category of flooring followed by Thailand at 15%.

From the beginning of 2018 the value of wooden flooring imports into Japan has been falling. The upturn in April imports marked the first sign of recovery in the year to date. The reversal of the downturn in imports recorded in February and March which was largely due to increased imports of HS441875 from Indonesia and Thailand.



Data source: Ministry of Finance, Japan

Plywood

April plywood imports

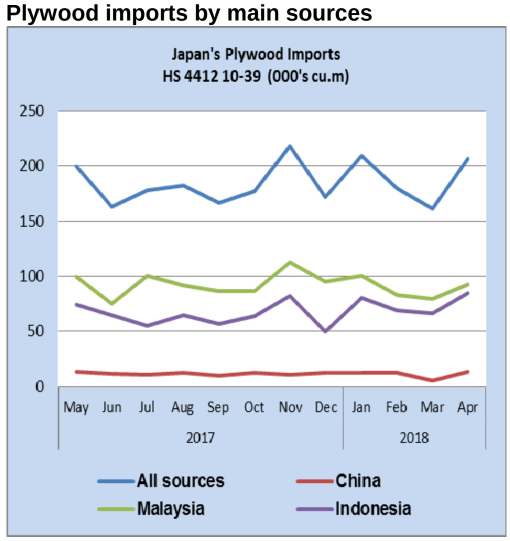
As in previuos months plywood in HS 441231 accounted for most of Japan's imports of plywood.

In April HS441231 accounted for over 89% of all plywood imports. HS441234 accounted for just 6% of April plywood imports, HS441233, 4% and HS441239 less than 1% of imports.

Year on year April plywood imports from all sources rose 18% with both China and Indonesia recording sharp gains in shippments to Japan.

In contrast exports of plywood from Malaysia to Japan fell 7% month on month in April but compared to a year earlier there was little change. Restrictions on harvest volumes and the lingering rain season had an effect on April plywood shipments to Japan.

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
2018	Jan	12	100.5	80
	Feb	12.5	83	69
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4

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

Roof of the national stadium

Construction of large roof of the national stadium has started since January this year. Three companies, Sumitomo Forestry, Emachu group and Japan Kenzai are engaged in assembling wooden parts and installation for the large roof of the new national stadium.

The roof is truss structure with combination of steel and laminated lumber of cedar and larch. All the wood is forestry certified and preservative treated. Wood is visible from all the seats of the stadium.

Main part is steel with sufficient strength then wood is combined to prevent deformation by strong wind and earthquake. Wood is used inside of the roof where rain does not reach but to give durability, wood is preservative treated to prevent rotting.

The roof is designed to last 100 years without any major repair but for regular maintenance, movable gondola under the truss, corridor for inspection inside truss and access route to roof top are installed. The new stadium will be used for the 2020's Olympic Games.

Wood statistics of 2017

The Ministry of Agriculture, Forestry and Fisheries publicized wood statistics of 2017. Housing starts in 2017 were less than 2016 but supply of domestic logs was 21,279,000 cbms, which is the highest since 1997. Driving factor is increase for lumber use with 12,632,000 cbms, 3.7% more than 2016.

Imported wood was 5,059,000 cbms. Logs from New Zealand increased but logs from Russia, South Sea and North America decreased. In particular, logs from North America were 3,882,000 cbms, 5.5% less than 2016.

Total log supply in 2017 was 26,337,000 cbms. Logs for lumber were 16,802,000 cbms, 1.3% more than 2016. Logs for plywood were 4,875,000 cbms, which include logs for CLT. Logs for wood chip were 4,66,000 cbms, 2.0% less. Domestic logs for lumber and plywood increased but imported logs decreased.

Meantime, lumber import in 2017 was 0.1% more than 2016 and plywood import decreased by 8.2%. Wood chip import increased by 2.2%.

Generally, domestic log use for lumber and plywood increased while domestic production of wood chip decrease and import increased.

Lumber shipments in 2017 were 9,457,000 cbms, 1.8% more than 2016 out of which percentage of kiln dried lumber was 41.4%. This is the first time that a percentage passed over 40%.

In shipments, lumber for construction increased by 1.9%. In these, a percentage of board increased by 14.1% while square increased only by 1.7%. Lumber for crating and furniture recovered from decline in 2016. Limber for engineering works construction decreased.

Domestic logs for plywood increased by 311,000 cbms. By species, cypress and fir increased while larch declined.

In imported logs, logs from South Sea countries and Russia decreased while logs from North America and New Zealand increased. Increase of New Zealand logs is mainly for LVL manufacturing.

In domestic log producing regions, prefectures producing over one million cbms are Hokkaido, Miyazaki, Iwate and Akita. Ranking has not changed from 2016 but the production of Akita and Miyagi decreased from 2016. Others like Fukushima, Tochigi and Fukuoka increased the production over 100,000 cbms from 2016.

Plywood

Movement of softwood plywood is getting stagnant and some low priced offers are around but orders from large precutting plants are steady so basically the market is firm.

April domestic softwood plywood production was 260,200 cbms, 3.2% more than April last year and 2.4% less than March, out of which structural panel production was 239,300 cbms, 0.8% less and 3.7% less. Shipment of softwood plywood was 250,700 cbms, 0.5% less and 0.4% less.

The demand for March and April was slow but the manufacturers continued full production to catch up delayed orders and build up the inventory. Users try to have extra volume to prepare fall demand pickup. The market is optimistic for the demand through the year, Softwood plywood inventory in April was 127,700 cbms.

Imported plywood movement remains slow despite low arrivals. The suppliers continue passing higher log cost onto future plywood offers.

Domestic logs and lumber

Log production is slowing toward rainy season. This is the most slow season until fall. Sawmills reduce log purchase since log quality is easy to deteriorate so log prices tend to weaken. Lumber movement continues slow even after the holiday season was over in early May

Changing crating lumber materials

New Zealand radiata pine logs used to be major material for crating lumber but after China becomes major buyer, log prices continue climbing and sawmills are not able to pass higher cost onto lumber.

Substituting Chilean radiata pine lumber supply becomes seller's market as worldwide wood demand keeps expanding and Japan cannot buy enough volume and specifications are not as free as before. In short, Japan has to swallow what suppliers give.

