

Tropical Timber Market Report

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Top Story

Peru signs landmark agreement on foreign trade with US

Peru's trade with the US will get a boost from the recently signed 'Mutual Recognition Agreement'.

The US government website says this mutual recognition, which is the first signed by the United States with a South American country, will help facilitate bilateral trade and provide a greater level of competitiveness to Peruvian products.

See page 9

Ghana

Ghana could restrict exports to added-value products

A Senior Minister in government has hinted Ghana could soon stop exporting raw materials to international markets as part of the 'Ghana beyond aid' strategy. Osarfo Marfo, made this known when addressing the Ghana/Indian Trade Advisory Chamber (GITAC).

Ghana's timber exports comprise mainly raw materials for other industries such as plantation logs, sawnwood and plywood. The government is seeking ways to encourage more domestic processing of its timber so as to increase earnings.

Statistics from the Ministry of Trade and Industries show Ghana's trade in goods and services with India exceeded US\$3 billion in 2017 of which exports accounted for around 80%.

The government has recognised that the private sector is the engine of national growth and measures are being planned to support expansion of private sector processing of wood products.

Business community ready to support 'One-District-One-Factory' concept

Domestic and foreign owned companies are showing keen interest in the 'One-District-One-Factory' (1D1F) concept devised by the government and have approached the 1D1F secretariat to register interest.

A press release from the government says the 1D1F strategy is aimed at establishing at least one factory or enterprise in each of the 216 districts of Ghana as a means of creating economic growth poles. The idea is that this would accelerate the development of those areas and create jobs for the youth.

The policy aims to transform the structure of the economy from one dependent on production and export of raw materials to a value-added industrialised economy driven primarily by the private sector.

See: <http://www.ghana.gov.gh/index.php/news/3939-one-district-one-factory-officially-takes-off>

In related news, the Hungarian Ambassador to Ghana told a meeting of the Association of Ghana Industries that officials from Hungary are in talks with the Ministry of Trade and Industries on establishing factories for processing agricultural products.

Carlos Ahenkorah from the Ministry of Trade has reported that his ministry has recommended over 450 industrial projects under the 1D1F strategy. Five financial institutions have committed to fund viable 1D1F projects.

World Bank support for financial sector stability

The World Bank has approved a US\$30 million International Development Credit Line to support the Government of Ghana strengthen its financial sector stability and improve inclusiveness for users of formal financial services and the financially excluded, particularly women, rural communities and farmers.

"This project will support Government's plan to undertake reforms to deepen financial markets, promote inclusion, enhance the supervision and regulation of specialised deposit-taking financial institutions in line with Ghana's National Financial Inclusion and Development Strategy," said Henry K.G. Kerali, World Bank Country Director for Ghana.

This initiative will enable ordinary Ghanaians to develop trust in the sector and benefit from access to savings and financing for investments. It will also support education of consumers on their rights and equip them with skills and knowledge to make informed choices in the use of financial services.

See: <http://www.worldbank.org/en/news/press-release/2018/09/20/ghana-receives-support-to-strengthen-its-financial-sector-and-promote-inclusion.print>

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	400
Niangon	580
Niangon Kiln dry	610

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	306	415
Chenchen	365	505
Ogea	473	590
Essa	546	649
Ofram	350	406

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanfina	953
Avodire	433
Chenchen	636
Mahogany	881
Makore	989
Odum	1,728

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	370	640	641
6mm	396	535	604
9mm	367	446	560
12mm	470	463	480
15mm	450	377	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 Sawwood Prices

Ghana Sawwood, FOB FAS 25-100mm x 150mm up x 2.4m up	Euro per m ³	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	490	564
Ceiba	240	320
Dahoma	355	460
Edinam (mixed redwood)	520	71
Emeri	490	564
African mahogany (Ivorenensis)	843	1049
Makore	775	925
Niangon	530	710
Odum	936	1080
Sapele	700	745
Wawa 1C & Select	360	439

Malaysia

Researchers challenged to find native trees for industrial plantations

Malaysian Primary Industries Minister, Teresa Kok, has said the government is committed to maintain a 50% forest cover as pledged at the 1992 UN Rio Earth Summit and she emphasised that Malaysia's oil palm plantations are on land reserved for agriculture and no land has been released from permanent forest reserves.

Maintaining forest reserves is an important objective of the new government which was sworn in after the May general elections. There is a renewed interest in alternatives to natural forest production such as rubber trees and oil palm stems.

The Malaysian Prime Minister has challenged the research community to search for plants, particularly native plants and trees, that can be used as raw materials for industry in the same way as exotic rubberwood.

Better utilisation of bamboo resources falls into this category and the government is urging the country's bamboo industry to take proactive steps to ensure that the bamboo processing sector embraces up-to-date technologies to increase exports more than the RM300,000 recorded last year. Currently, there are more than 100 bamboo processors in Malaysia and most of these are small and medium sized enterprises.

Malaysia has more than 70 species of bamboo. In Peninsular Malaysia bamboo forests extend over 329,000 hectares with much more being found in Sabah and Sarawak.

See:
<https://www.inbar.int/%EF%BB%BFmalaysian-bamboo-development-challenges-and-opportunities/>

Sabah certified forest

The Sabah based Sapulut Forest Development Company (SFD) has achieved certification under the Malaysian Timber Certification Scheme (MTCS) for its natural forest management within Forest Management Unit 14.

With the additional of these 54,643 hectares of forest certified under the MTCS, a total of 850,519 hectares are now under some form of certification in the state such as

Ramsar, MSISO Standard 9001:2008, Forest Stewardship Council (FSC) for Natural Forest and Forest Plantations and the MTCS. The MTCS certificate will be valid until June 2021 and means the SFD will also be recognised within the PEFC system.

For more see: <http://sapulutfmu14.blogspot.com/>

Calls for plantation logs to be excluded from Sabah log export ban

A company with extensive plantations in Sabah has appealed to the State Government to exclude logs derived from plantations from its recent export ban. Benn Osman, Director of Boon Rich, said plantation logs can readily be verified as legal and so should not be included in the log export ban.

Osman pointed out that both the State and Federal governments encouraged investment in plantations and the current ban undermines that initiative. To emphasis this Osman pointed out that between 2014 and 2018 the Federal Government provided loans of around RM1 billion for tree planation development and that loans have to be repaid.

Osman said his company has planted teak which is now 20 years old and the company is negotiating with buyers in Dubai and India but that the log export ban is undermining business development.

Indonesia

Post-Brexit – UK will continue to recognize FLEGT licenses

The UK Ambassador to Indonesia, Moazzam Malik, has said in the post-Brexit period Indonesia's timber and wood product exports to the UK will not be disrupted and that the FLEGT licensing system will be upheld.

He also suggested to the Minister of Environment and Forestry, Siti Nurbaya Bakar, that post Brexit there could be a bilateral agreement that covers the timber trade. As a follow-up the UK Ambassador proposed beginning bilateral discussions as early as March next year when Britain officially leaves the European Union.

In related news, a workshop/dialogue themed "Interactive Dialogue on the FLEGT Scheme: Boosting Indonesian Wood and Timber Products Exports to the EU" was recently held in Belgium. This event was hosted by the Indonesian Embassy in Brussels jointly with Fedustria, a Belgian non-profit federation of representing the textile, wood and furniture industry.

The purpose of the dialogue was to review implementation of the FLEGT and discuss strategies to increase Indonesia's wood and timber products exports to the EU.

According to the Deputy General Manager of Fedustria, Filip De Jaeger, businesses in Belgium report that the FLEGT licensing system has helped promote trade in the timber sector between Indonesia and the EU because

importers no-longer have to contend with due diligence requirements. However, some importers of Indonesian products said more needs to be done to inform end-users and consumers on the security the FLEGT system offers.

Indonesia committed to fair trade policies

Indonesia's International Trade Negotiation Director General, Imam Pambagyo in the Ministry of Trade, has said that Indonesia will continue to uphold trade policies committed to fair trade in order to avoid conflicts which could hurt the economy.

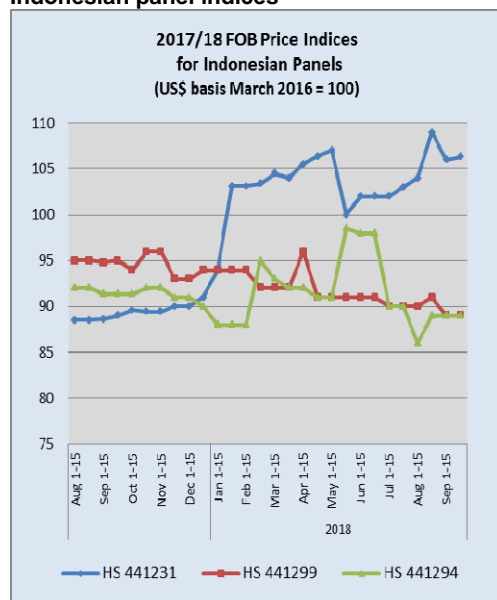
He said competition in international markets is rising but that there is a need for Indonesia to take a positive approach and engage in bilateral consultations and avoid punitive policies. He said the best approach is for Indonesian manufacturers to strengthen their competitiveness.

Import restrictions not yet reducing deficit

Sri Mulyani Indrawati, the Indonesian Finance Minister, has reported that the current account deficit has not been significantly reduced despite government measures to limit imports. The current account deficit in the second quarter was just over 3% of GDP or US\$8 billion, compared to US\$6 billion in the first quarter.

