

# Tropical Timber Market Report

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## Top Story

### **Plantation products dominate Brazilian timber exports**

Over the past five years there has been a steady increase in timber export volumes driven mainly by exports of processed pine plantation timbers. Pine plywood exports were over 2 million cubic metres in 2018 and pine sawnwood exports were 12% higher in 2018.

The Brazilian plantation sector has identified measures necessary to raise competitiveness such as improving infrastructure and logistics; improving legal security; adjusting environmental licensing and taxation adjustments.

See page 9

## Central and West Africa

### Smaller West African industry base – those remaining picking up more business

Prices for African hardwoods of interest to European buyers are generally stable, with signs of increase for sapele and sipo, which are in particularly strong demand. Demand for 3rd party certified iroko is also good and currently in excess of supply.

European imports of Ivory Coast framire are in decline as importers say very limited supplies of the legally verified material required for EUTR conformance.

Although African hardwood importers and agents continue to report reasonable business in Europe, there is recognition that this may be partly due to reduced production because many mills have ceased operation. The declining presence of large operators such as Rougier has meant that the remaining traders are picking up more business in the EU than in the past.

### Expanded shipping service for Cameroon and Gabon

The French container transportation and shipping company CMA CGM S.A. has reported that it will increase services between Europe, the Mediterranean and West Africa. This, the company says, will improve the opportunities for shipping to Douala and Libreville. The new schedule of services will begin in February.

See:

<https://www.cma-cgm.com/news/2375/euraf-service-improvement-to-cameroon-and-gabon?cat=servicesupdates>

In related news the African Development Bank has approved a loan of Euro 40 million to Gabon for further development of the New Owendo International Port (NOIP) cargo terminal which serves the Gabon Special Economic Zone (GSEZ).

### Rare for legality to be a requirement for timber supply tenders in Cameroon

A recent study of domestic timber demand in Cameroon found that a growing number of consumers are looking for legal and sustainable products.

CIFOR and its partners which undertook the study commented that a large part of the domestic demand for wood products is satisfied by the informal sector with less than 20% of domestic demand being sourced from established, industrial scale sawmills even in urban markets. The study also discovered that it is rare for the legality of sources to be a requirement for government purchases.

See: <https://forestsnews.cifor.org/56781/what-if-cameroonian-consumers-wanted-legal-timber?fnl=en>

## Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	320	320	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	375	365	280
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	220	-
Padouk	350	300	245
Sapele	320	320	265
Sipo/Utile	325	300	265
Tali	370	370	-

## Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	850
FAS scantlings	900
Strips	650
Sapele FAS Spanish sizes	500
FAS scantlings	520
Iroko FAS GMS	640
Scantlings	720
Strips	400
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### Ghana/China sign MOU to boost forestry sector competitiveness

Ghanaian and Chinese media have extensive coverage of an memorandum of understanding (MOU) between the Ghana Forestry Commission (GFC) and the China National Electronics Import and Export Corporation (CEIEC). This MOU deals with plans to establish a joint bureau for the development of a forestry park that would help Ghana achieve sustainable revenue from its forest resources.

An internationally advanced industrial cluster to promote timber industry upgrading and for strengthening cooperation in forest resource management will be created.

The CEO of Ghana Forestry Commission, Kwadwo Owusu Afriyie, signed for Ghana while vice president Liu Zhiron signed for CEIEC.

The project, which includes plantations and forest rehabilitation, harvesting; processing and manufacturing, aims to boost Ghana's competitiveness in markets for tropical wood products.

See: [http://www.china.org.cn/world/Off the Wire/2019-01/23/content\\_74399909.htm](http://www.china.org.cn/world/Off the Wire/2019-01/23/content_74399909.htm) and <http://www.ghananewsagency.org/social/forestry-commission-and-ceiec-sign-mou-on-forest-resource-development--144370>

#### First African country to export FLEGT licensed timber

Ghana will soon become the first country in Africa to finalise a Voluntary Partnership Agreement (VPA) with the European Union paving the way for the issuing of FLEGT (Forest Law Enforcement, Governance and Trade) licenses covering wood products. This follows the successful assessment of the forest governance structure, laws and how participation of local communities and civil society organisations will be arranged.