Crating lumber is not high priced item in lumber market. Lumber from other sources like North America and South Sea countries is also used for crating but lumber prices from these sources are also inflating by competition of other markets.

What is needed depends on type of cargoes. For heavy cargoes, sturdy lumber is needed like keruing and kapur from South Sea countries but they are now hard to come by so others like agathist and melapi from Malaysia and planted species of taun and callophylum from PNG replace and particleboard is one of replacing item.

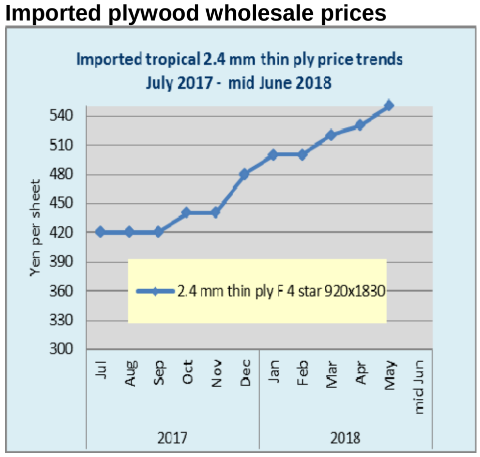
Crating lumber assembly plants select suitable species by type of cargoes or buyers' order. Domestic cedar is the most likely substituting material now. Hokkaido larch has been main crating material for years. Larch is strong and water resistant but appearance is not so good as construction material so it has been used for crating and sill.

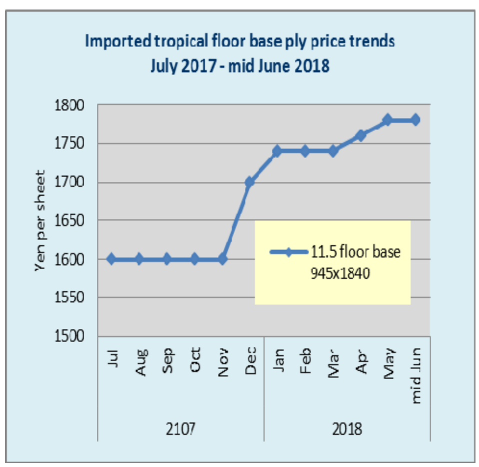
Cedar has abundant resource but lacks strength so it is not considered as good crating material but it is usable as crating board. Assembly plants select various materials and combined package like domestic cedar and North American hemlock is now popular. Assembly plants make wooden box, wire drum and pallet.

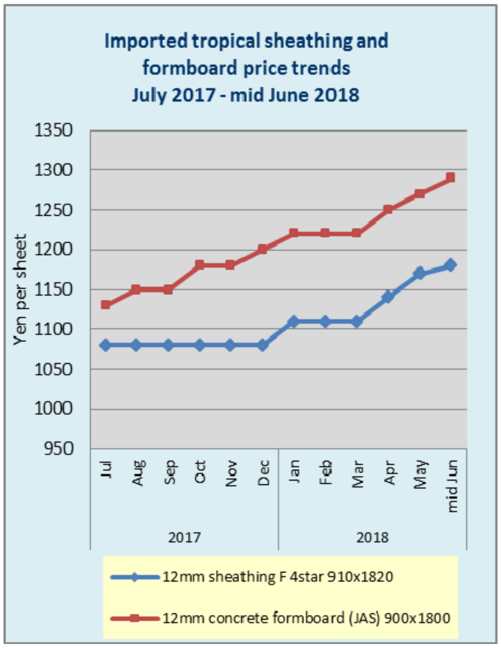
Pallet is another major wooden product but due to high cost of wood, plastic and metal pallet are gradually increasing.

According to the Japan Pallet Association, annual production of pallet is about 60 million pieces out of which wood pallet is about 40 million. Plastic pallet is about 10 million and metal pallet is two million. Average cost of wood pallet is less than 30,000 yen and of plastic is about 35,000 yen. Metal is over 100,000 yen. Recycled wood pallet prices are less costly at 10,000-13,000 yen.

Imported plywood wholesale prices







China

Housing developments

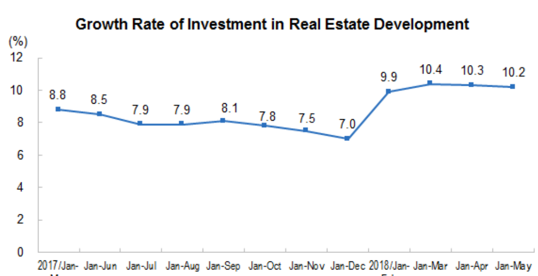
A recent press release from the National Bureau of Statistics provides an up-date on national real estate developments in the first five months of 2018.

Investment in property development expanded 10.2% year on year in the first five months of this year but growth was slightly slower than 10.3% between January and April.

Investment in residential buildings was up by 14.2% year on year and accounted for 70% of total real estate development investment. Investment grew fastest in the North East.

Analysts report that, at the end of May, around 550 million square metres of residential housing was unsold in China but the figure had dropped by over 5% from a month earlier.

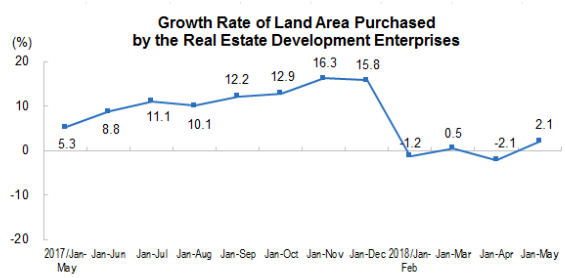
The housing market in China is said to account directly and indirectly for as much as 30% of GDP and is a major driver of wood product consumption.



Source: National Bureau of Statistics, China

Still a bubble housing sector

In the first five months of this year the land area purchased by real estate developers totalled 77.42 million square metres, up by 2% year-on-year. In the first four months in 2018 there was a decline of 2%. The total land transactions were worth 352.2 billion yuan an increaseof 16% year on year.



Source: National Bureau of Statistics, China

Despite recent reforms China's real estate sector is still considered as in bubble territory. From June 2015 to the end of last year 2017 house prices were up around 25%.

For more see:
http://www.stats.gov.cn/english/PressRelease/201806/t20180615_1604949.html

Chinese private sector launches 'Timber Green Supply Chain Initiative'

At a recent international workshop a group of Chinese enterprises launched a Green Supply Chain Initiative with the aim of establishing and promoting green timber supply chains.

