# Tropical Timber Market Report

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## Contents



## Headlines



## Top Story

**Brazilian timber and construction companies promoting domestic timber use**

Brazil’s Wood Technology Reference Center in the Institute for Technological Research (IPT) recently brought together professionals and representatives from the timber and construction industries to discuss promoting greater use of wood in domestic construction.

Issues addressed included fire regulations and the distribution of technical information to support capacity building amongst professionals.

**See page 7**

## Ghana

### Sawnwood and billets top export list

In the 7-months January to July this year the Ghana Timber Industry development Division (TIDD) reports that export volumes increased around 30% year on year.

Exports comprised 13 products in contrast to the 15 exported in the same period in 2017 as there were no exports of poles or flooring. The TIDD report illustrates that sawnwood, billets and plywood were the main export items.

The Chinese and Indian markets accounted for close to 65% of the total export volume with teak, rosewood, wawa, ceiba and papao/apa being the leading species.

**January - July exports, cu.m**

| Product | January - July 2017 | January - July 2018 | % Change |
|---|---|---|---|
| Sawnwood (AD) | 109,220 | **143,272** | 32% |
| Sawnwood (KD) | 21,759 | **29,560** | 36% |
| Logs/Billets | 13,499 | **21,900** | 62% |
| Plywood * | 10,324 | **14,372** | 39% |
| Sliced veneer | 6,774 | **7,299** | 8% |
| Mouldings | 4,570 | **5,097** | 11% |
| Rotary Veneer | 2,802 | **3,953** | 41% |
| Sliced Veneer * | 32 | **120** | - |
| Other | 5,479 | **2,679** | -51% |
| Total | 174,460 | **228,252** | 30.8% |

note, * denotes sales to regional markets
Data source: TIDD

**January - July 2018 exports to ECOWAS markets**

| | Volume cu.m | Value Euro |
|---|---|---|
| Togo | 3,346 | 1,394,533 |
| Niger | 3,764 | 1,235,758 |
| Burkina Faso | 4,288 | 1,635,462 |
| Benin | 2,304 | 739,545 |
| Senegal | 1,528 | 548,756 |
| Mali | 249 | 83,475 |
| Nigeria | 432 | 192,754 |
| Cape Verde | 122 | 48,132 |
| Gambia | 43 | 751 |
| Cote ' D'Ivoire | 118 | 92,087 |
| Total | 16,194 | 5,971,252 |

Data source: TIDD

### Natural resource degradation a threat in Africa

The Ghana President has said that Africans need to understand that degradation of the environment poses a great threat to human existence. He said this after receiving the 2018 Governance Leadership Award, in recognition of his commitment towards enhancing the living standards of the people of Ghana.

The President was addressing an event organised by the 'Rebranding African Forum' and spoke on Challenges and Opportunities of the Green Economy in Africa'.

### Forestry executives applaud 'Operation Halt 3'

The Chief Executive of Forestry Commission, Mr. Kwadwo Owusu Afriyie and the Minister for Lands and Natural Resources, Hon. Kwaku Asomah – Cheremeh as well as Forestry Commission officials including the Deputy Chief Executive, Mr. J.M Allotey, recently travelled to the Western Region to inspect a large quantity of sawnwood and other wood products which were seized during "Operation Halt 3" conducted in forest reserves in the Western Region to clamp down on illegal forest activities.

See: http://www.fcghana.org/news.php?news=128

**Boule Export prices**

| | Euro per m³ |
|---|---|
| Black Ofram | 330 |
| Black Ofram Kiln dry | 400 |
| Niangon | 574⬆ |
| Niangon Kiln dry | 610 |

**Export Rotary Veneer Prices**

| Rotary Veneer, FOB | Euro per m³ CORE (1-1.9 mm ) | Euro per m³ FACE (>2mm) |
|---|---|---|
| Ceiba | 306 | 378⬇ |
| Chenchen | 367⬇ | 505 |
| Ogea | 473 | 590 |
| Essa | 505 | 669⬆ |
| Ofram | 350 | 435 |

**Export Sliced Veneer**

| Sliced face veneer | FOB Euro per m³ |
|---|---|
| Arormosia | - |
| Asanfina | 902⬇ |
| Avodire | 433 |
| Chenchen | 433⬇ |
| Mahogany | - |
| Makore | 989 |
| Odum | 2,921⬆ |

**Export Plywood Prices**

| Plywood, FOB BB/CC | Euro per m³ Ceiba | Euro per m³ Ofram | Euro per m³ Asanfina |
|---|---|---|---|
| 4mm | 382 | 640 | 641 |
| 6mm | 410 | 535 | 604 |
| 9mm | 367 | 446 | 560 |
| 12mm | 470 | 463 | 480 |
| 15mm | 450 | 380⬆ | 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 | 330⬆ |
| Dahoma | 443⬆ | 552⬆ |
| Edinam (mixed redwood) | 520 | 645 |
| Emeri | 490 | 564 |
| African mahogany (Ivorensis) | 843 | 996⬇ |
| Makore | 775 | 840⬆ |
| Niangon | 555 | 710 |
| Odum | 936 | 964⬇ |
| Sapele | 700 | 783⬆ |
| Wawa 1C & Select | 360 | 445⬆ |

## Malaysia

**Export earnings dip due to bad weather**

Between January and August this year Malaysia's wood product exports declined almost 6% to RM14.6 bil. compared to the same period last year. Analysts write that this was mainly due to bad weather which hampered harvesting and production.

Despite this decline, Malaysian Timber Council (MTC) chairman, Low Kian Chuan, said the Council was confident of achieving the 2018 export target.

Low said the main export earners were wooden furniture, plywood, sawnwood, fibreboard and joinery products.

**Marketing mission to Philippines**

The Malaysian Timber Industry Board (MTIB) recently arranged mission to the Philippines under the MTIB 'Technical Mission and Timber Entrepreneurs Development Programme'. The aim was to expand trade in Malaysian wood products, particularly of high value-added value wood products.

In 2017, Malaysia's wood product exports to the Philippines were worth RM734 million. Sawnwood was the main item exported and there has been a steady increase in sawnwood exports to the Philippines since 2013. Other major products exported to the Philippines include wooden furniture and plywood which in 2017 were worth RM183 and RM49.6 million respectively.

While furniture exports increased last year plywood exports fell compared to levels in previous years. Malaysian imports of wood products from the Philippines were valued at RM7.4 mil. last year and comprised mainly rattan and wooden furniture.

**Landmark effort between Forestry Department and oil palm plantation owners in Sabah**

The Sabah Forestry Department recently held a landmark meeting with key oil palm plantation owners to discuss the Department's EU-funded REDD-plus project "Tackling Climate Change through Sustainable Forest Management and Community Development,"

This was the first ever meeting with a group of plantation owners and also for the EU-REDD+ project. The aim was to find common ground for forest conservation efforts in the Upper Kinabatangan River corridor.

Plantation owner, Sawit Kinabalu Berhad manages the Sungai Pin Conservation area. Here forest restoration work is undertaken by the RiLeaf Project, the Pongo Alliance and Bora who are building a resilient habitat for Orang Utangs. The objective of the EU-REDD+ project is to contribute to the sustainable and low carbon development of Sabah.

**Plywood prices**

Traders based in Sarawak reported the following plywood export prices for mid-October:

| | |
|---|---|
| FB (11.5mm) | US$ 750 – 760 FOB |
| CP (3' x 6') | US$ 550 – 560 C&F |
| UCP (3' x 6') | US$ 660 C&F |
| Middle East | |
| (thick panels) | US$435 FOB |
| South Korea | |
| (9mm and up) | US$ 500 C&F |
| Taiwan | |
| (9mm and up) | US$ 490 – 500 FOB |
| Hong Kong | US$ 540 FOB |

## Indonesia

**Indonesian Timber Council (ITC) launched**

A new institution, the Indonesian Timber Council (ITC) has been launched bringing together seven associations, namely ILWA, ISWA, APHI, APKINDO, APKI, ASMINDO and HIMKI.

The functions of the new Council include promoting the timber trade and developing global markets, promoting the development of the timber industry by expanding the industrial manufacturing base, increasing added value production, increasing the pool of skilled workers and ensuring a sustainable supply of raw materials.

**Interest in Indonesia's teakwood furniture growing in the US**

The Indonesian Trade Promotion Center (ITPC) in Chicago has reported that US demand for Indonesian teak furniture is rising and that this is a US$1 million market opportunity for Indonesian exporters.

During the recent 'Casual Market 2018' trade fair in Chicago orders for teak products worth over US$300,000 were placed by US importers. The head of the ITPC, Billy Anugrah, said the US market for outdoor furniture is growing and that Indonesian manufacturers can benefit from this.

## Indonesia-Malaysia continue cooperation on wood carving for SMEs

Officials from Indonesia and Malaysia met recently to strengthen ties for joint development of SMEs involved in wood carving. Meliadi Sembiring, from the Indonesian Ministry of Cooperatives and SMEs, stated there is a strong commitment on the part of Indonesia and the Malaysian Ministry of Entrepreneurship and Youth to boost SMEs growth.

A Malaysian delegation recently visited Celuk Village in Bali one of Indonesia's wood carving centres. The group committed to arrange training and technology transfer which has been the foundation of the success of the wood carving trade for Bali and to address marketing issues.