In its efforts to reduce the deficit the government introduced measures to limit imports, including higher tariffs and a mandatory use of 20% blended biodiesel (B20) for heavy vehicles. The government also postponed several large infrastructure projects.

Indonesian panel indices



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

Myanmar

More on clearing Karenni teak log stocks

Concern has been raised by environmental commentators over the decision by the government to allow the Karenni National People's Liberation Front to sell log stocks.

The Myanmar Government Spokesperson, Zaw Htay, clarified this decision when meeting the press in late September saying some Non-State Armed Groups which signed a National Ceasefire Agreement with the Government had approached the National Reconciliation and Peace Centre (NRPC) seeking approval for trading previously harvested logs from the areas that they controlled.

These groups are slowly coming under the umbrella of the State but are still largely self-sufficient and need to generate income.

In respect of the request from the Karenni National People's Liberation Front for permission to sell log stocks, Zaw Htay said that it this the most recent case in which the Ministry of Natural Resources and Environmental Conservation (MONREC) accepted the recommendation of the NRPC that consideration should be given to allowing the sale of a specific volume of logs.

Analysts write - MTE had a mechanism to allow this known as the Modified Procedure (MP).MTE stopped using this mechanism for harvesting in areas it controlled but from time to time the MP procedure has been used to allow Non-State Armed Groups to harvest and sell logs.

According to one retired Myanmar Timber Enterprise (MTE) official, such cases of MP approvals in the past were not initiated by the MTE as part of its commercial operations but were politically motivated.

According to Khu Daniel, a member of Karenni National Progressive Party (KNPP) Central Committee, KNPP received permission to harvest the logs now being offered for sale in 2013 and 2014 after signing a ceasefire agreement with the government of the time. He points out it is only now that the current government is considering allowing the sale of these logs.

Corporate transparency improving steadily says EITI

Myanmar's efforts to raise transparency within its extractive industries are slowly bearing fruit. While State-owned enterprises have yet to meet international standards of governance, transparency is nevertheless improving, according to two reports issued by the Extractive Industries Transparency Initiative (EITI).

If there is continued progress Myanmar could meet the strict EITI assessment procedures soon which would enable the country to be considered as a member of the initiative. EITI is a global standard for the good governance of oil, gas and mineral resources and seeks to address key governance issues in the extractive sectors.

EITI has said that in the past corporate governance in Myanmar's extractive industries has been lax and corruption was an issue common. Indeed, findings from the two EITI reports reveal shortcomings in SOE procedures for the granting of licenses, signing of agreements with the State and payment of taxes.

Efforts to lift Myanmar's rank on Global Index on Illicit Trade

Myanmar urgently needs to combat illicit trade, particularly in the areas of logging, mining, human trafficking and consumer goods, the Transnational Alliance to Combat Illicit Trade (TRACIT) said after the country placed near the bottom of a global index on illicit trade.

EuroCham in partnership with Transnational Alliance to Combat Illicit Trade (TRACIT) and the Economist Intelligence Unit hosted an Anti-Illicit Trade Forum 2018 in Myanmar. The objective was to improve the knowledge and understanding of the regulatory environment and economic circumstances that enable illicit trade and provide recommendations on priority areas.

Attending the Forum were, anti-corruption experts, Myanmar government officials and industry stakeholders and discussions focused on strengthening Myanmar's efforts to fight illicit trade especially through legal reforms and the tightening border controls.

The local media quoted TRACIT Director-General, Jeffrey Hardy, as saying Myanmar's poor showing on the Global Index on Illicit Trade pointed to inadequate structural defenses against illicit trade. He urged the government to work more closely with neighboring countries to address immediate cross-border illicit trade issues. The illegal timber trade across Myanmar's border with China is worth hundreds of millions of dollars each year.

See: <https://www.eccp.com/events/?id=474>

Bamboo plantations planned for Nay Pyi Taw

U Kyaw Thu, Chairman of Myanmar Bamboo Growers Association has told the local media (Myanmar Times) that around 1000 acres of bamboo plantations will be created in Nay Pyi Taw and the Association and government will assist enterprises better commercialise bamboo products.

Myanmar joined the International Network on Bamboo and Rattan (INBAR) in 1997. Currently, it is carrying out promotion on sustainable management and use of bamboo resources in cooperation with Thailand International Cooperation Agency (TICA).

September tender prices

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	53.0	3,290
SG-5	90.2	2,906
SG-6	155.7	2,353
SG-7	823.7	1,649

Other hardwood logs

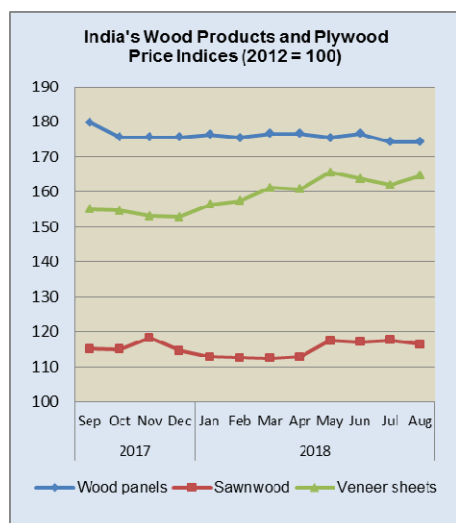
	Quality	H.ton	Average price US\$/H.ton
Kanyin	1st	3047.8	1071.0
Kanyin	2nd	6389.6	835.6
Pyinkado	1st	119.8	817.6
Pyinkado	2nd	714.3	715.4
In	2nd	541.2	442.7
Sagaw a	1st	75.9	616.0
Sagaw a	2nd	92.8	428.0
Ingyin	1st	104.5	456.0
Ingyin	2nd	129.3	424.0
Thingadu	2nd	119.0	320.0
Thabye	2nd	99.4	335.0
Taung Thayet	2nd	41.8	222.0
Taung Tainne	2nd	8.8	406.0

India

Timber commodity prices move higher

India's official wholesale price index for all commodities (Base: 2011-12=100) for August 2018 released by the Office of the Economic Adviser to the government rose to 120.00 in August from 119.7 in July. The annual rate of inflation, based on monthly WPI in August 2018 was 4.53% compared to 5.09% for the previous month.

The price index for 'Manufactured Wood and Products of Wood and Cork' Group rose almost 0.6% in August due to higher prices for veneer sheets and plywood. However, prices for sawnwood fell slightly in August.



Data source: Ministry of Commerce and Industry, India

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

GDP at 8.2 % in first quarter 2018-19

India's economy grew at a healthy 8.2% in the first quarter of 2018-19 financial year ending in June. This is the highest growth in two years and strongest since the first quarter of 2016.

The manufacturing and construction sectors performed well achieving over 7% growth while the agriculture, forestry, fisheries and mining sectors did slightly less well.

For more see:

http://economictimes.indiatimes.com/articleshow/65623967.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Kerala floods - plywood mills damaged

Heavy rain and floods have affected the plywood industry in Perumbavoor as many roads have been washed out making it impossible to transport logs to the mills. This has meant a steep drop in production at the 65-plus mills in the area affected.

Plywood mills in Perumbavoor use mainly rubberwood from local sources around Idukki, Kottayam and Pathanamthitta but analysts report roads, especially in Idukki and Pathanamthitta, are badly damaged and many of the rubberwood plantations were also damaged by flood water.

Several mills were flooded and production machinery has been damaged and several containers of imported veneers were also so damaged as to be unusable for anything except boiler fuel.

Growth in exports

Exports of plywood and other wood products during the 2017-18 financial year reached US\$881.04 million, up over 10% year on year. This year exports should get a boost from the weaker rupee.

	2015-16	2016-17	2017-18
Wooden furniture	431	449.66	533.1
Other articles of wood	257.58	264.73	264.88
Plywood	40.89	27.25	32.82
Hardboard	14.41	18.54	22.64
Veneer	14.33	15.4	15.94
Sawnwood	25.32	17.82	7.82
Cork and cork products	1.99	2.41	2.83
Sandalwood chips	2.35	1.53	0.98

Data source Ministry of Commerce, India

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

Plantation teak

On the back of firm demand for imported plantation teak log traders have been able sustain the rise in domestic wholesale prices to off-set the higher landed costs due to the weaker rupee. The unresolved issue of lack of credit facilities for traders continues to be a major problem

Locally sawn hardwood prices

The higher ex-mill prices introduced at the beginning of September are holding and millers are thankful to be getting some relief from the rising costs of imported raw materials as the rupee continues to fall against the US dollar.

A spokesperson from the Reserve Bank of India said the bank is closely monitoring the situation but has yet to intervene to support the rupee.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3600-4000
Balau	2300-2400
Resak	1600-1800
Kapur	2000-2200
Kempas	1400-1600
Red Meranti	1250-1350
Radiata pine AD	750-850
Whitewood	750-850

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

Myanmar teak

Improved demand for teak products for the housing market gave the opportunity for a price increase at the beginning of the month and the higher prices have been accepted in the market.

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	11000-18500
Teak A grade	8000-9000
Teak B grade	6500-7500
Plantation Teak FAS grade	5500-6500

Price range depends mainly on lengths and cross-section

Sawn hardwood prices

Because of the limited demand for imported sawnwood ex-warehouse prices for N. American and European hardwoods remain unchanged from a month earlier.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1500-1650
Sycamore	1650-1800
Red Oak	1700-1850
White Oak	2350-2500
American Walnut	4500-5000
Hemlock STD grade	1350-1450
Western Red Cedar	2000-2200
Douglas Fir	1650-1800

Price range depends mainly on lengths and cross-section

Plywood market

On the back of firm demand in the housing and construction sectors plywood manufacturers have been able to raise margins through the recent price increase. Now the major concern is the weakness of the rupee and the impact this has on production costs.