The high-ranking Chinese government officials who spoke at the opening ceremony were: Dr. Wang Dengju, Director General of the Center for International Forest Products Trade (CINF/NFGA); Mr. Wu Zhimin, Director General for International Cooperation, National Forestry and Grassland Administration (NFGA); Ms. Liang Hong, Deputy Director General for International Cooperation, Ministry of Commerce; (MOFCOM) and Ms. Jin Hongman, Deputy Director General for Statistics and Data Department from the General Administration of Customs (GAC).

Participants recognised the value of establishing green supply chains, not only for economic development but also for achieving Sustainable Development Goals.

Speakers also expressed the view that green supply chains are an excellent concept that must be embedded in people's minds in producer, processor and consumer countries to ensure mutual recognition and that fair and equitable rules apply to all actors.

ITTO's Executive Director, Dr. Gerhard Dieterle, said that successful green supply chains require a healthy private sector grounded in sound enabling frameworks, including incentives; fair taxation systems; clear rules; the absence of corruption and illegality; clear land tenure and rights; and the involvement of local people and smallholders.

For this reason, the private sector, governments and international organizations need to combine their efforts, he said and ITTO stands ready to work in partnership with all parties.

For more see: http://www.itto.int/news_releases/id=5608

Cooperation between China and Central/Eastern Europe on forestry

The first high level meeting under a forestry cooperation mechanism between China and Central and Eastern European countries, the so-called '16+1', was held in Buldo, Slovenia in late May and a 'Plan of Action for the Coordination Mechanism for Forestry Cooperation between China, Central and Eastern European Countries' was agreed.

The Chinese government is aware that countries in Central and Eastern Europe are an emerging power in Europe and aim to link this group to China's 'Belt and Road' initiative. Analysts write that there is great potential for cooperation on forestry development and economic cooperation between China and 16 Central and Eastern European countries.

The Chinese government has pledged to vigorously support the '16 + 1' forestry cooperation initiative to deepen cooperation. At the same time it will encourage the development of a green economy and green industries and encourage mutual exchange and transfer of green science and technology.

China/Russia timber industry alliance

A China/Russia Wood Alliance was launched recently with a alliance secretariat attached to the China Forestry Property Right Exchange.

In the future the two countries will cooperate in areas of forestry property rights trading and a forest products information platform and on forest product certification, financial services and areas of business interests for the Chinese and Russian timber industry.

Fumigation of logs imported from US forbidden in China

It has been reported that fumigation of imported logs from the US has been forbidden in China.

China's General Administration of Customs (GACC) has announced that Chinese ports are no longer allowed to fumigate logs imported from the US. Furthermore, logs fumigated in Hong Kong are not allowed to enter the mainland.

The leaders of the US National Hardwood Lumber Association (NHLA), the American Hardwood Export Council, the Hardwood Federation and other US based hardwood associations took part in teleconference to discuss how to deal with this new directive.

It appears that agreement has been reached that logs imported from the US before May 2, 2018 can be fumigated provided that the exporting company could prove that it had previously successfully exported logs into China.

For more see:
https://baijiahao.baidu.com/s?id=1600231053989045254&wfr=spider&for=pc
http://www.forestry.gov.cn/portal/xdly/s/5188/content-1098341.html

Finland boosts timber sales in Nankang

It has been reported that a cooperation agreement was recently signed between the Finnish timber industry and Nankang District authority in Jiangxi province.

It is estimated that almost 2 million cubic metres of high quality Finnish timber has been exported to China annually in recent years and that around 25% is consumed in Nankang District. China's sawn softwood imports from Finland in 2017 surged 88% to 1.71 million cubic metres.

Imported timber from Finland is mainly used in the furniture, home furnishing and home decoration sectors and it is estimated that 60% of Finnish timber is used by Chinese enterprises for furniture making.

See: http://wemedia.ifeng.com/63745947/wemedia.shtml

China's first high-rise wood framework building

A ceremony was held recently to launch the China/Canada Green Modern Wood Framework Industrial Zone and the China/Canada Center. These events were a prelude to joint work to construct a wooden high-rise building..

Construction of China's first multi-storey wood building will be in Youxi County, Sanming City in Fujian Province. It has been estimated that around RMB3.5 billion will be invested in a China/Canada 'Modern Wood Framework Industrial Zone' in Sanming City. The first high-rise wooden building will rise some 70 metres or 12 storeys.

See: http://www.fjql.org/2018-05/10/content_21027825.htm

Correction

In the 1-15 June ITTO Market Report it was stated that "Chinese exports of panel products to UK were only 6,000 cu.m in the first quarter of 2018.

This should read:
China's fiberboard exports to UK in the first quarter of 2018 were just 6,000 cubic metres

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

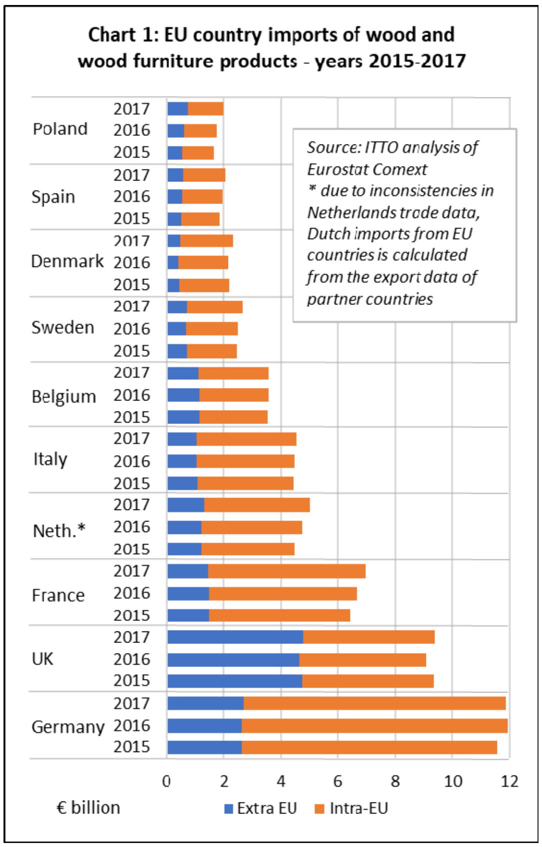
Europe

Tropical timber yet to benefit from more resilient EU trade

Drawing on interviews with timber trade associations across the region, the latest newsletter of the European Timber Trade Federation (soon to be published at http://www.ettf.info/ettf_news) will show that the European timber market continues to grow slowly and broadly in line with GDP forecasts of 2.4% in 2018 and 2.3% and 2% in 2019.