## Forestry Ministry launches online forest fire reporting

The Ministry of Environment and Forestry has established an online mechanism for report the incidence and control actions for forest fires. Software has been tested in Riau, Jambi, South Sumatra, West Kalimantan and Central Kalimantan provinces.

The Director of Forest and Land Fire Control, Raffles B. Panjaitan, reported over 1,500 companies and institutions are contributing inputs to the online system so that there can be a rapid response to fires in protected forests, production forests, conservation areas and in plantations.

## Encouraging 'lightwood' exports

Speaking at a recent 'International Lightwood Cooperation Forum' the Director General of National Export Development in the Ministry of Trade, Arlinda, said the Ministry is encouraging exports of 'lightwood' or sengon laut, moluca, batai, albizia and jeungjing, *(Paraserianthes falcataria*).

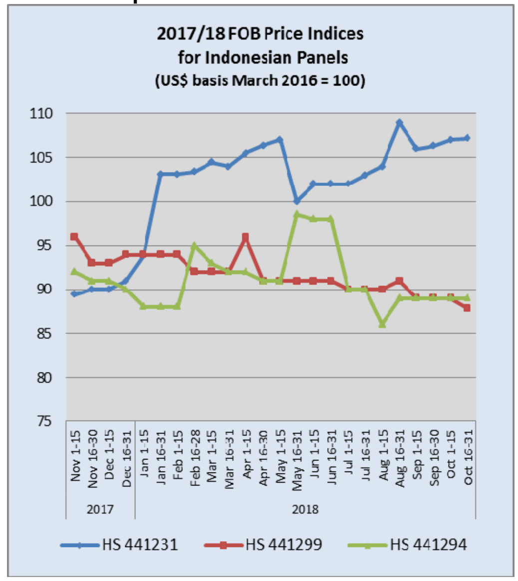
The Indonesian Lightwood Association (ILWA) Chairperson, Sumardji Sarsono, said that Indonesian light wood craftsmen want to export finished products but that currently exports of 'lightwood' are either raw materials or semi-finished products such as barecore for China and Taiwan P.o.C.

The ILWA chairperson said he is optimistic Indonesia can capture a major share of the international market for 'lightwood' products. To achieve growth in the lightwood sector Sumardji said if the government's target of 5 million hectares plantations includes Albizia (lightwood) then there will be assured raw material availability for export production.

ILWA has close cooperation with technologists and traders in Germany and Singapore and in both countries there are people with experience of utilising Albizia for a variety of products

For more see: http://mediaindonesia.com/read/detail/191982-indonesia-siap-rajai-ekspor-produk-kayu-ringan

## Indonesian panel indices




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

# Myanmar

## Old growth teak plantations yield good quality logs

According to the local media, the Minister of Forestry recently visited a sawmill where trials on old growth teak thinnings were being conducted. The Minister was quoted as commenting that he had noticed that the price of teak logs from mature plantations is very attractive. This, according to the Minister, could give a boost to investment in teak plantations in the country.

Analysts write that it is believed the teak logs in the trial were harvested from very old plantations which had almost reverted to natural forest.

## News awaited on options for MTE restructuring

The Myanmar government announced several years ago that it plans to restructure the government-run Myanmar Timber Enterprise (MTE) under private sector management. It is understood that recently a representative from the US Forest Service was in Myanmar to evaluate the options for this restructuring. Analysts are yet to learn of his recommendations.

The MTE has been responsible for managing log extraction and for supplying teak and non-teak wood to the private sector. It is unclear what form the restructuring will be, all that is reported is that MTE will "operate under a commercial model."

## Manufacturers plead for revision of taxes on timber

The MTE is among top state owned enterprise revenue earners for the country. But domestic millers and manufacturers are unhappy with the pricing structures used by the MTE. According to manufacturers, MTE timber prices include the 5% special commodity tax as well as an extra 'Commercial' tax which brings the total added to the log price to around 11%.

Manufacturers have urged the government and MTE to eliminate the special commodity tax but this was refused according to analysts.

**FDI inflows drop**

The World Bank has downgraded its economic growth projection for Myanmar in fiscal 2018/19 ending on March 31, to 6.2% from its original forecast of 6.8%.

The Bank attributes the change in forecast to mostly domestic factors such as floods, inflation and the "Rakhine crisis".

According to the World Bank prospects are bleak. Foreign Direct Investment (FDI) applications in the April-September period totalled US$1.7 billion, compared with US$3 billion during the same period last year. Additionally, inflation is currently 8.5%, compared with 5.5% last year and the kyat has depreciated 25% in recent months.

**Strengthened environmental compliance**

Bangkok-headquartered 'SLP Environmental' has announced the extension of its environmental, health and safety (EHS) compliance auditing services to cover Myanmar. This comes after the company spent a year compiling a comprehensive in-house database of the existing legislation and statutory rules.

This comes as Myanmar prepares to enact new occupational health and safety legislation which will apply to businesses operating in multiple sectors throughout Myanmar.

The SLP website says the company has an established presence in Myanmar having assisted the Myanmar Ministry of Environmental Conservation and Forestry (MOECAF) to prepare environmental impact assessment guidelines.

See: https://www.slpenvironmental.com/slp-environmental-launches-environmental-health-safety-ehs-legal-register-compliance-auditing-services-myanmar/

**October tender prices**

**Teak logs**

| Grade | H.tons | Average US$/H.ton |
|---|---|---|
| SG-1 | - | - |
| SG-2 | - | - |
| SG-4 | 80.2 | 3,575 |
| SG-5 | 76.3 | 2,655 |
| SG-6 | 140.3 | 2,335 |
| SG-7 | 777.6 | 1,465 |

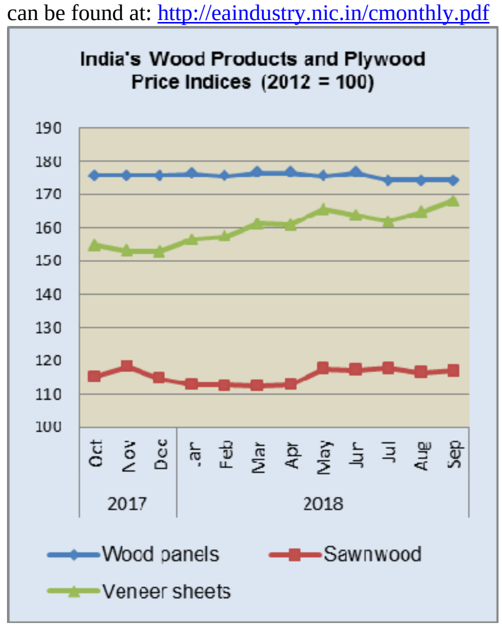
## India

**Timber commodity prices move higher**

India's official wholesale price index for all commodities (Base: 2011-12=100) for September 2018 released by the Office of the Economic Adviser to the government rose to 120.8 from 120.0 for August. The annual rate of inflation based on monthly WPI in September 2018 was 5.13% compared to 4.53% for the previous month.

The September index for 'Manufacture of Wood and of Products of Wood and Cork' group rose to 133.7 from 132.8 for the previous month due to higher prices for veneers and panel products, mouldings and plywood. However, prices for wooden box/crates declined.

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

**Indian Railways abandons wooden sleepers for composite alternative**

In what analysts call a misguided statement a representative of Indian Railways said the decision to switch to composite sleepers was in order to "become more eco-friendly".

The domestic press has quoted the Indian Railways as announcing "the Railways prefer them (composite sleepers) over wooden sleepers because of environmental issues that cropped up over the cutting of trees, a decision taken in the wake of a Supreme Court order imposing restrictions on cutting trees"

Commenting on the manufacture of composite materials a Railways spokesperson said fibre-reinforced foamed urethane (FFU) composite sleepers are made of rigid polyurethane reinforced with glass fibre a lightweight, high-strength, environment-friendly product cost-effective alternative to timber or concrete.

### Plantation teak prices

Domestic demand for imported logs continues to improve but exchange rate issues are of concern to importers. The weak rupee has been pushing up landed costs but fortunately, because of the firm market conditions, importers have been able to pass on the higher costs to domestic millers.

C&F prices in US dollars remain unchanged

**Plantation teak prices**

| | US$ per cu.m C&F |
|---|---|
| Angola logs | 389-574 |
| Belize logs | 350-400 |
| Benin logs | 290-714 |
| Benin sawn | 530-872 |
| Brazil logs | 344-540 |
| Brazil squares | 333-556 |
| Cameroon logs | 405-616 |
| Colombia logs | 478-743 |
| Congo D. R. logs | 450-761 |
| Costa Rica logs | 357-780 |
| Côte d'Ivoire logs | 289-756 |
| Ecuador squares | 333-454 |
| El-Salvador logs | 320-732 |
| Ghana logs | 294-452 |
| Guatemala logs | 324-646 |
| Guyana logs | 300-450 |
| Kenya logs | 515-876 |
| Laos logs | 300-605 |
| Liberia logs | 265-460 |
| Malaysian logs | 225-516 |
| Mexican logs | 295-808 |
| Nicaragua logs | 402-505 |
| Nigeria squares | 434-517 |
| Panama logs | 335-475 |
| PNG logs | 443-575 |
| Sudan logs | 358-556 |
| Tanzania teak, sawn | 307-613 |
| Thailand logs | 511-700 |
| Togo logs | 334-590 |
| Trinidad and Tobago logs | 603-753 |
| Uganda logs | 411-623 |
| Uganda Teak sawn | 680-900 |

Price range depends mainly on length and girth

### Locally sawn hardwood prices

Traders report demand is steady. The rupee landed cost for imported hardwoods continues to rise because of the weakening rupee so on-selling prices were raised some weeks ago.

