Tropical Timber Market Report

Volume 22 Number 14 16th – 31st July 2018

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Headlines

Top Story

Changes to US GSP could distrupt Indonesian and Brazilian exports

The Indonesian Ministry of Environment and Forestry has warned that changes in the US GSP for woodbased panels from Indonesia could disrupt exports. Similar concerns have been raised in Brazil.

Recently representatives of ABIMCI were in the US to discuss maintaining GSP levels and Indonesia also intends to send a negotiating team to the US.

See page 5 and 9

Central and West Africa

Concern over a build-up of okoume sawlog stocks

Analysts are foreseeing a potential problem with rising stocks of low quality okoume logs in Gabon. OLAM and some other companies have contracts to supply peeler logs to newly established veneer peeler mills in Gabon (around 25 mills) but in doing so they are finding a worrying build-up of difficult to market okoume saw-logs and low grade logs. It is rumoured that OLAM has accumulated stocks of around 20,000 cu.m of non-peeler quality okoume logs.

The interest of buyers of okoume for the Chinese market has been subdued recently and this, along with the oversupply issue, is encouraging them to ask for price reductions for okoume logs and sawnwood. This is an unsettling aspect in the current otherwise firm market condition.

Steady demand for heavier species but fierce competition for ayous

Apart from the okoume issue there has been little change in demand or prices for hardwoods as we enter the third quarter of the year. There is continued interest in the heavier hardwoods on the part of buyers for the Chinese market. The species of interest include sapele, ovengkol, okan, ebiara, belli and tali. Demand for ayous is the exception.

Ayous is in high demand in China and in Italy and producers are reporting fierce competition between buyers for China and Italian importers.

France stands out as the steady EU buyer

Producers report that demand in Middle East markets is firm and that prices are holding steady. At the same time demand in the EU is slower than hoped for with importers in France being the most active over the past few months. Many have expressed the opinion that the EUTR is gradually diminishing the interest of smaller producers in European markets.

Overall, producer sentiment continues to be positive with steady development of the main markets. Of note is the return of Indian buyers to West African suppliers.

Difficult to commit to further investment say millers

In terms of investment analysts write that it is becoming more and more difficult to maintain production in Cameroon because of the requirement for annual tenders for concessions in particular. Similar concerns have been raised by companies in Gabon where the authorities have been quick to impose heavy fines for the slightest deviation from a concession management plan.

On the other hand, companies operating in the Republic of Congo are reported as having more positive approach to investments.

Correction: Thanks to all who contacted us. Of course it is the authorities in Cameroon not Gabon that are working hard to improve the throughput at Douala Port.

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	2780↑	280↑	245
Azobe & Ekki	275	275	-
Belli	400	400	-
Bibolo/Dibétou	210	210	-
Bilinga	265↑	265↑	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	190
Moabi	355↑	345↑	265
Movingui	240↑	240↑	-
Niove	180↑	180↑	-
Okan	245	245	-
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	420↓
Bilinga FAS GMS	530
Okoumé FAS GMS	460↓
Merchantable	310↓
Std/Btr GMS	360↑
Sipo FAS GMS	520↓
FAS fixed sizes	560
FAS scantlings	550↓
Padouk FAS GMS	920
FAS scantlings	1050↑
Strips	640
Sapele FAS Spanish sizes	510
FAS scantlings	510
Iroko FAS GMS	640↑
Scantlings	720
Strips	420↑
Khaya FAS GMS	500↑
FAS fixed	500↑
Moabi FAS GMS	630
Scantlings	630
Movingui FAS GMS	455

Ghana

First four month exports surge

In the first four months of 2018 Ghana's wood product exports totalled 115,225 cu.m compared to 92,937 cu.m during the same period in 2017, an increase of almost 24%.

In eight of the 18 categories of wood products exported during the period significant increases in export volumes were observed as shown in table below.

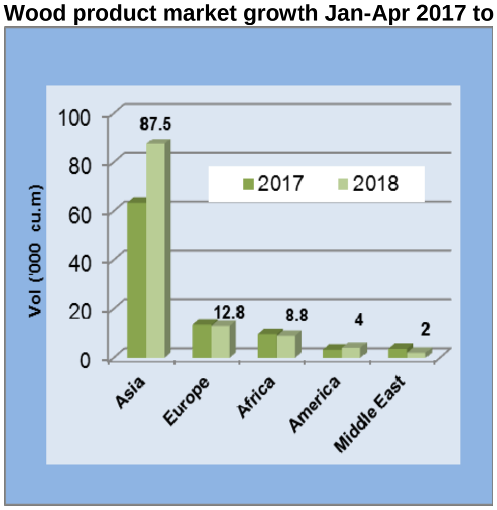
	2017 Jan -Apr cu.m	2018 Jan-Apr cu.m	Percent change
Sawnwood (AD)	56,534	73,949	31
Sawnwood (KD)	13,100	14,120	8
Billets	5,261	11,462	118
Plywood (Overland)	5,767	6,838	18
Rotary Veneer	1,383	1,650	19
Boules (AD)	146	216	48
Dowels	30	74	146
Curls veneer	1	7	454
Others	10,716	6,916	-35
Total	92,937	115,225	24

Source: TIDD

The leading species used for the production and subsequent export shipments were teak (35%), rosewood (14%), wawa (9.5%), ceiba (8%) and papao/apa (8%).

As has been the case for several years, markets in Asia continue to consume most of Ghana's wood products with lesser volumes being shipped to European markets and the US.

Wood product market growth Jan-Apr 2017 to 2018



Source: TIDD

The regional ECOWAS market accounts for a significant part of Ghana's total exports but in the first four months of this year the volume shipped to ECOWAS markets dropped to 6,956 cu.m from the 7,192 cu.m in the same period in 2017. This was despite a slight increase in exports overland to Nigeria.

While volume sales to ECOWAS countries were down prices improved. The average unit price for regional sales between January and April 2018 was Euro 370 per cu.m up from Euro 332 per cu.m last year. Analysts point out that the increase was most likely due to the rise in demand in Togo, Niger, Burkina Faso, Benin, Senegal, Nigeria and Cote d'Iviore.

Ghana's GDP growth perhaps underestimated

The government is currently reviewing how economic data is being compiled and analysts working on the review have suggested Ghana's economy could be much larger than now thought.

The authorities are recalculating GDP based on data beginning 2013 instead of 2006 to more accurately changes especially related to oil revenues and the construction sector. The statistics office plans to announce the new data in September, together with 2nd quarter GDP growth.

Private sector will have to adjusts to tax increases

The Minister of Finance and Economic Planning, Mr. Ken Ofori-Atta, has announced new tax increases needed to support government programmes. The change in tax structures are aimed at ensuring that a fiscal deficit target of 4.5% of GDP is achieved by the end of this year.

Analysts write "with the new budgetary tax measures coupled with the decline in lending to the private sector and the scarcity of raw materials the manufacturing sector which includes wood product manufacturers will have to adjust to these new measures to sustain their operations."

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	319⬇	415⬇
Chenchen	365	505
Ogea	473	590
Essa	546	665
Ofram	350	406

NB: Thickness

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	966⬇
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	320
Dahoma	478⬆	608⬆
Edinam (mixed redwood)	520	576⬇
Emeri	490	564
African mahogany (Ivorensis)	843	1192⬇
Makore	775	925⬇
Niangon	530	610⬇
Odum	918	950⬆
Sapele	700	791
Wawa 1C & Select	360	491⬆

Malaysia

Furniture Council – a bright future for Malaysian manufacturers

Malaysia is one of the world's top 10 furniture exporters. The global furniture market is expected to grow between 3% and 5% in the next five years. To ensure the country remains competitive the Malaysian Furniture Council (MFC) has developed a five-year plan for the furniture sector.

The theme of the plan is challenging, "Furnishing Malaysia with Exciting Diversity and Unlimited Opportunities" which seems to suggest more emphasis will be on domestic designs and the domestic market.

Chua Chun Chai, MFC President, says there is a bright future for Malaysian manufacturers and the long-term strategy will cement these opportunities. The MFC plan is in line with the Government's National Timber Industry Policy (NAITP) where furniture exports are set to reach RM16 billion by 2020.

In preparing the plan the MFC conducted a survey of members and the results of this have just been made available. MFC has 245 members employing around 8,000 Malaysians and 23,000 foreign workers. Nationwide it is estimated there are there are around 17,000 Malaysians and around 50,000 foreign workers employed in the furniture manufacturing sector.

Large areas of natural forest cleared ostensibly for oil palm plantations

The Sarawak State government has reported that no new felling licenses will be issued as it moves to ensure the natural forest in the State remains intact. Sarawak Chief Minister, Abang Johari Tun Openg, lamented the clearing of large areas of natural forest ostensibly to create oil palm plantations.

He has called for a moratorium on issuance of oil palm licenses except for areas classified as Native Customary Rights Land. He said the State government is determined to eliminate illegal logging.

http://www.theborneopost.com/2018/07/18/swak-govt-to-stop-issuing-new-timber-licenses-cm/

Forestry Department and civil society to test shared governance and responsibility

Two civil society groups, Forever Sabah and Hutan along with WWF Malaysia have signed Memorandum of Understanding with Sabah Forestry Department and the forest concession holder, Anika Desiran. This MOU, which will run for five years, is the first in Sabah for a joint effort between the Forestry Department, the private sector and civil society to trial shared governance and responsibility.

Speaking to the media, John Tay, the head of WWF Sabah said the next step will be to involve local communities, the development of carbon neutral products and to investigate renewable energy possibilities. Staff at the forest concession holder, Anika Desiran, will receive training on high conservation value monitoring and reduced impact logging.

Is this the world's tallest tree?

A recently discovered yellow meranti tree (*Shorea faguetiana*) in the Tawau District of Sabah is said to be the world's tallest tropical tree at 96.9 m. It was thought that the fertile volcanic soil and high rainfall in the area contributed to its height growth.