It also highlights that trade growth is becoming more widespread and resilient in southern European countries, including in Italy, Spain and Greece.

However, growth has lost momentum in the UK, the largest EU importer from outside the region. ITTO's own analysis of trade data also indicates that much of the recent gain has been in internal EU trade and imports from neighbouring European countries, rather than in imports from the tropics and other regions (Charts 1 and 2).



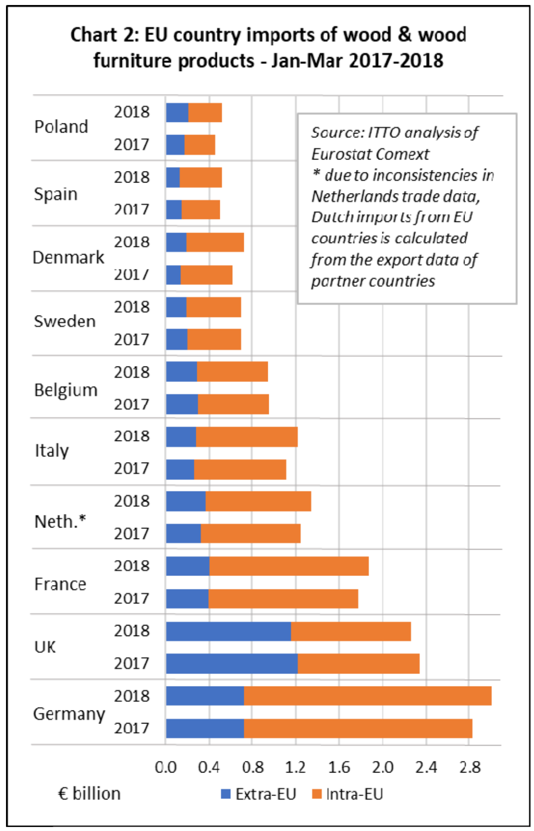
German timber imports rise in 2018 after stalling last year

In 2017, total German imports of wood products (including all those in HS 44 and wood furniture in HS 94) declined 0.7% to €11.88 billion. Germany's imports from inside the EU fell slightly, by 1.7%, to €9.17 billion in 2017, while imports from outside the region increased 2.6% to €2.71 billion.

Most of the gains in German imports during 2017 were from Russia, Belarus and Ukraine. However, trade also increased 5% with Indonesia, Germany's largest tropical supplier, to €158 million. In the first quarter of 2018, German imports were up 6% to €2.28 billion, with nearly all the gains in imports from other EU countries.

According to GD Holz, German sales of lumber and planed timber slowed in the first quarter of 2018, but flooring and building products sales were very robust. From a tropical perspective, a decline in garden and outdoor products sales was a concern in the first quarter, but this trend is likely to have reversed as the weather has improved. Construction is also set for a strong year in Germany.

German importers report some shortages in certain timber categories, including tropical plywood and decking, but with woodworking order books full, traders are expecting further growth in overall demand for timber products.



French trade benefits from rising construction trend

In France, the importers association Le Commerce du Bois reports that trade was buoyed by 2%-plus GDP growth last year and continues to benefit from a rising trend in construction, with housing starts in March at the 427,000 per annum level which compares to 360,000 starts in 2016.

The French timber trade also expects to benefit increasingly from government measures to improve building energy performance and incentivise wood use in construction and from the new €10 million promotional programme, 'Pour mois, c'est le bois'".

This campaign is led by the French national wood association France Bois Forêt and supported by other trade and industry bodies. It aims to "increase the volume of wood consumption in France and increase market share for domestic production".

To date, signs are that the revival in French demand and the promotion campaigns are benefitting mainly European suppliers. The total value of French imports of wood products increased 4.4% to €6.99 billion in 2017. However, imports from inside the EU increased 6.3% to €5.52 billion while imports from outside the EU declined 2.3% to €1.48 billion.

In the first quarter of 2018, French imports increased 5.4% compared to the same period in 2017, with imports from inside the EU rising 6.3% to €1.47 billion and imports from outside the EU up 2.2% to €402 million.
All key sectors expanding in Belgium

In Belgium, the Fedustria association, which since last year has also covered the importing sector, reports that all key sectors enjoyed growth in 2017. The main drivers were higher consumer spending and construction growth of 3.1%. Sales of wood building products and systems were up 5.3%, while sheet materials also performed strongly.

Although Belgian timber sector confidence dipped a little in early 2018, Fedustria is optimistic of boosting market prospects via the latest wave of its wood promotion campaign: "Wood gives oxygen".

Similar to France, the recent gains in Belgian trade have mainly benefitted other European countries. Belgian wood products imports increased 0.8% to €3.60 billion in 2017. Imports from within the EU increased 3.2% to €2.48 billion while imports from outside the EU declined 4.1% to €1.12 billion.

Belgian imports in the first quarter of 2018 were €950 million, no change from the same period in previous year. Imporst from inside the EU increased 0.7% while imports from outside the EU declined 2.2%.

In the panels sector, Fedustria highlight that the industry faces ever-tighter rules on emissions, adhesives and 'best available techniques' application. Consequently, the Belgian association is working with the European Panel Federation to ensure products imported into the EU meet the same high standards and do not compete 'unfairly'.

Netherlands growth at the highest level for a decade

In the Netherlands, economic growth is at its highest point since 2008, consumer confidence is high, and timber trade turnover is rising. The Netherlands imports of wood products increased 5.3% to €5.03 billion in 2017.

Imports increased from inside the EU by 4.7% to €3.7 billion and from outside the EU by 7% to €1.33 billion.

These trends continued in the first quarter of 2018, with imports rising another 7.2% to €1.34 billion compared to the same period in 2017. Imports from inside the EU gained 5.6% to €975 million and from outside the EU the rise was 11.7% to €366 million.