The industry is looking to the Reserve Bank to steady the dollar/rupee exchange rate to avoid disruption to business.

| Sawnwood Ex-mill | Rs per cu.ft. |
|---|---|
| Merbau | 4000-4200 |
| Balau | 2500-2700 |
| Resak | 1750-1950 |
| Kapur | 2200-2400 |
| Kempas | 1550-1750 |
| Red Meranti | 1250-1350 |
| Radiata pine AD | 850-950 |
| Whitewood | 850-950 |

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

### Teak stockists increase prices to take advantage of rising demand

Improved demand for but diminishing supply of Myanmar teak has given Indian stockists the opportunity to raise prices. However, the downside to this is that endusers are now diverting attention to alternatives.

**Myanmar teak prices**

| Sawnwood (Ex-yard) | Rs. per cu.ft |
|---|---|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 14,000-20,000 ⬆ |
| Teak A grade | 9000-10,000 ⬆ |
| Teak B grade | 7,000-8,000 ⬆ |
| Plantation Teak FAS grade | 7,000-8,000 ⬆ |

Price range depends mainly on lengths and cross-section

**Sawn hardwood prices**

Analysts report the recent price increases have been accepted in the market.

| Sawnwood, (Ex-warehouse) (KD) | Rs per cu.ft. |
|---|---|
| Beech | 1650-1800 |
| Sycamore | 1800-2000 |
| Red Oak | 1900-2000 |
| White Oak | 2500-2600 |
| American Walnut | 5000-5500 |
| Hemlock STD grade | 1500-1600 |
| Western Red Cedar | 2000-2200 |
| Douglas Fir | 1800-2000 |

Price range depends mainly on lengths and cross-section

**No respite from rising production costs**

Indian plywood manufacturers report that their recent prices increases have been absorbed by the market and while this brought them some relief they are now facing another problem.

Rising prices for petroleum products such as melamine, phenol and formalin are pushing up production costs such that the gains from recent plywood price increases are being wiped out.

Adding to the woes of manufacturers in India are the indications that the quantity of veneers being exported from Gabon may be affected as the government in Gabon is considering limiting the issue of veneer manufacturing licenses. Indian analysts say it appears that veneer mills in Gabon may have to invest to manufacture plywood.

Current India ex-mill prices for plywood are shown below.

**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 | |

## Brazil

**Timber and construction companies promoting domestic timber use**

In October this year the Wood Technology Reference Center in the Institute for Technological Research (IPT) brought together professionals and representatives from the timber and construction industries to discuss promoting greater use of wood in domestic construction.

Participants from different regions of the country (São Paulo, Paraná, Mato Grosso, Rio Grande do Sul and Minas Gerais) contributed to identifying what must be done to expand the consumption of wood products in the domestic construction sector.

During the event, five working groups were formed, namely: Forests, Components, Education, Projects and Construction. Among the topics that emerged were the need to discuss fire regulations, the production of documents and technical publications that can be used as support materials in capacity building of professionals and verifying the legality of raw materials.

Other aspects discussed were production of components; capacity building for professionals in wooden structures; aspects that should be considered in building design and wood construction projects and prospects for construction sector markets.

**Fines levied but forest burning continues**

There is an ongoing operation led by the Amazon Environmental Protection Institute (IPAAM) and the State Secretariat of the Environment (SEMA) to combat illegal logging and forest clearing, particularly in the southern of Amazonas.

Using SEMA satellite imagery the operation successfully identified the sites of fires in the municipalities of Apuí and Novo Aripuanã. These areas are considered a priority for preventing deforestation and burning. The fires that were detected resulted in the loss of around 1,500 ha. of forest.

IPAAM has issued 40 environmental infractions totalling more than R$9 million in fines and has also seized illegally harvested logs in Novo Aripuanã and fined the owner of the property R$1 million.

**Export round-up**

In September 2018 Brazilian exports of wood-based products (except pulp and paper) increased 8.4% in value compared to September 2017, from US$248.3 million to US$269.1 million.

The value of pine sawnwood exports increased 20% between September 2017 (US$41.9 million) and September 2018 (US$50.4 million) and the volume of exports increased 17% over the same period (202,500 cu.m to 237,700 cu.m).

Tropical sawnwood exports also increased rising 31% year on year from 42,500 cu.m in September 2017 to 55,700 cu.m in September 2018. In terms of value, exports increased 21% from US$19.5 million to US$23.5 million over the same period.

September pine plywood exports increased 31% in value year on year from US$48.7 million to US$63.6 million. Export volumes also increased, rising 13% over the same period, from 165,900 cu.m to 188,200 cu.m.

In contrast, tropical plywood exports declined 28% in volume, from 16,300 cu.m (US$6.3 million) in September 2017 to 11,700 cu.m (US$5.5 million) in September 2018.

Brazil's wooden furniture exports continue to do well and in September 2018 totalled US$44 million compared to US$40 million in September 2017 a 10% rise.

**USA the top market for furniture from Rio Grande do Sul**

Manufacturers in Rio Grande do Sul account for most of the wooden furniture production in Brazil. Between January to August 2018 furniture manufacturers in the State of Rio Grande do Sul exported mainly to the United States and Uruguay (15% each) and the United Kingdom (14%).

In August there was a 26% increase in furniture exports from Rio Grande do Sul State compared to the previous month. The value of these exports was US$17.8 million according to IEMI - Market Intelligence Institute. The president of the Furniture Industry Association of Rio Grande do Sul (MOVERGS) has said his association is pleased to see the increase in foreign currency earnings which is a result of manufacturers beating the competition in international markets.

But, there are challenges. As the currency weakens manufacturing inputs such as imported components used in the manufacture of furniture become more expensive and planning production and pricing becomes a nightmare if exchange rates are volatile.

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US$ per m$^3$ |
|---|---|
| Ipê | 193⬇ |
| Jatoba | 108⬇ |
| Massaranduba | 104⬇ |
| Miiracatiara | 104⬇ |
| Angelim Vermelho | 101⬇ |
| Mixed redwood and white woods | 85⬇ |

Source: STCP Data Bank

**Domestic Sawnwood Prices**

| Brazil sawnwood, domestic (Green ex-mill) | US$ per m$^3$ |
|---|---|
| Ipé | 785⬇ |
| Jatoba | 396⬇ |
| Massaranduba | 375⬇ |
| Muiracatiara | 368⬇ |
| Angelim Vermelho | 345⬇ |
| Mixed red and white | 224⬇ |
| Eucalyptus (AD) | 179⬇ |
| Pine (AD) | 136⬇ |
| Pine (KD) | 156⬇ |

Source: STCP Data Bank

**Domestic Plywood Prices (excl. taxes)**

| Parica | US$ per m$^3$ |
|---|---|
| 4mm WBP | 493⬇ |
| 10mm WBP | 397⬇ |
| 15mm WBP | 332⬇ |
| 4mm MR | 387⬇ |
| 10mm MR | 279⬇ |
| 15mm MR | 256⬇ |

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

| *Domestic ex-mill Prices* | US$ per m$^3$ |
|---|---|
| 15mm MDParticleboard | 212⬇ |
| 15mm MDF | 239⬇ |

Source: STCP Data Bank

**Export Sawnwood Prices**

| Sawnwood, 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

### Timber exports set to rise after 5 years

After five consecutive years of decline Peruvian exports of wood products seem set to rise this year. The Center for Foreign Trade (CCEX) of the Chamber of Commerce in Lima has forecast exports to come in at US$123 million which would be slightly more than in 2017. Between 2013-2017 timber exports dropped around 5% annually.

The better performance is the result of higher demand for manufactured products such as flooring, furniture and door sets.

CCEX has reported that in the first eight months of this year the timber sector registered a positive performance with export shipments reaching US$79 million, a 3% rise compared to the same period in 2017.

In 2017 Peruvian exports of wood totalled US$121 million, down 6% compared to 2016. In that year the main products exported were semi-manufactured items (US$85 million), approximately 70% of all wood product exports; sawn wood (US$ 24.4 million, 20%) and manufactured products (US$ 12.1 million 10%).

The main export markets in 2017 were China at US$59 million (parquet strips, moldings and sawnwood) followed by Mexico US$18 million (mainly virola, imbuia and balsa sawnwood and plywood; United States US$12 million (mainly flooring and furniture).

### Particleboard imports higher in July

In July 2018 Peruvian imports of particleboard amounted to US$9.7 million, an increase of 24% compared to the same month in 2017.

Most of the increase was accounted for by higher shipments from Chile (US$3.8 million in July 2018 cf. US$1.9 million in 2017) followed by Ecuador, US$3 million (2017: US$3.8 million), Spain, US$1.5 million and Brazil, with US$1.3 million.

