Tropical Timber Market Report

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Third party certification bodies in Myanmar ready to start work

The Secretary of the Myanmar Forest Certification Committee (MFCC) has reported that independent Third Party Certification Bodies (CB) will be ready to start the certification process in July this year.

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Headlines

Central and West Africa

Port congestion occupying exporters

Producers report firm demand for okoume logs and sawnwood and anticipate prices are likely to rise in the near future. Trade in the heavy density species is also brisk with both India and China buying padouk and other logs and sawnwood of heavy species.

Much of the efforts of producers and exporters is focused on trying to overcome shipping problems caused by congestion, limited access for vessels and loading difficulties at the port of Douala and to a lesser extent at Kribi.

The knock-on effect of the port congestion has been a temporary decline in shipments of some products notably okoume sawnwood from Gabon and logs from Republic of Congo where shippers are now unable to use Kribi and will have to find alternative ports at an even further distance from concessions

The authorities in Gabon are working hard to improve the throughput at Douala Port but the long term problem of limited depth for large vessels will necessitate regular dredging which has not yet been discussed seriously.

Analysts report no change in the overall market stability with prices and orders continuing to firm but with little indication that neither producers nor importers are keen to disruprt the current price and market situation.

Regional news

In other news, those producers not using bar code log identification are now installing such systems to better meet EU importers requirements for due diligence compliance.

As previously reported, producers in the region are complaining about the truck weighbridge checks installed on major roads. They say the truck tonnage limit is too low especially for the denser, heavy timbers. The current weight limits make it uneconomic to truck the heavier timbers.

Internal unrest continues in the Central African Republic and shipments of sawnwood have come to a standstill.

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	400⬆	400⬆	-
Bibolo/Dibétou	210⬆	210⬆	-
Bilinga	260	260	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	250	190
Moabi	345	340	265⬇
Movingui	230	230	170
Niove	175	160	-
Okan	245	24%	-
Padouk	350⬆	300⬆	245
Sapele	310	300	245
Sipo/Utile	335	315	245
Tali	415⬆	415⬆	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	530⬆
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	920⬆
FAS scantlings	1020
Strips	640
Sapele FAS Spanish sizes	510⬆
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	720⬆
Strips	420⬆
Khaya FAS GMS	480
FAS fixed	480
Moabi FAS GMS	625
Scantlings	630
Movingui FAS GMS	455⬆

Ghana

Millers briefed on exporting to UK

At a UK/Ghana Export Forum organised by the UK/Ghana Chamber of Commerce, exporters expressed interest in expanding trade with the UK but lamented the frequent changes in export regulations in Ghana. Exporters said that frequent changes in export regulations and the high cost of borrowing to expand production are holding back business expansion.

Ghana introduces cargo tracking system for imports

A press release from the Ghana Revenue Authority (GRA) explains the new Cargo Tracking Note (CTN) System that took effect 1 July 2018.

The press release says: “for all shipments to Ghana (transit cargo included) shippers/Exporters/Forwarders at the various Ports of Loading around the World are required to obtain a validated CTN number using the global online platform provided and submit same together with Shipping Instructions (SI) to their Shipping Lines. Each Bill of Lading must be covered by a valid CTN number.

Shipping Lines are required to insert the unique CTN number on both the Bill of Lading and Cargo Manifest. Shipments not covered by a valid CTN number will not be cleared through Customs in Ghana and fines may apply.

The introduction of CTN is in furtherance of GRA’s drive to modernise its operations for facilitation of legitimate trade in line with international best practices”.

See: http://www.gra.gov.gh/index.php/category/item/818-cargo-tracking-note-system2

Forest reclamation activities suspended

When meeting the media recently the Forestry Commission CEO, Owusu Afriyie, announced the Commission had suspended all contracts related to forest reclamation in forest reserves across the country. Letters cancelling all contracts were sent to contractors after it was discovered that some companies had breached the contract agreement.

Afriyie said the suspension is to allow the review and stock-taking of operations and activities of private contractors who have been engaged on the reclamation project.

Ghana losing forest at 2% per year

Ms. Mafalda Duarte, Head of the Climate Investment Fund of the World Bank, has warned the country it faces losing its entire forest cover in 20 years if the current rate of deforestation continues. She advised the government to identify the key challenges and initiate an action plan to check the rate of deforestation.

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	400↓
Niangon	580
Niangon Kiln dry	620↓

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	332	450
Chenchen	365↑	505
Ogea	473	590↓
Essa	546	655↑
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

New Minister of Primary Industries

The final round of ministerial positions has been completed in Malaysia following the recent general election. The Ministry of Plantation Industries and Commodities has been renamed the Ministry of Primary Industries as it was many years ago.

The new Minister of Primary Industries is Teresa Kok, she has a degrees in communications and political science and a master’s degree in philosophy.

In her first public statement she said her ministry will focus on increasing the number of high value-added products from plantation and will support research and development to raise the commercial value of production and improve product quality and environmental sustainability. The Deputy Minister is Shamsul Iskandar Mohd Akin.

See://www.channelnewsasia.com/news/asia/malaysia-swears-in-13-ministers-and-23-deputy-ministers-10490684

Oil palm stems as a raw material for industry

In Malaysia there is growing interest in investigationg substitutes to supplement timber supplies from natural and planted forests.

The Malaysian Timber Council (MTC) has been playing a key role in highlighting the potential of Oil Palm Trunks (OPTs). Recently MTC conducted public discussions on the use of OPTs.

OPTs that come from palms felled during replanting could be an alternative source of raw material for the wood-based industry. Malaysia was one of the first to use OPTs to produce 'palm wood' and bio-composite products.

The commercial life of oil palms is considered to be 25 years meaning oil palm estates will fell and replant every 25 years. Malaysia has around 5.7 million hectares of oil palm and an estimated 80,000 to 100,000 ha. is felled annually yielding about 18 million palm stems.

Palm stems are not easy to mill or utilise as the density varies at different parts of the stem being lower in the core and at the top of the stem compared to the base and outter part of the stem in the same way as in coconut palm stems. Also, palm boards are very susceptible to fungal and insect attacks due to the high sugar and starch content. Research suggests that OPTs may be suitable for the manufacture of composite panel products.

In related news the Sarawak Timber Industry Development Corporation (STIDC) has embarked on programmes focusing on non-timber based materials for the timber industry such as bamboo. Deputy Chief Minister, Awang Tengah Ali Hasan, said the state government is committed to greater sustainable management of forest in view of the reduction in harvests from the state's natural forest.

The domestic press in Sarawak has reported that Subur Tiasa Holdings will partner STIDC in developing of bamboo plantations and utilisation studies.

Sabah moves to restructure forestry sector

The new state government in Sabah, installed after general elections in early May, has clarified its position on the timber industry, especially the interim ban on log exports.

Sabah Chief Minister, Mohd Shafie Apdal, has said that among the various factors behind the decision to ban log exports was the need to break what has been termed 'a Sabah timber cartel' that allegedly monopolised the sector.

Shafie explained that the ban was part of a comprehensive restructuring of the state's forestry sector.

See more at https://www.thestar.com.my/metro/metro-news/2018/07/06/log-export-ban-aims-to-break-sabah-timber-cartel-shafie-we-need-to-change-so-that-more-people-can-be/#bhFh5M5gpjgZysmW.99

Certified forest management unit in Sarawak

In response to a state directive that logging companies must be certified, Ta Ann, one of the big six of timber companies in Sarawak, has announced that its Kapit Forest Management Unit (FMU) has been awarded the Certificate for Forest Management (Natural Forest) under the Malaysian Timber Certification Scheme (MTCS), a scheme endorsed by the PEFC.

The certificate was awarded by SIRIM QAS International in June with a validity of three years after a two stage audit, a series of stakeholder consultations and a peer review.

Covering an area of 149,756 hectares, the Kapit FMU is located in the southern part of Kapit District and is the first FMU under Ta Ann Group to be certified. The FMU constitutes 44 % of licensed concession area under Ta Ann Group which has a combined licensed area size of 337,996 hectares.

The certification of its Kapit FMU is an important step forward which will enable theta An Group to further increase its production of certified plywood products.

June 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

Government to review export duties

To boost exports the government plans to develop a number of incentives and review export duties for several sectors including the timber sector. The aim is to make domestic production more competitive to support growth in exports to help reduce the trade deficit.

In other moves, the Industry Minister, Airlangga Hartarto, will act on import duties to protect domestic manufacturers as he fears there could be a surge in imports of wood products from China because of the rise in US import duties.

The local media is reporting that the government is also preparing new incentives for small and medium enterprises especially in the furniture sector in order to increase the export competitiveness. One action will be to provide subsidies for Timber Legality Verification System certification.

Strong dollar improves export prospects

Prospects for Indonesia's wood product manufacturers are improving on the back of stronger world demand and the strength of the US dollar.

Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concessionaires (APHI), said the stronger dollar works in Indonesia's favour as exports are that much cheaper. As of May 2018 the value of Indonesia's wood product exports was US$5.71 billion.