Most of the growth in Netherlands imports from outside the EU has comprised wood furniture from China, Indonesia, Vietnam and India, and sawnwood from Russia.

While demand is expanding, the Netherlands Timber Trade Association reports that the trade is experiencing some pressures with stock prices rising and supply constraints for some products. A lack of skilled labour is also curbing construction's growth capacity and civil works are still not back to pre-recession levels.

Italian imports rising more strongly in 2018

According to the ETTF newsletter, new Fedecomlegno Secretary General Massimo Fiorini takes Italy's rise in timber imports in 2017 as a key indicator of the sector's recovery.

Overall, Italy's wood and wood furniture imports increased 1.8% to €4.6 billion in 2017. Imports from within the EU increased 2.3% to €3.53 billion and imports from outside the EU increased by 0.2% to 1.06 billion.

Italy's imports also picked up pace in the first quarter of 2018, rising 8.9% to €1.22 billion, increasing 9.9% from inside the EU and 5.9% from outside the EU.

One market driver in Italy is an upswing in the property sector since 2017, which resulted in rising imports of sawn timber, wood flooring, and joinery products.

While the signs in Italy are encouraging, the recovery has yet to extend to tropical wood. Imports from the largest suppliers of tropical timber into Italy – Cameroon and Indonesia – fell during 2017.

Italian imports from Brazil increased, but this was mainly plantation softwood plywood rather than tropical hardwood.

From within the EU, there was a significant increase in imports from Austria, Italy's largest external wood supplier, together with Poland and Slovenia.

Much of the recent gain in Italian imports from outside the EU has comprised furniture from China – which may be seen as a negative by Italy's large and still dominant domestic furniture sector – together with sawnwood from Ukraine and birch plywood from Russia.

Volatility in the UK trade

The UK Timber Trade Federation (TTF) reports that the last two years' have been volatile due to uncertainties over Brexit and subsequent currency fluctuation. The timber trade had weathered this until now, but into 2018 conditions have worsened, with wood and wood products imports declining 3.2% in the first quarter compared to the same period in 2017.

Imports from within the EU fell 1.5% to €1.11 billion while those from outside the EU fell 4.7% to €1.15 billion.

The decline in UK imports from outside the EU this year has been concentrated in plywood and joinery products from China, sawn hardwood from the USA, and pellets from the USA and Canada.

The slowdown in UK imports is attributed partly to poor weather and the collapse of giant contractor Carillion and partly uncertainty surrounding Brexit with the UK moving from the fastest to the slowest growing EU economy.

With the UK due to leave the EU in March 2019, the full impact of Brexit has yet to be felt. The TTF has warned that Brexit could land the UK trade with a '£1 billion tax bill' in non-deferrable VAT on wood imports from the EU. Currently under EU rules, importers can clear goods through customs and pay VAT later, a major cashflow benefit.

However, once the UK leaves the EU VAT area, 20% VAT will have to be paid on goods' arrival. The TTF is concerned that this will contribute to additional costs for storing at ports and delays due to administering customs checks and documentation. The TTF is therefore urging government to maintain existing EU VAT arrangements.

While from the perspective of the TTF, the extra bureaucracy of doing trade with the EU after Brexit is a clear disadvantage, these issues may create some new opportunities for suppliers outside the EU.

In 2017, the UK imported wood and wood furniture products with a total value of €9.4 billion (US$10.9 billion) of which 49% derived from other EU countries.

The UK is already by far the largest EU importer of wood products from outside the region – alone accounting for 25% of all extra-EU imports and 27% of EU tropical imports - and Brexit may increase this tendency to trade with countries outside the EU.

However, these new opportunities need to be balanced against the potential negative impact of Brexit on the overall UK economy.

Rising optimism in Danish trade

According to the Danish Timber Trade Federation, Denmark is enjoying 2% annual GDP growth and its construction sector is optimistic again after several years of crisis.

The timber sector is benefitting accordingly with a rise in both import and consumption of wood products, both from within and outside the EU. Prices are also trending upwards in softwood, hardwood and certain panel products.

In 2017, Denmark imported wood and wood furniture products to a total value of €2.37 billion, nearly 10% more than in 2016. Imports increased 9% to €1.88 billion from other EU countries and 13.5% to €490 million from outside the EU.

Denmark's imports increased a further 16% in the first quarter of 2018 comparted to the same period in 2017, rising 10% from inside the EU and over 37% from outside the EU.

A large proportion of the increase in Danish imports from outside the EU comprises biomass from Russia and the US, however there was also an increase in wood furniture imports from Vietnam and, to a lesser extent, Indonesia.

Tourist industry puts floor under Greek demand

In Greece, the level of timber trade is still restricted following the financial crises which came to a head in 2010 and led to a 25% reduction in total national GDP and an estimated 85% contraction of the wood sector. In 2017, Greek wood and wood furniture imports declined 2% to €420 million, after a 10% rise the year before.

However, in 2018 investment in construction for the tourist sector, particularly for major hotel developments but also including the small private rental market, is giving the Greek timber industry a modest, but much needed boost, according to HTCA, the Greek timber trade association.

The HTCA acknowledges that building and timber industries have been particularly hard hit in the economic crisis. But domestic and inward investment in tourism related projects is on the increase, and, in line with a wider upturn in the use of timber in construction, these are featuring more wood products and systems than in the past.

This is beginning to have an impact on imports which were €69 million in the first quarter of 2018, nearly 10% more than the same period in 2017, rising 13% from within the EU and 6% from outside the EU. From outside the EU, there has been particularly strong growth in Greek imports of wood furniture from China and plywood from Russia this year.

Russian timber sector in buoyant mood

According to a report in the ETTF Newsletter by Sviatoslav Bychkov, Ilim Timber Managing Director, Marketing and Communications, the Russian timber sector is in buoyant mood and increasing capacity, including in wood-based construction, after a robust performance in 2017.In 2017 Russia GDP grew 1.5%, successfully taking the country out of economic recession.

The woodworking industries were part of this success, contributing 1.9% to GDP, with the sawmill sector achieving 2.2% growth and its further expansion reflected in a 60.7% increase in production and processing equipment imports.