### Regional governments informed of SERFOR sanctioning powers

SERFOR, along with the Forest Resources Oversight Agency (OSINFOR), the Regional Governments of Ucayali, Loreto, Amazonas and Forest Support Programme of the United States Agency for International Development (USAID) and the United States Forest Service (USFS), have established a task force whose aim is to instruct regional forest administrations on the powers given to SERFOR through the Administrative Sanctioning Procedures (PAS).

A training programme was conducted with the regional governments of Loreto, Ucayali and Amazonas to explain the PAS. This programme for the regional forestry authorities included delivering guidance on the scope of the sanctioning powers of SERFOR.

### SERFOR Board shares experiences with US Forest Service

With support from the United States Forest Service and the United States Agency for Development (USAID) through its ‘Forest’ Programme’ the SERFOR board of directors exchanged experiences and ideas on optimising the performance, function and efficiency of forest governance in Peru. This effort was undertaken as it is in line with Peru’s Agrarian Policy which promotes the sustainable use of forest resources and wildlife.

It is the function of the Ministry of Agriculture and Irrigation (MINAGRI) to strengthen the country's forest governance in order to improve the conditions for the development of forest management and transformation of production and trade.

This exchange provided an opportunity to consider different management models and lessons learned in forest management and the collaborative work by the different entities.

One focus was on the relationship with the communities and indigenous peoples where it was recognised there is a need to enhance the collaborative and integrative approach in the development of policies for the proper management of forest resources of Peru.

During one of the dialogues a representative of USAID informed the SERFOR Board of Directors on an ambitious project called "Green Amazon", which could contribute to the strengthening of forest management in the tropics.

**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 | 556-599 |

| 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 | 921-954 |
| Asian market | 998-1041 |
| 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 | 252-266 |
| 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 |

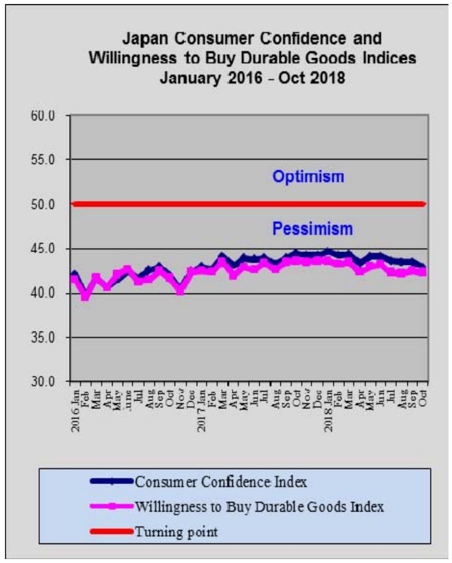
**Export Prices for Added Value Products**

| 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 | | 523-545 |
| | 2x13x75cm, Asian market | 732-815 |

## Japan

**Little risk of recession when consumption tax goes up next year**

The Japanese government has confirmed its intention to raise the consumption tax to 10% from the current 8% in October 2019 as planned. The rationale for the increase is to address the rapidly rising social security costs as the population ages.




Data source: Cabinet Office, Japan

While GDP numbers look healthy, GDP for the April-June period increased at an annualised rate of 3%, reversing a slight decline in the earlier quarter, consumer spending continues to be weak.

However, the government has concluded the risks to private consumption from this 2% rise in consumption tax should not seriously dampen consumption for long.

The government argues that the impact on consumption will be small as tax on food and drinks will not be raised.

**Exports to China and US slip**

Ministry of Finance data show that, for the first time since 2016, month on month exports fell in September. Shipments to the US dropped due to falling exports of construction and mining machinery, auto parts and medicines. Also car exports were down around 7% year on year.

The US administration is pressuring Japan to address its almost US\$70 billion trade surplus with the United States, much of which stems from car exports.

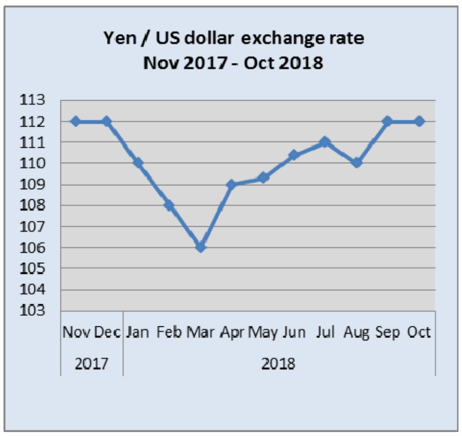
Analysts report Chinese businesses are delaying new investment fearing the US/China trade frictions will further impact export opportunities. This cut-back by Chinese companies has resulted in falling machinery orders placed with Japanese companies who report orders have been falling for around six months.

**Strong dollar helps keep yen/dollar exchange rate in check**

The US dollar continues to strengthen and towards the end of October was at an 11 month high against the Japanese yen which touched 114 to the dollar at one point. A weak yen boosts the profits made abroad when they are repatriated by Japanese companies.

There are concerns over the pressure being exerted on Japan to reduce its trade surplus with the US but for now no drastic action is expected from the US side. Speaking to the media recently the Japanese prime minister said he and the US President had agreed to continue talks to resolve the surplus issues.

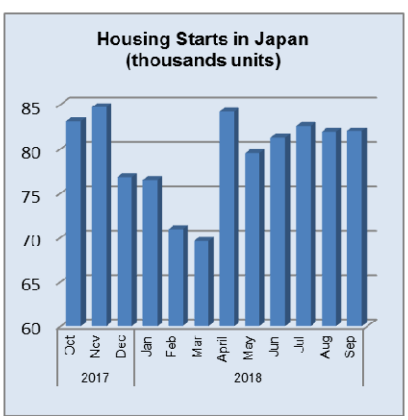
However, recent losses first in Wall Street and then in Europe and Asia caused the yen to rise against the dollar because investors sought a 'safe-haven'. This tipped the yen back to its more recent level of 112 to the dollar.




**September Housing starts**

September housing starts came in at the same level as in August but were down year on year by around 2%. On the basis of the first nine months housing data, annual starts for 2018 will be in the region of 945,000.

The domestic housing market in Japan is shrinking fast due to the declining population. The number of new homes built in fiscal 2017 dropped to 950,000 from a peak of 1.29 million in fiscal 2006. Analysts estimate that by 2030 annual housing starts will only be around 550,000.




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

**Import round up**

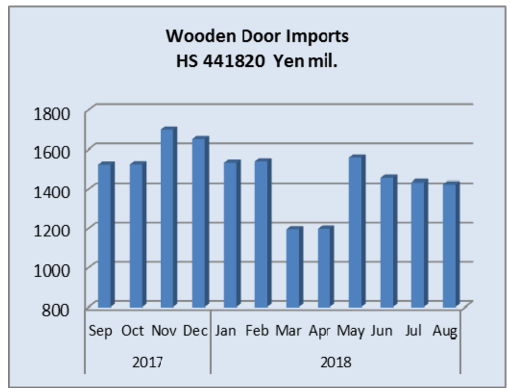
**Doors**

**August door imports**

Japan's August wooden door (HS441820) imports continued the decline that began in June after the peak in May imports.

Year on year, August 2018 wooden door imports were unchanged from a year earlier down slightly and were just slightly down from levels in July.

Over 90% of August wooden door imports were from 4 sources, China (61%) followed by the Philippines (20%), Indonesia (7%) and Malaysia (8%). In July there was a shipment of wooden doors from Sweden worth around 7% of total monthly import values.

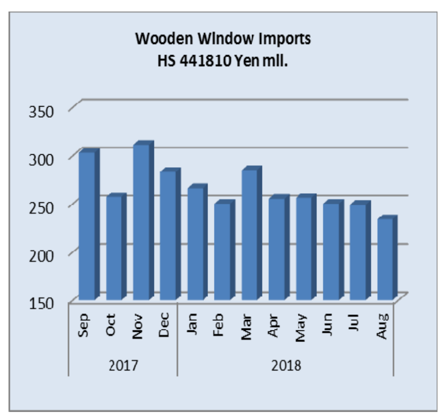



Data source: Ministry of Finance, Japan

**Window imports**

**August window imports**

After a peak in March this year Japan's imports of wooden windows (HS441810) declined for the following 6 months. Year on year, August imports of wooden windows were down 16% and compared to the previous month there was a 4% drop.




Data source: Ministry of Finance, Japan

In August three suppliers accounted for 85% of the value of Japan's wooden window (HS441810) imports namely China (38%), the Philippines (24%), the US (23%) and Sweden (8%).

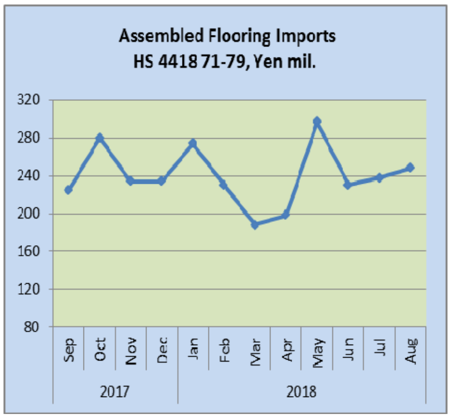
### Assembled flooring

**August flooring imports**

Import values for wooden flooring entering Japan in August confirm that HS441875 is the main product followed by HS441879.

In August, 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 top three shippers of HS441875 in August were China (43%), Indonesia (23%) and Malaysia (15%).

In contrast, for HS441879 the main shippers in August were Indonesia (50%) and Vietnam (17%).