Ms. Diana Acconcia, EU Ambassador to Ghana, said the VPA will allow wood products from Ghana easier access to European markets as FLEGT licensed timber certifies that the wood raw materials are from legal sources.

The Ghana Forestry Commission has led the work on the VPA and now importers in the EU will be able to readily satisfy the EU Timber Regulation when importing wood products from Ghana. Indonesia was the first country in the world to issue FLEGT licensed timber.

#### Young people plant 10 million tree seedlings

Ghana has a forest plantation strategy for the period 2016 to 2040 aimed at restoring the country's deforested and degraded land. The Ghana Youth Employment Agency (YEA) has a programme to employ young people to undertake re-afforestation.

In 2018 more than 26 million seedlings were cultivated and over 10 million tree seedlings were planted according to the Director of Plantation in the Forestry Commission. The tree species planted include teak, ofram, mahogany, cedrela, emire and gmelina.

The Chief Executive, Kwadwo Owusu Afriyie, said the Commission had engaged more than 200,000 young people for the YEA programme and commended the work they have undertaken.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	530
Niangon Kiln dry	680

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	310↓	381
Chenchen	425	479
Ogea	473	590
Essa	505	711
Ofram	350	435

#### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	1,333
Avodire	2,833
Chenchen	806
Mahogany	2,162
Makore	843
Odum	1,619

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	333	640	641
6mm	412	535	604
9mm	373	446	560
12mm	529	463	480
15mm	450	380	430
18mm	423	422	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 <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afrormosia	490	564
Asanfina	405	564
Ceiba	424	528
Dahoma	520	619
Edinam (mixed redwood)	475	564
Emeri	1045	979
African mahogany (Ivorensis)	775	874
Makore	555	629
Niangon	832	903
Odum	700	830↓
Sapele	450	430↓
Wawa 1C & Select		

## Malaysia

#### MTIB to assist private sector boost exports

The Malaysian Timber Industry Board (MTIB) Deputy Director-General, Norchahaya Hashim, has said MTIB will offer assistance to exporters in diversifying markets and, because of the strong demand in India, Malaysia's exports of wood products are expected to grow to RM23 billion in 2019 from RM22.30 billion in 2018. Currently around 17% of wood product exports go to the US with about the same destined for Japan.

#### Certified sawnwood accounted for half of all certified timber exports

Malaysia has certified 4.38 million hectares of tropical forests and certified sawnwood accounted for almost half of all certified timber exports in 2017. Mouldings and plywood manufactured from certified forest raw materials accounted for a further 28% and 18% respectively. The total volume of certified timber exported in 2017 was 237,981 cubic metres according to Malaysia's statistics.

The Netherlands was the main importer of Malaysia's certified timber taking just over 86,000 cubic metres in 2017 followed by UK at 38,000 cubic metres and Germany at 18,000 cubic metres.

#### **Calls for Sabah to have its own Timber Council**

Sabah Timber Industries Association (STIA), Kota Kinabalu branch Chairman, Tan Peng Juan, said the State Government should have its own marketing agency for promoting timber products and certification similar to the Malaysian Timber Council (MTC) in Peninsula Malaysia.

He also urged the State Government to offer solutions to problems faced by the industry. He recommended: creating viable policies for the sustainable supply of raw material; ensuring priority is given to local mill operators when harvesting licenses are allocated; setting up a log auction platform to facilitate transparent sales; upgrading port facilities; lowering electricity tariff to improve competitiveness; investing in infrastructures and most importantly, reducing the administrative burden and 'red tape' to improve the business environment in Sabah.

#### **Sarawak – production from natural forest drops**

Sarawak recorded RM5.44 billion in wood product exports last year, a decline of 11% year on year. In an annual assessment the Sarawak Timber Industry Development Corporation (STIDC) General Manager said over 90% of exports comprised primary products such as logs (RM773 million), sawn timber (RM673 million), medium-density fibreboard (RM332 million) and veneer (RM3.19 billion).

Sarawak's export markets in 2018 were Japan (RM2.69 billion), India (RM545 million), South Korea (RM424 million), Middle East countries (RM385 million), Taiwan P.o.C (RM358 million) and Asean countries (RM666 million).