Saw log production rose 4% to reach 79 million m3, while exports contracted 1.5% to 11 million m3, with the bulk going to China. Meanwhile market prices for Russian sawn softwood exports grew an average of 10% in Asia, Europe and the Middle East and North Africa (MENA), driven by a number of factors, including demand on the domestic market.

China overall accounted for 58% of sawn timber and 95% of log exports from Russia in 2017. The former percentage represented 21% volume growth to a total of 15.5 million cu.m.

Reflecting the migration to processed timber exports, Manzhouli, the major land port for Russian timber exports to China, achieved a record high volume of sawn timber handled, at 8 million m3 and saw a record low volume throughput of saw logs at 3.8 million m3. In 2017, Russian exporters also started to explore railway connections to China's Sichuan province using container block trains.

At the same time the reorientation of lumber exports away from CIS and MENA markets continued, resulting in these accounting for just 20% of the total.

In this buoyant market, all major Russian producers reported that they were increasing production volumes, adding shifts and also modernizing technology. Capital investment was estimated to have increased sawn goods capacity by 600,000cu.m in 2017, with a further 500,000cu.m forecast for 2018.

Due to demand, sawmillers in the North West region started to experience some saw log shortages, while Siberia reported record high harvest volumes.

Further reflecting production growth, a number of mills in Siberia and eastern regions have started fuel pellet production to manage by-products output, increasing overall industry capacity by 31%.

Annual plywood production, primarily birch, has been stable at 3.7 million m3 for three years, with 50% exported, mainly to the US, UK and rest of the EU, but an estimated 200,000cu.m of new capacity is forecast to be added this year.

FSC certification has grown to cover 48.3 million hectares of Russian commercial forest. Russia now accounts for 25% of the FSC certified forest area worldwide.

Yacht industry calls for co-operation with Myanmar on teak

According to a report in the ETTF newsletter, an international alliance of yacht sector and associated organisations has cautioned against a ban on trade in Myanmar teak. Instead it urges industry, governments and NGOs to support the country's efforts to reform forest management and improve legality assurance.

The Large Yacht Cluster (LYC) comprises shipyards, teak importers and suppliers, national and international trade bodies and NGOs. Its core aim is a 'sustainable teak value chain'. The organisation says teak is prized in yacht making, not just for aesthetics, but also its durability and anti-slip characteristics and the fact that it does not warp, attract insects, or absorb moisture.

At the same time the cluster says it is "fully aware of the fragile status of teak and the consequences of unlawful traded timber".

However, it warns that banning trade in the timber will only promote exports to less environmentally concerned markets, reduce support for Myanmar to strengthen environmental controls and undermine its ability to tackle illegality.

The cluster says the requirements on legality assurance of the EU Timber Regulation, US Lacey Act and Australian Illegal Logging Prohibition Regulation are promoted in the industry, as well as 'certification references such as FSC and PEFC'.

But it also urges greater international harmonisation of market legality requirements 'to ensure a global approach, a level playing field and harmonised enforcement'.

It additionally backs development of alternative materials to partly spare teak and is working on guidelines for using less teak per vessel to reduce pressure on stock.

The core appeals in the position paper are for: international support for Myanmar's efforts to create a sustainable teak value chain; endorsement of this stance from national and international institutions and trade bodies; support for education of the yacht industry on teak issues; national enforcement agencies to work collaboratively – 'taking a constructive approach and refraining from unconstructive and unequal measures and penalties against those that do their utmost'.

EUTR having a significant impact on purchasing decisions

Much timber trade policy discussion in the EU now focuses heavily on developments in the EU Timber Regulation (EUTR) which, given its scope covering nearly all timber products and importing companies in the EU, is having a significant effect to influence purchasing decisions, particularly in relation to tropical timber products.

The latest European Timber Trade Federation newsletter (soon to be published at http://www.ettf.info/ettf_news) is said to include cludes details of the European timber trade's views on the implementation and enforcement of EUTR.

Information on the latest EUTR developments is also provided in a regular briefing note issued by UNEP-WCMC in its capacity as a consultant to the European Commission and based on information provided by the Member States Competent Authorities (CAs).

Drawing on a survey of 20 CAs in the second half of 2017, the latest UNEP-WCMC briefing provides details of EUTR compliance checks performed and penalties imposed to enforce EUTR implementation.

The respondents reported conducting checks on more than 467 domestic operators, 388 importing operators, 300 traders dealing with domestic timber, 177 traders dealing with imported timber and three monitoring organisations, over the period June-November 2017.

The report also includes a summary of the latest FLEGT/EUTR Expert Group meeting in Brussels during April where it notes that "some Member States reported substantiated concerns regarding companies placing timber from high-risk countries on the EU market, including from Myanmar and Brazil.

The conclusion of the EUTR Expert Group meeting of 20 September 2017 was reiterated and it is still not possible for operators to demonstrate compliance with EUTR due diligence obligations as regards timber imports from Myanmar".

According to WCMC-UNEP, the FLEGT/EUTR Expert Group meeting in April also included a presentation on a TAIEX mission to Ukraine which reported that "a substantial corruption risk can be found in every supply chain and is widespread throughout the country however, there was not enough public information available to convince EU operators of the risks".

Eurostat data compiled by ITTO shows that in 2017 the EU imported EUTR regulated products with a total value of €950 million from Ukraine, which compares to €554 million in 2013 when the EUTR was first introduced, a 72% increase.

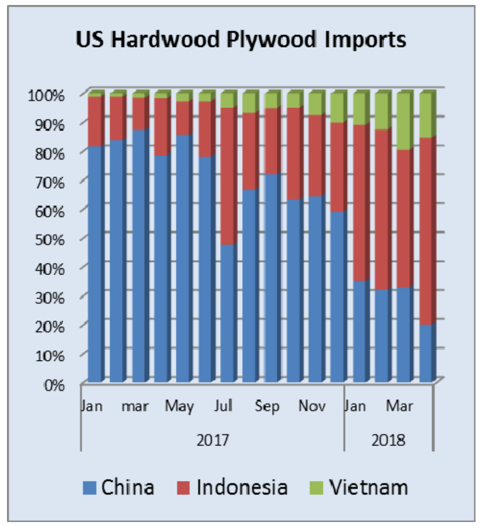
EU timber imports from Ukraine comprise a wide range of products, led by sawn hardwood and softwood and veneers, mainly destined for Poland, Germany, Romania, Hungary and Italy.
Links to the UNEP-WCMC briefing notes together with other EC information on the EUTR are available at http://ec.europa.eu/environment/forests/timber_regulation.htm#products.