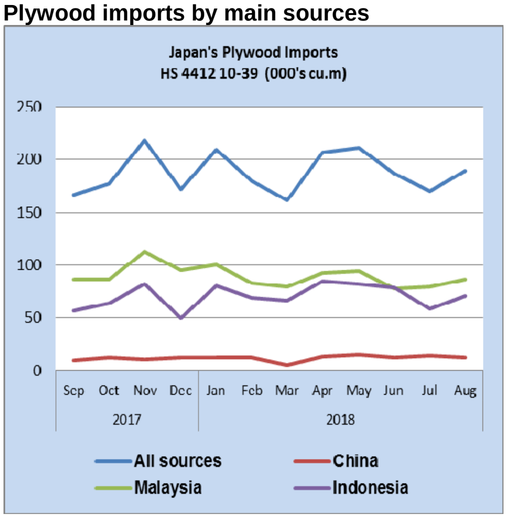

Data source: Ministry of Finance, Japan

### Plywood

**August plywood imports**

After two consecutive months of decline there was an up-tick in the volume of plywood imports with both of the two major suppliers Malaysia and Indonesia posting month on month gains.

**Plywood imports by main sources**




Data source: Ministry of Finance, Japan

August imports of plywood (HS441210-39) were flat year on year but there was a significant year on year decline in the volume of imports from Malaysia with some of the slack being taken up by shipments from Indonesia which jumped around 8% in August compared to August 2017. Plywood imports from China still fall within a narrow range which has been fairly consistent for the year to August.

Imports of HS441231 dominte Japan's plywood imports accounting for over 89% of imports in August with Malaysia and Indonesia being the main shippers. In August shippers in Vietnam built on the gains recorded with the July plywood shipments.

**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 |
| | Jul | 14.3 | 79.2 | 58.3 |
| | Aug | 12.4 | 86 | 70.5 |

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](http://www.n-mokuzai.com/modules/general/index.php?id=7)

### Influence of U.S.-China trade war

What kind of influence on-going U.S.-China trade war would give to wood industry is everybody's concern.

On September 24, U.S. decided to impose 10% sanctions duty on Chinese wood products while China announced to impose 5% or 10% retaliatory tariff on imported wood products from the U.S. However, duties China imposed initially of 20-25% are reduced to 10% except for Southern pine logs. China obviously tries to solve the issues by the end of this year.

In 2017, import of wood products by China from the U.S. was 6,096,000 cbms of logs, 15% more than 2016 and 3,205,000 cbms, of lumber, 9.8% more. About one third of the imports on both logs and lumber is estimated Southern pine so 25% duty on logs would give serious impact on log import.

Duty on lumber is 10% (initially 20%) but it is hard to see what kind of impact hot North American lumber market would give to supply and prices to China. Soaring North American lumber market is negative factor to the trade with China but the fact is that softwood log export to China in 2017 was 7.2% more than 2016 and softwood lumber was 21.2% more.

Through July this year, softwood log import was 15.3% more and softwood lumber was 39.4% more so growth continued. Although grade and prices of export are different from U.S. domestic products, there must be some connection between the two. Weighted average prices of 15 structural lumber dropped by US$159, 27.4% in September from the peak in June so even with 10% duty, the prices are lower than the peak time.

On softwood logs, duty on hemlock is 5%. If China shifts to Canada to buy hemlock logs, it would influence supply of logs and lumber for Japan. Duty on Alaskan logs is 10%. If China slows down purchase of Alaskan logs, Japan will have more chance to buy but if low grade logs China buys lose sales outlet, log harvest itself would be reduced.

Trade of wood products by both countries is about US$3.1 billion. If the war is over within this year, there is very little impact to Japan but if the war prolongs, various impacts should give to worldwide wood trade since two countries are major supplying and consuming countries.

### Plywood

Plywood market is stagnating. September sales were slow and there is no fall demand surge. Imported plywood market is firm as the importers try to increase the sales prices by increasing suppliers' prices.

Market prices of softwood plywood are holding steady despite spotty low prices in distribution channel.
Domestic manufacturers hold the sales prices firmly, which stops slide of the market prices

Softwood plywood production in August was 252,000 cbms, 1.1% less than August last year and 5.9% less than in July because working days in August were shorter due to vacation season. In this structural plywood production was 232,800 cbms, 3.4% less and 6.3% less. Non-structural plywood production was 19,200 cbms, 39.2% more and 0.9% less.

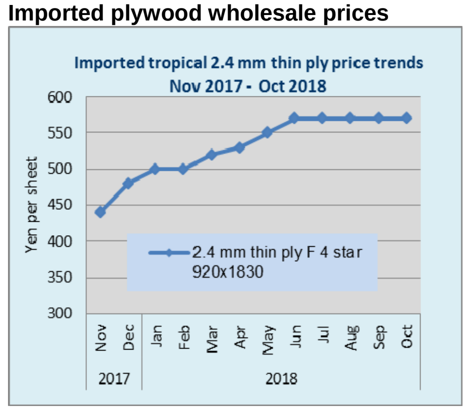
The shipment of softwood plywood in August was 240,800 cbms, 3.7% less and 7.2% less. That of structural plywood was 221,800 cbms, 6.5% less and 7.6%v less. That of non-structural plywood was 18,900 cbms, 49.3% more and 1.5% less.

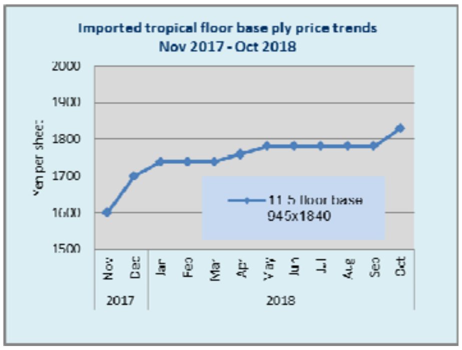
The inventory of structural plywood was 157,000 cbms, increase of 10,900 cbms. With increasing inventory, some dealers asked price reduction but the manufacturers say that the inventory is still less than one month shipment and with increasing demand for non-structural plywood, the manufacturers do not listen to price reduction request .Users are now getting cautious in buying with rumors of lower prices in the market.

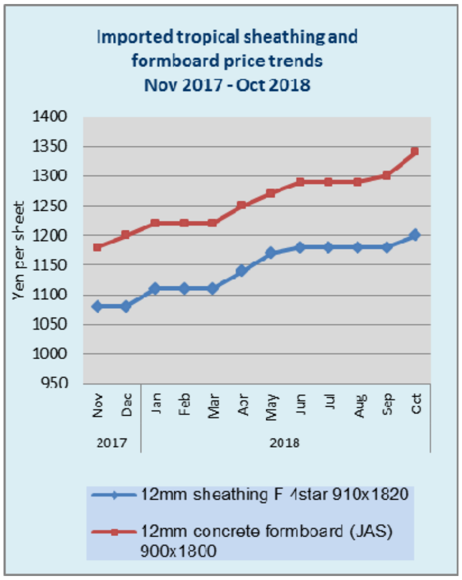
On imported plywood, the suppliers intend to increase the sales prices before rainy season with prospect of lower log supply and higher log prices and offer volume is less than before.

Dealers in Japan need to increase the market prices as higher cost cargoes will keep arriving so the market prices of imported plywood are climbing. However, there were some low price offers in September as the dealers made aggressive sales in September before midterm book closing at the end of September so price hike was limited. The prices of imported plywood will be firm in October and be climbing in coming months.

**Imported plywood wholesale prices**






**Sing Yang of Malaysia acquired forest management certificate**

Sing Yang group, the largest plywood manufacturer in Sarawak, Malaysia has acquired forest management certificate on natural forest. This is the second forest district Sing Yang received the certificate.

The forest is about 72,685 hectares, where acacia is main species, which is used for manufacturing plywood. It acquired three years certificate of MTCS (Malaysian Timber Certificate System), which means the area is admitted as sustained yield forest. MTCS is tied with PEFC.

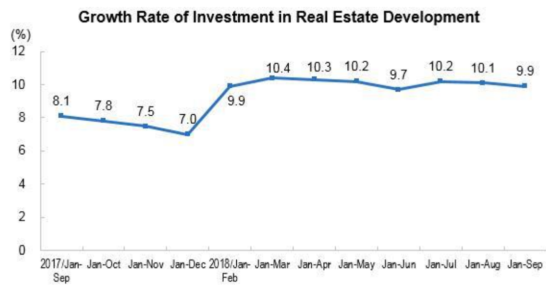
## China

**Real estate investors targets smaller cities**

China's National Bureau of Statistics has just released the results of its assessment of national real estate developments in the first nine months of this year.

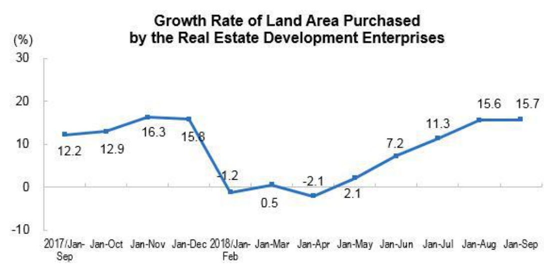
The real estate sector continues to attract investment and much of this has been directed to the smaller cities where the efforts of the government to cool the sector and eliminate speculation have been less aggressive than in the main cities.