See:
http://www.dailyexpress.com.my/news.cfm?NewsID=125818

Plywood prices

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$ 760 – 770 FOB
CP (3'x 6')	US$ 560 C&F
UCP (3'x 6')	US$ 660 C&F
Middle East (thick panel)	US$ 465 FOB
South Korea (9 mm and up)	US$ 515 C&F
Taiwan P.o.C (9 mm and up)	US$ 500 FOB
Hong Kong	US$ 500 FOB

Indonesia

Boost to Industry - Government to offer SVLK subsidies

Airlangga Hartarto, Minister of Industry, has indicated that the government will provide incentives for small and medium sized wood product and furniture manufacturers so they can secure SVLK certification, a measure aimed at building greater capacity in the domestic industrial sector.

Other support will include easing regulations and duties on imported raw materials used in manufacturing especially for export.

In welcoming the plan by government the Chairman of the Association of Indonesian Forest Concessionaires (APHI) attention should also be given to marketing not just production.

He said there is a need for a coordinated effort between entrepreneurs and the ministries of Environment and Forestry and Industry to address promoting Indonesian wood products to international market.

Support for the subsidy initiative was also voiced by the Chairman of the Association of Indonesian Sawn Timber and Wood Producers (ISWA) who said SVLK certification adds credibility to the legality of Indonesian wood products. The Association reminded the government that SVLK certification is an expensive exercise and suggested the level of subsidy be greater than that given in 2015.

While also welcoming the initiative of government the Secretary General of the Association of Indonesian Furniture and Handicraft Industries (HIMKI), Abdul Sobur, reiterated that SVLK certification of both up-stream and down-stream industries is inefficient as it doubles up the cost of certification.

His argument is that up-stream certification is enough as automatically the products that are manufactured automatically satisfy legality requirements. He pointed out once again that certification for downstream industries using certified raw material undermines competitiveness.

For more see: https://industri.kontan.co.id/news/himki-subsidi-svlk-sebaiknya-difokuskan-ke-sektor-hulu

In related news, Zulfandi Lubis Executive Director of Indonesian Forestry Certification Cooperation (IFCC) has warned that awareness of the importance of SVLK certification in Indonesia is not widespread. He claimed that most companies only apply for certification when it is requested by the market or by an end-user.

Changes to GSP a threat to wood export target

In a recent statement the Ministry of Environment and Forestry (KLHK) said it believes the wood products export target for this year can be achieved. However, there are some serious challenges ahead according to the KLHK Director of Processing and Marketing, Rufi'ie.

One such challenge is the current review of the Generalised System of Preference (GSP) being undertaken by the US government as it appears there are plans to remove woodbased panel products from the GSP list. Rufi'ie said if that happens it will disrupt Indonesian panel exports to the US because they will be subject to high import duties.

In the first half of 2018 the value of Indonesian processed wood product exports was about US$6 billion or 50% of the 2018 export target.

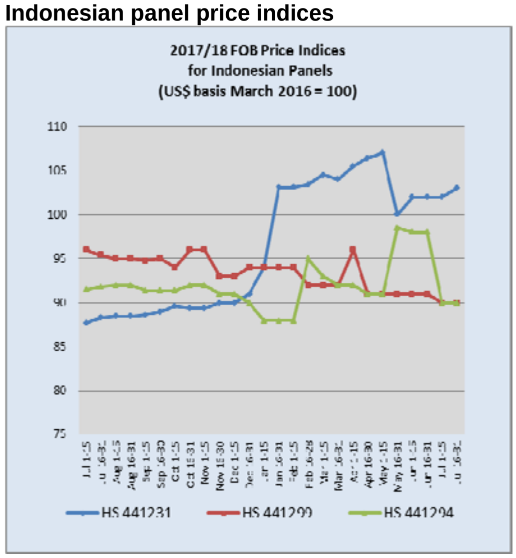
Trade Minister, Enggartiasto Lukita, has indicated that the government intends to dispatch a negotiating team to the US to discuss the importance of the GSP to Indonesia. The US has indicated it plans to review tariffs on over 120 Indonesian products, including textiles, plywood, and marine products.

Indonesian cooperation with the US Forest Service

The Ministry of Environment and Forestry (KLHK) has strengthened cooperation on forest management and forestry with the United States Forest Service (USFS) under the existing Participating Agency Partnership Agreement for the period 2016-2019.

The Minister said technical assistance and expertise will be provided by the USFS and that this will increase capacity in some key areas such as forest conservation, mitigation of greenhouse gas emissions, peatland restoration, fire management and mangrove management.

Indonesian panel price indices



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

Myanmar

Mills closing for lack of logs

The local media (Voice Daily) has quoted the Secretary of the Myanmar Timber Merchants Association, Soe Win, as saying that about 80% of the wood processing plants in the country have stopped operation. The reason, according to Soe Win, is the drastic reduction in log harvests and while the depreciation of the local currency against major currencies is helping exporters, it has pushed up the price of the imported raw materials used in production.

Myanmar introduced a one-year harvesting moratorium in 2016-17 and resumed harvesting this year but harvest levels were reduced from 350,000 Hoppus tons to 15, 000 Hoppus tons for teak and from 1,400,000 Hoppus tons to 350,000 hoppus tons for non-teak timbers.

In related news, the Myanmar Forest Certification Committee (MFCC) has said the test run of the Myanmar certification system will soon get underway.

Huge investment planned in China-Myanmar Economic Corridor

According to U Min Zaw Oo, Director of the Directorate of Investment and Company Administration (DICA), China and Myanmar have reached agreement on building a China-Myanmar Economic Corridor, part of China's One Belt One Road Initiative.

China is Myanmar's largest investment partner. Between 1988 and May of this year it had invested around US$20 billion in the country, according to DICA.

The economic corridor will run from Yunnan Province to Mandalay in Central Myanmar and then east to Yangon and west to the Kyaukphyu Special Economic Zone (SEZ) according to the DICA.

For more see: https://www.irrawaddy.com/news/burma/china-myanmar-agree-15-point-mou-economic-corridor.html

Sombre report on business sentiment

The Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) recently released results of a survey of enterprises in the country.

The report says that the business sentiment index has fallen from 73 in 2016 to 49 currently, with a majority of businesses saying the government lacks a clear economic policy. The survey also found that the weaker sentiment was, according to respondents, also due to high tax levels and import restrictions and duties.

UMFCCI concluded that the private sector is losing confidence because of the slow pace of economic reforms. In 2017 the ruling party said it aimed to lift Myanmar into the top 100 countries on the World Bank's Ease of Doing Business list but in 2018 Myanmar's position on the list fell. Myanmar remains the least favorable ASEAN country in which to do business.

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

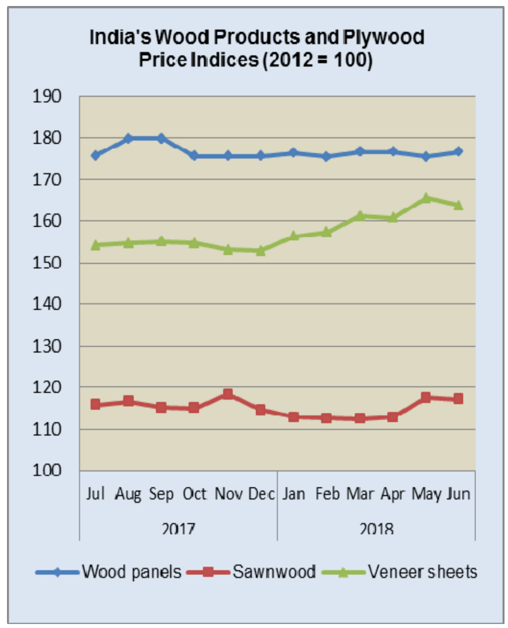
Woodbased panel price index declines in June

India's official wholesale price index for all commodities (Base: 2011-12=100) for June 2018 released by the Office of the Economic Adviser to the government rose to 119.2 in June from 117.9 in May.

The annual rate of inflation, based on monthly WPI in June 2018 was 5.77% compared to 4.43% for the previous month. With retail prices at a five-month high due to rising fuel prices expectations remain strong for an interest rate increase when the Reserve Bank of India's Monetary Policy Committee meets in August.

The price index for 'Manufactures of Wood and of Products of Wood and Cork' group declined to 133.1 from 133.3 for the previous month due mainly to a decline in the price of veneers. However, the price index for blockboard and other panels rose.

The press release from the Ministry of Commerce and Industry can be found at: http://eaindustry.nic.in/cmonthly.pdf



Data source: Ministry of Commerce and Industry, India

Host of items benefit from GST cut

When the Goods and Services Tax (GST) was implemented 1 July, 2017 there were around 226 goods attracting a 28% tax rate but over the past year the GST Council has reduced the rate for 191 of the 226 items.

The 35 goods which will continue to attract the highest rate include cement, automobile parts, tyres, automobile equipment, motor vehicles, yachts, aircrafts, aerated drinks, tobacco, cigarettes and pan masala.

Analysts say they expect that a review of the remaining items in the high tax bracket such as televisions, dishwashers, digital cameras, air conditioners may be considered for a rate cut. For wood and wood products efforts continue to secure a reduced GST rate from 18% to 12% as these wood products are essential goods.

Plantation teak

Demand for imported logs has slowed due to onset of monsoon which impacts construction work. Traders report that deliveries are also slowing down. The strong dollar, rising for last three months, has pushed up landed costs such that importers are reluctant to forward purchase.

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

Demand for imported hardwoods is weakening as end-user industries such as carpenters prefer material which requires less labour. Solid wood is being replaced by faced panel products such as MDF and wood plastic composites, notably for doors and frames. There are sizeable stocks of imported hardwoods in the country but with slow demand prices have not moved in months.

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

Indian importers who purchased large volumes of Myanmar teak logs before the log export ban was introduced are now stuck with high stocks of sawing quality logs as sales of this quality are slow.