Indonesia and Austria strengthen trade in wood products

Indonesia trades FLEGT licensed wood products throughout the EU including to Austria. As of September 2017, the Austrian authorities reported that around 200 FLEGT licensed timber shipments had been received from Indonesia.

In order to strengthen the implementation of FLEGT license system the Ministry of Forestry, together with the Ministry of Foreign Affairs, hosted a workshop on 'Strengthening Implementation of FLEGT License between Indonesia and Austria'.

Over the past five years Indonesia's export of wood products to Austria has been dominated by furniture, handicrafts and woodbased panels and the trade has grown from US$444,000 in 2013 to US$2.5 million in 2017.

US the main export market for furniture

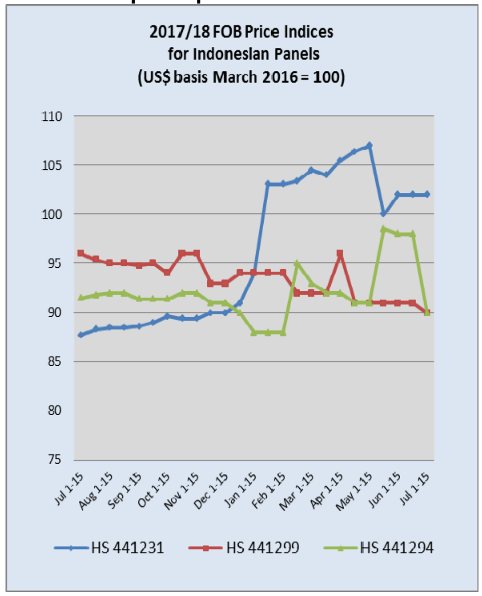
Abdul Sobur, Secretary General of Association of Indonesian Furniture and Handicraft Industry, said exports recorded good growth in the first half of this year and the main market for Indonesian furniture and handicraft was the US.

The total value of furniture and handicraft exports in the first half of 2018 reached US$1.3 billion, a year on year increase of 9% compared with the same period last year. This was achieved as Indonesian exporters had diversified into over 100 different markets largely due to the success of the IFEX exhibition in March.

In related news, Sobur pointed out that, while the government has targeted furniture exports for 2019 at US$5 billion, comprising US$3.2 billion for furniture and US$1.8 billion for handicraft, this will be difficult to achieve because of the obstacles faced by manufacturers.

Among the most problematic obstacles are high bank interest rates, inadequate raw material supply, SVLK compliance and the complexity of importing raw materials. Sobur called on the government to address burdensome regulations so the sector could grow.

Indonesian panel price indices



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

Myanmar

Proposal for plantation log export

Zaw Min, Deputy Director General of the Forestry Department, has been quoted by the domestic press as saying the Forest Department has proposed allowing the export of logs from private plantation forests. Myanmar introduced a ban on natural forest log exports in April 2014.

Private forest plantations have been permitted since 2006 and extend over about 80,000 ha. around half of which is teak and the balance other hardwoods. Currently, thinnings from plantations are utilised locally but these are of small diameter and domestic mills are better equipped to mill large natural forest logs.

Independent third party certification bodies ready to start work

Analysts in contact with Myanmar exporters say the consensus amongst timber exporters is that it is increasingly obvious that the trade in teak products to EU is set to decline sharply. One exporter said that until the country has a verifiable chain of custody system which allows EU importers to satisfy the due diligence requirements of the EUTR trade will be hampered.

The exporter complained that, currently, even if exporters secure an export permit from Forest Department, which requires meeting their strict regulations, exports can be rejected in the EU as the authorities cite weak compliance with regulations.

Recently, a FLEGT advisor to the Forestry Department and the Ministry of Natural Resources and Environmental Conservation (MONREC) compiled a dossier on the supply chain from the forest to the point of export.

But currently there is no system in place to independently verify compliance along the supply chain.

In response to this, Barber Cho, Secretary of Myanmar Forest Certification Committee (MFCC), has indicated that independent Third Party Certification Bodies (CBs) will be ready to start the certification process in July this year.

He said the system and documentation are almost ready and training for the auditors has been completed. A 'soft' launch will take place in July.

To begin there will be four certification bodies, three domestic entities and one international. However, he said, because such a system is new to Myanmar, it will take time for the CBs to reach full capacity.

The performance of the CBs will be closely watched by the MFCC. Cho said he welcomes constructive cooperation and technical support from any organizations so that the third party certification process can move progressively to satisfy international requirement.

Cho also stressed that the priority of the MFCC is to enhance cooperation in legality verification with the FLEGT advisor to MONREC so as to build trust between all parties and create an environment where trade with the EU and other international markets can flourish.

A plea for more emphasis on investments

Statistics from Myanmar's Directorate of Investment and Company Administration show that, investments from China made up around one third of total investments in the financial year 2014-15. In contrast, investments by US companies accounted for less than 1%.

A Special Economic Consultant to Aung San Suu Kyi has called on the international community put more emphasis on helping Myanmar secure investments.. He said the Western media continues to intensify their criticism of the country. With abundant oil and gas reserves as well as a large young population Myanmar considerable potential to attract investment.

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

Van Mahotsav

Uttar Pradesh Chief Minister, Yogi Adityanath, officially launched the State's participation in Van Mahotsav on 1 July and applauded the efforts of the residents of Uttar Pradesh for being a part of this tree plantation initiative.

Van Mahotsav is a tree planting festival held annually in India. 'Van' means 'forest' and 'mahotsav' means 'festival'. This tree-planting movement began in 1950. It has gained significant national importance and every year millions of saplings are planted across India in observation of Van Mahotsav week.

Adityanath began the State's participation in the Van Mahotsav festival by planting a sapling at Barabanki. While addressing a gathering there he said protecting the environment has always been his priority and he urged people to join his cause of environmental protection because Uttar Pradesh has a low forest cover at just 9%, far below the national average of 33%.

Apart from the Forest Department, school and college students as well as officials from other government departments were asked to join the tree planting exercise.

Plantation teak imports

Demand for imported logs has slowed due to the onset of monsoon which impacts building work, traders report supplies have also slowed. The strong dollar, rising for last three months, has been increasing the landed cost of imports so traders have cut back on orders.

The Indian Rupee has been sliding due to high oil prices and resultant heavy payments in foreign currencies. Because of this situation domestic wholesale prices for imported teak keep rising but the C&F prices remain flat.

The market for teak and other wood products has been affected for months by home sales.

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

As previously reported importers say they cannot offer higher prices to exporters because of the stiff competition amongst traders and competition from alternative timbers from West Africa and South America. Analysts point out that eventually importers will have to agree to higher FOB prices or face losing market share to alternative timbers.

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

Importers in India still have stocks of Myanmar teak logs imported before the export log ban introduced by Myanmar. Analysts report that teak log sales are very slow and that this is related to the availability of teak faced plywood and teak veneers being imported from China in large volumes.

In other news, okoume veneers continue to replace veneers produced from imported gurjan and keruing logs.

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

Composite panels, especially MDF, have been gaining market share from plywood. A new production facility producing wood/cement board has become operational in the south of India, adding to the competition. Consumption of woodbased composite panels has been growing at around 15% annually compared to the 7-8% growth in consumption of plywood.

Plywood manufacturers are waiting for an opportunity to raise prices to off-set rising raw material costs and the weaker rupee. Analysts say a 5-10% price hike is likely from around August. Current prices remain unchanged.

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

Mato Grosso to double forest management area by 2030

In the State of Mato Grosso there are some 3.2 million hectares of sustainably managed forests and this is expected to rise to 6 million hectares by 2030.

In all 44 municipalities in Mato Grosso the domestic economy is driven by the forestry sector which ranks 4th amongst all economic sectors. In 2017 the forestry sector contributed more than R$47 million in taxes and over R$16 million towards the State Fund for Transportation and Housing (FETHAB).

Forest management in Mato Grosso is a very complex and involves compliance with numerous regulations. In addition, authorisations and supervision of forestry activities, including harvesting, transportation and trade, involves several government agencies including the Institute of Environment and Natural Renewable Resources (IBAMA), the Institute of Agricultural and Livestock Defense (INDEA) and the Brazilian Federal Highway Police making management overly bureaucratic.

The Center for Timber Producers and Exporters of Mato Grosso State (CIPEM), together with the National Forum of Forest-based Activities (FNBF) and SEMA-MT, recently held a workshop dedicated to practical experience in forest management aimed at opening a dialogue with the regulatory agencies so they better understand the forestry sector.

In holding the workshop CIPEM hoped to demonstrate its commitment to legality and to educate government agencies and society on what it means to conserve Amazonian forests through sustainable forest management.

IEMI presents furniture market data

According to an IEMI market research institute report published this year furniture production in 2017 showed signs of recovery after years of consecutive declines.

The report says that, while growth is subdued (0.3%) in 2017 over 2016, the turn-around is important for the industry indicating market stabilisation and the beginning of a new era for the domestic furniture market.

Another important observation was the resumption of growth in furniture imports, which although representing only 2.6% of the domestic furniture consumption, rose 46% last year.