In the first nine months of 2018 there was an almost 10% year-on-year rise in investments but the pace of expansion slowed slightly. There was a 14% rise in residential housing investment accounting for over 70% of total investment in the sector.




Source: National Bureau of Statistics, China

Between January and September this year the land area purchased by developers increased almost 16% year on year.




Source: National Bureau of Statistics, China

The data for September point to a scaling back of investment which is put down to economic uncertainties and the new restrictions aimed at cutting down speculative investment in the housing sector.

See:
http://www.stats.gov.cn/english/PressRelease/201810/t20181019_1628757.html

**Increases in export tax rebates**

The export tax rebate rate for some products has been adjusted.

According to the government the tax rebate scheme is designed to mitigate the management pressure for export-oriented enterprises, improve competitiveness of these enterprises, reduce market risks, support small and middle-sized enterprises to overcome management difficulties, guide enterprises to optimise the structure of export products and accelerate the pace of industrial upgrading.

The new tax rebate levels came into effect on 1 November 2018. The rates for export tax rebates for wood products are as below.

- 16% for kiri (paulownia) wood (4407.9920), sawn lengthwise from 13% in the past.
- 16% for bamboo flooring (4409.2110 and 4409.2190) from 13% in the past.
- 13% for particle board (4410), fiberboard (4411) and plywood (4412) from 9% in the past, including laminated flooring (4411.1319), solid composite flooring (4412.9910 and 4412.9410) and bamboo and wood composite flooring (4412.1099).
- 16% for packing and similar packing of wood, cable-drums of wood, pallets and other boards of wood and pallet collars of wood (4415.1000 and 4415.2090) from 13% in the past.
- 10% for pallets, box pallets and other load boards, pallet collars of radiata pine (4415.2010) from 5% in the past.
- 13% for other wood windows and frames (4418.1090), wooden doors and frames (4418.2000), wood mouldings for concrete construction work (4418.4000), wood shingles and roofing (4418.5000) and other wood pillar and purlins (4418.6000) from 9% in the past.
- 16% for other assembled multilayer bamboo flooring (44187320) and other assembled bamboo or bamboo-top-lay flooring panels (44187390) (from no in the past).
- 13% for bamboo woodworking products for building use (4418.9100) and other woodworking products for building use (4418.9900) (from zero in the past).
- 13% for other wood carvings (4420.1011) from 9% in the past.
- 16% for bamboo carvings (4420.1012) from 9% in the past.
- 16% for wood fans (4420.1020) (from no in the past).
- 10% for ramin wood mosaics (4420.9010) from 5% in the past.
- 13% for wood boxes and similar items, non-ground type furniture (4420.9090) and wood clothes hangers (4421.1000) from 9% in the past.
- 16% for other bamboo circular sticks, ice fruit sticks, tongue depressors and similar disposable products (4421.9110) and bamboo products without specific name (4421.9190) (from no in the past).
- 10% for ramin wood products without specific names (4421.9990) (from no in the past).
- 16% for bamboo, rattan, straw and willow weavings (part of 4601 and 4602) from 13% in the past.

Full details can be found at:
http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201810/t20181019_3050975.html

**Plantation harvests on the rise**

According to the eighth national inventory of forest resources, the area of national plantation was 69.33 million hectares accounting for 36% of the forest land area in China. The stocking volume of these plantations was 2.483 billion cubic metres, or 17% of China's forest standing volume.

Between 2009 and 2013 the average annual harvest volume from China's plantations was 155 million cubic metres. The harvest volume from plantations accounted for 46% of the total harvest, up by 7% on the period of the seventh national inventory.

**'Plantations - a way to achieve green development' – international congress**

The 4th International Congress on Planted Forests (ICPF) was held in Beijing from 23 to 25 October 2018. This is the first time for the ICPF to be held in an Asian country.

The theme of the conference was "Plantations - a way to achieve green development", with 4 topics: genetic resources and breeding, multi-objective management of plantations, timber, fibre and non-wood forest products, forest policies and social economics related to plantations.

The Congress aimed to investigate the contribution of planted forests to green development in the context of global challenges.

Topics included the sustainability of planted forests in the context of changing climates and the future role of planted forests in bio-resources sustainability, environmental protection and green development.

**Log imports through Zhangjiagang Port**

According to the data from China Customs, between January and August 2018, log imports through Zhangjiagang Port totalled 3.13 million cubic metre valued at US$720 million.

These logs were mainly from Papua New Guinea (1.51 mil. cu.m) and Solomon Islands (1.07 mil. cu.m), accounting for 48% and 34% of total log imports through the Port.

Other main suppliers included Equatorial Guinea, Cameroon, Republic of Congo, Central African Republic, Suriname and Liberia. Small quantities of logs were imported from Malaysia, Mozambique, the Democratic Republic of Congo, Angola, Mali, Ghana, Indonesia, Ecuador, Guyana and Argentina.

**Log imports through Zhangjiagang Port (Jan-Aug 2018)**

| | Volume | Value US$ |
|---|---|---|
| Papua New Guinea | 1,511,627 | $334,310,669 |
| Solomon | 1,072,447 | $214,136,464 |
| Equatoral Guinea | 203,859 | $50,641,782 |
| Cameroon | 135,491 | $47,352,260 |
| Republic of Congo | 97,848 | $35,240,274 |
| Central African Rep. | 34,140 | $12,340,666 |
| Surinam | 30,860 | $7,949,032 |
| Liberia | 22,650 | $6,270,650 |
| Malaysia | 8,116 | $1,629,657 |
| Mozambique | 5,600 | $7,523,578 |
| Congo (DRC) | 1,893 | $1,378,173 |
| Angola | 1,889 | $447,795 |
| Mali | 357 | $268,553 |
| Ghana | 323 | $140,903 |
| Indonesia | 260 | $473,035 |
| Ecuador | 219 | $45,224 |
| Nigeria | 120 | $90,002 |
| Guyana | 118 | $32,883 |
| Argentina | 46 | $43,006 |
| Total | 3,,127,863 | $720,314,606 |

Data source: China Customs

**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

**STTC considers share of certified tropical wood in European market**

The EU's Sustainable Tropical Timber Coalition (STTC http://www.europeansttc.com/) held its annual conference in Paris on 26 September. The conference highlighted the ongoing work to promote tropical timber in Europe by STTC participants and raised questions about the role of targets for procurement of "certified sustainable" products that are central to STTC activities.

Over 55 Europe-based organisations are involved in the STTC, grouped in various categories according to their type and level of involvement as Partners, Participants and Supporters. All STTC participants are invited to "draft an Action Plan for activities that will increase market share of sustainably sourced timber from tropical forests".

The underlying idea behind STTC is summarised on the organisations' website: "The alliance of public and private sector and NGO backers behind the STTC is concerned that EU tropical sector's shrinkage could on one hand ultimately deprive specifiers, end users and consumers of a technically high performance, diverse construction and manufacturing material. Critically, it could also dis-incentivise tropical suppliers from introducing sustainable forest management".

The focus of the Paris Conference, attended by around 80 representatives of trade, NGOs and government, was on the "use of data to drive market share". The question of market data was interpreted quite narrowly, focusing on the question of how to assess the share of certified and legally verified wood in total EU imports of tropical wood. The share of tropical timber relative to other timber products and commodities was not addressed.

This focus was closely linked to the STTC Roadmap developed through consultation with STTC participants and which built on discussions at the previous 2017 annual conference in Aarhus.

At that meeting, the IDH, an organisation supported by the Dutch government to encourage sustainable trade in several commodities, announced extension of its financial support for STTC to 2020.

STTC has established a 2020 target "to increase European sustainably sourced tropical timber sales to 50% above 2013 levels". To monitor progress, the IDH Roadmap supports publication of three annual report (2018, 2019, 2020) that on a European level will "make data available on market share of sustainable tropical timber, per country and per sector".

A key source document to the STTC conference was the STTC report prepared by Probos, a Dutch consultancy and published in June this year which estimates the "current market share of verified sustainable tropical timber". The key finding of this report was that an estimated 30% of primary tropical timber products placed on the EU market in 2016 met the STTC definition of "verified sustainable".

While the STTC report does not explicitly define "verified sustainable", the measure of "share" is based on best available information on the quantity of FSC and PEFC certified timber placed on the European market relative to uncertified wood. This definition of "sustainable timber" aligns with government procurement policy in the Netherlands and Germany and which has been adopted in trade association codes in several European countries.

The STTC report also comments on the role of FLEGT licensing in relation to certification: "while not necessarily considered evidence of sustainability, FLEGT licensing is widely recognized as an important tool for promoting sustainable forest management. Most stakeholders in the sector would agree that a combination of certified operators and a FLEGT-based legal system provides the best assurance for sustainable forest management".

The ITTO FLEGT Independent Market Monitor (IMM) project, which was well represented at the Paris Conference, is co-operating closely with STTC to ensure that this data is collected and reported alongside the data on certified timber.

The report also makes clear that the 30% estimate of EU certified wood in total tropical imports is only preliminary.

The report notes that for the period when the report was prepared, survey data covering a large proportion of importers was only available in a limited number of European countries including Belgium, the Netherlands, Spain and the UK.

According to the report, the estimated share of certified in total tropical primary product imports (logs, sawnwood, veneer and plywood) varied widely between European countries.