At present teak faced plywood and teak veneers are hot items and these are being imported from China in large quantities.

Indian veneer manufacturers are hoping that eventually Myanmar will allow the export of high quality teak veneer logs so as to maximise export earnings from these top quality 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

Traders report that demand for imported sawnwood is current low and that prices for imported sawnwood (KD 12%) ex-warehouse remain unchanged from two weeks earlier.

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

With the beginning of the monsoon planting season many mill workers return to their home villages which affects plywood production. Production will only get backto normal when the workers return.

During the pre-monsoon time many mill workers go to their villages to help prepare fields for monsoon sowing. The workers stay away for between 4-8 weeks and plywood mill production suffers. With onset of monsoon rains the workers return to work as they are not needed for any further farm work. At this point factories are able to resume normal production. This is annual problem in India.

The weak rupee exchange rate has increased the costs of imported raw materials especially resins and other chemicals as well as face veneers. As plywood production has begun to rise this is beginning to have an impact on demand for logs such that prices are firming.

Plywood manufacturers are contemplating increasing prices by between 8 to 10% to compensate for rising costs but the market may resist a one-step rise so a decision was made to phase price increases to gauge end-user reactions.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	60.00⬆
6mm	80.00⬆
9mm	100.00⬆
12mm	125.00⬆
15mm	166.00⬆
18mm	174.00⬆

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	30.00⬆	44.00⬆
6mm	45.00⬆	57.00⬆
9mm	57.00⬆	70.00⬆
12mm	70.00⬆	82.00⬆
15mm	83.00⬆	100.00⬆
19mm	96.00⬆	114.00⬆
5mm Flexible ply	60.00⬆	

Brazil

Expanding domestic markets for producers in Mato Grosso

At the ForMóbile Trade Show for suppliers of furniture held in São Paulo in early July entrepreneurs associated with the unions that make up the CIPEM (Center for Timber Producers and Exporters of Mato Grosso State) had the opportunity to talk directly with buyers from all over Brazil. During the event, more than 1,500 people visited the CIPEM´s stand.

Foreign buyers also attended the event in search of suppliers of tropical timber with guarantees of timber origin. A buyer from the Dominican Republic said having access directly to a supplier provides for greater competitiveness in the market.

Mato Grosso State, a major tropical timber producer state in the Amazon region, currently has more than 3 million hectares of forest area under sustainable forest management. In 2017, 3.5 million cubic metres were traded worth R$241 million. Of the total production in the state around 70% was for domestic consumption the balance was exported. According to CIPEM, the expectation is that exports will grow around 15% over the next five years.

The high standard of timber quality and the strict control of timber origin in Mato Grosso are factors that guarantee the continuity of the standing forest even with an increase in demand, says CIPEM.

Digital technologies in support of sustainable logging

The Brazilian Agricultural Research Corporation (EMBRAPA) and partner institutions have invested in development of drones and digital tools to monitor the sustainable forest management of Brazilian forests.

One of these models is the Digital Model of Forest Logging – Modeflora (Modelo Digital de Exploração Florestal) developed by EMBRAPA to improve the planning of forest operations.

The brand was registered with the National Institute of Industrial Property in 2015 and is currently being applied in forest management plans in the Amazon region.

Another leading geo-technology available and useful for sustainable forest management is LiDAR (Light detection and ranging). This is an optical remote sensing technology that scans an area from an airplane generating a 3D model of the area.

These two technologies, combined with the use of drones are being used in a complementary way in sustainable forest management in Brazil.

Export update

In June 2018 the total value of Brazilian exports of wood-based products (except pulp and paper) increased 23% compared to June 2017 from US$213.9 million to US$263.6 million.

The value of pine sawnwood exports increased 34% between June 2017 (US$34.0 million) and June 2018 (US$45.5 million). The volume of exports increased 29% over the same period, from 166,600 cu.m to 214,200 cu.m.

Tropical sawnwood exports increased 41% from 33,700 cu.m in June 2017 to 47,400 cu.m in June 2018. In terms of value, exports increased almost 27% from US$15 million to US$19 million, over the same period.

Pine plywood exports increased 63.4% in value in June 2018 in comparison with the value in June 2017, namely from US$37 million to US$61 million. Export volumes rose 34% over the same period, from 129,400 cu.m to 173,700 cu.m.

As for tropical plywood, exports fell around 10% in June 2018 from 13,300 cu.m (US$5.3 million) in June 2017 to 12,000 cu.m in June 2018.

In June 2018 there was a sharp rise in wooden furniture exports with export values rising from US$36.9 million in June 2017 to US$49.2 million in June 2018, 33% increase.

Defending the interests of timber industry

The Brazilian Mechanically Processed Timber Industry Association (ABIMCI) recently participated in a meeting of the US-Brazil Business Council which aims to assist Brazilian companies expand business in the United States. At the meeting the activities of the Council in defence of the commercial interests of Brazilian and North American companies were discussed.

At the meeting with the Brazilian Industries Coalition (BIC) in Washington, information on possible changes to the US Generalised System of Preferences programme was provided. Discussions centred on how to protect Brazilian wood products from disruptions in GSP allocations.

Brazilian furniture exports increase

Exports of Brazilian furniture increased 10% between January and May 2018 compared to the same period of last year and were worth US$262.6 million, a growth of 5.2% compared to the same period last year. This data was released by the Brazilian Furniture Industry Association (Abimóvel) and the Brazilian Trade and Investment Promotion Agency (Apex-Brazil).

The survey also revealed that in the past 12 months at least 85% of exports were of wooden furniture. Exports to the United States accounted for just over 26% of all wooden furniture exports up almost 8% year on year.

The United Kingdom accounted for a further 11% of exports followed by Argentina (10%). The southern states of Brazil are the largest exporters of furniture with the states of Santa Catarina taking a 38.5% share, Rio Grande do Sul 27% and Paraná 15%. The three states accounted for almost 80% of all wooden furniture exports between January and May 2018.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	245⬆
Jatoba	114⬆
Massaranduba	110⬇
Miiracatiara	111⬇
Angelim Vermelho	108⬆
Mixed redwood and white woods	90⬇

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	841⬇
Jatoba	419⬆
Massaranduba	399⬆
Muiracatiara	396
Angelim Vermelho	366⬆
Mixed red and white	238⬇
Eucalyptus (AD)	193⬇
Pine (AD)	145⬆
Pine (KD)	167

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	528⬇
10mm WBP	425⬇
15mm WBP	358⬇
4mm MR	414⬇
10mm MR	300⬇
15mm MR	276⬇

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	230⬆
15mm MDF	257

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1457⬇
Jatoba	921⬇
Massaranduba	841⬇
Muiracatiara	826⬆
Pine (KD)	199⬆

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)	335⬆
12mm C/CC (WBP)	319⬆
15mm C/CC (WBP)	298⬆
18mm C/CC (WBP)	297⬆

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,688⬆
	Jatoba	1,450

Source: STCP Data Bank

Peru

New software for wood identification explained

The Thünen Institute for timber research in Germany in partnership with the institutes for Technological Innovation CITEmadera and CITEforestal in Brazil recently arranged a 'Wood Identification Workshop: Basic Concepts and Practical Exercises' the purpose of which was to strengthen the capacity in the use of new software for the identification of timber species.

The course was developed by a specialist in anatomy and wood structure in the Thünen-Institut. in understanding the potential of this type of tools was considered an important element in the development of wood processing sector in the country.

Sharing experiences on building capacity amongst informal timber sector workers

It has been estimated that around 880,000 people are employed in the timber sector of Peru of which the vast majority are casual, untrained workers. Of the total workforce around 16% are employed in forest management, 12% in primary conversion and 72% in secondary conversion. Of the latter, the manufacture of furniture accounts for around half of the employed workforce.

The importance of the timber sector in generating rural employment is often overlooked and there are few training opportunities for migrant informal workers.

In order to contribute to improving the skills of workers in the informal segment of the timber sector, representatives of the Ministry of Production and the Technological Institute of Production through the CITEmadera visited Quito and Cuenca in Ecuador where they participated in discussion with their peers from the public and private sectors.

Topics such as the design and implementation of vocational training were discussed; the promotion of the wood and furniture sector through increased of labour competence and articulation between the public and private sector in the execution of technical training requirements.

SERFOR celebrates 4th anniversary

The National Forest and Wildlife Service (SERFOR) in the Ministry of Agriculture and Irrigation has over the past four years undertaken promoting of sustainable management of the nation's flora and fauna so as to contribute to the generation of national well-being.

In order to strengthening the management of Regional Governments responsible for forest and wildlife management SERFOR has established liaison offices in Ucayali, Loreto, Madre de Dios and San Martín and intends to expand to other regions.

The SERFOR was created under the Forestry and Wildlife Law, No. 29763 and begin to function in 2014 SERFOR is the National Forest and Wildlife Authority in charge of determining strategies, plans, programmes and procedures related to the management, administration and sustainable use of forest and wildlife resources. It has 13 Forestry and Wildlife Technical Administrations (ATFFS) that operate in 15 departments of the country.

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	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	894-942⬆
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	526-595⬆

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

Japan/EU trade deal to eliminate tariffs

Japan and the European Union have signed a significant free trade deal that will lead to deep cuts or eliminate tariffs on nearly all goods.

An on-line statement from the EU says "The Economic Partnership Agreement between the EU and Japan is the biggest ever negotiated by the European Union. It creates an open trade zone covering over 600 million people and nearly a third of global GDP.