Furniture exports have remained relatively stable over the past five years accounting for around 3.5% of domestic production. For 2018, preliminary estimates point to a more significant growth in furniture production at over 4% compared to 2017. The report concludes that there could be significant export growth in 2018.

Brazilian wood industry promoting business in Europe

In a meeting with the Belgian Investment Agency (AWEX), representatives of ABIMCI (Brazilian Association of the Mechanically Processed Timber Industry) focused on attracting investments by Belgian companies.

ABIMCI representatives also held a meeting with the World Customs Organization (WCO) to develop technical cooperation among Customs administrations and to promote simplification of international standards and their harmonised application.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
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 m^3
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 m^3
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 m^3
15mm MDParticleboard	227
15mm MDF	257

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
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 m^3
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 m^3
Decking Boards	Ipê	2,628
	Jatoba	1,450

Source: STCP Data Bank

Peru

Exchange of experiences in Germany: dialogue of experts on forest management

Officials from the Ministry of Environment, the National Forestry and Wildlife Service, the Forest and Wildlife Resources Oversight Agency and the General Directorate of Forestry and Wildlife of Ucayali recently visited Germany to participate in a dialogue with public and private sector forestry and timber trade specialists.

The aim of the visit was to experience systems for forest governance and management in Germany so as to generate innovative ideas that could be applied in Peru.

The Peruvian delegation had the opportunity to exchange ideas with officials from different institutions of the Bavarian state, such as the Federal Ministry of Food and Agriculture and the State Forestry Company (Bayerische Staatsforsten).

The discussions centred on issues such as public administration and forest governance, management and organisation for sustainable forest management, capacity building and training, public participation and channels for communication between the federal government and state governments.

The visit was arranged by GIZ, through its ProAmbiente II programme in coordination with the German Forestry Association.

Regional authorities validate anti-corruption plan for forestry

As part of efforts to strengthen an anti-corruption plan, a regional workshop themed "National Anticorruption Plan of the Wildlife Forest Sector 2018 - 2021" was conducted with the aim of securing input on the plan from regional forest and wildlife authorities in Loreto, Amazonas, Ucayali, San Martín and Madre De Dios.

Contributions to improve the plan included, for example, guaranteed transparency and access to public information, simplifying administrative measures; installing a culture of integrity and public ethics and strengthening disciplinary measures.

This workshop will be replicated in Huánuco and will involve participation of the Regional Forestry and Wildlife Authorities of Huánuco and La Libertad and the Technical Forestry and Wildlife Administrations of Arequipa, Cusco, Cajamarca, Lambayeque, Moquegua - Tacna, Central Sierra and Central Selva.

Technical forum on forest plantations

The Forest and Wildlife Service (SERFOR), the Forestry Chapter of the Departmental Council of Lima of the College of Engineers of Peru - CIP and the company, Arborizaciones EIRL, recently organised an international technical forum on forest plantations with participation of professionals from Brazil, Argentina, Chile and Peru.

Three main components of the event included forestry business, production (efficiency of management in terms of costs and productivity), logistics (variables such as distance to market, infrastructure and harvest) and markets (type of demand, size and offer and demand).

Experts from Brazil, Argentina and Chile urged Peru not to make the mistakes that they saw in their respective countries. The Peruvian experts also commented on their experiences and difficulties they are encountering in promoting plantations.

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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	489-502⬆
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 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

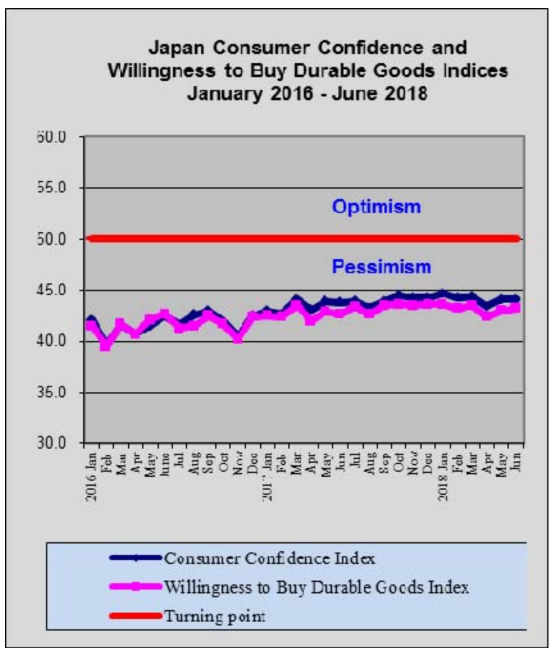
Japan

Labour shortages and higher raw material costs dampen growth

Japan's economy now appears to be faltering due mainly to the rising costs of labour, imported raw materials and oil. But weaker economic indicators did not deter the Bank of Japan (BoJ) from maintaining its positive assessment of the economy.

The BoJ Governor went on record saying the 2% inflation target still stands which analysts have interpreted as meaning the current monetary policy will be sustained.

The BoJ revised up its assessment for capital expenditure in three of the nine regions of Japan, attributing this to company spending on automation as a way to overcome the acute shortage of workers. On the downside, it said some companies expressed concern about the risk of an escalation of the trade dispute between the US and China.



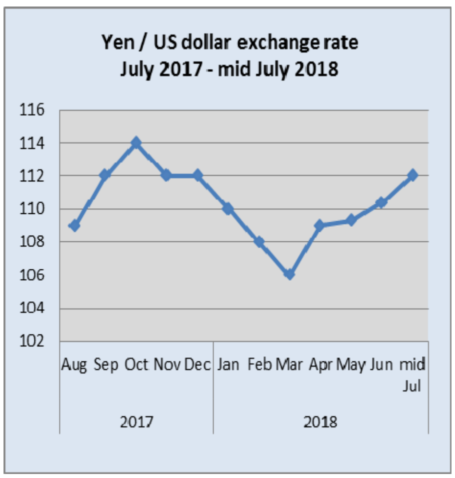
Data source: Cabinet Office, Japan

The labour shortage in Japan is becoming a major concern in the construction and manufacturing sectors and the latest population data have done little to raise hopes for a solution. Japan's population declined at fastest pace yet to 125.2 million according to the most recent census due mainly to a record low birth rate. This, combined with the rapidly aging population has prompted the government to launch a study to find ways to support families and reverse the downward trend in the birth rate.

Yen gives up role as safe haven currency

The US dollar is currently at a six-month high against the Japanese yen. The dollar's strength relies on the good performance of the US economy and by US inflation data which has encouraged capital inflows.

The yen weakness against to dollar at a time when there is volatility in the global economy suggests traders believe the dollar is a safer currency than the yen as trade volatility is likely to worsen.



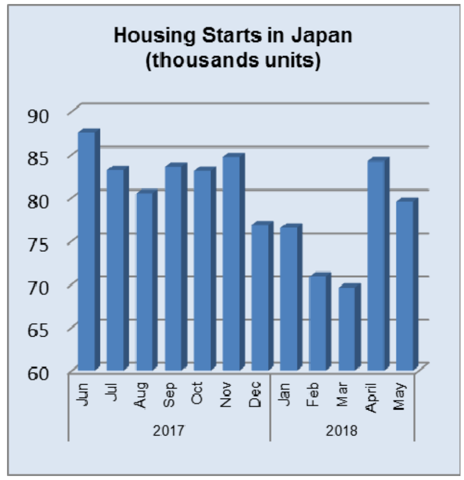
Thousands of homes lost in floods

As of 14 July the death toll from the devastating floods in western Japan was above 200. The government's Chief Cabinet Secretary has announced that 204 people were now known to have died with 28 still missing in the worst storm for 36 years.

Almost 15,000 people are in evacuation centres and many of these people have no home to return to. At the height of the storm evacuation orders were issued to around 6 million people.

Authorities are still not clear on the full extent of the damage. Thousands of homes have been totally or partially destroyed and infrastructure has been severely damaged. A government spokesperson has said it will take years for recovery.

See:
https://www.google.co.jp/search?q=japan+storm+damage&rlz=1C1GGRV_enJP741JP741&source=lnms&tbm=isch&sa=X&ved=0ahUKEwipkdiZmKPcAhWKl5QKHSjnDVgQ_AUICigB&biw=1366&bih=655

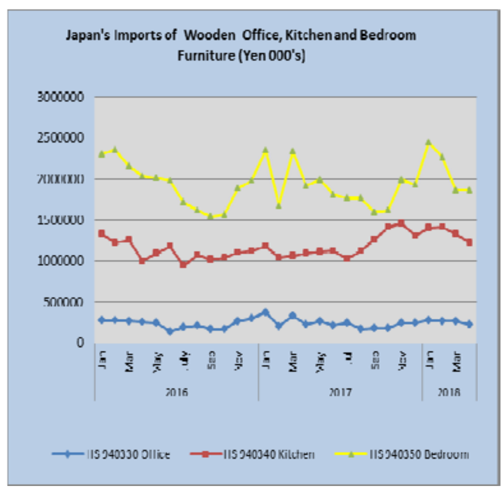


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Furniture imports

The total value of Japan's April 2018 imports of wooden office, kitchen and bedroom furniture was largely unchanged from the previous month or from April 2017.