Decorative veneers prices have also been raised by around 3% and the makers of paper overlays have also lifted prices due to higher import costs.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	63.00
6mm	84.00
9mm	105.00
12mm	130.00
15mm	175.00
18mm	183.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	31.50	46.00
6mm	47.00	60.00
9mm	60.00	73.50
12mm	73.50	86.00
15mm	87.00	105.00
19mm	101.00	120.00
5mm Flexible ply	63.00	

Deforestation rate falling, but still a challenge

Monitoring by the National Institute of Space Research (INPE) has revealed that between 2004 and 2017 the annual rate of forest clearing in the Legal Amazon fell 75%, from 27,700 km² to 6,900 km².

According to INPE, between 2001 and 2017 deforestation in the Cerrado biome also declined from 29,400 km² to 7,400 km² per year. As in the Amazon biome, the downtrend was only up to 2012 after which the deforestation rate rose and moved up and down until 2017.

One conservation strategy adopted by the government has been the creation of protected areas called Conservation Units (CUs). Currently, there are 335 federal CUs according to the Chico Mendes Institute for Biodiversity Conservation.

In April this year five new CUs were created. CUs are key to preserving native habitats but problems of falling budget allocations, insufficient staffing and poor infrastructure are putting the strategy at risk.

Analysts write - it is not enough to control deforestation; the challenge is to recover the native vegetation and maintain biodiversity.

Differentiating deforestation from authorised land-use change

The Federal Government has created a mechanism that will allow transparent differentiation between deforestation and legal land clearing.

An Administrative Ordinance No. 373 from the Ministry of Environment published in September establishes a simplified procedure to calculate areas of authorized land clearing. The data will be compiled by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA).

The measure aims to provide transparency and to unify, through systems managed by IBAMA, information on vegetation changes throughout the country. At present data are scattered in various environmental agencies at three levels of government which creates problems in differentiating illegal deforestation from authorised land use change.

This initiative will contribute to achieving Brazil's commitments in the context of the Paris Agreement on climate change. With the unification of data, the country will be able to adequately measure and report progress on the commitment to achieve zero illegal deforestation in the Brazilian Amazon by 2030.

Export update

In August 2018, Brazilian exports of wood-based products (except pulp and paper) increased 34.4% in value compared to August 2017, from US\$238.6 million to US\$320.6 million.

Pine sawnwood exports increased 11.6% between August 2017 (US\$42.3 million) and August 2018 (US\$47.2 million). In terms of volume, exports remained almost constant over the same period, from 205,100 cu.m to 205,000 cu.m.

In August tropical sawnwood exports increased 30% in volume, from 35,200 cu.m last August to 45,800 cu.m in August this year. In value terms, exports increased 22.4% from US\$16.5 million to US\$20.2 million, over the same period.

Year on year the value of pine plywood exports increased 27% in August 2018, from US\$50.6 million to US\$64.2 million and in terms of volume exports increased 3% over the same period, from 177,600 cu.m to 182,800 cu.m.

As for tropical plywood, exports declined 23% in volume, from 16,800 cu.m (US\$ 6.5 million) in August 2017 to 12,900 cu.m (US\$6.1 million) in August 2018.

Pace of furniture exports rises

The Brazilian Association of Furniture Industries has published data on production in June and July this year. In June 34.7 million pieces were produced, 15% higher than in May. Between January and June 2018, there was a 5.5% increase in the number of pieces produced according to Brazilian Institute of Geography and Statistics (IBGE). Over a 12 month period to June 2018 there was a 9% growth.

The value of Brazil's furniture exports totalled US\$64.5 million in June 2018, a significant increase compared to May (+43%). In July, exports reached US\$70.1 million, a further 9% increase compared to June.

Three states in the Southern region are the largest exporters of furniture in Brazil; Santa Catarina State, Rio Grande do Sul and Paraná accounted for over 80% of Brazil's furniture exports in the first seven months of 2018.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	198
Jatoba	111▲
Massaranduba	106
Muiracatiara	107
Angelim Vermelho	104
Mixed redwood and white woods	88▲

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	809▼
Jatoba	408▲
Massaranduba	387▲
Muiracatiara	379▼
Angelim Vermelho	356▲
Mixed red and white	231▲
Eucalyptus (AD)	184▼
Pine (AD)	140
Pine (KD)	161

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	508↓
10mm WBP	409↓
15mm WBP	342↓
4mm MR	399
10mm MR	288↓
15mm MR	264↓

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDParticleboard	218↓
15mm MDF	246↓

Source: STCP Data Bank

Export Sawwood Prices

Sawwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1472↑
Jatoba	903↓
Massaranduba	842↑
Muiracatiara	839↑
Pine (KD)	201↑

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)	315↓
15mm C/CC (WBP)	296↓
18mm C/CC (WBP)	288↓

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,697↑
Jatoba	1,450

Source: STCP Data Bank

Peru

ADEX and government working to promote exports

Peru's exports of wood products between January and July were worth US\$68.7 million, a slight improvement on the value of exports in the same period in 2017.

Erik Fischer, the Second Vice President of the Association of Exporters (ADEX) said that renewed cooperation between the Executive Board for Forestry Development and the private sector will advance public policies that promote the development of the forest industry.

Regarding the possibility that the Law on Agrarian Promotion could also cover the forestry sector, Fischer said that if this can speed the development of the forestry and wood processing sectors that would be good. He recalled that in 2017 wood processing for export supported around 33,000 jobs.

Data from ADEX shows that most wood product exports in terms of value were semi manufactures and that between January to July they were worth US\$42 million representing over 60% of the total.

The main items exported were slats and friezes for parquet, moldings and other profiled wood.

Sawwood exports were valued at US\$13 million, construction products US\$5 million, veneers and plywood US\$4 million, furniture and parts US\$3 million. The main destination for wood product exports was China, US\$29 million or around 40% of the total exports. The other main markets are the US (US\$7.6 million), Mexico (US\$7 million), France (US\$6 million) and Dominican Republic (US\$4 million).

Landmark agreement on foreign trade with US

Peru will further facilitate trade with the United States as a result of the signing of the Mutual Recognition Agreement between the National Superintendency of Tax Administration (Sunat) and the US Customs and Border Protection Office (CBP).

This agreement recognises the American Alianza Aduana - Private Sector Against Terrorism (C-TPAT) programme and the Peruvian Authorised Economic Operator programme (OEA).

See: <https://www.cbp.gov/frontline/frontline-peru-advisers>

The US government website says "This mutual recognition, which is the first signed by the United States with a South American country, will help facilitate bilateral foreign trade and ensure the logistics chain, providing mutual benefits for operators certified under such programs, allowing them to reduce costs and time in their activities, which will give a greater level of competitiveness to Peruvian products."

Export Sawwood Prices

	US\$ per m ³
Peru Sawwood, 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	556-599

Peru Sawwood, 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	914-949↑
Asian market	998-1036↑
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 Mahogany	US\$ per m ³
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
Cabreva/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	523-545↑
2x13x75cm, Asian market	732-815

Japan

An alternative view on prospects for growth in Japan

The almost universal negative view of prospects for the Japanese economy has been challenged in a recent article written by Adair Turner and published by Project-Syndicate.

Adair Turner, a former chairman of the United Kingdom's Financial Services Authority and former member of the UK's Financial Policy Committee, is Chairman of the Institute for New Economic Thinking.

The article points out that years of zero interest rates and massive quantitative easing have failed to achieve the 2% inflation target the Bank of Japan set itself. On top of this a rapidly aging and declining population and an aversion to immigration means that Japan's workforce could drop by almost a third by 2070.

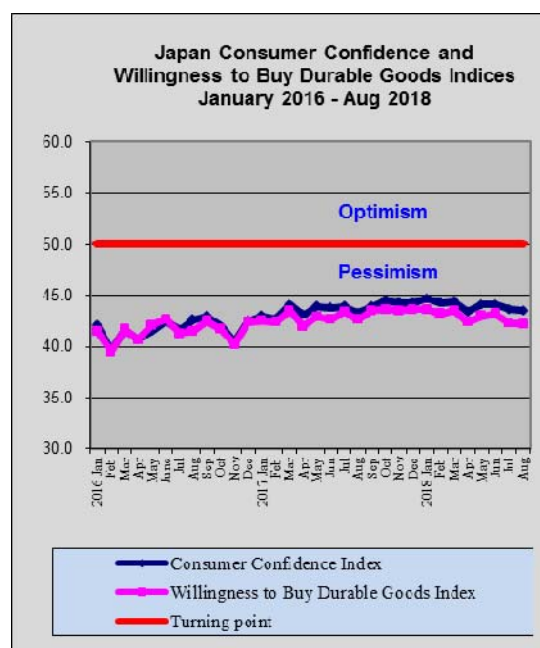
The signs are not good says the author, pointing out that since 1991 economic growth has been below 1% which, when combined with other factors, has driven government debt to over 200% of GDP.

Conventional thinking is that tax increases and reduced public spending must be introduced to drive down the deficit and avoid a debt crisis. But is there another view?