North America

Hardwood plywood imports from Vietnam triple
Hardwood plywood imports grew in April but year-to-date imports were significantly lower than in April 2017 due to the plunge in imports from China.

The US imported 208,068 cu.m. of hardwood plywood in April. Indonesia accounted for close to one third of all imports, followed by Russia and China.

Year-to-date imports from Vietnam tripled as Chinese plywood manufacturers adjusted to the US anti-dumping and countervailing duties.



Data source: US Census Bureau, Foreign Trade Statistics

Indonesia, Thailand and Vietnam gaining share of laminate flooring imports
Hardwood moulding imports declined for the third consecutive month in April, but imports from Brazil increased 45% from the previous month to $3.2 million.

Hardwood flooring imports decreased in April mainly due to lower imports from China. For engineered/laminate wood flooring, year-to-date imports from China were down, but imports from Indonesia, Thailand and Vietnam grew compared to April 2017.

Furniture imports from Indonesia and India rise
Wooden furniture imports climbed 2% in April to $1.41 billion. Year-to-date imports were 7% higher than in April 2017.

The strongest growth in imports year-to-date was from Indonesia and India. China and Vietnam continue to dominate the U.S. market accounting for a combined 65% of furniture imports in 2018 to date. Wooden office furniture imports

Furniture market indicators generally positive, but cabinet sales decline

The furniture industry reported growth in May, while wood products manufacturing output was unchanged from April, according to the Institute for Supply Management's Manufacturing ISM Report On Business. US Census Bureau showed higher retail sales of furniture and home furnishings in May.

New furniture orders and shipments were significantly up in April, according to the latest Smith Leonhard survey of residential furniture manufacturers and distributors.
April orders were 15% higher than at the same time last year. Year-to-date furniture shipments were up 3% from last year.

Cabinet sales increased 1.6% in May from the same time last year, according to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey. Year-to-date cabinetry sales through May 2018 were slightly up compared to 2017.

Tariffs on steel and aluminium increase cost of construction materials

U.S. tariffs on steel and aluminium from Canada, Mexico and the European Union will contribute to dramatic cost increases in construction, according to the Associated General Contractors of America (AGC).

The ISM Report On Business reported many commodities up in price in May including wood. From May 2017 to May 2018 the cost of all goods used in construction rose almost 9%, according to the AGC.

The latest tariffs on steel and aluminium were imposed on June 1. The EU started enforcing retaliatory tariffs on U.S. imports in late June, and on July 1 Canadian retaliatory tariffs on steel, aluminium and other US products took effect.

A ripple effect from the tariffs on the US.housing market is possible, which is already affected by labour shortages and duties on Canadian sawn softwood.

Canadian retaliatory tariffs include US made plywood and wooden furniture

Starting July 1 Canada imposes a 10% import duty on plywood and upholstered seating furniture made in the U.S. The duty will apply to the following HS codes:

4412.39.00 Other plywood, consisting solely of sheets of wood (other than bamboo), each ply not exceeding 6 mm thickness: Other, with both outer plies of coniferous wood

4412.99.90 Other: Other plywood, veneered panels and similar laminated wood

9401.61.10 Other seats, with wooden frames, upholstered: For domestic purposes

9401.61.90 Other seats, with wooden frames, upholstered: Other

Federal Reserve raised interest rates

The Federal Reserve raised interest rates in June and signaled that two additional increases were on the way this year. It was the second rate increase this year and the benchmark rate is at 1.75 to 2% now.

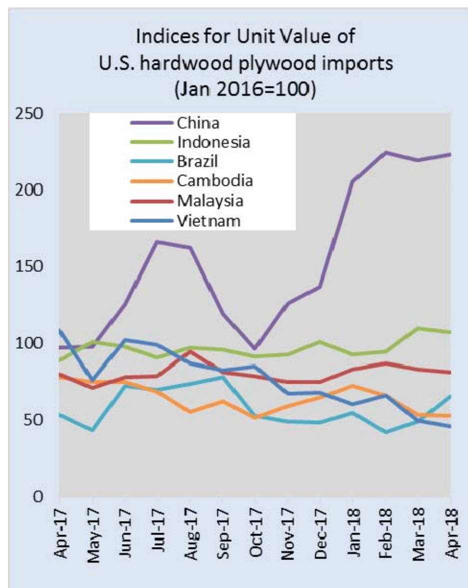
Consumer confidence in the U.S. economy was slightly down in June, according to the University of Michigan Surveys of Consumers.

One quarter of respondents raised tariffs as a concern and their potential impact on the economy. However, employment and income had a favourable outlook for the year ahead.

Supreme Court ruling on online sales tax levels playing field

The U.S. Supreme Court ruled in June that states can require retailers to collect sales, including when retailers are online or outside the state.

The Home Furnishing Association welcomed the ruling, which allows states to require online retailers like Amazon to pay the same tax on sales as a furniture retailer with a physical store.



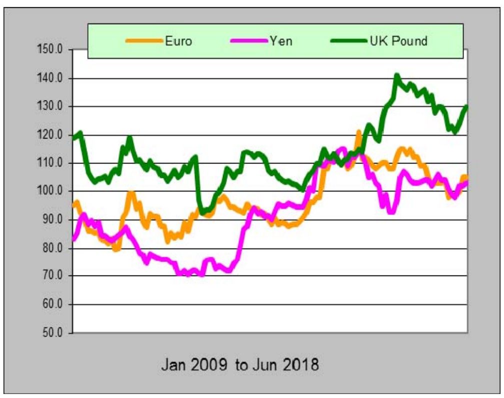
Data source: US Census Bureau, Foreign Trade Statistics
Note: Indices are derived from Customs values and exclude shipping, insurance and duties