Despite the cyclical trend in wooden bedroom furniture imports, a category that accounts for a major share of total wooden furniture imports, year on year there has been little change in the total value of wooden furniture imports.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The rising trend in wooden office furniture imports from the third quarter of 2017 came to an end in April 2018.

The value of April imports were flat year on year and down 14% compared to the value of March imports. In April 2018 the big losers were shippers of wooden office furniture in Portugal, Poland and the US.

Japan's April imports from China, the number one supplier, were unchanged from a month earlier and accounted for 54% of all wooden office furniture imports. The other main suppliers were Switzerland 9% and the US 8.5%.

Office furniture imports

	Imports Apr 2018 Unit, 000's Yen
S. Korea	538
China	121531
Taiwan P.o.C	4101
Vietnam	1315
Thailand	2353
Singapore	-
Malaysia	3855
Indonesia	7315
India	1072
Sweden	-
Denmark	518
UK	649
France	-
Germany	19631
Switzerland	20205
Portugal	1989
Italy	6710
Poland	11453
Romania	1057
Turkey	-
Lithuania	-
Slovenia	-
Slovakia	960
USA	19591
Mexico	-
Total	224843

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Year on year, the value of Japan's April 2018 imports of wooden kitchen furniture were 11.5% higher but compared to levels in March 2018 they were down 8%. There has been a steady decline in wooden kitchen furniture imports since February this year but compared to the first 4 months of 2017, imports are higher.

Manufacturers in the Philippines have consolidated their position as the number one supplier of wooden kitchen furniture to Japan, accounting for 47% of April 2018 import values.

Following closely at a 36% share of April imports by Japan is Vietnam. Shippers in China added a further 10% to imports bring the total for the top three shippers to 93%.

Kitchen furniture imports

	Imports Apr 2018 Units,000's Yen
China	126477
Taiwan P.o.C	-
Vietnam	439155
Thailand	14904
Malaysia	12802
Philippines	570075
Indonesia	1886
India	2852
Denmark	1612
UK	528
Belgium	-
France	-
Germany	24760
Italy	14660
Finland	-
Poland	-
Austria	3536
Romania	1515
Canada	4669
USA	3997
Total	1223428

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The dramatic slide in imports of wooden bedroom furniture was arrested in April as the value of imports did not change compared to levels in March. Year on year and month on month the value of Japan's imports of wooden bedroom furniture remain flat.

Every year wooden bedroom furniture imports peak in the first half of the year only to drop sharply in the second and third quarters of the year. On the basis of past trends a further decline in bedroom furniture imports can be expected over the next few months.

Bedroom furniture imports

	Imports, Apr 2018 Units, 000's Yen
S Korea	-
China	1134152
Taiwan P.o.C	22231
Vietnam	535289
Thailand	73316
Malaysia	43777
Indonesia	16566
Cambodia	-
India	570

Sweden	-
Denmark	2160
UK	-
Belgium	-
France	4234
Germany	1336
Switzeralnd	1256
Italy	8971
Poland	22365
Austria	4439
Romania	-
Turkey	869
Estonia	-
Ukraine	377
Bosnia Herzegovina	-
USA	954
Total	1872862

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

Statistics of LVL, CLT and laminated lumber production

The Ministry of Agriculture, Forestry and Fisheries publicised wood statistics of 2017 on May 25 and the Ministry newly added production of LVL, CLT and laminated lumber for the first time.

In the past such data have been publicized by the Association of each product but now official government data become available.

By 2017's wood statistics, production of LVL is 179,000 cbms, CLT is 14,000 cbms and laminated lumber is 1,971,000 cbms.

In LVL, structural material is 99,000 cbms, 55% in total then 45% or 80,000 cbms is for interior finishing and other industrial use. Non-structural LVL is mainly used for stairs and core of furniture. Industrial use is for crating and pallet.

In LVL production, 144,000 cbms are made of 100% domestic wood, which is 80% of total production. 31,000 cbms are made of imported materials only. 4,000 cbms are made of combination of domestic and imported materials.

Number of LVL manufacturing plant is 13 and total consumption of veneer to make LVL is 256,000 cbms.

By trade statistics, import of LVL in 2017 was 483,563 cbms, 4% more than 2016. By source, 463,553 cbms or 96% came from China. Supply of LVL by both domestic and import is about 660 M cbms.

Production of CLT in 2017 was 14,000 cbms. The Japan CLT Association reported 2016's production of CLT was 5,000 cbms so the production increased by almost three time in one year.

JAS for CLT was set in 2013 and the Building Standards Act authorized use of CLT in 2016 so that CLT construction became possible by standard structural calculation. At the same time, CLT is allowed to use exposed in quasi-fire proof structure.

Presently there are seven JAS certified CLT manufacturing plants. Cypress Sunadaya is now building CLT manufacturing plant. With completion of this plant, total CLT production capacity will largely increase. There are more than 200 building with CLT so the market of CLT has been steadily expanding.

The Japan CLT Association figures CLT production this year would be 30,000 cbms, more than double of last year's production.

Production of laminated lumber was 1,971 M cbms by 165 manufacturing plants. In this, structural lumber was 1,858,000 cbms, 94.3% of total production. By size, large was 55,000 cbms, medium was 855,000 cbms and small was 938,000 cbms.. Consumption of lamina was 2,755,000 cbms, in which domestic lamina was 908,000 cbms and imported lamina was 1,847,000 cbms. Share of domestic lamina was 33.0%. The market continues stagnating.

Legality proven imported wood

The Japan Lumber Importers Association held the general meeting on June 8 and collected information from members regarding legality proven wood in imported wood products.

In total imported wood products of logs, lumber, plywood, veneer, laminated lumber, fiber board, particle board and OSB, 5,953,000 cbms were legally proven, which take 74.9% of total imported products. This is 3 points up from 2016. However, the volume sold with the certificate in the market was only 38.9%, 2.3 points less than 2016.

The reason is that materials with certificate and without certificate are mixed since separation is complicated and too much trouble. Unless buyers demand certified wood separate from non-certified products, there is limit of distribution volume.

South Sea (tropical) logs and lumber

After Sabah announced temporary ban of log export, Japanese importers are busy looking for substitution sources since Sabah logs were about an half of total log import of 140,000 cbms last year. Logs from PNG and Africa, veneer and flitch from Russia and South East Asia are candidates.

So far, log export prices in South East Asia remain unchanged. Percentage of Sabah logs for India and China is not so much but if they rush to PNG, log prices would escalate again.

Supply decline of solid wood lumber of tropical hardwood domestic mills make is feared since material logs are sorted out of plywood logs so once total log supply declines, such selection becomes difficult.

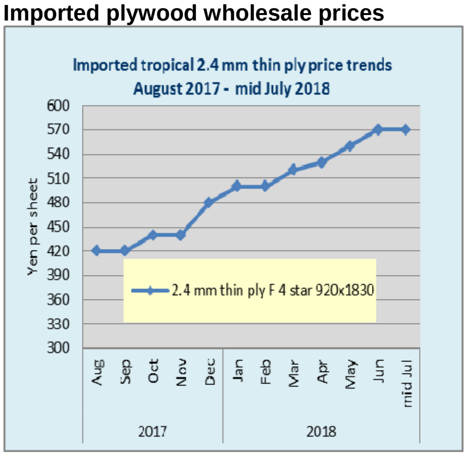
South Sea (tropical) hardwood plywood

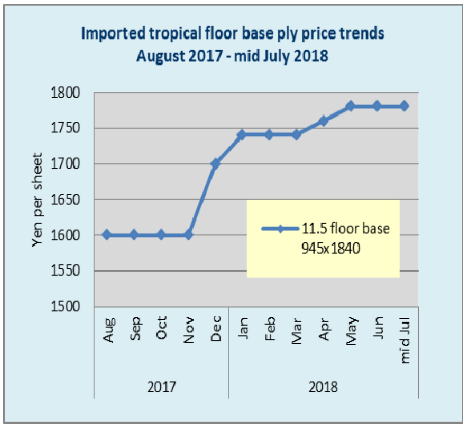
Log supply continues tight in Sarawak even after dry season arrived. According to Sarawak Timber Association, total log production in 2017 was 5,490,000 cbms, 26% or 1,923,400 cbms less than 2016. Log production in the first quarter of 2018 is 1,026,000 cbms, 29.4% less than the same quarter last year. One of the reasons is foul weather. Even after rainy season was over last year, sporadic heavy rain hit many areasin Sarawak.