A relatively high share is reported for the Netherlands (63%) and the UK (49%), but this falls to 20% in Germany, 12% in both Belgium and France, 5% in Italy and 4% in Spain. There was no data for the other two countries included in the survey, Denmark and Norway.

**Joint STTC-PEFC work to promote certified supply in South East Asia**

Julia Kozlik of PEFC reported at the STTC Conference on joint work by PEFC and STTC to increase certified forest area and certified product trade flows in South East Asia. This has involved a variety of work to help build certification capacity, provide training, and to establish a support desk in Vietnam linked to awareness raising activities targeting trade and industry press and events.

M. Kozlik noted that PEFC has already endorsed two national systems in South East Asia – in Malaysia and Indonesia - and that the system in Thailand is expected to be endorsed by PEFC soon. The Thailand PEFC system is particularly innovative as it showcases new procedures for certification of "trees outside forests". Certification hasn't been readily accessible to farmers and small plantation holders in the past, and the new procedures are designed to fill this gap.

M. Kozlik also mentioned on-going steps to extend the area of the PEFC-endorsed MTCS certified forest in Sarawak and Sabah. MTCS certified forest currently covers 34% of total natural forest area in Malaysia, mainly concentrated in Peninsular Malaysia. It was noted that Malaysia already exports around 200,000 m3 of certified tropical timber to Europe every year.

**New tropical wood promotion in Europe**

During the STTC Conference, Benoit Jobbe-Duval, the General Director of ATIBT, introduced the new website "My-Tropical-Timber" (https://www.mytropicaltimber.org/en) designed for the European market and which aims to provide ready access to information on tropical timber species availability and technical properties, and to match species to specific applications.

The site, which has a starting budget of €51,000 funded jointly by STTC and ATIBT targets business users of tropical timber. It lists 90 species of timber, providing details technical characteristics drawing from CIRAD documentation.

Although still early days in the rollout, the new website is already attracting 4,000 visits a month, mainly in France (70%) and Belgium (5%), with most species searches targeting sipo, iroko and sapele. M. Jobbe-Duval invited trade associations in Europe to take control of their own national pages and to maintain the national list of suppliers.

Anand Punja, Director of FSC Europe introduced the "Together We Are FSC" campaign which aims to create greater co-operation throughout the FSC network to promote the certification brand and highlight the contribution that certification can make to achievement of the UN Sustainable Development Goals. M. Punja suggested that a key message is that "tropical timber, Nordic timber, wherever it comes from, if it is FSC it is all the same".

**Positive mood at STTC Conference belies real challenges**

Generally, the mood of the STTC conference was positive, with participants displaying considerable enthusiasm for the messages promoted by STTC and the promotional activities of likes of ATIBT and LCB. This is itself was an achievement given that the conference was held against a background of continuing stasis in Europe's tropical wood trade, and the well-publicised financial difficulties of Rougier and other European-owned certified operations in tropical African countries.

To some extent the positive mood could be attributed to the strong focus on FSC and PEFC certification which, in the context of the European private sector, is often perceived as an essential pre-requisite for successful long-term market development of tropical wood.

The STTC focus on increased procurement of FSC and PEFC certified timber has played an important role to encourage European distributors, contractors, retailers and NGOs to actively encourage greater use of tropical timber, something rarely contemplated only a decade ago.

From the perspective of results on the ground in tropical countries, questions need to be raised about the relevance and value of a metric of market "share" that focuses primarily on the proportion of FSC or PEFC certified relative to uncertified tropical products, without also considering the impact on total European imports of tropical timber products.

Is a procurement policy that leads to 100% certified share of tropical timber imports, but is accompanied by, say, a 70% decline in total European imports from the tropics really a "success"?

This is debateable, particularly when it is also considered that under the terms of the EUTR, there must be a negligible risk of any timber product imported into the EU, irrespective of origin or of certification status, being derived from an illegal source.

Another closely related issue is the extent to which there is equitable access to certification in tropical developing countries, or between large and small operators in timber-supplying countries.

Data on the implementation of certification globally (see next section) strongly implies that FSC and PEFC certification tends to favour operators in richer industrialised countries compared to those in developing countries, and that there is a strong bias in favour of larger operators in all regions.

The need for procurement policies that avoid rigid demands for specific forms of certification, that are built on partnerships and co-operation with tropical suppliers and that reward progress within realistic timescales, remains as strong as ever.

**New thinking on certification**

On a more positive note, there is evidence of rising awareness of these threats within the certification movement, and growing recognition that there is a need for new thinking to significantly reduce the costs of certification and enhance the level of access.

For example, landscape approaches to certification are gaining attention, partly in response to policy developments such as REDD+ and FLEGT-related due diligence and governance and partly because of growing corporate-sector interest in deforestation-free procurement.

There is also increasing recognition that approaches at the scale of individual enterprises or management units are often ineffective and inefficient. Landscape approaches seek measurable indicators that are applicable across landscapes and which give an indication of the general progress being made.

An indication that this thinking is becoming more mainstream came from the final presentation at the STTC Conference in Paris. Speaking on behalf of the Alliance for Preservation of Forests, Jean-Manuel Bluet, Head of Sustainable Development at Nestle, France, focused a large part of his presentation on the potential role of landscape-based certification in the tropics.

## North America

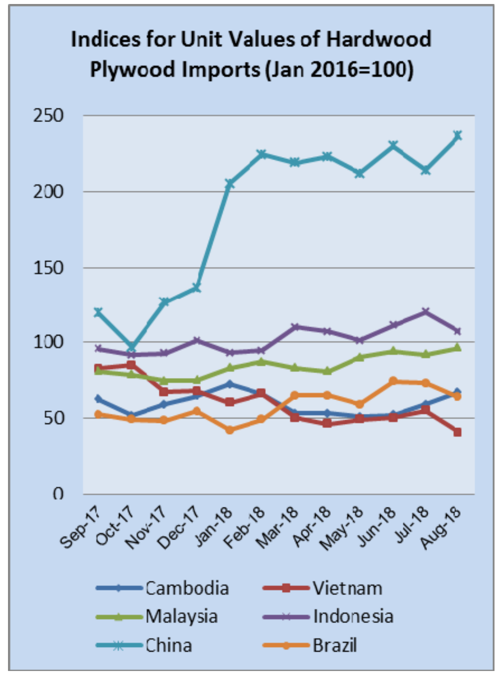
**Plywood and veneer imports move in opposite directions**

US imports of hardwood plywood increased by 17% in August as Asian countries increased their volume to make up for the decline in trade from China. Imports from China were down an additional 15% in August and are now down 78% year to date from 2017.

Meanwhile, Indonesia, Vietnam and Malaysia are all seeing considerable increases in volume exported to the US, both for the month and year-to-date. Imports from Cambodia decreased 21% in August, but to-date they remain more than double that in 2017.

US imports of tropical hardwood veneer continued to grow, surging 26% in August while year-to-date imports are now up 39%. Italy, by far the largest US supplier, saw its exports to the US up by 24% in August.

Imports of veneer from African suppliers fell sharply in August and are now relatively flat for the year for Cameroon and Ghana. Imports from India were also down sharply in August but are still outpacing 2017 year-to-date numbers by more than threefold.

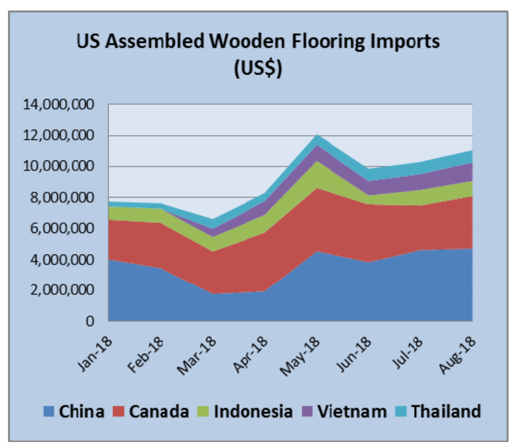



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Note: Indices are derived from customs value and exclude shipping, insurance and duties

**Flooring and moulding imports from Indonesia slow**

Hardwood flooring imports grew for a fourth straight month, climbing 5% in August. The strongest growth was in imports from Brazil and China. Imports from Malaysia declined, but year-to-date imports from Malaysia remain nearly double those of the same time last year. Imports from Indonesia also declined in August and are now down nearly one third from last year.




Data source: US Department of Commerce, Foreign Trade Statistics

Assembled flooring imports grew for a third month in a row, rising 11% in August. Imports from Canada and Vietnam fueled the gain. Imports in this area are up 7% year-to-date.

Hardwood moulding imports grew 7% in August. The strongest growth was in imports from Brazil and Malaysia.

Imports from China were down sharply, but year-to-date imports were 8% higher than in August 2017.

### Furniture imports from China and Vietnam rise again

US imports of wooden furniture fell 7% in August, however, August numbers historically lag behind July. The US$1.6 billion total for the month came in at 5% percent above imports for August 2017 and imports remain about 6% above the 2017 year-to-date. Imports from the largest suppliers, China and Vietnam are both up 6% year-to-date.

### Cabinet sales and furniture orders rise

According to the most recent Smith Leonard survey of residential furniture manufacturers and distributors new furniture orders in July were up 5% over July 2017.