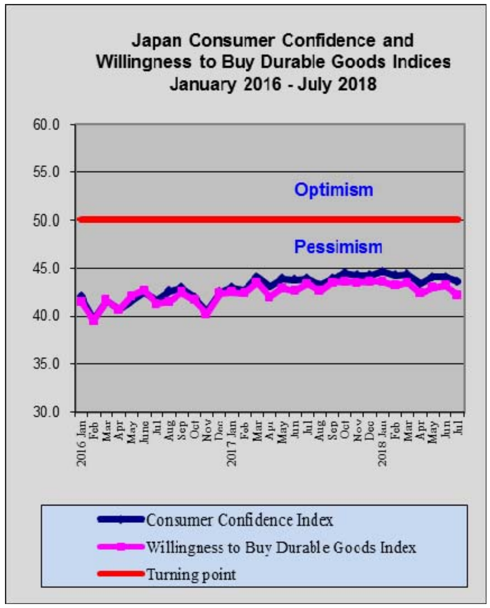
It will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, and has led to the removal of a number of long-standing regulatory barriers, for example on cars.

It will also open up the Japanese market of 127 million consumers to key EU agricultural exports and will increase EU export opportunities in a range of sectors. The Agreement follows the highest standards of labour, environmental and consumer protection and has a dedicated chapter on sustainable development. It is the first trade agreement negotiated by the European Union to include a specific commitment to the Paris climate agreement."

See: https://ec.europa.eu/commission/news/president-juncker-25th-eu-japan-summit-2018-jul-17_en

Consumers signal reluctance to buy durable goods

Japan's Cabinet Office has released details of its July consumer confidence survey which pointed to an unexpectedly decline in July. The overall livelihood index fell as did other indices. Of concern to the timber sector was the sharp drop in consumer willingness to buy durable goods.

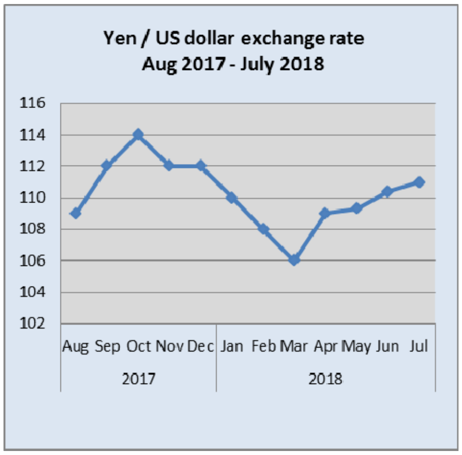


Data source: Cabinet Office, Japan

Hints of policy change at Bank of Japan

Towards the end of July the yen firmed against the dollar, giving up some of the weakness following the US interest rate increase but then fell back which analysts put down to the traditional 'rush to yen' when a crisis looms, the latest being the destabilised global economy.

Despite a flurry of negative economic indicators some suspect the BoJ is considering policy changes to make its currency management 'more sustainable' but the interpretation of sustainable is open to question. In the second half of July the yen moved to 112 to the dollar but has firmed to 110-111 yen per dollar by month end.

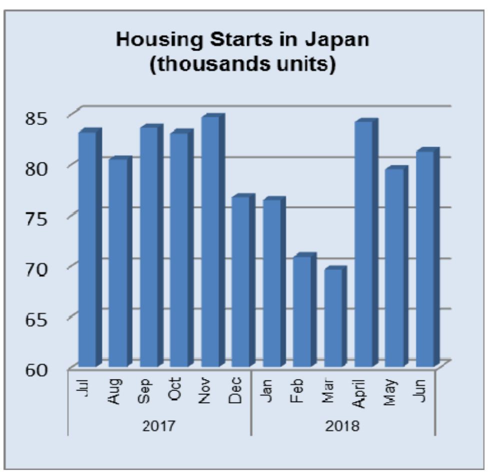


Disaster relief hampered by scorching temperatures

There are still almost 5,000 evacuees from the recent floods and landslides staying in shelters. Recently the Tokyo Metropolitan Government has said it offers free housing for victims. The capital has available 200 residences in council housing areas. Relief and recovery efforts in the disaster hot areas have been hampered by extremely hot weather with day time temperatures rising to over 35 degrees centigrade for almost two weeks.

Housing starts dip year on year

Despite being up on levels in May, year on year Japan's housing starts fell sharply in June according to statistics from the Ministry of Land, Infrastructure, Transport and Tourism. June 2018 starts were down over 7% reversing the tear on year rise seen in May. Ministry data also pointed to a decline in orders received by the major construction companies.



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

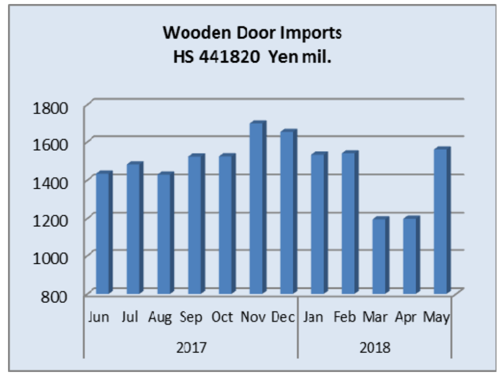
Import round up

Doors

May door imports

As if to compensate for the decline in door imports in March and April, the value of May imports skyrocketed 30% month on month with the top three suppliers, China, the Philippines and Indonesia all posting gains.

Shipments from China regularly account for around 60 % of all imports and in May shippers in China saw a 30% increase in delivers to Japan. The top three suppliers of wooden doors to Japan accounted for over 90% of May 2018 imports.



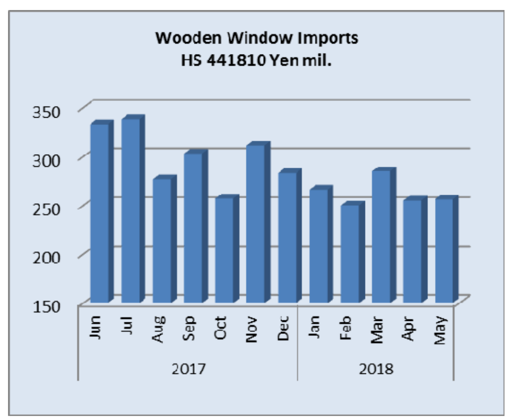
Data source: Ministry of Finance, Japan

Window imports

May window imports

Year on year Japan's May imports of wooden windows were down 20% and month on month they were little changed from a month earlier.

The top three shippers, as was the case in April, were China (43%), USA (26%) and the Philippines (24%). In May, shippers in China saw a 20% increase in total shipments and shippers in the Philippines posted a 5% rise in the value of shipments.



Data source: Ministry of Finance, Japan

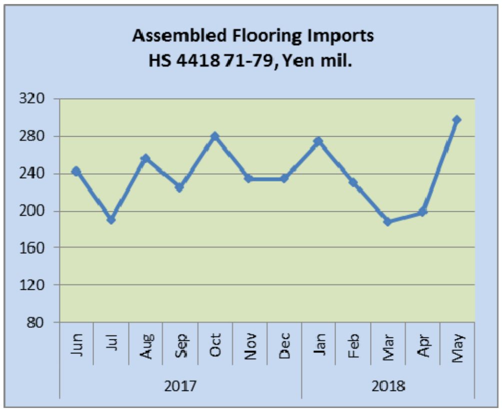
Assembled flooring

May 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 90% of the value of all assembled wooden flooring imports in May.

In order of rank by value, China, Malaysia and Indonesia were the main shippers of HS441875 in May while for HS441879 the main shippers were Indonesia and Thailand.

The value of May 2018 imports of wooden flooring was the highest for the past 12 months and almost up to the record level seen in January 2016. Year on year, May 2018 imports of wooden flooring were up 60% and there was a 50% increase from levels in April.



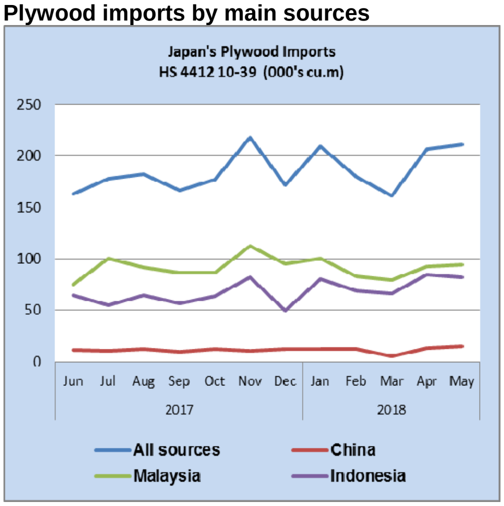
Data source: Ministry of Finance, Japan

Plywood

May plywood imports
As in previuos months plywood in HS 441231 accounted for most of Japan's imports of plywood. As in April, May imports of HS441231 accounted for over 89% of all plywood imports. HS441234 accounted for just 5% of May plywood imports.

Year on year May plywood imports from all sources rose 5% with shipments being dominated by Malaysia and Indonesia with smaller volumes from China and now, Vietnam. May shipments from Malaysia and Indonesia were up slightly (2% and 3% respectively) while shipments from China jumped 14%.

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	65.0
	Jul	10.6	100.0	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	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0

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

Indonesian floor base plywood supply
Delayed shipment and escalating prices of Indonesian floor base plywood have continued for more than a year. Reason is tight log supply. Even after rainy season was over, log supply has not recovered and tight supply may continue until arrival of next rainy season in both Malaysia and Indonesia.

Log production in both countries plunged sharply by heavier rain fall. This results in inflating log prices. Floor base plywood prices finally exceeded $750 level and June offer prices are $780 per cbm C&F for 11.5 mm thick overlay better panel. Previous settled prices were $730-740 so this is steep climb. Plywood suppliers in Indonesia realize the prices are too high but they have to pass high log cost onto export prices.

Meantime, Japanese floor manufacturers need to accept higher prices to continue manufacturing floor products so they purchased future supply in May and June. With exchange rate of over 100 yen per dollar, $780 would cost about 1,950 yen per sheet, the highest ever. Japanese floor manufacturers carry some inventories and some orders made about six months to a year ago have not arrived yet.

These are lower cost so the manufacturers can average down the high cost of recent orders then they have been using more domestic softwood and plantation wood like falcate plywood, which are another items to average down the cost.

In short, imported floor base plywood is no longer reliable material for Japanese floor manufacturers with delayed shipments and skyrocketing prices.