Turner writes " While Japan's demographic decline poses challenges, it may also imply some advantages: and Japan's debts are far more sustainable than they appear. True, Japan's GDP growth lags most other developed economies, and will likely continue to do so as the population slowly declines.

But what matters for human welfare is GDP per capita, and on this front Japan's 0.65% annual growth in the decade since 2007 equals the US and is better than the UK's 0.39% and France's 0.34% – not bad for a country starting with one of the world's highest living standards".

For more see: <https://www.project-syndicate.org/commentary/japan-successful-economic-model-by-adair-turner-2018-09>



Data source: Cabinet Office, Japan

BoJ signals determination to stay the course to achieve inflation target

At its mid-September policy meeting the Bank of Japan (BoJ) did not change its stance on monetary policy and maintained its optimistic view on the economy despite the risks to the global economy from trade frictions.

Short term interest rates were kept at minus 0.1% and the BoJ pledged to keep interest rates extremely low for an extended period.

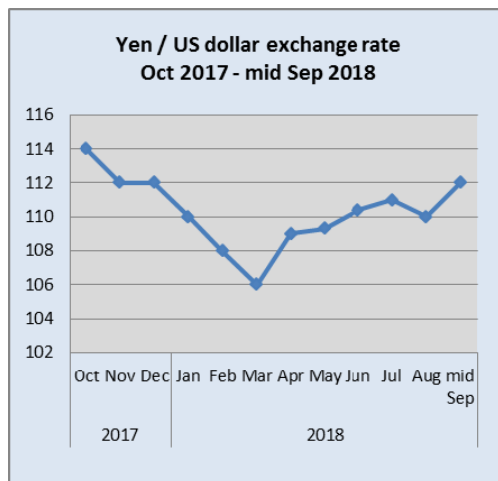
Because inflation has not taken hold the BoJ introduced new measures signaling its determination to stay the course and active its 2% inflation target.

Yen moves close to low seen in January

In a recent speech the Bank of Japan Governor reaffirmed that the Bank is confident the Japanese economy will continue to expanding with expectations of annualised growth of 3.0% likely in the third quarter. But, the Bank is still struggling to achieve its 2% inflation target as consumer prices remain subdued.

External issues exerted pressure on the yen in late September and the yen touched 113 to the dollar, a low not seen since January this year.

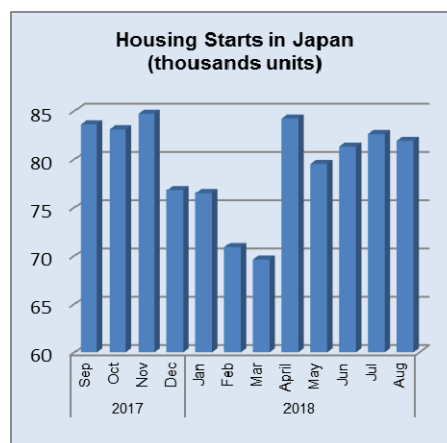
The strong dollar, together with a rally in US equities, is setting the tone of the market at present. Also holding the US dollar at its high is the message from China that, while pressure from the US will not undermine the Chinese economy, it is open to negotiations to resolve the trade dispute.



August orders for new homes reverse fall in July

Data from Ministry of Land, Infrastructure, Transport and Tourism on August housing starts show a year on year increase for the first time in two months Housing starts increased a modest 1.5% percent in August compared to levels in August last year.

Data from the ministry also show that orders received by the top 50 builders rose 0.5 slightly in August contrasting with the sharp fall in July. Orders for new homes increased for the first time in four months.



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

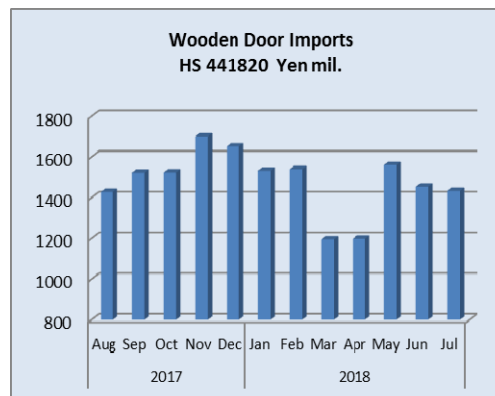
Import round up

Doors

July door imports

After the peak in May imports, the value June and July imports of wooden doors (HS441820) declined. Year on year, July wooden door imports were down slightly but month on month there was little change.

Most wooden door imports are from China (63%) followed by the Philippines (19%) and Malaysia (8%). These three suppliers accounted for around 90% of Japan's July wooden door imports



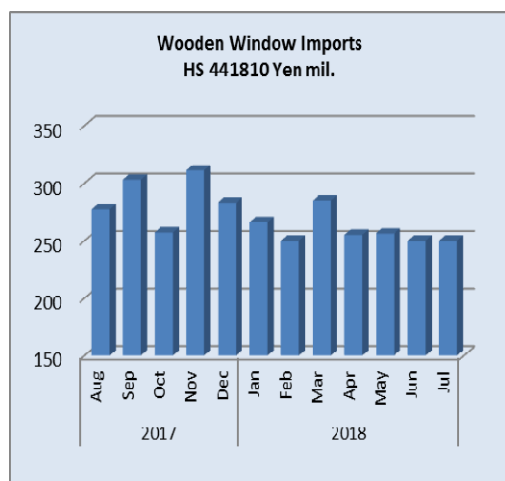
Data source: Ministry of Finance, Japan

Window imports

July window imports

Japan's monthly imports of wooden windows (HS 441810) have remained at around the same level since a peak in March. Year on year, July imports fell sharply, dropping 26% but month on month the value of imports remained unchanged.

Two suppliers, China and the US account for over 60% of Japan's imports of wooden windows with another 20% coming from the Philippines. In July the US topped the list of suppliers.



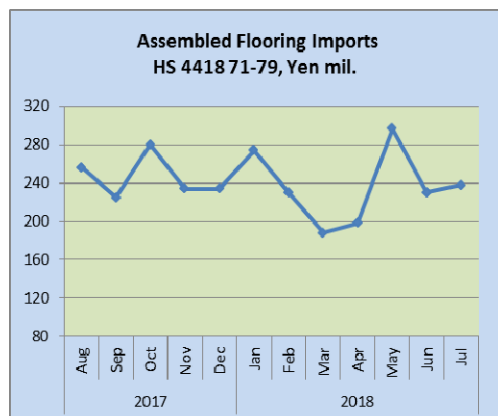
Data source: Ministry of Finance, Japan

Assembled flooring

July flooring imports

Japan's imports of wooden flooring continue to be dominated by HS441875 followed by HS441879. In July, as in the previous month these two categories of assembled flooring accounted for around 90% of the value of all assembled wooden flooring imports.

The main shippers of HS441875 in July were China (66%), Vietnam (8.5%) and Thailand (8.5%). In contrast for HS441879 the main shippers in July were Thailand (43%) and Indonesia also (43%).



Data source: Ministry of Finance, Japan

Plywood

July plywood imports

For two consecutive months there has been a sharp decline in Japan's imports of plywood (HS441210-39). Year on year the volume of imports has fallen 5% and in July there was a 9% month on month fall.

The biggest decline was in imports from Malaysia which dropped over 20% year on year. In contrast, the volume of imports from both Indonesia and China rose (5% and 40% respectively).

Imports of HS441231 dominated Japan's plywood imports accounting for over 85% of imports with Malaysia and Indonesia being the main shippers. In July a small volume of HS441231 arrived from Vietnam.

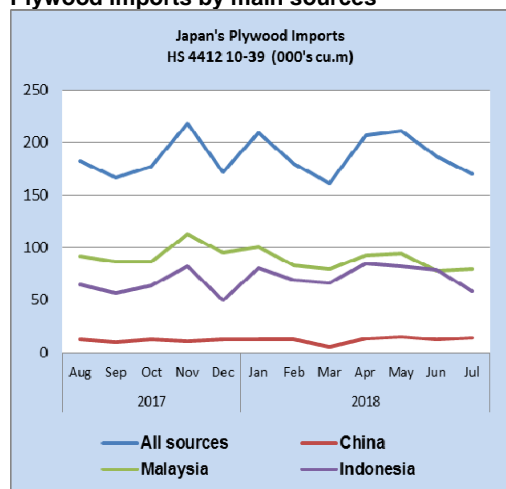
For both HS441233 and HS441234 Malaysia is the main shipper with China and Vietnam contributing small volumes to July imports.

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
	Jun	12.4	77.5	79.0
	Jul	14.3	79.2	58.3

Data source: Ministry of Finance, Japan

Plywood imports by main sources



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>

Plywood supply

Total plywood supply in June was 514,100 cbms, 3.7% more than June last year and 4.6% less than May. While domestic softwood plywood production was over 250,000 cbms, imported plywood supply did not increase much.

Total domestic plywood supply was 281,800 cbms, 1.4% more and 7.3% more. In this, softwood plywood was 271,900 cbms, 2.4% more and 8.0% more out of which non-structural plywood production was 18,700 cbms, 56.0% more and 8.3% more. The shipment of domestic plywood was 262,300 cbms, 5.3% less and 3.8% more. This is three consecutive months' high level shipment over 250,000 cbms.

In this, softwood plywood was 249,700 cbms, 5.1% less and 3.8% more. The inventories at the end of June were 148,900 cbms. The inventories have been increasing for five straight months but they are less than one month consumption.