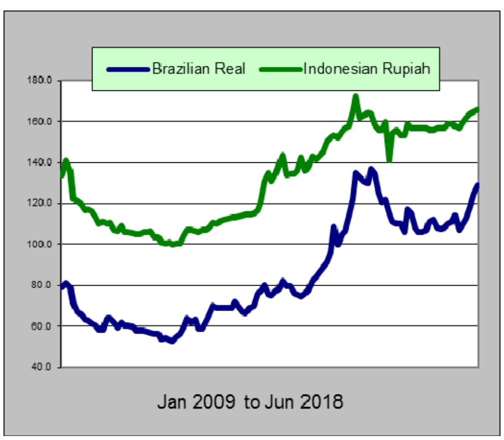
Dollar Exchange Rates

As of 25 June 2018

Brazil	Real	3.8016
CFA countries	CFA Franc	561.99
China	Yuan	6.5793
EU	Euro	0.8585
India	Rupee	68.38
Indonesia	Rupiah	14197
Japan	Yen	110.04
Malaysia	Ringgit	4.0225
Peru	New Sol	3.2676
UK	Pound	0.,7563
South Korea	Won	1118.55

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



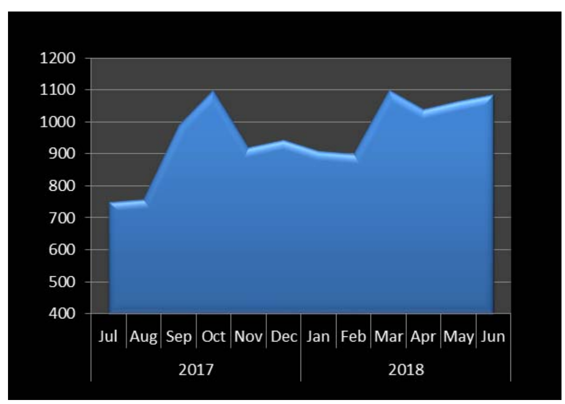


Abbreviations and Equivalences

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
July 2017 – June 2018

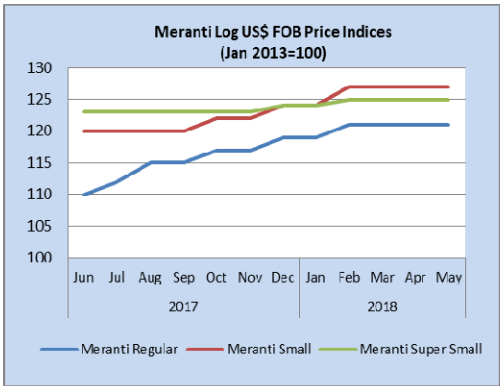


Data source: Open Financial Data Project

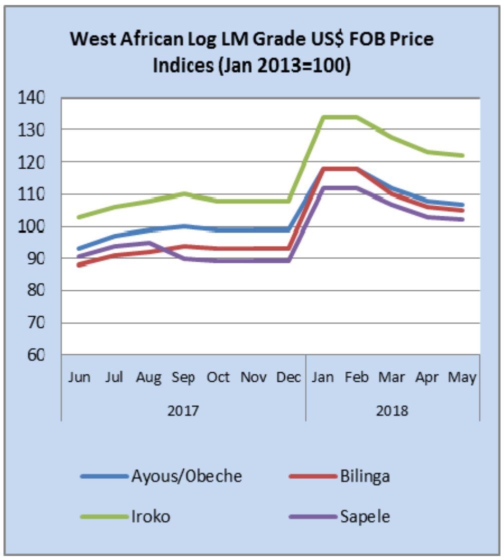
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

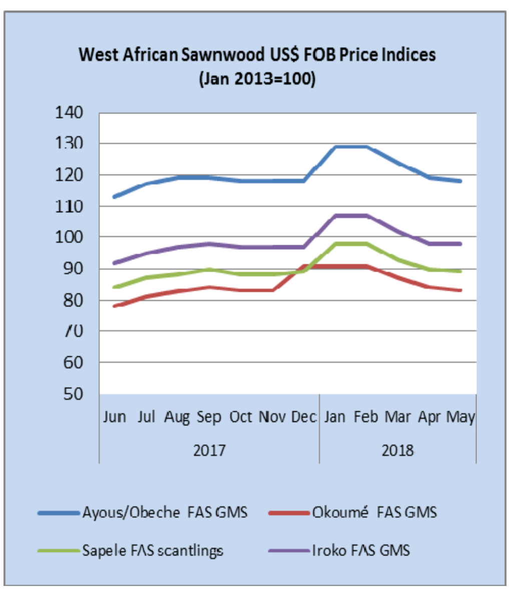
The following indices are based on US dollar FOB prices

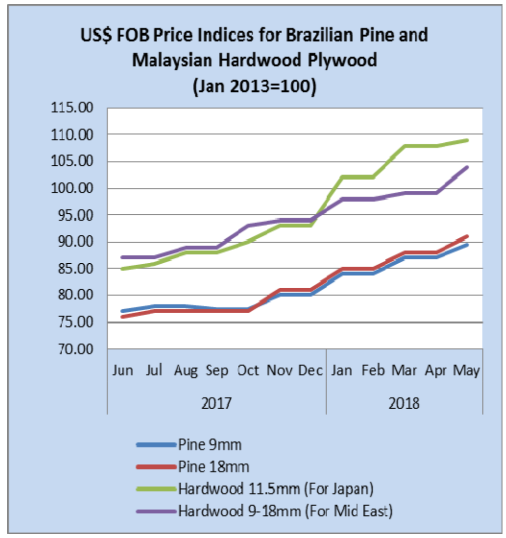


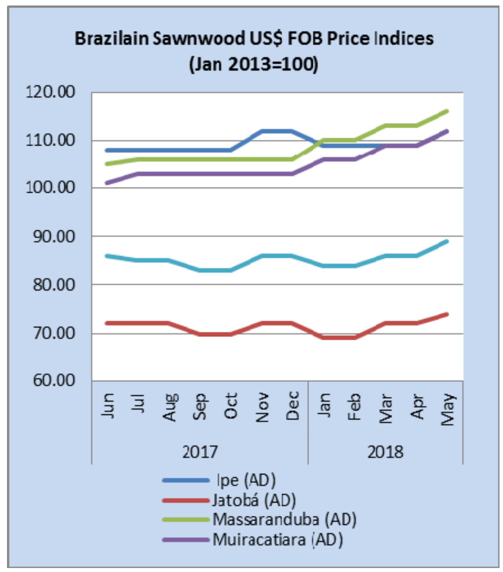
Note: Sarawak logs for the Japanese market



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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