Plywood
Movement of both imported and domestic plywood is getting slower. Domestic softwood plywood market is weakening in wholesale channels. Slower demand by precutting plants is getting active again.

Imported plywood market lost upward momentum. The prices had been climbing as export prices have kept soaring then in April, the movement started stagnating so that the price escalation stopped.

May softwood plywood production was 251,700 cbms out of which structural panel was 234,400 cbms, 0.8% less than May last year and 2.0% less than April. With series of holidays in early May, operating days are less than other months but starts-up of new mill added some production so total production did not drop much.

The manufacturers are determined to keep present sales prices but actual market prices are bit confusing with some low offers.

Market of imported plywood confused some after lower cost inventories were in the market in June but the volume is limited so that the market is tightening again in July. New arrivals cost higher so sales price increase is necessary by one notch.

Imported South Sea (tropical) plywood market
Export prices by the suppliers continue climbing so future prices will be firm and higher but the market in Jap an is not able to follow escalating cost with weak demand. Particularly concrete forming for coating panel market is soft.

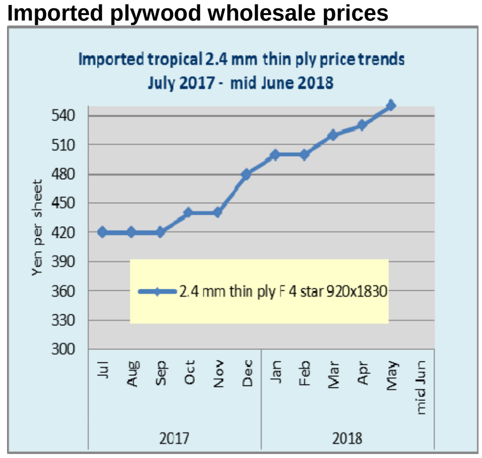
The demand skidded after early May. The prices had been climbing since last year but the movement slowed after May so price hike stopped.

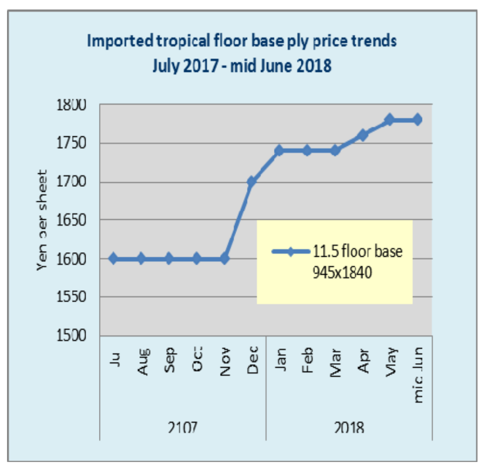
Actually the prices are down in June when the importers and wholesalers need to reduce the inventories before closing the book. Cargoes arrived in April are lower in cost compared to recent contracted cargoes so some low offers are proposed. This pushes market prices downward in general.

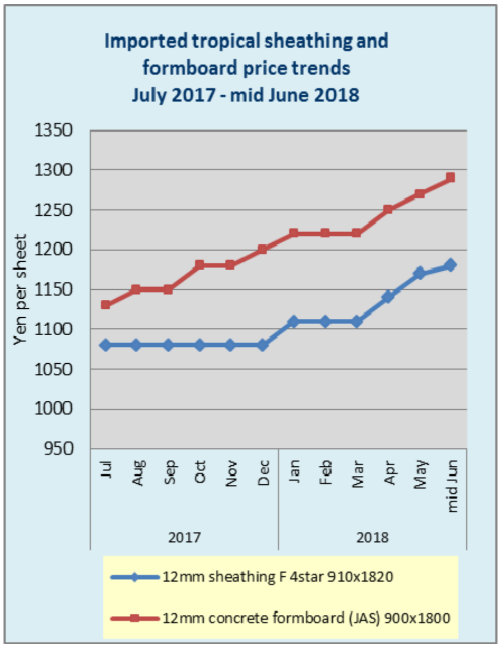
Supply side continue bullish with tight supply of logs so export plywood prices seem to keep escalating so the importers face rising future cost and weakening market inJapan so they look for low cost items in Japan market to average down the cost but with limited inventories, it is hard to find such low priced panels.

After all, gap between high cost offered by supply side and weakening market prices in Japan by lack of demand is widening and it becomes much harder to commit future cargoes.

Imported plywood wholesale prices







Weakening domestic softwood plywood market

Domestic softwood plywood demand had been very active in 2016 and 2017 by high housing starts so that the shipment had been more than the production by the manufacturers, which have been operating with maximum capacity but such robust demand finally eased in early 2018.

Demand slowness during winter months is normal every year and in last two years, the demand picked up in early spring so that the manufacturers continued full production even in winter months.

For the first time in three years, the demand and prices are softening due to slowdown of orders from precutting plants as start of rental units are declining.

Accumulated starts of wooden units for the first four months are 3,156 units less than the same period of last year. This may be the reason that orders from precutting plants decrease. Since middle of March, the market prices have started weakening and there were some spotty low offers. Even after new fiscal year started in April, the demand continues dormant.

Building materials trading firms have started selling without any commission since they need to dispose of certain amount of allocated volume by the manufacturers. Start-up of new Miye softwood plywood plant by Nisshin in April gives psychological impact to the market as an additional supply source.

If this bearish mood is temporary or not depends on orders by precutting plants. Large precutting plants are having ample orders for the summer and the manufacturers have such bullish view that the demand should recover shortly so that they continue full production for coming fall demand.

The manufacturers had to curtail the production by over-supply in 2014 and 2015.

This is the first time that the prices softened in distributing channels. Present prices of 12 mm 3x6 are 1,030-1,050 yen per sheet delivered, 10-20 yen lower than May. The manufacturers think that this is temporary dip and the demand should come back shortly.

High export log prices in Kyushu

In Kyushu, where is major supply region of export logs, prices of export logs stay up high. Prices of 4 meter cedar C grade logs are 8,500 yen per cbm delivered. Prices of logs for lumber have been weak due to seasonal reason and prices of logs for biomass power generation are lower than export.

Kyushu is geographically close to Korea and China market so prefecture of Kagoshima, Miyazaki and Kumamoto are major log suppling regions.

In Southern Kyushu, cedar logs with top diameter of 50 cm and large cypress logs are practically all for export and log exporters compete with each other to secure the volume.

Weak yen is favorable factor for export so the momentum of log export seems to continue for some time. Market of competing logs for biomass power generation is weakly holding at about 6,500-7,000 yen per ton delivered chip plants because of over-supply and power plants are reducing purchase of logs for wood chip.

Meantime, market of logs for lumber (A class logs) is also weak because sawmills are reluctant to buy too much logs in the rain season for fear of beetle damages.

In Southern Kyushu, price difference between A class logs for sawmills and C clsss logs for export is narrowing to 2,000-2,500 yen per cbm since C class log prices hold up and bottom is supporting upper class log prices.

However, demand for A class logs should recover toward fall and substituting demand of domestic logs from high priced import wood products should increase in the second half of the year.

May softwood plywood production was 251,700 cbms out of which structural panel was 234,400 cbms, 0.8% less than May last year and 2.0% less than April. With series of holidays in early May, operating days are less than other months but starts-up of new mill added some production so total production did not drop much.

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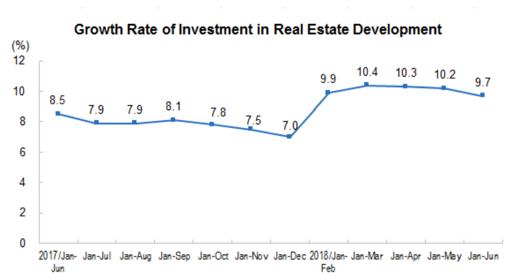
China

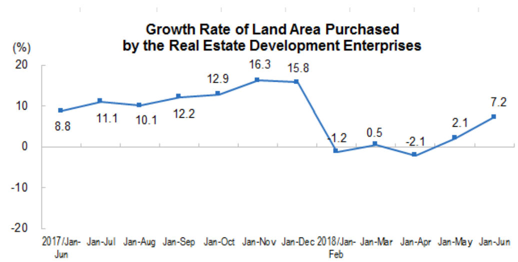
Real estate developments in the first half of 2018

China's National Bureau of Statistics has released its assessment of national real estate development and sales in the first six months of 2018. This shows that total investment in real estate in the first six months of 2018 expanded slightly but was down on the pace of growth in the first 5 months of the year.



Source: National Bureau of Statistics, China

In the first six months the area of land purchased by real estate developers was up by 7.2% year-on-year sharply up on the pace of growth in the first half of the year.



Source: National Bureau of Statistics, China

See:
http://www.stats.gov.cn/english/PressRelease/201807/t20180719_1610970.html

Over the past few years the government has introduced policies which reduced the dependence of economic growth on the real estate sector but still the construction sector remains a cornerstone of GDP growth. Lower investment in the construction sector will have a knock-on effect on imports of commodities including wood products.

IMF – China's growth prospects

In its latest annual assessment of the Chinese economy the IMF says growth is projected at 6.6% 2018. The report from the IMF goes on the say "Four decades of reform have transformed China from one of the poorest countries in the world to the second largest economy. The country now accounts for one-third of global growth. Over 800 million people have been lifted out of poverty and the country has achieved upper middle-income status. China's per capita GDP continues to converge to that of the United States, albeit at a more moderate pace in the last few years."

See:
https://www.imf.org/en/News/Articles/2018/07/25/na072618-chinas-economic-outlook-in-six-charts

Background on China's wood products trade

Data from China Customs shows that in 2017 total value of China's wood products trade (imports and exports) rose 10% to US$156.4 billion. The growth in wood products imports rose 21% to US$ 52.6 billion, significantly higher than the growth in exports (1.3%).

The US is the main importer of China's wood products but anti-dumping and anti-subsidy policies in the have resulted in a sharp fall in exports to the US.