Volume of imported plywood in June was 232,200 cbms, 6.7% more and 15.8% less. The volume varies by the month but an average monthly volume of imported plywood for the first six months was 247,800 cbms, 0.1% more than the same period of last year. By source, 79,700 cbms from Malaysia, 3.7% more and 17.7% less, 85,600 cbms from Indonesia, 15.9% more and 5.8% less, 46,600 cbms from China, 11.5% less and 29.4% less.

Malaysian volume dropped less than 80,000 cbms after one year while Indonesian supply exceeded 80,000 cbms for two straight months. The volume for the first six

months of this year shows the same trend of declining Malaysian and increasing Indonesian. By thickness, thin hardwood plywood of 3 mm or less increased by 29.5% with 78,600 cbms.

Plywood

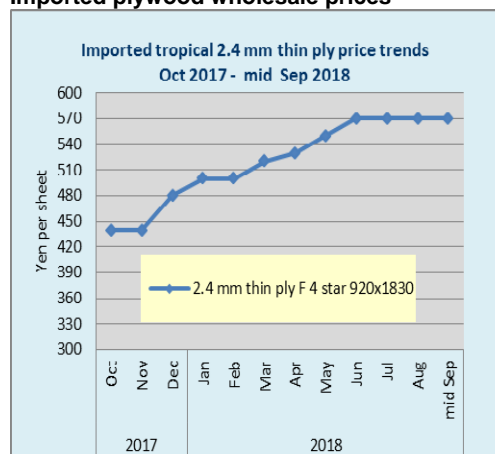
Movement of plywood of both domestic and imports in August was stagnating. The prices are on weak side and there some low priced offers in the market but domestic manufacturers and importers are rigidly holding the prices so there are no extreme low prices in the market. The manufacturers are in no hurry to ship out with low prices as they need to hold certain amount of inventories with shortage of trucks.

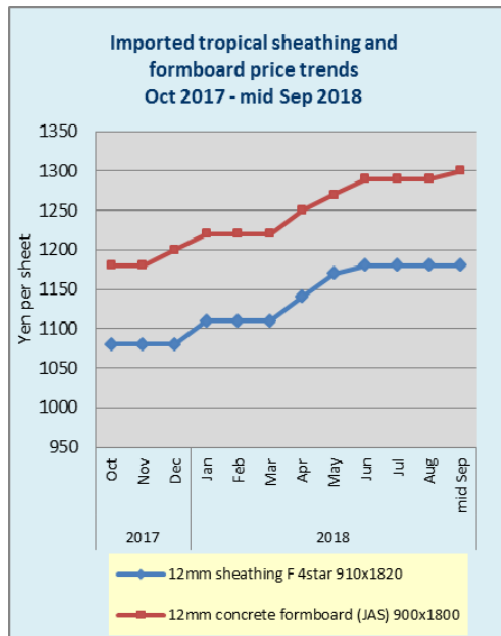
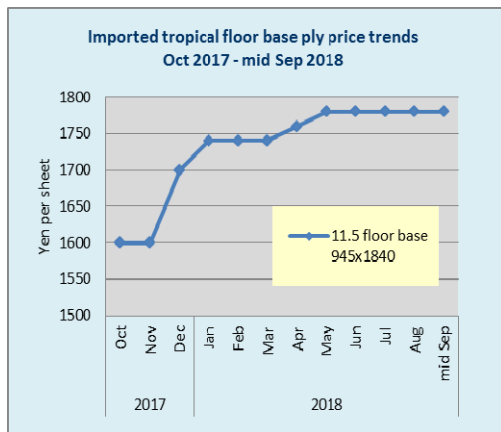
Imported plywood movement is fairly well but there is no robustness. Softwood plywood production in July was 267,700 cbms, 2.3% more than July last year and 1.5% less than June.

The shipment of softwood plywood was 259,400 cbms, 1.0% less and 3.9% more. The manufacturers' shipment continues same as last year despite dullness in the market. The inventories of softwood plywood were 173,300 cbms, 9,800 cbms more than June end. The inventories have been increasing month after month but they are only 0.6 month.

On imported plywood, arrivals of high cost cargoes have started and the importers try to push the sales prices little by little. It is hard to increase the sales prices but bottom level is firm now. Dealers are watching softening of the prices as the importers and large wholesalers may dispose of the inventories since September is interim book closing month.

Imported plywood wholesale prices





Vietnamese plywood prices rising

Export prices for Vietnamese eucalyptus plywood for crating have been gradually climbing. Reason is heavy rain damaged some veneer plants so that supply of veneer is decreasing and the prices of veneer are escalating. This results in higher cost of plywood so the export prices are now more than US\$320 per cbm C&F.

Some manufacturers shift to more profitable US market so the supply for Japan is getting tight. By shortage of veneer, shipments of contracted volume are delaying.

While export prices are climbing, the yen is getting weaker so arrived yen cost is higher.

The market prices in Japan need to be revised higher to cover the cost but the market in July was inactive and August is vacation month so recovery would be in September.

Demand is firm and there are some orders of non-JAS plywood used for engineering works for restoration of flood damaged Hiroshima and Okayama area.

First JIS MDF plant in Vietnam

MDF plant was built jointly by Korea's Dongwha Enterprise and Vietnam Rubber Group in 2008. This is VRG Dongwha Joint Stock Company with annual production capacity of 558,000 cbms. This is the largest MDF plant in Asia and it has acquired JIS certificate in last July and will ship out first cargo for Japan in August.

The plant has one press for thick MDF of monthly production of 31,500 cbms and one press for thin MDF of monthly production of 15,000 cbms. For Japan market, trial product is 2.5 mm thick 4x6.

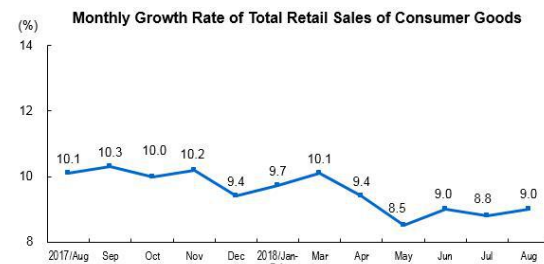
Raw materials are rubber wood, acacia, Vietnamese pine and cashew nut. For Japan market, the raw materials is pine for thin MDF and acacia or pine for thick MDF.

In Vietnam, demand for furniture for U.S. market is active so the plant is manufacturing furniture materials with U.S. standard, which takes about 70% of market. It also exports the products to the South Eastern Asian countries, India and Middle East.

China

Robust retail sales

The National Bureau of Statistics has released data on retail sales of consumer goods showing that between January and August this year retail sales of consumer goods increased over 9% year on year with furniture sales expanding over 10%.



Source: National Bureau of Statistics, China

See:

http://www.stats.gov.cn/english/PressRelease/201809/t20180914_1623027.html

China's first half 2018 wood products trade

Data from China Customs shows that in the first half of 2018 the value of China's wood products trade totalled US\$80.97 billion, up 9% from the same period of 2017 but this was a slower growth than in the first half of 2017.

Of the total, the value of exports in the first half rose 6% to US\$39.1 billion. China's traders accelerated their wood product exports to beat the introduction of tariffs by the US.

The value of imports of wood products rose 13% to US\$41.9 billion in the first half of 2017, down 9% year on year. Overall the pace of China's wood products imports was slower in the first half of 2018.

China's wood products trade in the first half of 2018 (US\$ billions)

Value US\$ bil.	Frist half 2017	Frist half 2018	% Change 2017-2018
Imports	37.2	41.9	13
Exports	36.9	39.1	6
Total value	74.1	81	9

Data source: China Customs

Main wood product imports

Logs: In the first half of 2018 the volume of China's log imports totalled 30.32 million cubic metres valued at US\$5.8 billion, a year on year increase of 17% and 28% respectively.

Sawnwood: In the first half of 2018 the volume of China's sawnwood imports totalled 18.15 million cubic metres valued at US\$5.2 billion, a year on year increase of 0.1% and 9% respectively.

Wood pulp: In the first half of 2018 the volume of China's wood pulp imports totalled 12.35 million tonnes valued at US\$9.8 billion, a year on year increase of 2% and 33% respectively.

Main wood product exports

Wooden furniture: The value of China's wooden furniture exports fell slightly to US\$10.8 billion in the first half of 2018.

Plywood: In the first half of 2018 the volume of China's plywood exports was 5.6 million cubic metres valued at US\$2.7 billion, a year on year increase of 0.6% and 7% respectively.

Fibreboard: In the first half of 2018 the volume of China's fibreboard exports amounted to 893 000 tonnes valued at US\$557 million, a year on year decrease of 19% and 4%.

Slowdown in wood products trade between China and the US

China's Customs data shows that in the first half of 2018 the value of wood products trade between China and the US totalled US\$14.591 billion, up 7% from the same period of 2017 which is a slow pace of growth compared to a year earlier. Imports of wood products from the US accounted for 18% of the national total, the same proportion as in the first half of 2017.

Of the total, the value of China's exports to the US rose 10% to US\$9.746 billion. The value of China's imports from the US rose just 3% to US\$4.845 billion.

Overall the pace of growth in trade between the US and China is slowing.

First half wood products trade between China and the US

Value US\$ bil.	First half 2017	First half 2018	% Change 2017-2018
Imports	4.7	4.845	3
Exports	8.9	9.746	10
total trade	13.6	14.591	7

Data source: China Customs

Trade between China and the United States hit hard

Although the volume of log, paper, paperboard and paper products, sawnwood, imports rose 18%, 9% and 3% to 3.26 million cubic metres, 0.44 million tonnes and 1.52 million cubic metres respectively in the first half of 2018, the pace of growth fell compared to the same period in 2017.