Production from natural forests in Sarawak continues to slow and is forecast to stabilise at around 2 million by 2030 according to the STIDC. Against this backdrop plantation developments would need to be stepped up so annual harvests of four million cubic metres are feasible.

#### **Sabah seeks investment in wood processing**

The Malaysian Investment Development Authority (MIDA) recently held a seminar in Kota Kinabalu on the theme 'New Era of Manufacturing for Furniture & Wood-Based Industry'. This attracted attention from companies operating in Peninsular Malaysia that would like to secure timber raw materials in Sabah.

To follow up on interest in resources, MIDA arranged discussions with Yayasan Sabah, POIC Lahad Datu and Sabah Softwood Berhad (SSB) towards strategic collaborations. MIDA's Deputy Chief Executive Officer, Datuk N Rajendran, said "With abundant natural resources, Sabah is poised for more investments in the wood-based industry."

*The Sabah State Government set up POIC Lahad Datu in 2005 to spearhead the development of palm oil downstream processing to add value to its 1.55 million hectares of oil palm plantations, to create jobs and business opportunities.*

*SSB is 70% owned by Innoprise Corporation Sdn. Bhd., the investment arm and holding company of Yayasan Sabah Group. Its core business is in timber, oil palm, milling and woodchip production.*

See: <http://www.mida.gov.my/home/announcement-media-release/posts/>

#### **Record investment approvals in manufacturing sector**

Malaysia attracted a total of RM139.3 billion investments in the manufacturing, services and primary sectors for the first nine months of 2018. This was an 18% increase from the RM118.1 billion approved in the same period last year. The investments were in some 3,240 projects and are expected to generate over 90,000 job opportunities.

Approved foreign direct investments (FDI) increased by 10% to RM64.1 billion in the period January-September 2018 from RM30.5 billion in the same period in 2017 mainly driven by the manufacturing sector which recorded a strong increase of almost 250%.

See: <http://www.mida.gov.my/home/7743/news/malaysia-records-rm139.3-billion-of-approved-investments-for-january-september-2018/>

Plywood traders based in Sarawak reported the following export prices for mid-January 2019:

FB (11.5 mm)	US\$720 FOB
CP (3' x 6')	US\$560 C&F
UCP (3' x 6')	US\$660 C&F
Standard 4x8 panels	
South Korea (9 mm and above)	US\$450 C&F
Taiwan P.o.C (9 mm and above)	US\$430 FOB
Hong Kong	US\$450 FOB
Middle East (thick panels)	US\$435 FoB

## Indonesia

#### **Furniture makers urged to target US market**

Considering that Indonesia is one of the top 10 countries in terms of forest area in the world, the output of the furniture sector is way below its potential according to the Minister of Industry, Airlangga Hartarto. This was the theme of his address at the opening of the Polytechnic for the Furniture and Wood Processing Industry in the Kendal Industrial Area, Central Java.

The Minister continued saying Indonesia's furniture exports can grow and the government urges export-oriented industries to pay more attention to the US market so the national target for furniture exports of US\$5 billion in the next two years can be achieved.

Hartarto noted that between January and October 2018 the national furniture trade balance was a surplus of US\$99.1 million with exports totalling US\$1.4 billion.

In related news the Secretary General of the Association of Indonesian Furniture and Handicraft Industry (HIMKI) Abdul Sobur, has said that the Indonesian domestic market in 2019 could be worth as much as Rp15 trillion up around 10% from 2018 driven mainly by the buoyant housing and office building markets.

However, Sobur pointed out that competition from imports in the domestic market is severe and that imported furniture has a major slice of the domestic market.

#### Exporters continue to enjoy GSP status in the US – for now

Trade Minister, Enggartiasto Lukita recently met with US Trade Representative Robert Lightizer to discuss the importance to Indonesia and to US manufacturers of maintaining the GSP status for Indonesian wood products such as plywood which are raw material for many US industries.

Enggartiasto told a media gathering that the meeting with US officials was constructive and both sides understood that the GSP for Indonesia actually benefits both countries and they agreed to further discuss the GSP in order to reach a positive and equally beneficial result and that until a deal is reached Indonesian exporters can continue to enjoy GSP status in the US.