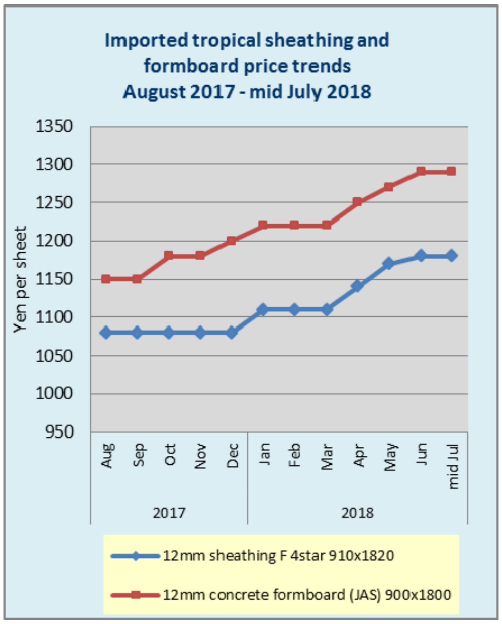
By log supply shortage, plywood production dropped by half in June 2017 and log inventories of many plywood mills dropped down to ten days or two weeks through 2017. Log inventory differs by plywood mills by political reasons or by source of timber, fee or purchase logs.

Ta Ann uses more plantation wood like eucalyptus for coated concrete forming panel. In May, it proposed $680 per cbm C&F for JAS 3x6 concrete forming plywood, record high price in Sarawak. Shin Yang's prices are about $650. Not only weather but other factors like many local holidays reduce log supply through July.

Imported plywood wholesale prices







Tight supply of particleboard for flooring

Demand for 2x6 particleboard for flooring was busy last year then it simmered down in early this year. The demand is rising again now with increasing starts of high rise condominiums and Olympic related constructions.

The manufacturers have orders for other items for building materials so they have no time to build up inventory of 2x6 sheet. Actually the inventory now is much lower than this time of last year.

There are many plans of large condominiums then construction of many facilities for the 2020's Olympic Games will start in summer.

Market prices of 2x6 PB are 850 yen per sheet delivered wholesaler but in demand busy Kyushu market, the prices are getting close to 900 yen. With the supply getting tight, the prices continue firming everywhere.

Stabilising supply of Vietnamese plywood

Tight supply of eucalyptus plywood from Vietnam is now easing after purchase by China and Korea slows down. Operation of producing plants is not uniform in securing raw materials and financial stability so the future supply situation is not optimistic.

Veneer supply in Vietnam is stabilising so the volume for Japan is sufficiently secured. Export prices stay up high but at the same time, any sharp increase is unlikely. The importers and wholesalers give priority to secure enough volume rather than the prices for coming fall demand increase.

China

RMB depreciation

Since March the Chinese currency has depreciated by around 6%, taking it down to almost RMB6.7 to the dollar. This decline should be seen against the background of a weakening Chinese economy and the strengthening of the US dollar. Analysts write that further weakness is likely if China uses exchange rates to support exports in its ‘trade war’ with the US.

If indeed the Chinese authorities allow further currency depreciation the prospects for continued global growth will be undermined.

Zhangzhou Customs - Phytosanitary certificates for imported logs – now to be sent electronically

The Zhangzhou Customs Administration in Fujian Province has announced that it no longer requires paper phytosanitary certificates for logs imported through Zhangzhou Port.

According to China Customs, to promote implementation of a paperless system for commodity imports, phytosanitary certificates should be provided electronically for imported logs. As a result Chinese importers will require foreign suppliers to provide electronic phytosanitary certificates as soon as logs are shipped so electronic documents can be submitted for Customs examination.

See:
http://www.customs.gov.cn/customs/302249/302266/302267/1910798/index.html
and
http://www.jiajumi.com/news/chn/26376.html

National standard for wooden structures

A National Standard on Wooden Structure Design (GB50005-2017) has been approved by the Ministry of Housing and Urban and Rural Development and will be effective from 1 August 2018. The previous National Standard on Wooden Structure Design (GB50005-2003) will be abolished at the same time.

The main differences between the old and new standard focus on:

- grading of wood quality and strength
- utilisation of a wider range of domestic and imported timbers
- provision of strength values for imported and domestic timbers
- design provisions for square timber, logs and composite wood products
- design provisions for glued and light wood structures
- improved rules for stability and connection designs for wooden structure members
- design provisions for seismic events, fire resistance and durability

Vietnam the top source of woodchips

China’s woodchip imports in 2017 amounted to 11.45 million cubic metres valued at US$190 million, a year on year decline of 2% in volume and 0.3% in value.

Vietnam was the main woodchip supplier to China in 2017 accounting for 41% of total woodchips imports. Imports from Vietnam totalled 4.7 million tonnes in 2017, a year on year increase of 12%.

The second ranked supplier of woodchips was Australia at 3.85 million tonnes, accounting for 34% of the national total. However, in 2017 a year on year decline of 4% was recorded for woodchip imports from Australia.

Average prices for imported woodchips from Vietnam fell 2% but from Australia rose 2% in 2017, which is the main reason for the increase in China’s woodchips imports from Vietnam.

Plywood prices slide

Plywood prices in the domestic market have been falling recently. When questioned dealers said that prices have been heavily affected by the ‘off-season market’ this year and that the number of orders was far less than in the first half of the year.

As a result of the decline in prices many businesses launched promotional campaigns to generate cash flow. Industry analysts say the current ‘off-season’ downturn is more obvious this year and has been exacerbated by the continued pressure on construction companies by environmental protection departments and that this has dampened demand.

At present the wholesale price for plywood in the Guangdong market is RMB60 to RMB65 per piece for panels of 1220 × 2440 × 12mm.

Log stock of Zhangjiagang Port at the end of June 2018

Species	Stock, cu.m
Kasai, Taun (Pometia)	6,1859
Ternetang (Campnosperma spp)	33,987
Terminalia (Terminalia brwsii)	20,440
Okan	19,316
Bintangor (Calophyllum)	17,306
Sapelli	14,883
Ebony	10,002
Okoume	9,812
Padouk	9,777
Pencil cedar (Palaquium spp)	9,116

See: http://www.hongmu.info/a/xinwen/103990.html

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

Slow growth in EU wooden furniture and joinery sectors in 2017

There was only very slow growth in both the EU wood furniture and joinery sectors during 2017. While production and consumption gained momentum in parts of continental Europe, particularly in Eastern Europe, this was offset by a significant slowdown in the UK and stasis in Germany.

Growth in the EU door sector was considerably more buoyant than in the window and furniture sectors in 2017. While wood made up some lost ground against plastics in these sectors, market share was being lost to metal products.

These are the main conclusions to be drawn from analysis of newly released Eurostat PRODCOM data which provides a snapshot of the production and consumption value of wood furniture and joinery products in the EU in 2017.

No growth in wood furniture production in 2017

The value of EU wood furniture production was €40.3 billion in 2017, no change from the previous year and still 20% down on the level prevailing before the financial crises in 2008.

A slowdown in production in the UK offset gains in Poland, Spain, and Lithuania. Production in Italy and Germany, the two largest manufacturing countries, and in France and Romania was broadly flat in 2017 (Chart 1).

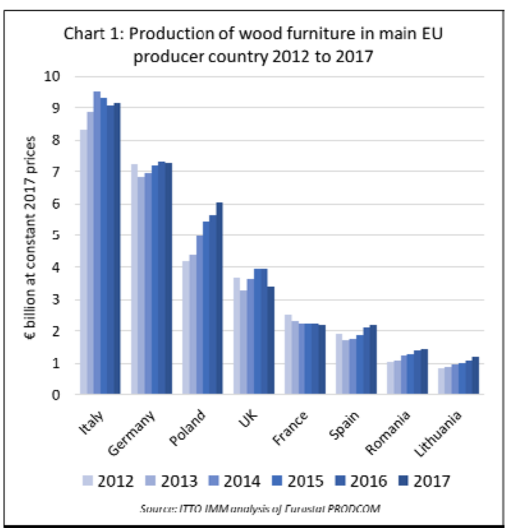


Chart 1: Production of wood furniture in main EU producer country 2012 to 2017

EU consumption of wood furniture was €37.6 billion in 2017, a gain of 2% compared to 2016. During 2017, consumption was stable (at €9.4 billion) in Germany, the largest market, and rising in Italy (+3% to €5.2 billion), France (+1.5% to €4.3 billion), Spain (+7% to €2.2 billion), Netherlands (+30% to €1.5 billion), Poland (+15% to €1.4 billion) and Sweden (+2.5% to €1.1 billion).

However, wood furniture consumption fell 6% to €6.5 billion in the UK and 5% to €870 million in Belgium (Chart 2).

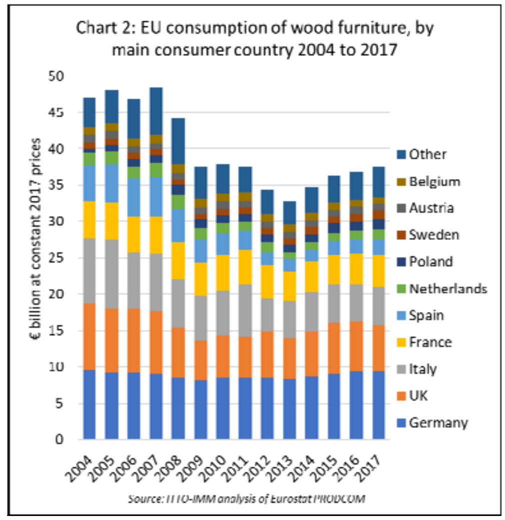


Chart 2: EU consumption of wood furniture, by main consumer country 2004 to 2017

After flat lining in 2016, the value of EU imports of wood furniture from non-EU countries increased 7% to €6.16 billion in 2017. Imports from China, by far the largest external supplier fell 4% in 2016 but recovered 0.7% to 3.08 billion in 2017 (Chart 3).