China's major wood products imports from the US (First half, mil cu.m)

	2017	2018
Logs	2.77	3.264
Sawnwood	1.48	1.52

Exports of major forest products between China and the United States have been hit hard in the first half of 2018.

The pace of growth in China's major wood products exports to the US are slowing. First half 2018 plywood exports (412 000 cubic metres) fell over 50% year on year and fibreboard exports fell 10% to and 148 000 tonnes. There has also been a decline in the value of wooden furniture exports to the US.

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
lpe	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

EU wood furniture manufacturers reassert home market dominance

The latest Eurostat trade data shows that the EU's wood furniture industry, having lost a little ground to imports in 2017, is struggling to increase sales outside the EU as global trade slows. However, the sector is once again reinforcing its dominance in the home market this year.

As reported by ITTO MIS in July (Volume 22, Number 13), the EU wood furniture sector recorded only slow growth in 2017. The value of EU wood furniture production was €40.3 billion in 2017, no change from the previous year. Total imports from outside the region increased 9% to €6.29 billion.

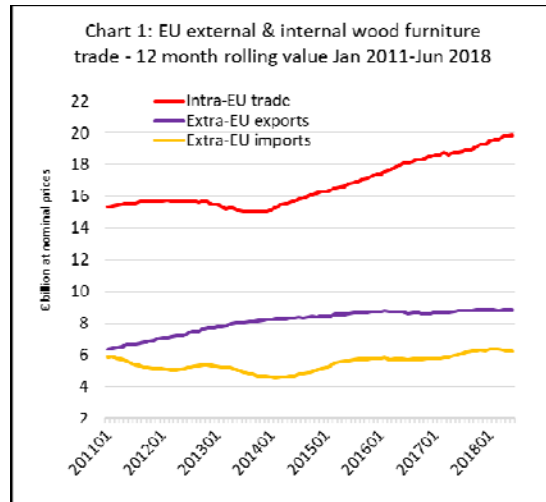
In 2017, EU wood furniture imports increased 7% from the tropics, to €1.75 billion, and 3% from China, to €3.18 billion. However, most of the gains were made by other non-EU temperate countries, such as Ukraine, Bosnia and Serbia. Total imports from these countries increased 28% to €1.36 billion.

EU consumption of wood furniture was €37.6 billion in 2017, a gain of 2% compared to 2016. Despite the rise in imports in 2017 the share of domestic manufacturers in total EU furniture supply declined only slightly last year. 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.

EU wood furniture production data is published only annually, so it is too early to assess how consumption is developing in 2018. However, EU monthly data on internal and external trade provides insights into the changing share of the various wood furniture supply countries to the EU, alongside changes in internal distribution patterns in 2018 which may have long term implications.

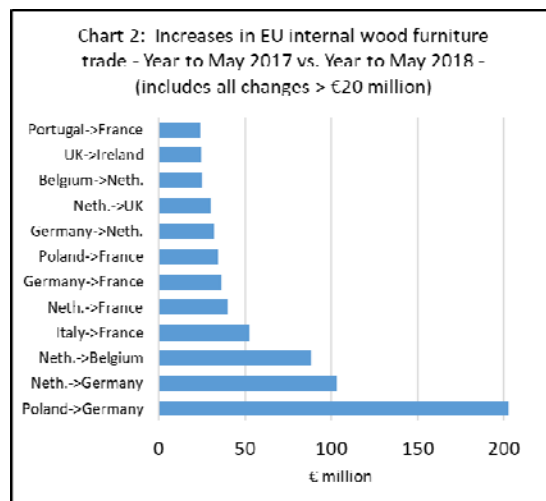
Eurostat trade data reveals that internal EU trade in wood furniture, which increased 4% to €9.2 billion in 2017, increased a further 6% in the first half of 2018.

Meanwhile the pace of EU wood furniture exports to non-EU countries, which were flat at €8.7 billion in 2016 and 2017, have continued at the same rate in the first half of 2018. Wood furniture imports into the EU from outside the region were rising in the second half of 2017, but began to dip in the first half of this year (Chart 1)



Poland's increasing role in EU wood furniture supply

Closer analysis of EU internal trade flows suggests that the Polish wood furniture industry, which is expanding partly at the expense of manufacturing in western European countries, particularly Germany, is playing an important role to drive the on-going rise in internal EU trade. By far the largest increase in internal EU wood furniture trade flows in the last two years was in exports from Poland to Germany (Chart 2).



In recent years, Poland has quickly emerged as the world's sixth largest furniture producer and fourth largest furniture exporter.

This has been achieved by exploiting the combination of the EU's common market in goods, proximity to Germany and other large western European markets, and low labour costs. Hourly labour rates average only around €9 in Poland compared to €27 for the EU as a whole and €34 in Germany.

Germany is Poland's largest furniture export market with a share of around 30% of total trade, followed by UK, Czech Republic, France and the Netherlands.

In the wood furniture sector, Poland has benefitted from the relatively large forest resource in Eastern Europe, although availability of oak, by far the most popular species, has been a limiting factor in recent years.

Another limiting factor is that Polish brands are not yet well known in export markets and overseas sales are largely controlled by large retail chains that dominate fashion and design trends.

At present, there are over 27,000 Polish companies involved in furniture manufacturing, although only 407 large and medium-sized enterprises account for three quarters of production. Poland is the second largest supplier of furniture to Ikea after China. The Swedish giant operates a dozen factories in the country and is the largest company in the furniture industry in Poland.

Nevertheless, the Polish furniture industry is also characterised by many companies with domestic capital which are becoming leading players in the Central and Eastern European market. Efforts are also being made by these companies to increase production and sales of own-brand product.

Rising importance of Netherlands in EU-wide furniture distribution

In addition to the rising influence of Poland in EU wood furniture supply, Chart 2 indicates that there has been significant growth in wood furniture exports by Netherlands to neighbouring EU countries since 2016. Wood furniture supply in the Netherlands is fed by imports from outside the EU, and by domestic wood furniture manufacturing, both of which have been rising in the last 2 years.

This suggests that the Netherlands is playing an increasing role in the wood furniture sector, as in other wood sectors, in the distribution of products to other EU countries. It is likely driven by two factors.

First moves to consolidate the retail sector in the EU which has been accompanied, to some extent, by greater centralisation of retailers' procurement operations. This has led to greater focus on imports through the large ports in Benelux countries.

Second, the EU Timber Regulation (EUTR) may be reinforcing this trend towards concentration of the procurement function.

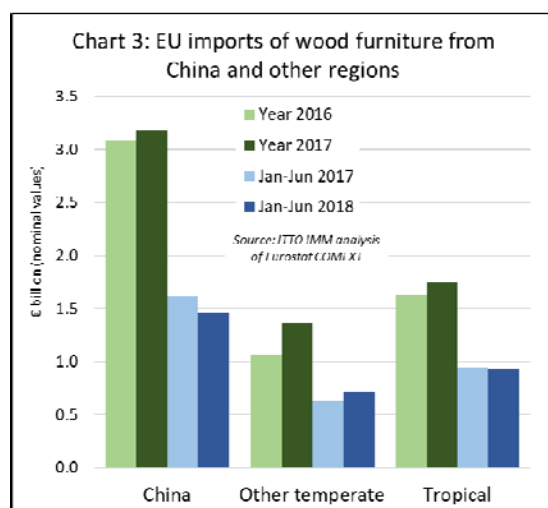
Smaller importers have become more inclined to buy from other larger EU importers, or only from EU-based manufacturers, to avoid the requirement to implement due diligence systems.

If this latter factor is important, then it should present an opportunity for Indonesian products which, due to FLEGT licensing, are the only non-EU wood furniture products that may be placed on the EU market without any further due diligence.

However, so far other factors are not leading to a significant increase in Indonesian wood furniture trade with the EU – such as very long lead times in supply from Indonesia and the country’s tight focus on marketing of only a relatively limited range of mainly exterior, often teak, products in the EU, without regularly reviewing the products to ensure they align with changing fashion trends.

Fall in EU wood furniture imports from China and the tropics in 2018

After making gains last year, EU wood furniture imports from tropical countries and China fell in the first 6 months of 2018. EU imports from tropical countries decreased 2% to €40 million, while imports from China fell nearly 10% to €1.46 billion (Chart 3).



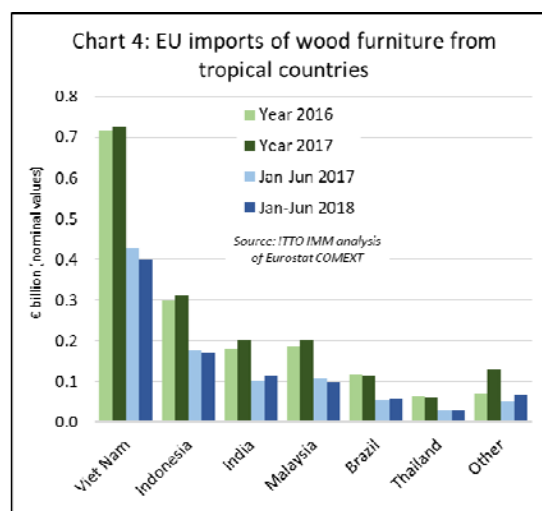
In recent years China’s competitiveness in the EU wood furniture market has been impeded as prices have risen on the back of growing domestic demand and new laws for pollution control pollution in China. EU furniture importers also continue to question the variable quality of product imported from China and some have struggled to obtain the legality assurances required for EUTR conformance when dealing with complex wood supply chains in China.