See: <https://www.thejakartapost.com/news/2019/01/18/trade-ministry-secures-us-gsp-for-now.html>

#### Export boost to beat back trade deficit

According to Coordinating Minister for Economic Affairs, Darmin Nasution, wood and horticultural products will be a focus of exports so as to reduce the trade deficit that Indonesia suffered over the past year. Indonesia posted wider-than-expected trade deficit in December, bringing the gap for 2018 to the largest ever.

The Central Bureau of Statistics has reported that Indonesia posted a record trade deficit of almost US\$9 billion in 2018 in sharp contrast to the US\$12 billion surplus in 2017. Suhariyanto, the Bureau Head said data shows that in 2018 exports slowed at a time when imports surged due to a recovering domestic economy.

#### Businesses ready to support strengthening of SVLK certification

In response to statements from the Ministry of Environment and Forestry to the effect that there were suspicions that the SVLK system was being circumvented by some in the timber sector, the Chairperson of the Indonesian Forest Entrepreneurs Association (APHI), Indroyono Soesilo, affirmed that APhi members comply with the SVLK regulations.

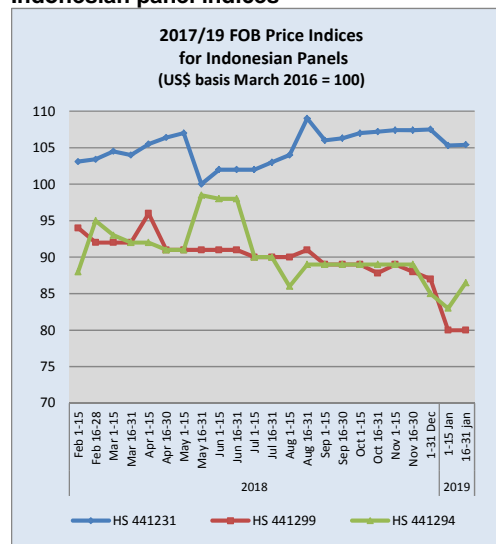
He confirmed the Association is ready to work with the Ministry to strengthen the monitoring of SVLK compliance. Indroyono further said that none of the Association members had complained about the administrative system for applying for SVLK certification.

Indonesia's SVLK certification system serves to ensure wood products and raw materials come from sources whose origins and management fulfill the legal requirements of the regulation.

See:

<https://ekonomi.bisnis.com/read/20190120/99/880503/legalitas-kayu-pengusaha-siap-sumbang-masukan-penyempurnaan-svlk>

#### Indonesian panel indices



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

### Myanmar

#### 2018-19 harvesting target announced by MTE

The Myanmar Timber Enterprise (MTE) has announced its harvesting target for 2018-19. MTE plans to harvest 7,657 teak trees from the 19,210 trees defined in the Forest Department's Annual Allowable Cut (AAC). In addition, 173,529 non-teak hardwoods will be harvested from the 592,330 trees in the AAC.

This equates to approximately 10,400 H.tons of teak and 330,000 H.tons of non-teak hardwoods. This openness and transparency by MTE has been warmly welcomed by its critics.

When logging resumed after the nation-wide moratorium in 2016-17 MTE suspended private sector logging contracts. For 2018-19 harvesting will be undertaken by MTE but, because of a lack of capacity, MTE has said it may need to conclude contracts with the private sector for the use of logging trucks.

#### The 'home of teak' Bago Mountain Range at risk from illegal logging

Despite the efforts of the government and Forest Department to protect forest resources and ensure sustainable harvesting it has been reported that illegal logging is still rampant in the country even in the Bago Mountain Range.

In late January a member of parliament presented pictures taken along the road used by illegal loggers in the Bago Mountain Range and said these demonstrate weak law enforcement and called for more effective measure to combat illegal activities.

The Forest Department has admitted it does not have the capacity to tackle the widespread illegal activities. Commentators suggest that other law enforcement agencies should be brought in to assist the Forest Department.

This problem will not be easy to solve as local communities are deeply involved in the illegal logging network. To address this many are suggesting civil society organisations operating in the area could play an active role to persuade the local people not to become involved. This is easier said than done when people in the areas affected by illegal logging have few opportunities to earn money.