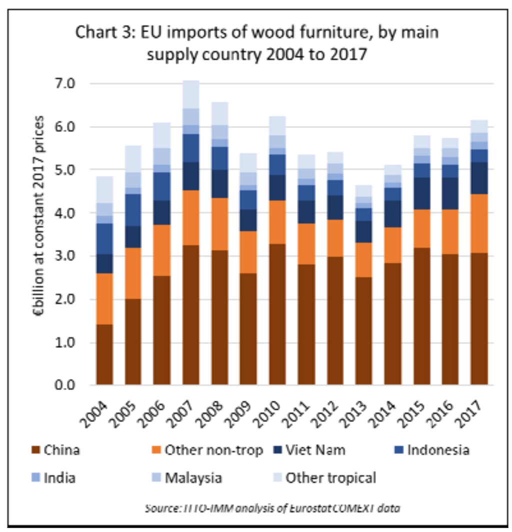


Chart 3: EU imports of wood furniture, by main supply country 2004 to 2017

In recent years China's competitiveness in the EU wood furniture market has been impeded as prices have risen on the back of growing domestic demand and new laws for pollution control pollution in China.

EU furniture importers also continue to question the variable quality of product imported from China and some have struggled to obtain the legality assurances required for EUTR conformance when dealing with complex wood supply chains in China.

The main beneficiaries of rising EU wood furniture imports in 2017 were other European countries including Ukraine, up 67.7% to €133 million, Bosnia, up 14.9% to €218 million, and Serbia, up 13.7% to €127 million.

EU imports of wood furniture from tropical countries increased 3.5% to €1.72 billion in 2017, reversing a 2.5% decline the previous year.

Vietnam is the dominant supplier of furniture to the EU, although imports were flat in 2016 and 2017 after rising 40% in the previous two years. Imports from Vietnam declined 0.7% in 2016 and then increased just 0.5% to €724 million in 2017.

EU imports of wood furniture from Indonesia increased 2% to €309 million in 2017, following a 6% decline the previous year. Imports from Malaysia increased 11% to €180 million, EU imports from Malaysia recovered by 10.7% to reach €203 million last year. Imports from Thailand fell 3.4% to €61 million.

Recent survey work undertaken by the ITT0-IMM in highlights that, to some extent, direct competition between furniture suppliers in the various South East Asian countries is limited by market differentiation.

With the rapid decline of availability of natural forest teak from Myanmar, Indonesia is now best placed to supply a wide range of outdoor furniture products, particularly due to relatively abundant plantation teak supplies.

Indonesia's long woodworking tradition has also meant it has gained a reputation for supply of good quality specialist hand-made furniture, a niche market in the EU where it competes most directly with India.

By contrast, the Vietnamese furniture sector has gained a reputation for supply of large volume mid-range products, both for exteriors and, increasingly, for interior use, and is importing a wide range of wood from around the world to feed this production.

The Vietnamese furniture industry is regarded by EU importers as technically more evolved than most other Asian producer countries and increasingly able to supply products to high European quality standards.

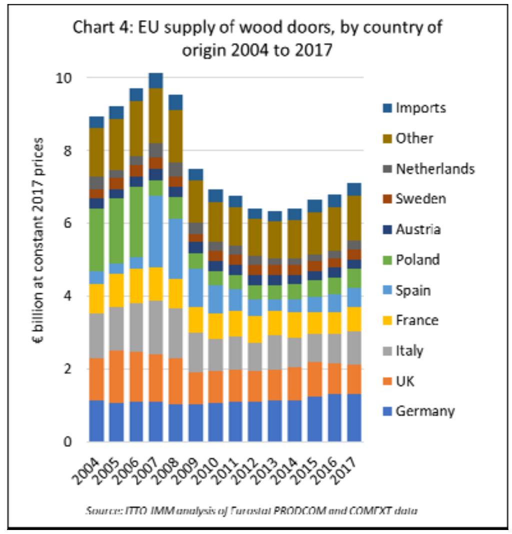
Malaysia also supplies high quality products but offers a much smaller range than Vietnam with a heavy focus on rubberwood and other plantation species.

While these various external suppliers now play an important role in specific sections of the EU furniture market, the domestic industry remains very dominant. The share of domestic manufacturers in total EU furniture supply declined only slightly between 2013 and 2017.

In 2017, domestic manufacturers accounted for 86.7% of the total value of wood furniture supplied into the EU market, down from 87.5% in 2016 and 88.6% five years before.

5% growth in wood door supply to the EU in 2017

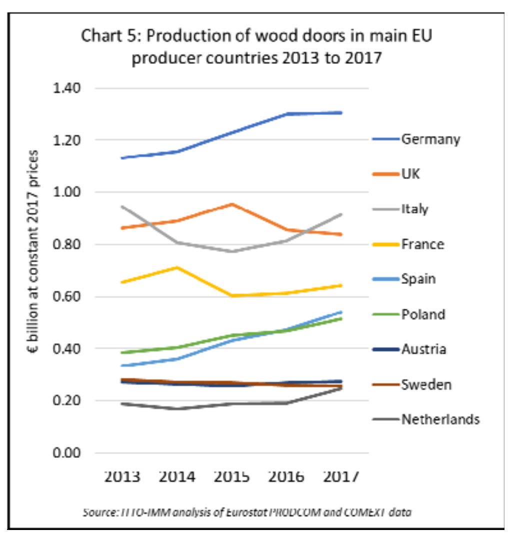
Eurostat PRODCOM data reveals that the total value of wood doors supplied to the EU increased by 5% to €7.12 billion in 2017. Despite the increase, the value of wood doors supplied to the EU in 2017 was still more than 25% down on the level prevailing before the global financial crises (Chart 4).



Most new wood door installations in the EU comprise domestically manufactured products. The EU's domestic production increased 4.9% to €6.78 billion in 2017. There was significant variation in the performance of the wood door sector in EU countries in 2017.

Production in Germany, the largest wood door manufacturing country, was stable at €1.30 billion during the year while production in the UK continued to slide, by 2% to €840 million.

However, production increased sharply in Italy (rising 12% to €910 million), France (rising 5% to €640 million), Spain (rising 14% to €540 million), Poland (rising 10% to €510 million) and the Netherlands (rising 30% to €250 million) (Chart 5).



Wood door imports into the EU increased by just 0.3% to €341 million in 2017. Imports accounted for 4.8% of the total euro value of wood door supply to the EU in 2017, down from 5.0% the previous year.

Most of the gains in EU door imports in 2017 were from other temperate countries including Norway (+7% to €16 million), South Africa (+16% to €12 million), Bosnia (+29% to €7 million) and Ukraine (+50% to €7 million). Imports from UAE, becoming more important as a wood processing hub, increased from negligible levels to €5.4 million.

However, imports from China, the largest external supplier, fell 2% to €111 million in 2017.

The total value of EU imports of wood doors from the tropics fell 6% to €159 million in 2017. This was mainly due to a decline in imports from Malaysia (-9% to €38 million) and Brazil (-19% to €13 million). The value EU wood door imports from Indonesia also fell, but by only 3.8% to €102 million in 2017.

The European wood door industry is now dominated by products manufactured using engineered timber driven by requirements to comply with higher energy efficiency standards and efforts to provide customers with more stable products and long-life time guarantees.

Another key trend is towards composite doors with a steel-reinforced uPVC outer frame with an inner frame combining hardwood and other insulation material.

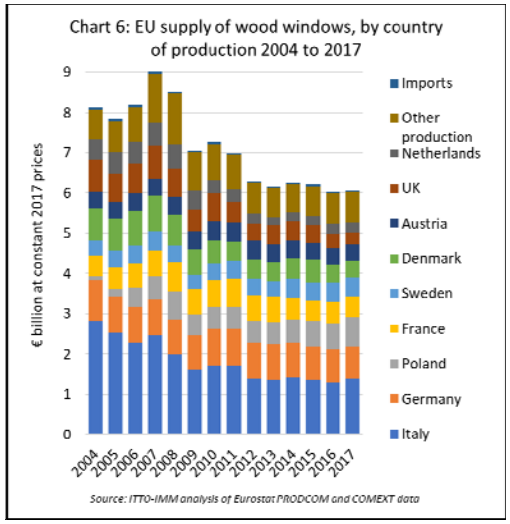
These new products are designed to combine strength, security, durability, high energy efficiency, with a strong aesthetic.

There may be a place for tropical hardwoods in the design of these products with manufacturers looking to combine high quality, consistent performance, regular availability, and good environmental credentials with a competitive price.