Meanwhile EU imports of wood furniture have continued to rise from other temperate countries, mainly bordering the EU. EU imports from these countries increased 14% to €720 million in the first 6 months of 2018, building on a 28% gain recorded the previous year. The biggest gains are being made by Ukraine, Bosnia and Serbia.

The main South East Asian supply countries have all followed a similar trajectory in the EU wood furniture market in the last 18 months. A rise in EU imports last year was followed by a decline in the first six months of 2018.

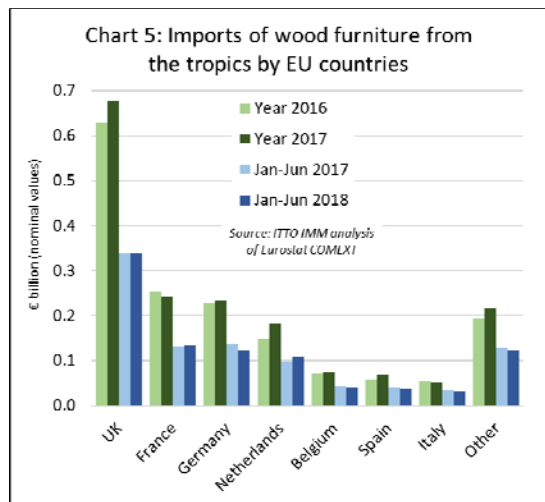
After increasing 1% to €730 million in 2017, EU imports from Viet Nam fell 6% to €400 million in the first six months of 2018. Imports from Indonesia increased 4% to €311 million in 2017 but fell back 4% to €171 million in the first six months of 2018. Imports from Malaysia increased 10% to €203 million in 2017 and were 8% down at €99 million in the first 6 months of 2018.

In contrast, EU wood furniture imports from India have continued to rise, up 12% to €103 million in the first six months of 2018 after a 12% increase to €202 million for whole of 2017. Imports from Brazil bounced back in the first half of 2018, rising 4% to €57 million, after declining 5% to €12 million for the whole year 2017 (Chart 4).



There were also shifts in the destinations for wood furniture imported into the EU from tropical countries in the first half of 2018. Imports in the UK, the largest market, were €39 million between January and June 2018, unchanged from the same period in 2017.

However, in the first half of 2018 there was a sharp fall in imports of wood furniture from the tropics by Germany (-11% to €123 million), Belgium (-8% to €39 million), Spain (-12% to €37 million), and Italy (-4% to €31 million). These losses were partly offset by rising imports in France (+1% to €134 million) and Netherlands (+12% to €109 million) (Chart 5).

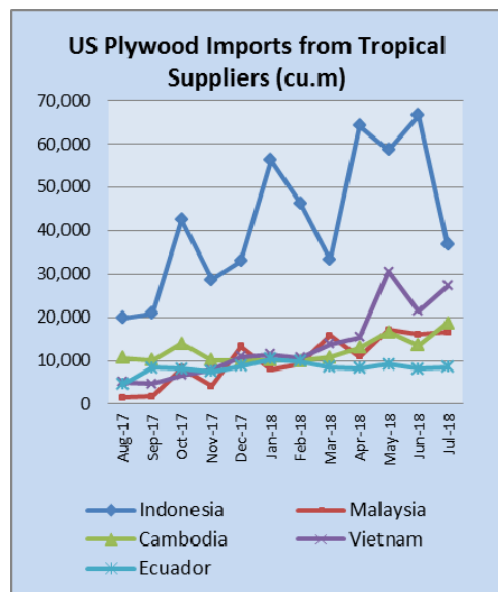


The large rise in Netherlands imports of wood furniture from tropical countries in the first half of 2018 may be related to the wider trend, mentioned earlier, to centralise procurement functions within the EU, contributing to a greater share of wood furniture trade passing through Dutch ports.

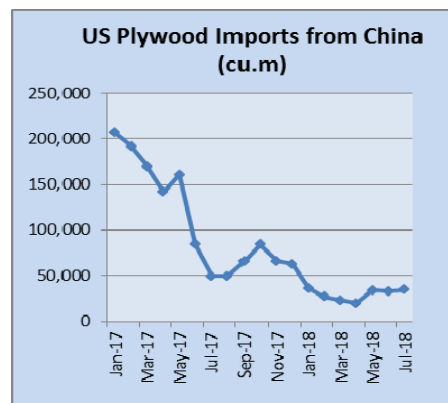
North America

Hardwood plywood imports continue to rise from Vietnam, Cambodia while Indonesia slips

Hardwood plywood imports fell slightly in July, but were up from last July, helping to make up some of the deficit in the year-to-year imports over 2017. The US imported 224,028 cu.m. of hardwood plywood in July.



Vietnam and Cambodia both continued to enjoy strong growth as Chinese plywood manufacturers continue to adjust to the US anti-dumping and countervailing duties. Indonesia, which had been seeing strong growth this year, fell off 41% in July.

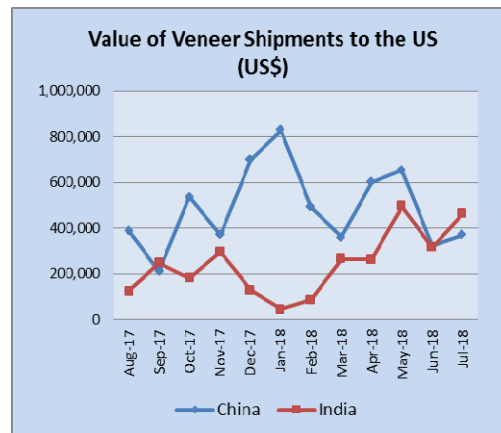


Data source: US Census Bureau

Imports of tropical hardwood veneer steadily improving

US imports of tropical hardwood veneer enjoyed solid growth over the summer months with July imports up 14% over June and up 35% year-to-date over 2017. India surged 48% in July and is more than tripling last year's numbers to date.

Shipments from China are up 81% year-to-date through July. US veneer imports from India have surged since the beginning of the year and in July topped shipments from China.



Data source: US Census Bureau

US Imports of hardwood moulding moved up 16% in July but imports still lag slightly year-to-date behind 2017. Imports of hardwood flooring and assembled floor panels were both slightly stronger in July.

Furniture orders and cabinet sales rise

New furniture orders in the US for June were up 5% over June 2017, according to the latest Smith Leonard survey of residential furniture manufacturers and distributors. The 5% increase followed a 5% increase reported for May and 15% reported for April. Year-to-date, new orders were up 6% with some 63% of the participants reporting increased orders.

For more see:
<http://www.smith-leonard.com/2018/08/31/august-2018-furniture-insights/>

According to the Kitchen Cabinet Manufacturers Association, cabinet manufacturers reported an increase in cabinet sales of 3.8% for July 2018 compared to the same month in 2017. Year-to-date cabinetry sales through July 2018 are up 1.5%; Stock sales are up 3.2%; semi-custom decreased 1.1%; and custom sales are up 3.9% so far this year.

(Source Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey)

US tariffs on US\$200 billion of imports from China – wood products included

The US has announced that it had finalized the list of approximately US\$200 billion worth of imports from China that will be subject to additional 10% tariffs. Items included in the list, including a wide variety of wood products, are subject to an additional 10% tariff as of September 24.

The tariff rate will be raised to 25% on January 1, 2019 if the US and China cannot reach an agreement to address the ongoing trade tensions.

In response to this action, International Wood Products Association Executive Director Cindy Squires stated: "These new tariffs represent higher taxes paid by the American people.

Tariffs hurt US consumers and put US manufacturers that utilize imported wood products at a competitive disadvantage. It's time for the Administration and its counterparts in China to end the cycle of tit-for-tat escalations that harm both countries and negotiate a long-term deal that provides economic certainty to U.S. businesses."

At a series of hearings held last month, scores of US companies and groups representing various industries implored the Trump administration not to go forward with additional tariffs.

The administration received more than 6,000 written comments and heard testimony from more than 350 witnesses, many of whom argued that new tariffs would be catastrophic for their businesses.

<https://www.whitehouse.gov/briefings-statements/statement-from-the-president-4/>

https://cdn.ymaws.com/www.iwpawood.org/resource/resmgr/ews/list3_final.pdf

Builder confidence remains firm despite flat existing home sales

US existing-home sales were unchanged in August and are 1.5% below the level a year ago. The first-time buyer share of 31% was down from 32% last month and unchanged from a year ago.

The National Association of Realtors reported that 52% of homes sold in August were on the market less than a month. See: <http://eyeonhousing.org/2018/09/existing-sales-steady/>

The August median sales price of US\$264,800 was up 4.6% from a year ago, representing the 78th consecutive month of year-over-year increases.

Despite a slight increase in inventory, the range of choice for prospective home buyers remains tight, especially for entry-level priced homes. Builder confidence remained firm last month, as builders work to meet the demand of future home buyers.

In related news, data from the US census Bureau shows housing starts in August were at a seasonally adjusted annual rate of 1,282,000. This is 9.2% above the revised July estimate of 1,174,000 and is 9.4% above the August 2017 rate. Single-family housing starts in August were at a rate of 876,000, which is up 1.9% from the July figure.