China's wood products enterprises are facing considerable challenges in the US market.

The value of foreign trade in wood products between China and the US in 2017 was US$29 billion, accounting for 19% of China's total wood products trade.

However, tensions between the United States and China are increasing over trade issues after tariffs on US$50 billion worth of Chinese goods were announced by the US.

The US recently released a list of tariffs on US$200 billion of Chinese goods and wood products are affected including wood chips, wood charcoal, logs, other wooden products, sleepers, sawnwood, veneer, wooden flooring, particleboard, fibreboard, plywood, laminated wood, wooden doors, wooden windows, bamboo and rattan, wood pulp and waste paper, paper and board, pulp and paper products and wooden furniture and seats.

In 2017 the value of China's exports of wood products now included in the list attracting tariff was US$16.365 billion. The value of China's imports wood products included in the list attracting US tariffs was $8.27 billion. China imports mainly waste paper, sawnwood, wood pulp, logs and paper products.

The changes to US tariffs, if implemented in full, will create a major challenge for Chinese enterprises. The tariffs will not immediately go into effect but will be subject to a two-month review process beginning in August.

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 sawnwood battles for share of buoyant European market

Recent reports on European economic and construction sector health and outlook make for almost exclusively positive reading. After the EU economy enjoyed its strongest growth in gross domestic product in a decade in 2017, the overviews and forecasts for the first part of 2018 state that not only has expansion continued to date, it is set to persist through the rest of the year and into 2019.

In the Spring 2018 Forecast from the European Commission Directorate General of Economics and Financial Affairs (ECFIN), almost all the EU country summaries are strongly upbeat. The one exception is the UK, with its weaker outlook attributed to a large degree to the political and economic uncertainties surrounding its prospective departure from the EU.

Euroconstruct also stated at its conference in Helsinki in June that European construction was set for continued growth 'in the next few years'.

"European construction is growing well on the back of low interest rates, good economic growth and pent-up needs," the organisation stated. "Economic growth is expected to remain solid, unemployment will decrease, exports will grow, interest rates will remain low and the confidence of consumers and business and industry in the future is high."

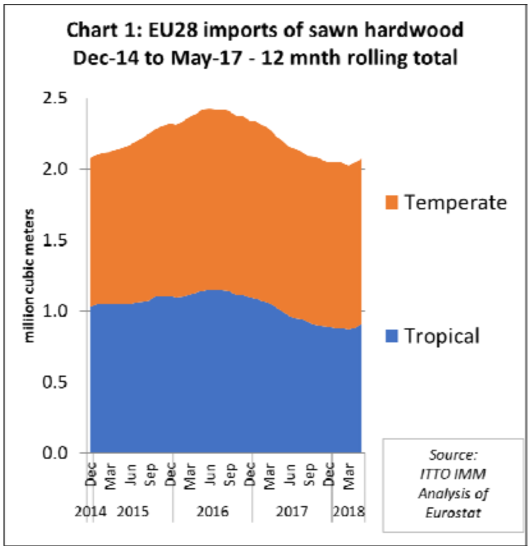
It added that increased tax revenues would drive public building and infrastructure projects, and that immigration and the ageing of the population would also likely boost construction.

Against this backdrop, it might be assumed that the tropical sawn hardwood sector would be among those benefitting from higher sales. Certainly the rest of the EU construction products industry is on a strongly upward curve, even in the UK.

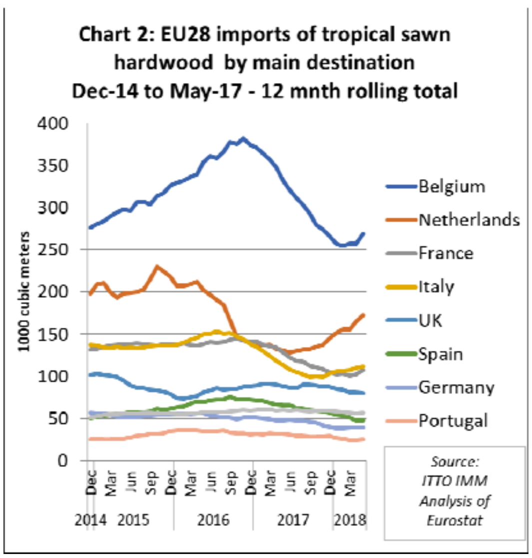
Like much of the rest of the sector in northern Europe, businesses were was severely disrupted by poor weather in the first three months of 2018, but the UK Construction Products Association reports a strong quarter two upturn in sales and rising confidence in the country's £56 billion industry.

EU tropical import figures mixed

However, the latest figures for the tropical sawn hardwood sector in Europe show a very mixed and fluid picture. In the first quarter of 2018, European imports were down 6% compared to the same period in 2017, continuing a long term trend. However, overall business recovered slightly over the next two months to leave the January to May import figure up 4.4% (Chart 1).



The improvement in EU tropical sawn hardwood imports in the second quarter of 2018 was accounted for mainly by rising trade in the Netherlands and Belgium. There was also a slight uptick in imports by Italy and France. Imports in the other leading tropical timber consuming EU countries was either flat or declining (Chart 2).

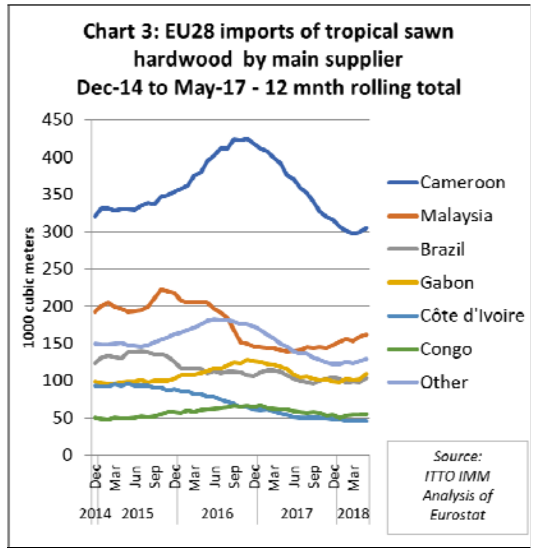


Total EU imports of tropical sawn hardwood for January to May 2018 were 405,597 cu.m, compared to 388,395 cu.m for the same period the year before. Belgium's imports were up 2.1% at 119,354 cu.m, while the Netherlands' jumped 45.7% to 88,692 cu.m. France and Italy's imports were up respectively 5.5% and 19.7% at 49,517 cu.m and 48,019 cu.m, while Denmark's rose 23.9% to 8479 cu.m and Poland's 47.2% to 4,271 cu.m.

Of the larger importers, Spain saw the sharpest contraction, down 31.8% to 18,129 cu.m, while the UK's imports fell 20.1% to 29,903. Germany's tropical sawn hardwood trade was down 3.4% to 18,397 cu.m, Portugal's 30.3% at 9,623 cu.m, Ireland's 48.3% at 3,878 cu.m and Greece's 3.16% at 3,550 cu.m.

There was also divergence in the EU fortunes of various tropical suppliers. EU imports of sawn hardwood from Malaysia progressively increased in the first five months of 2018.

Imports from Cameroon declined in the first three months of 2018 before recovering a little ground in April and May. Imports from Gabon, Brazil and Congo remained static at a relatively low level in the first five months of 2018. Imports from Cote d'Ivoire continued to slide between January and May this year (Chart 3).



Comparing the January to May period in 2018 with the same period in 2017, EU imports of sawn hardwood fell from Cameroon by 8.3% to 124,853, from Brazil by 1.6% to 48,939 cu.m, from Côte d'Ivoire by 12.8% to 17,593 cu.m, from Suriname by 25.2% to 2,690cu.m and from Madagascar by 20.6% to 2,915cu.m.

In contrast, in the first five months of 2018 EU sawn hardwood imports increased from Malaysia by 21.4% to 78,305 cu.m, from Gabon by 23.2% to 53,167 cu.m, from Congo by 6% to 22,973 cu.m and from Myanmar by 45.5% to 4,932 cu.m.

EU importers face rising competition for supplies

EU timber traders cited a number of factors shaping tropical import trends. These included intensifying competition for material from Chinese and other Asian buyers, which was driving up prices for tropical and temperate hardwood alike, as well as resulting in short supply in some species.

But logistical problems, the 'deterrent effect' of the EUTR in the tropical market on both suppliers and buyers, as one importer described it, and ever intensifying competition from rival products, including temperate hardwoods, modified timber and wood composites, also had an influence.

The restructuring of the African operations of the French-based Rougier Group, one of the EU's key tropical producers and importers, was also felt to have impacted the market. And some companies also believe there is an underlying long term 'slow but discernible' decline in the EU tropical trade, although this is not a view shared by everyone.

Interestingly, however, the EU temperate sawn hardwood market has also been experiencing its own challenges, notably supply constraints, price inflation and most recently allegations of illegality and breaches of the EUTR in one of the best selling species, European oak.

Backlogs grow at Douala Port

One factor in the contraction in Cameroon's EU exports, which started in 2016, cited by a number of EU importers, was the continuing deterioration of operations at the port of Douala, the key timber trade export hub for much of Central and West Africa. The government has now appointed a commission to investigate the 'failed operations' at the facility. But importers don't expect rapid improvement to the rate of throughput and reductions in backlogs at the port any time soon.

"It's a combination of poor management, old and unreliable equipment and silting up of access channels, which means that larger, deep-draft vessels can't dock," said an continental EU importer. "Some shippers are exploring the possibility of using the new, Chinese-funded, deep-water port at Kribi, but this still has teething problems, and the only other real alternative is Pointe Noire in the Republic of Congo."

According to latest reports the backlog of timber for shipment to China alone at Douala has now reached 60,000cu.m.

As mentioned, the disruption to supply from Rougier's Cameroonian operations while the company has been under protective receivership is also thought to have hit the country's overall export figures.