EU market for wood windows flat in 2017

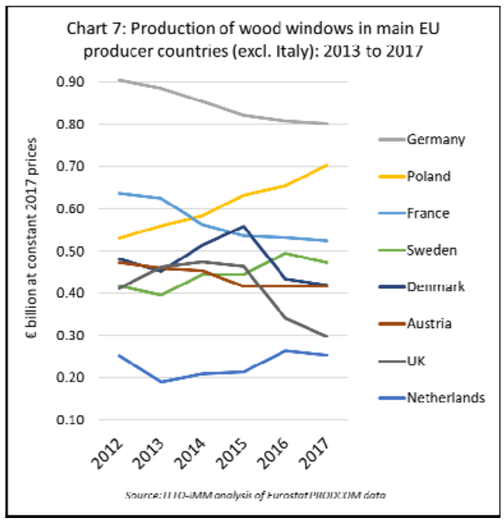
There was little growth in the market for wood windows in the EU in 2017. The total value of wood windows supplied to the EU increased only 0.7% to €6.07 billion in 2017 following a 2.8% decline the previous year (Chart 6).

The supply of wood windows to the EU is overwhelmingly dominated by domestic production which increased 0.7% to €6.07 billion in 2017. Imports from outside the EU accounted for only 0.5% of total EU wood window supply in 2017.



Italy has maintained its position as the largest window manufacturer in the EU, with production rising around 7.2% to €1.39 billion in 2017. Production in Poland continued to rise during the year, by 7% to €704 billion.

In contrast, wood window production in most large western European markets declined in 2017, including Germany (-1% to €802 million), France (-1% to €525 million), Sweden (-5% to €420 million), UK (-12% to €299 million) and the Netherlands (-4% to €254 million) (Chart 7).



Imports of wood windows from outside the EU fell by 5.3% in 2017 to €31.4 million, continuing the downward trend of the previous year. EU imports of wood windows derive mainly from neighbouring European countries, including Norway, Bosnia and Switzerland.

Only a very limited, and highly variable, quantity of wood windows is imported into the EU from tropical countries. The value of EU imports of wood windows from tropical countries fell 32% to €3.17 million in 2017. Typically, 50% to 70% of wood windows imported in the EU from the tropics each year derive from the Philippines and are destined for France and Belgium.

While tropical countries are not significantly engaged in the EU market for finished windows, this sector is of interest as a source of demand for tropical wood material. From this perspective, a notable trend in the EU window sector – as in the door sector - is towards use of engineered wood in place of solid timber. This is particularly true of larger manufacturers producing fully-factory finished units that buy engineered timber by the container load.

Increased use of engineered wood is closely associated with efforts by window manufacturers to meet rising technical and environmental standards, provide customers with long lifetime performance guarantees and recover market share from other materials.

Increased focus on energy efficiency means that triple-glazed insulating window units with very low U-factors are now more common than double-glazed units in Europe. These units demand thicker, more stable and durable profiles that in practice can only be delivered at scale using engineered wood products.

The quality and engineering of wood windows has undergone a revolution in the EU in recent years so that manufacturers are now able to deliver products with many of the benefits previously reserved only for the best quality tropical hardwood frames using softwoods and temperate hardwoods.

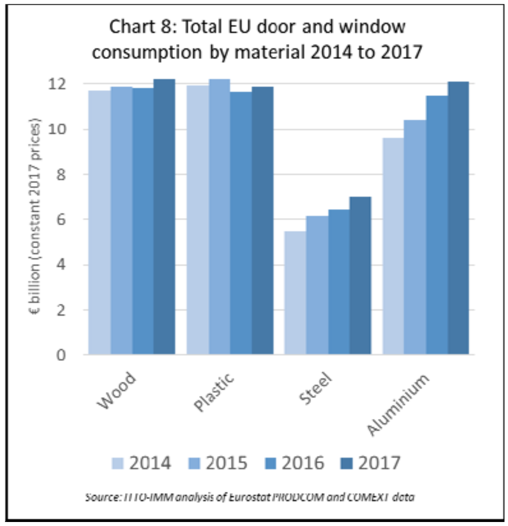
Factory-finished timber windows are given a specialist spray-coated paint finish for even and durable coverage which might only need redoing once a decade. The lifespan of factory-finished engineered softwood frames is now claimed to be about 60 years, while thermally or chemically modified temperate woods can achieve around 80 years.

Nevertheless, smaller independent joiners producing bespoke products in low volumes still tend to rely on solid timber purchased from importers and merchants to manufacture window frames.

Tropical woods such as meranti, sapele and iroko continue to supply a high-end niche in this market sector, competing directly and often successfully with oak, Siberian larch, and western red cedar.

The apparent stasis in EU production of wood windows during 2017, a year when overall construction activity in the region is estimated by Euroconstruct to have risen by 3.5%, implies some loss of market share.

The Eurostat PRODCOM data provides evidence for this showing that between 2014 and 2017 total EU consumption value for doors and windows increased 26% in aluminium and 28% in steel. The consumption value for wood increased only 4% during this period, while consumption of plastic stagnated (Chart 8).



Overall the share of wood in the total value of EU door and window consumption fell from 30% to 28% between 2014 and 2017, while the share of aluminium increased from 25% to 28%, steel increased from 14% to 16%, and plastic decreased from 31% to 27%.

This highlights that while wood may be making gains in relation to plastic products in the EU market for windows and doors, it is losing share to metal products.

Aluminium is becoming a particularly prominent competitor. Aluminium has always remained the default windows product in the commercial market but over the last 5 years the material has enjoyed considerable resurgence within the residential window and door market.

An important driver behind this has been aluminium bi-fold and sliding doors as consumers demand greater space and light within living areas. Another factor is the demand for lower maintenance and greater strength in light weight frames for high energy efficiency double and triple glazed units.

North America

Brazil ships more ipe and jatoba sawnwood to US

U.S. imports of sawn hardwood (temperate and tropical) jumped in May to just under 103,000 cu.m., up from 66,749 cu.m. in April. The growth was in imports of temperate species, while tropical imports were unchanged from the previous month.

The value of tropical sawn hardwood imports grew by 7% to $20.9 million in May. The increase in value was primarily driven by higher imports of ipe sawnwood (3,330 cu.m.). Year-to-date ipe imports were up 8% from May 2017.

The largest growth in 2018 to date compared to last year has been in imports of jatoba sawnwood. Imports increased almost tenfold from 2017. In May 27% of the imported jatoba came from Brazil, closely followed by Indonesia.

Canadian tropical imports down except meranti sawnwood

Canadian tropical sawnwood imports fell in May to US$1.3 million. Imports from most countries declined month-over-month, with the exception of imports from the Congo (formerly Zaire) and Malaysia. Year-to-date imports of almost species were down compared to May 2017, but meranti imports increased 66% from the same time last year.

Tropical wood and furniture products from China face new US tariffs

Many wood products and furniture items from China are on the latest list by the Trump administration that may be affected by a new 10% tariff. The entire list is worth US$200 billion in imports from China. The proposed action on imports from China is now open to public comments and a public hearing is scheduled for the end of August.

On July 6 the U.S. government imposed a 25% tariff on a Chinese goods, including woodworking machinery. Wood products and wooden furniture were not directly affected by those tariffs, but the latest proposed list for tariffs includes a wide range of wood products.

Tropical sawnwood and veneer, tropical hardwood flooring and moulding, tropical plywood, composite wood panels, various bamboo products, wooden seats, wooden furniture and furniture parts are on the list.

The stocks of publicly traded U.S. home furnishings retailers immediately dropped on the news, according to the Woodworking Network. Two retail groups, the National Retail Federation and the Retail Industry Leaders Association, condemned the latest proposed tariffs on Chinese products.

The full list of wood and furniture products from China that may be affected by new U.S. tariffs is available at:

https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf.

Wood products start on page 100 and furniture products on page 202. An excerpt of the list is shown below.