#### **Change to land law threatens to turn smallholder farmers into trespassers**

The needs of people to earn a living are also driving conflict over land as well as deforestation. The Myanmar media has reported that illegal immigrants from Yunnan Province have cleared land in Myanmar to produce bananas and water melons.

An investigation by a Kachin-based civil society organisation has suggested the area of illegal farms is very large. In support of this a coalition called the Land Security and Environmental Conservation Group has analysed satellite imagery and conducted field trips and is preparing to present its findings in the hope that action will be taken against illegal plantations.

Subsistence and smallholder farming is a very sensitive issue in Myanmar. A recently amended law governing vacant, fallow and virgin land has, say local observers, threatened to turn millions of smallholder farmers into criminal trespassers.

Government statistics show that over 80% of the land now classified as vacant, virgin or fallow is in states populated mainly by Myanmar's ethnic communities. Much of this land, that now falls under the revised law, is being used for farms, gardens, orchards, productive forests and communal village land – often in accordance with customary law and practices.

An article in the magazine Frontier Myanmar says “Far from being informal, ill-disciplined and inefficient, these systems (of land-use) are often intricate, closely regulated and uniquely well adapted to marginal, ecologically fragile upland areas. The amended law, enacted on September 11, requires all those occupying land classified as vacant, fallow or virgin to apply for a land use permit from a management committee made up of government departments, or risk falling foul of a new trespassing offense.”

See: <https://frontiermyanmar.net/en/why-a-land-law-change-is-sparking-fears-of-mass-evictions>

#### **Single window to lower investment transaction costs**

Myanmar Investment Commission Chairman, U Thaug Htun, has been quoted as saying that a single window system will be applied for investment applications to eliminate red tape. The World Banks' Ease of Doing Business Index for Myanmar is currently a low of 171 out of all 190 countries.

Vice President, U Myin Swe, has been meeting with the business sector every month under the auspice of the Union of Myanmar Federation of Chambers of Commerce and industry (UMFCCI). The Private Sector is understood to have urged the Vice President to reduce private sector transaction costs which are higher than other ASEAN countries they say.

#### **December tender prices**

##### **Teak logs**

Grade	H.tons	Average US\$/H.ton
SG-1	1.7	6,906
SG-2	64.1	5,570
SG-4	157	4,960
SG-5	70.9	3,755
SG-6	174.4	3,490
SG-7	688.2	2,335

##### **Prices for other hardwood logs**

Species	Quality	H.ton	US\$ Average/ton
Kanyin	1st	1182	797
Kanyin	2nd	3,715	656
Pyinkado	2nd	983	703
In	2nd	361	360

## India

#### **Real estate sector outlines issues to be addressed to boost housing demand**

At its second 'New India Summit' held in Mysore, Karnataka, the real estate growth potential of Tier II, III and IV cities was the focus of discussion. The Summit resulted in three significant policy recommendations to government aimed at sustaining growth and development of the Indian real estate industry:

- *Review of GST*  
CREDAI's view is that, because the real estate sector is subject to both GST and stamp duties, there is a case for the rate of GST on real estate (currently 12%) to be reduced to 8% across all segments and not just for houses of up to 60 square metres. The current land abatement charge of 33% is also not appropriate in case of cities where land costs make up to 70 % of the total cost of the home.

- *Single window for clearance and approval*  
Without a Single Window for clearance there are major delays in building projects which ultimately adds to the cost of new homes. CREADAI recognize there have been improvements in tackling administrative roadblocks the implementation of the Single Window for clearance would be a step forward for real estate sector.
- *Liquidity crisis*  
Demonetisation and GST administration places a heavy burden on the sector because of the multiple transitions in the real estate sector. The current liquidity crunch in the Indian real estate sector, even for loans that have been sanctioned, is a problem. CREADAI recommended a one-time restructuring of all real estate loans to enable the sector to emerge successfully from the burden of multiple transitions.

For more see:

<https://credai.org/press-releases/credai-predicts-double-digit-increase-in-gdp-contribution-by-emerging-cities-of-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.

With the Rupee/US dollar exchange rate remaining steady at around Rs.71 importers are gaining more confidence to forward purchase, something they avoided during the time the Rupee exchange rate was volatile.

The main issue in the sector at present is the sluggish building and furniture markets as consumers try to economise.