Rougier has now finalised the sale of its businesses SFID, Cambois and Sud Participation in Cameroon and RSM in the Central African Republic to Cameroon-based consortium Sodinaf.
The latter was chosen as the buyer, said Rougier in its July 19 statement, "for the quality of its project, which will help ensure the sustainability of the activities sold".

At the same time the company said it intended to "continue to be a major player within its industry" and would focus on developing its other more 'geographically aligned' African operations, notably in Gabon, "in better conditions".

But, while the situation is now seemingly resolved, some EU importers feel there may be continuing implications for trade with the Cameroonian operations.

"With those ex-Rougier businesses now in Cameroonian rather than French ownership, they may well take a different market view and approach," said an importer, who also questioned whether the new owners would renew the FSC-certification which Rougier let lapse under receivership.

Concentration of EU African import trade

The combination of these factors, with intensifying competition from Chinese buyers and the administrative time and cost burden of EUTR compliance is reported by companies in some EU countries to be leading to further concentration of the African importing sector.

"We're seeing operators on the periphery of the trade, previously importing smaller quantities now and again, coming to us instead," said an importer.

Supply issues are also applying further upward pressure on African prices. One company said both sapele and sipo/utile were being quoted €50 to €60 per cu.m more for quarter one delivery 2019, an increase of around 10% on current prices. And another importer forecast a further 5-7% increase in sapele by the year-end.

Iroko and framire/idigbo prices were also reported to have firmed, with supply of the former improving, but the latter becoming increasingly difficult to source.

"Overall African supply is tight, and drying specialists in the UK and the Netherlands in particular are finding it difficult to get enough hardwood to put through their kilns," said an EU importer.

"It's very much a sellers' market. Our African suppliers have full order books and are very bullish. They can pick and choose their customers and often they're also choosing Chinese buyers because they both pay a good price and don't require the legality and sustainability verification we do."

Competitive Asian market

While both Indonesia and Malaysia increased their EU exports of sawn hardwood in the first five months of 2018, EU importers reported tight supply due to competition from Asian buyers and continuing wet weather affecting harvest and transit.

Lead times for Malaysian keruing and meranti were extended and prices firming, with the strength of the ringgit against the dollar said to be adding to price pressure, while suspension of some suppliers' certificates has affected PEFC-certified supply.

Indonesian bangkirai prices are also already up this year, and importers say more increases are in the pipeline, with quotes up 20-30% for end-of-year deliveries. One company also said that the premium on FSC-certified material over FLEGT-licensed had increased.

Whether FLEGT-licensing is assisting imports from Indonesia is unclear. One importer said they were highlighting it in their customer documentation, but others were doubtful.

"It still needs more communication and education in the market place," said one company. "It's not sufficiently understood or valued by our customers, and awareness decreases the further you go down the supply chain. Brand recognition is nowhere near the levels for FSC or PEFC."

EU importers discouraged from importing Myanmar teak

Given continuing controversy in the EU over whether Myanmar teak can be traded in compliance with EUTR requirements, importers questioned by ITTO's correspondent were surprised by EU import statistics showing a 46% increase in sawn hardwood trade with Myanmar in the first five months of this year. The statistics indicate that much of the rise in trade was destined for Italy, Belgium, Germany, and the Netherlands.

Some NGOs claim that it is not possible, under the existing regulatory framework in Myanmar, for EU importers to gather information sufficient to ensure a negligible risk of teak being from an illegal source in line with EUTR requirements.

As things stand, this position is effectively endorsed by the Competent Authorities (CAs) responsible for enforcement of EUTR at national level in the EU.

At their meeting in November 2017, the European Commission's Expert Group on the EUTR and FLEGT Regulation which provides a forum for member state CAs, reviewed a statement issued by the Ministry of Natural Resources and Environmental Conservation (MONREC) in Myanmar regarding improvements in traceability and transparency. The Expert Group agreed that this still falls short of what is needed to demonstrate the origin of the timber and so ensure full due diligence from an EU perspective.

A Myanmar delegation recently met with EU officials, trade bodies, NGOs and CAs, but the outcome was reported to be 'status quo' with the CA's assessment of risk on Myanmar imports unchanged.

Until the matter is resolved, several timber trade bodies, including Le Commerce du Bois in France and the UK TTF, are advising members not to import Myanmar teak.

Sharp fall in UK tropical timber imports

UK hardwood companies attributed the particularly sharp fall in their imports of tropical sawn hardwood to a number of factors. These included the situation in Douala and disruption in supply from Rougier, a major supplier to the country. They reported too that, after heavy buying in 2017, there was an excess of stock on the ground. General economic uncertainty in the market was additionally leading to customers buying just in time and little and often.

Some importers thought too that sales of tropical hardwood were in long term decline due to a combination of aversion to perceived illegality risk and increased consumer acceptance of other products. The UK is a particularly strong market for modified timber, notably Accoya, thermo-treated timber and wood composites, which are reported to be increasing in choice and quality. One importer recently told the UK's TTJ magazine that they saw all these products as "part of the armoury of a modern timber products and service provider".

Competition from temperate hardwoods was also cited as a factor in tropical timber sales trends by EU importers, although as highlighted above, this sector is not without its own issues.

Prices across the range of temperate species are said to be firm thanks to demand levels in the EU and competition from Asian, again notably Chinese buyers, who have been taking growing quantities of logs as well as sawn timber.

At the European Oak Conference in London in March, the European Organisation of Sawmill Industries (EOS) stated that in seven years Europe's oak lumber exports to China are up 34%, while log exports have risen 244%. This had led to demands in France in particular for some form of controls on log exports.

The recent imposition of phytosanitary restrictions on US hardwood logs by China was expected by some to alleviate demand pressure in the market. However, one importer thought that it might lead to Chinese buyers sourcing more US hardwood lumber instead.

European oak export controls

Adding price inflationary and demand pressure in the European oak market are export and transit controls on oak logs and green lumber in Croatia, ostensibly to curb the spread of oak lace beetle (Corythucha arcuata).

At the European Oak Conference a representative of the Croatian Oak Cluster said the controls might be relaxed this summer, but according to the EOS there is no news to date.

The latest is that Croatian authorities have informed the European Commission Standing Committee on Plant, Animals, Food and Feed (PAFF) that their course of action would be decided in July following consideration of a new report into the effectiveness of measures to control spread of the beetle.

The ten-year ban on unprocessed timber exports from Ukraine has also impacted on EU oak processors and has been challenged by the EU authorities.

Now, following an investigation by ENGO Earthsight, there is also added concern that lumber from Ukrainian mills entering EU supply chains may have derived from illegally felled trees, including oak.

Earthsight alleges that Ukrainian rules allowing felling of diseased trees have been illicitly used to harvest healthy forest. The subsequent timber, some of it stamped FSC-certified, was then finding its way, despite EUTR due diligence, into neighbouring EU countries, notably Poland and Romania. The NGO said corruption in Ukrainian authorities was facilitating the trade.

On July 18 Ukrainian prime minister Volodymyr Groysman, seemingly in response to the Earthsight exposé, said he was initiating a crackdown on illegal timber and appealed to the EU to provide information on imports of timber from his country. But in the meantime an importer said his company was “interrogating all European oak imports much more closely”.

Turning back to tropical timber, the International Tropical Timber Technical Association (ATIBT) says that its Fair & Precious brand-based marketing initiative to promote tropical timber internationally was continuing to roll out.

Speaking at the EU FLEGT Independent Market Monitor Trade Consultation in Nantes in June, the organisation said the Fair&Precious brand was open to companies across the tropical timber supply chain which committed to source material legally and sustainably, and to submit to third party audit of their procurement practice.

ATIBT also said it would be considering where the FLEGT VPA initiative and FLEGT licensed timber might fit in the Fair&Precious sourcing criteria.

Meanwhile the 2018 conference of the Sustainable Tropical Timber Coalition, the industry alliance dedicated to increasing sustainably sourced tropical timber sales in Europe, has the theme of using data and market intelligence to drive market share. It takes place in Paris on October 25 (www.europeansttc.com).

North America

Jump in hardwood plywood imports
The volume of hardwood plywood imports increased 28% in May. The largest growth was in imports from China, despite the US anti-dumping and countervailing duties.

Additional duties of 10% may be imposed on plywood and a wide range of other wood products and furniture, according to a recent announcement by the Trump administration.

Most other countries also increased shipments to the U.S. Plywood imports from Vietnam more than tripled year-to-date compared to 2017. Imports from Indonesia declined month-on-month, but year-to-May imports are significantly higher than at the same time last year.

2018 year to May hardwood plywood imports

	cu.m	Yoy % Change
Total imports	775,350	-37%
China	106,481	-85%
Russia	124,305	4%
Indonesia	200,164	48%
Malaysia	43,883	-7%
Cambodia	43,576	131%
Vietnam	51,031	324%
Ecuador	36,681	22%
Other	169,229	6%

Data source: US Census Bureau, Foreign Trade Statistics

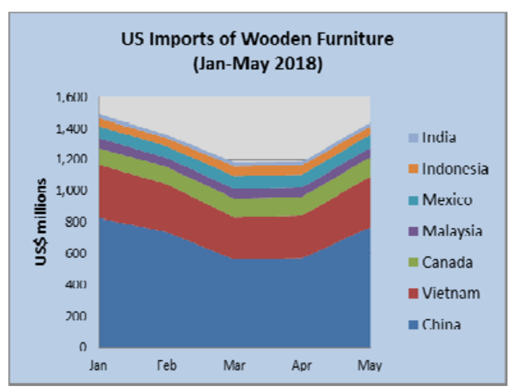
Higher moulding and flooring imports
Hardwood moulding imports grew 26% in May following three months of decline. The strongest growth was in imports from China. Imports from Malaysia declined, but year-to-date imports were 20% higher than in May 2017.

Both hardwood flooring and engineered/laminate flooring imports were up in May. Hardwood flooring imports year-to-date were 58% higher than in May 2017. Year-to-date imports from Brazil more than doubled from last year.