The 5% increase was notable one considering July 2017 orders were 11% higher than July 2016. This July increase marked the third straight month that orders were up 5% over the same month a year ago.

See: http://www.smith-leonard.com/2018/09/27/september-2018-furniture-insights/

A press release from the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey says participating cabinet manufacturers reported an increase in cabinet sales of 4.4% for August 2018 compared to the same month in 2017. Stock sales increased 5.1%; semi-custom sales increased 3.1%; and custom sales increased 6.2% compared to August 2017.

Compared to last month (July 2018), sales are up 8.3%. Stock sales are up 8.4% compared to July; semi-custom increased 9.5%; and custom is up 4.2% after a large drop from June to July.

Year to date cabinetry sales through August 2018 are up 1.8% according to participating manufacturers. Stock sales are up 3.5%; semi-custom sales are down 0.5%; and custom sales are up 4.2% so far this year.

See: https://www.kcma.org/news/august-2018-trend-business-press-release

### US to negotiate trade agreements with Japan, EU and UK

US Trade Representative Robert Lighthizer formally notified Congress that the Trump Administration intends to formally enter negotiations toward three new trade agreements with Japan, the European Union, and the United Kingdom.

According to the letters of notification, Lighthizer intends to begin negotiations as soon as possible, but there will be at least 90 days of consultation with Congress, US stakeholders, and industry advisory committees such as those on which IWPA Executive Director Cindy Squires serves.

See: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces

### Manufacturing sector expands, but business executives concerned about tariffs

Economic activity in the manufacturing sector expanded in September, and the overall economy grew for the 113th consecutive month, say the nation's supply executives in the latest Institute for Supply Management's Manufacturing (ISM) Report of Business.

Demand remains strong and production and employment continue to expand, but respondents are overwhelmingly concerned about tariff-related activity, including how reciprocal tariffs will impact revenue and current manufacturing locations.

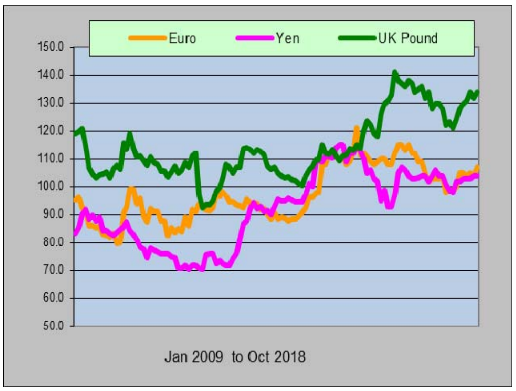
https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1

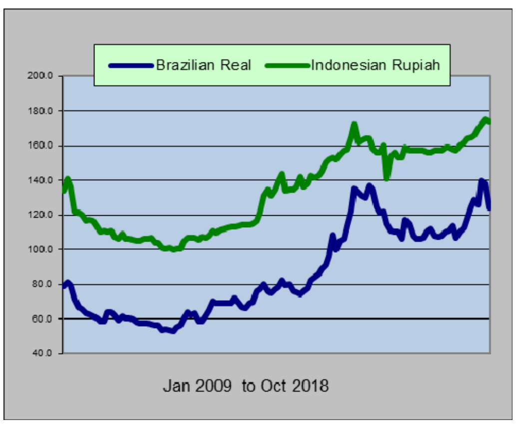
## Dollar Exchange Rates

**As of 25 October 2018**

| | | |
|---|---|---|
| Brazil | Real | 3.6424 |
| CFA countries | CFA Franc | 578.19 |
| China | Yuan | 6.9435 |
| EU | Euro | 0.8769 |
| India | Rupee | 73.14 |
| Indonesia | Rupiah | 15217 |
| Japan | Yen | 111.88 |
| Malaysia | Ringgit | 4.175 |
| Peru | New Sol | 3.31 |
| UK | Pound | 0.7795 |
| South Korea | Won | 1140.28 |

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



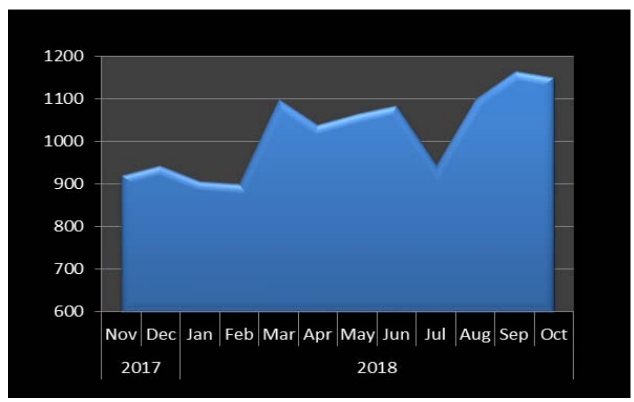




## Abbreviations and Equivalences

| | |
|---|---|
| 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**
**November 2017 –October 2018**

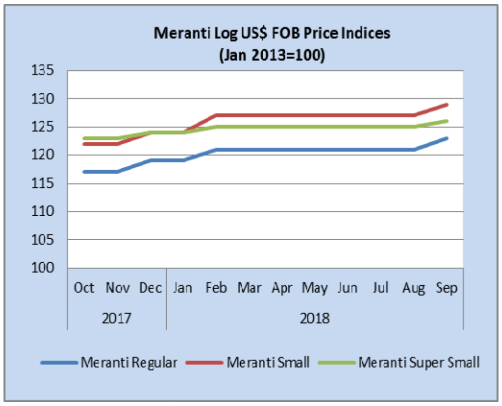



Data source: Open Financial Data Project

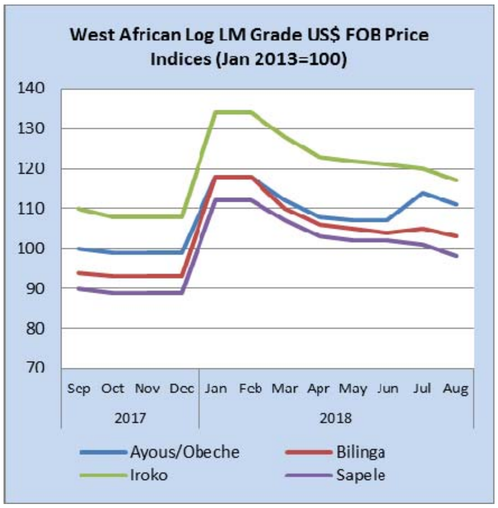
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

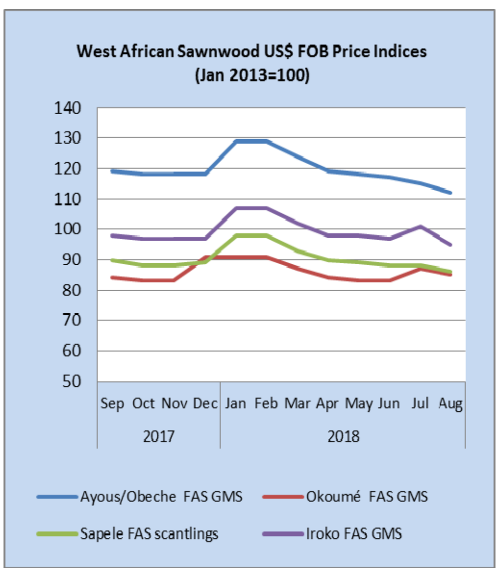
## Price indices for selected products

The following indices are based on US dollar FOB prices

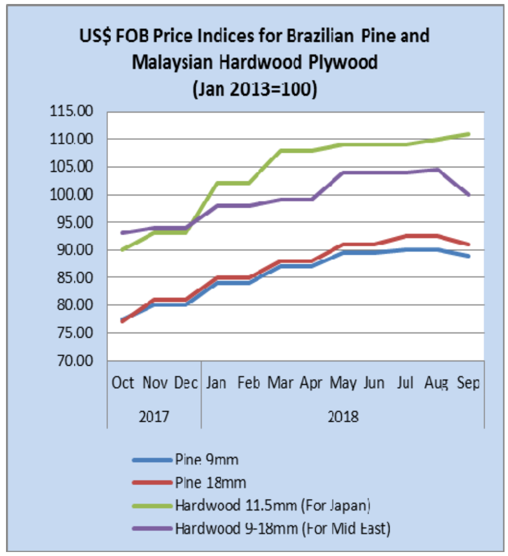


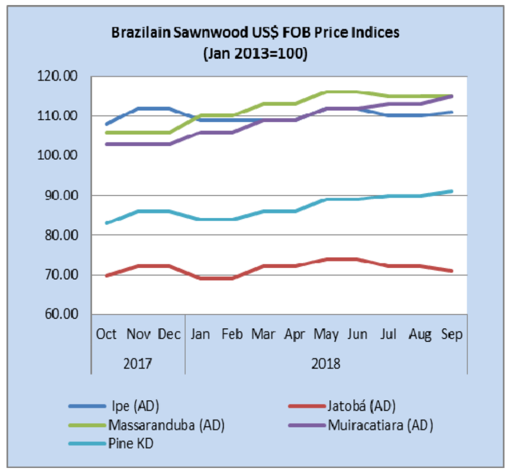

Note: Sarawak logs for the Japanese market




West African log and sawnwood price indices will be updated when prices become available.




Note: Jatobá is mainly for the Chinese market.

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