4403.41.00 Wood in the rough/roughly squared,of Dark Red Meranti,Light Red Meranti and Meranti Bakau, not treated with paint/stain/cresote/other preserv

4403.49.01 Wood in the rough/roughly squared, of other tropical wood, not treated with paint/stain/creosote/other
4407.21.00 Dark Red Meranti, Light Red Meranti and other specified tropical woods, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4407.22.00 Okoume, Obeche, Sapelli and other specified tropical woods, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4407.25.00 Dark Red Meranti, Light Red Meranti and Meranti Bakau wood sawn or chipped lengthwise, sliced or peeled, over 6 mm thick
4407.26.00 White Lauan, White Meranti, White Seraya, Yellow Meranta and Alan wood sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4407.27.00 Sapelli wood sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4407.28.00 Iroko wood sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4407.29.01 Tropical wood specified in chapter 44 subheading note 1, nesoi, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick

4408.31.01 Dark Red Meranti, Light Red Meranti and Meranti Bakau veneer sheets and sheets for plywood and other wood sawn/sliced/peeled, n/o 6 mm thick

4408.39.02 Other tropical wood veneer sheets and sheets for plywood, and wood sawn/sliced/peeled n/o 6 mm thick

4409.22.05 Nonconiferous tropical wood continuously shaped along any ends, whether or not also continuously shaped along any edges or faces

4409.22.10 Nonconiferous tropical wood siding, whether or not continuously shaped along its edges or faces but not its ends

4409.22.25 Nonconiferous tropical wood flooring, whether or not continuously shaped along its edges or faces but not its ends

4409.22.40 Nonconiferous tropical wood standard moldings, whether or not continuously shaped along its edges or faces but not its ends

4409.22.50 Other nonconiferous tropical wood moldings, whether or not continuously shaped along its edges or faces but not its ends

4409.22.60 Plain nonconiferous tropical wood dowel rods, whether or not continuously shaped along its edges or faces but not its ends

4409.22.65 Nonconif. tropical wood dowel rods, sanded/grooved/otherwise advanced in condition, whether or not continuous. along edges or faces but not ends

4409.22.90 Other nonconiferous tropical wood, whether or not continuously shaped along its edges or faces but not its ends

4412.10.05 Plywood, veneered panels and similar laminated wood, of bamboo

4412.10.90 Veneered panels and similar laminated wood, of bamboo, other than plywood

4412.31.06 Plywood sheets n/o 6mm thick, tropical wood outer ply, birch face ply, not surface covered beyond clear/transparent

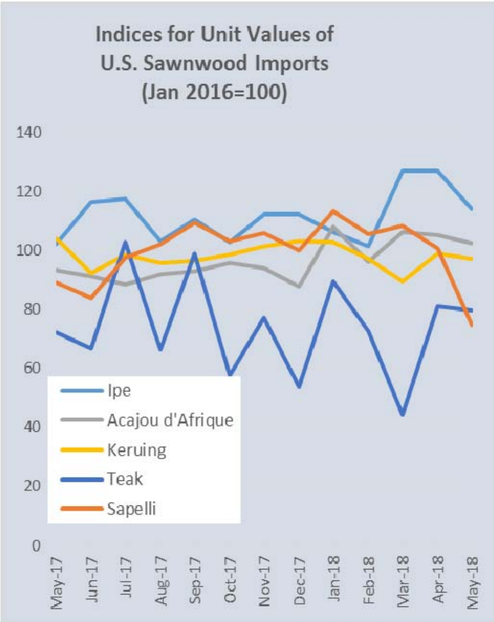
4412.31.26 Plywood sheets n/o 6mm thick, tropical wood outer ply, Spanish cedar or walnut face ply, not surface covered beyond clear/transparent

4412.31.41 Plywood sheets n/o 6mm thick, with specified tropical wood outer ply, with face ply nesoi, not surface covered beyond clear/transparent

4412.31.52 Plywood sheets n/o 6mm thick, tropical wood nesoi at least one outer ply, with face ply nesoi, not surface covered beyond clear/transparent

4412.31.61 Plywood sheets n/o 6mm thick, with certain specified tropical wood outer ply, surface covered beyond clear or transparent

4412.31.92 Plywood sheets n/o 6mm thick, tropical wood nesoi at least one outer ply, surface covered beyond clear or transparent



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

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

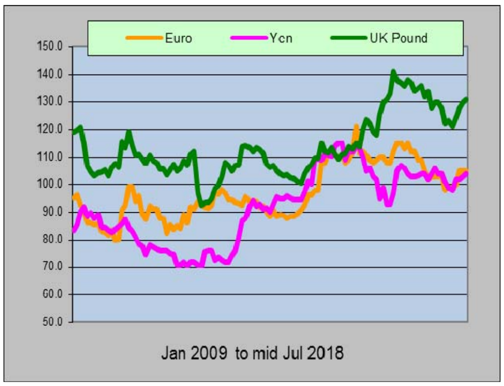
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

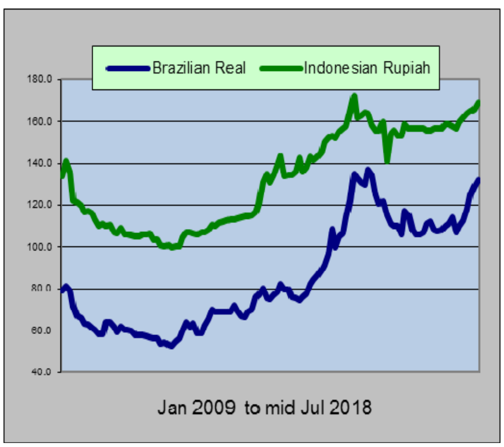
Dollar Exchange Rates

As of 10 July 2018

Brazil	Real	3.8769
CFA countries	CFA Franc	562.67
China	Yuan	6.6809
EU	Euro	0.8569
India	Rupee	68.52
Indonesia	Rupiah	14380
Japan	Yen	112.50
Malaysia	Ringgit	4.0340
Peru	New Sol	3.2543
UK	Pound	0.,7572
South Korea	Won	1124.78

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

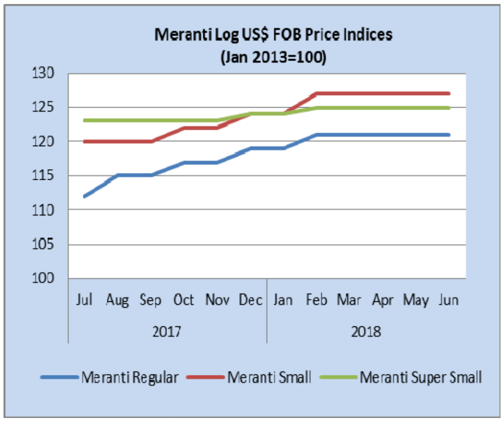
Baltic Supramax Index
August 2017 – mid June 2018

Data source: Open Financial Data Project

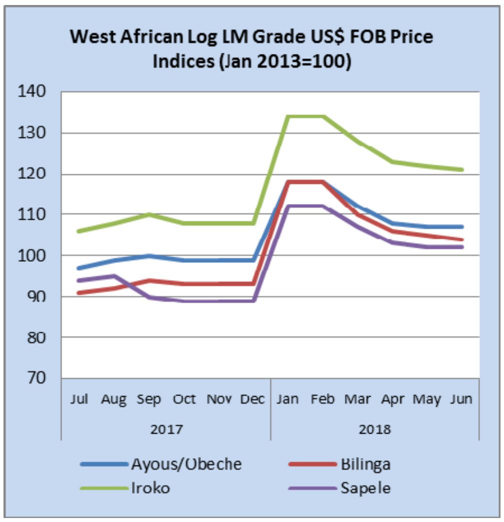
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

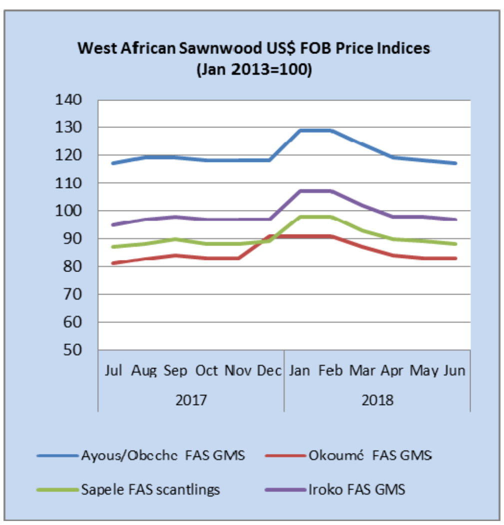
Price indices for selected products

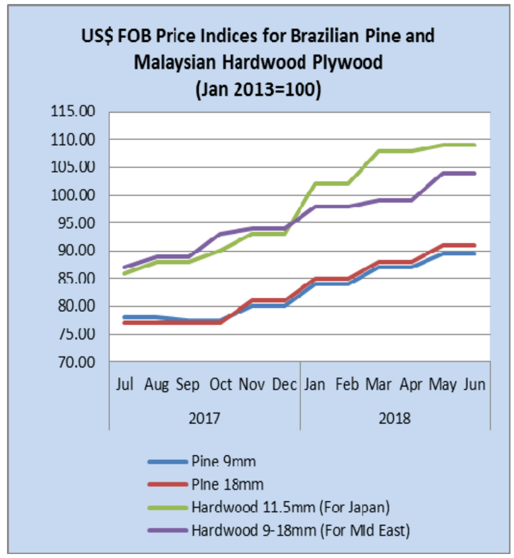
The following indices are based on US dollar FOB prices

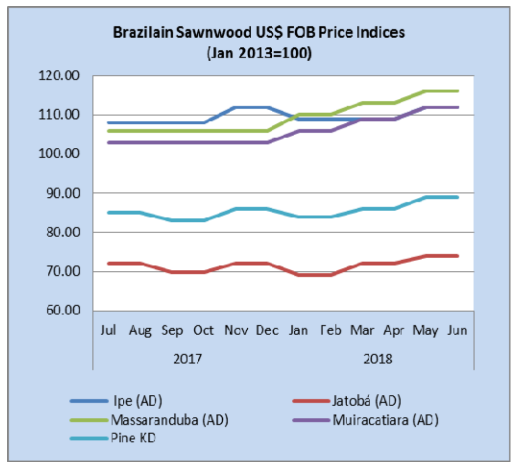


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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