US continues to be concerned about illegal logging in Peru

US Trade Representative Robert Lighthizer commented on the findings of the Government of Peru's verification report regarding three timber shipments from Peru to the United States and reiterated areas for additional work by Peru.

Peru conducted the timber verification in response to a February 2018 request made by the Timber Committee under the United States-Peru Trade Promotion Agreement.

Peru found that two of the shipments it investigated were compliant with its timber harvest and trade laws and regulations, but not the third.

A press release quotes Lighthizer as saying "The result of this verification underscores that there is more work to do in order to stop illegal logging in Peru and to safeguard the legality of timber products entering the United States market," Lighthizer said. "We look forward to continuing to work with Peru to stop illegal logging and the destruction of the Amazon."

Peru's SERFOR issued a press release that provided additional information on the steps that were taken and the findings of the verification process.

See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/us-timber-committee-responds>

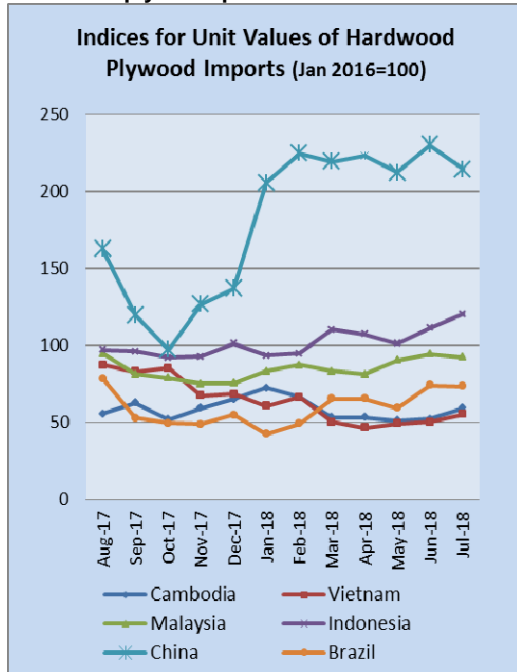
Notice of plywood Anti-Circumvention Inquiry

The US Department of Commerce's International Trade Administration has posted a Notice in the Federal Register that it has initiated an anti-circumvention inquiry on the Antidumping and Countervailing Duty orders on Certain Hardwood Plywood Products from the People's Republic of China.

The inquiry will determine whether certain plywood with face and back veneers of radiata and/or agathis pine is circumventing the AD/CVD duty orders on hardwood plywood from China.

See:
<https://www.federalregister.gov/documents/2018/09/21/2018-20609/certain-hardwood-plywood-products-from-the-peoples-republic-of-china-initiation-of>

Hardwood plywood price indices



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.

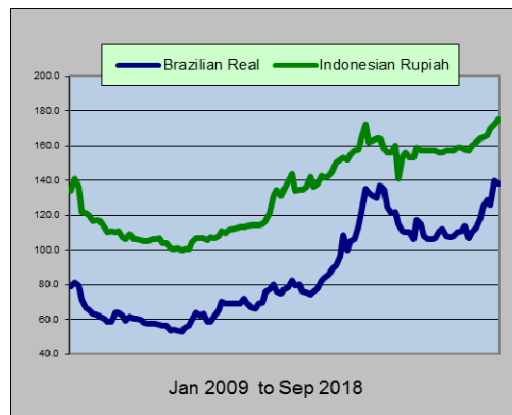
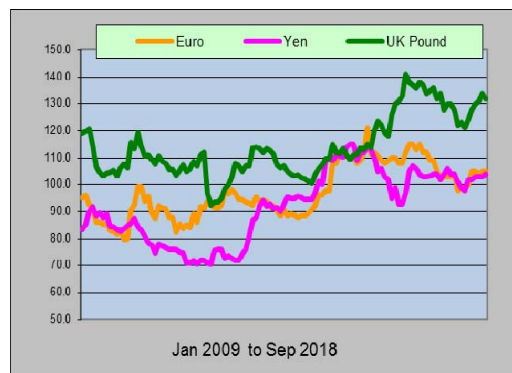
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 September 2018

Brazil	Real	4.0904
CFA countries	CFA Franc	557.17
China	Yuan	6.8792
EU	Euro	0.8512
India	Rupee	72.69
Indonesia	Rupiah	14868
Japan	Yen	112.78
Malaysia	Ringgit	4.1337
Peru	New Sol	3.33
UK	Pound	0.7623
South Korea	Won	110.12

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

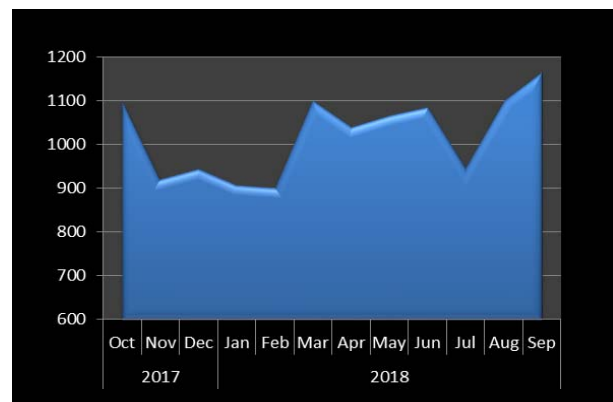


Abbreviations and Equivalences

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
October 2017 – September 2018

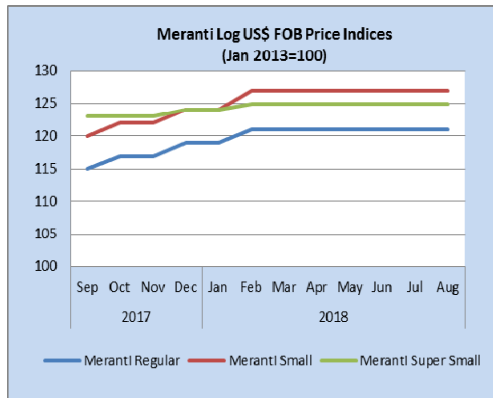


Data source: Open Financial Data Project

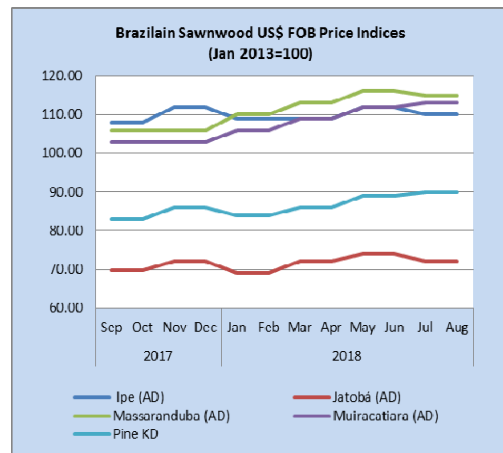
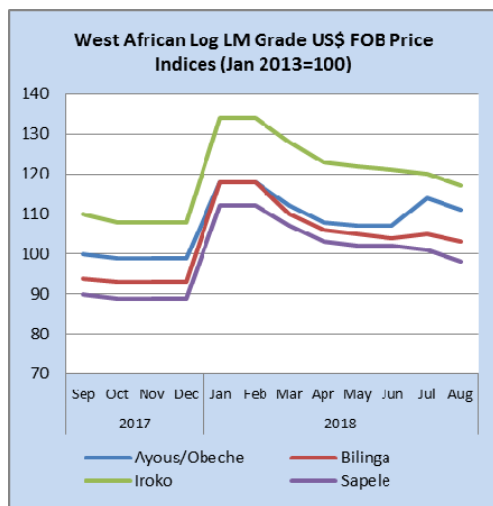
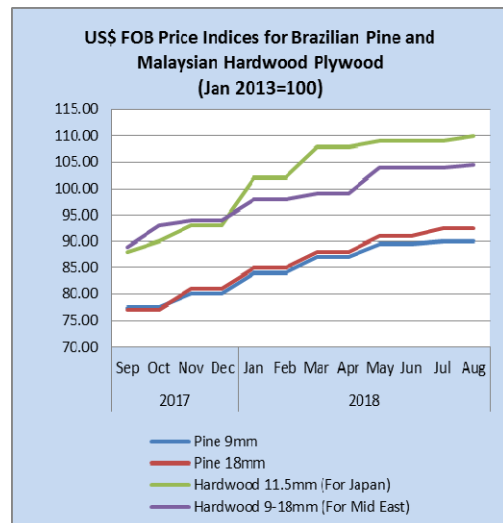
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

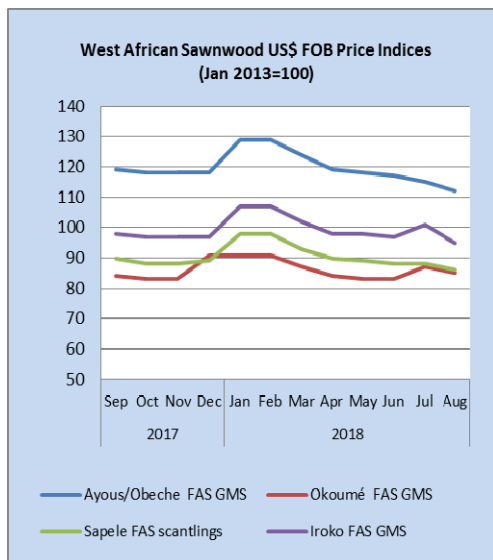
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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