Growth in assembled flooring imports was more modest compared to 2017. China’s shipments increased in May, but year-to-date imports from China were lower than at the same time last year.

Strong growth in wooden furniture imports
Wooden furniture imports surged by 19% in May to US$1.67 billion. Year-to-date imports were 7% higher than in May 2017.

China and Vietnam saw the greatest growth in May. Imports of all wooden furniture grew in May, in the following order: kitchen furniture, furniture for other use, upholstered seats, office furniture, bedroom furniture, and not upholstered seats.



Data source: US Census Bureau, Foreign Trade Statistics

Growth in US furniture manufacturing and retail sales
In the first half of 2018 retail sales at furniture and home furnishing stores grew 5.3% compared to 2017 (US Census Bureau, Advance Monthly Retail Trade Survey). Retail sales were almost unchanged from May to June.

The wood products and furniture industries reported growth in June in the Institute for Supply Management's Manufacturing (ISM) Business Survey. Growth in wood products manufacturing was the second highest of all manufacturing industries.

Transportation shortages and high costs, especially for trucking, are a major problem across all industries. Respondents were also concerned how the new US tariffs and other countries' counter tariffs will affect their business.

Transportation bottlenecks hurting businesses

The US Woodworking Network reported that there is a severe shortage of truck drivers in the US. In 2017 the sector needed an estimated 51,000 additional truck drivers and the figure is expected to rise to 174,000 by 2025 according to the American Transportation Research Institute.

The Hardwood Distributors Association stated that many of their members are seeing a significant impact on their delivery capacity due to an inability to efficiently transport materials. Companies along the entire supply chain are affected by shortage of trucks, from sawmills to distributors of finished goods. Some companies have started reviewing their manufacturing footprint with the view to reducing transportation distances.

Lower housing starts despite strong economy

Housing starts declined in June in all regions of the U.S. Housing starts fell 12% in June to a seasonally adjusted annual rate of 1.17 million units, according to the U.S. Department of Housing and Urban Development and the Commerce Department. Single-family starts fell 9%. Permits were at the lowest level of the year in June.

Source: US Census Bureau

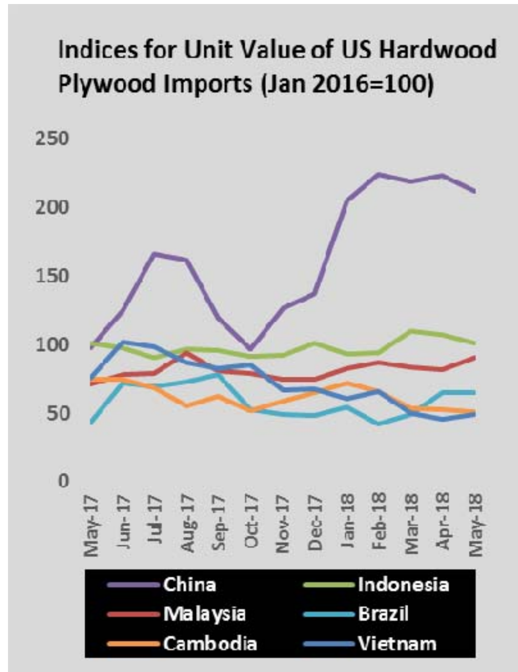
The cost of building materials have been rising rapidly, especially the cost of sawnwood due to tariffs on imports from Canada. The National Association of Home Builders is concerned about a softening in housing production in the near term.

Despite lower housing starts, builder confidence in the market for newly-built single-family homes was unchanged in July, according to the National Association of Home Builders.

Demand for new housing remains strong, while builders need to manage the rising cost of materials and labour.

In Canada, housing starts surged in June because of higher multi-family starts in urban areas.

Price indices for imported plywood



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics
Note: Indices are derived from customs value and exclude shipping, insurance and duties

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

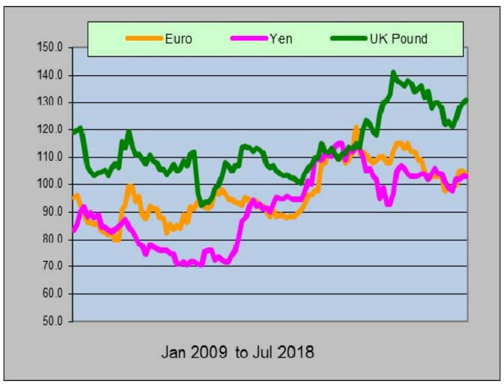
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

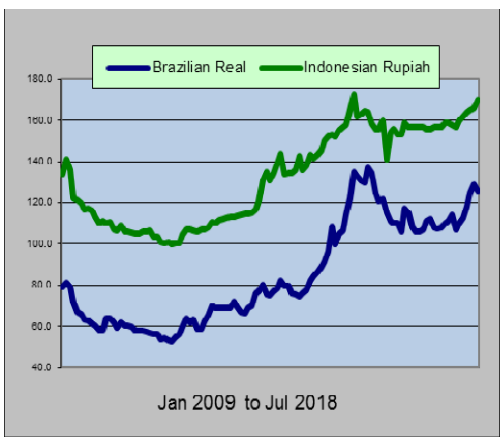
Dollar Exchange Rates

As of 25 July 2018

Brazil	Real	3.6906
CFA countries	CFA Franc	564.26
China	Yuan	6.7697
EU	Euro	0.8526
India	Rupee	68.73
Indonesia	Rupiah	14460
Japan	Yen	110.97
Malaysia	Ringgit	4.0445
Peru	New Sol	3.26
UK	Pound	0.,7581
South Korea	Won	1117.80

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

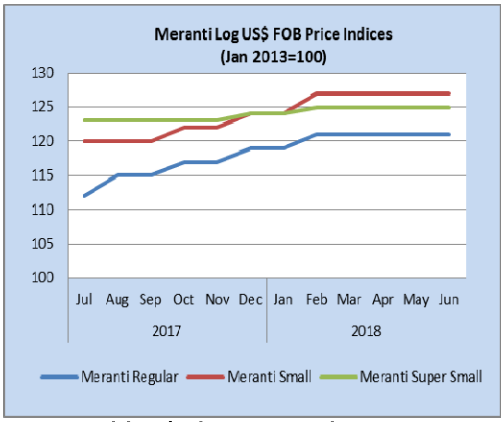
Baltic Supramax Index
August 2017 – July 2018

Data source: Open Financial Data Project

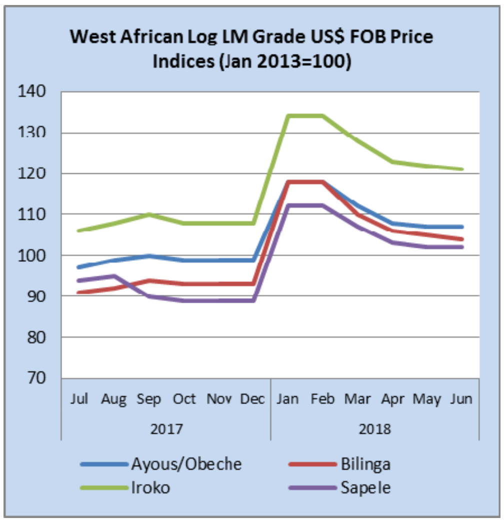
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

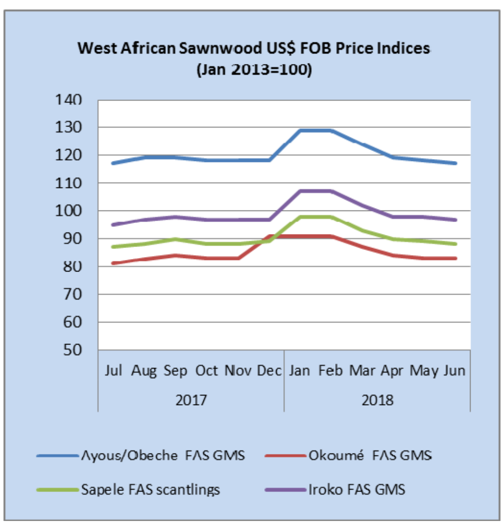
Price indices for selected products

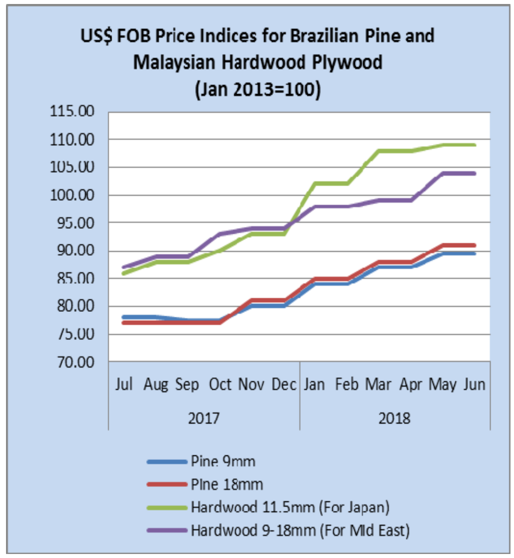
The following indices are based on US dollar FOB prices

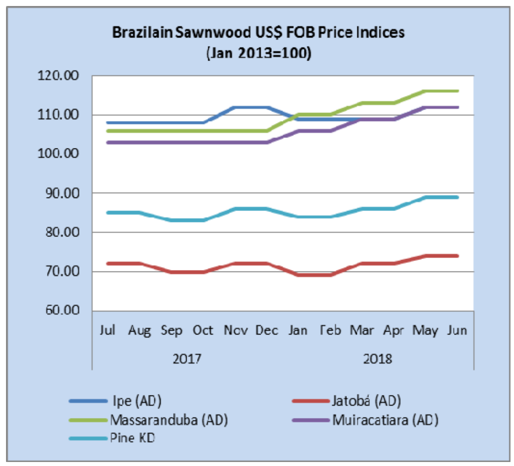


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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