The cautious mood on the part of consumers is having a direct impact on demand for teak, even the lower priced plantation teak, and analysts anticipate that this negative market sentiment will eventually lead to lower prices in order to spur demand.

The C&F prices for imported teak shown above are within the same range as previously reported.

#### Locally sawn hardwood prices

Prices for imported hardwood sawnwood remain unchanged from a month earlier but will eventually come under the same downward pressure as anticipated in the teak market.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,750-1,950
Kapur	2,200-2,400
Kempas	1,550-1,750
Red meranti	1,450-1,550
Radiata pine	850-950
Whitewood	850-950

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

### Myanmar teak prices

Traders report that demand for imported sawn teak from Myanmar is flat. The weak housing market and the high prices for imported Myanmar teak have combined to weaken interest in top quality sawnwood.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	14,000-20,000
Teak A grade	9,000-10,000
Teak B grade	7,000-8,000
Plantation Teak FAS grade	4,000-6,000

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

Prices for sawn hardwood imports remain unchanged.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1,650-1,800
Sycamore	1,800-2,000
Red Oak	1,900-2,000
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	1,500-1,600
Western Red Cedar	2,200-2,400
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

### Plywood

Woodbased panel manufacturers, especially plywood and MDF makers, are facing stiff competition from imported panels and are considering asking the government to investigate if some overseas suppliers are dumping panels into the Indian market.

At the heart of the issue is that supplies are flowing faster than the market uptake which is leading to pressure on prices which, for domestic manufacturers who suffer rising production costs, could be serious.

### 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	

### UN body says India overstates forest cover

The United Nations Framework Convention on Climate Change (UNFCCC) has raised concerns about India's definition of forests, which they suspect exaggerates forest cover and masks deforestation.

India's definition of forests has been criticised in the past on the grounds that it doesn't provide an accurate picture of the extent of biodiversity in rich natural forests.

The government considers an area of one hectare (ha) or more with at least 10% canopy cover, irrespective of land use and ownership, and as such includes tree crops, fruit orchards, bamboo and agro-forestry areas as a forest.

For more see: <https://www.hindustantimes.com/india-news/recheck-forest-cover-data-un-body-tells-india-flags-concern-about-definition/story-qrB51xpKlnAuYTXzstBAFK.html>

## Brazil

### Natural vegetation protection successes

Statistics from the Brazilian Agricultural Research Corporation (Embrapa Territorial) show that 66% of the natural vegetation in Brazil is under conservation/preservation management. This was backed up by data from the MapBiomias database, a platform that maps landuse in Brazil.

According to the United Nations Environment Programme report "Protected Planet Report 2016", Brazil is among the top 10 countries with more than 2 million square kilometres of protected territory.

### New tool improves control of illegal deforestation

Yet another tool, "MapBiomias Alert", has been introduced to allow environmental agencies a more accurate view of real time deforestation. The system, developed in a partnership between Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and MapBiomias Network, integrates information from different sources and produces high resolution images.



More than a dozen satellite deforestation warning systems contribute to the system allowing for real-time observations. IBAMA is already using remote surveillance and the new system will strengthen efforts to respond quickly to deforestation.

For more see:

<http://www.ibama.gov.br/noticias/436-2018/1795-nova-ferramenta-aprimora-controle-do-desmatamento-ilegal>

### Export round-up

In November 2018, Brazilian exports of wood-based products (except pulp and paper) increased 24% in value compared to November 2017, from US\$243.2 million to US\$301.1 million. This performance extended into December 2018 when exports of wood-based products (except pulp and paper) increased 5.2% in value compared to December 2017.

November pine sawnwood export values increased 28% year on year and export volumes expanded almost 25% over the same period, from 213,700 cu.m to 266,700 cu.m. The growth in both export values and volumes extended into December when export values increased 9% year on year and export volumes grew almost 10% over the same period from 201,000 cu.m to 220,600 cu.m.

The positive market developments continued with tropical sawnwood exports the volumes of which increased 32% in November 2018 while export values rose almost 20% from US\$19.2 million in November 2017 to US\$ 23.0 million in 2018. In December there was an even sharper growth in export volumes (+23%) from 42,700 cu.m in December 2017 to 52,500 cu.m in December 2018 at the same time export values in December also rose 8%.

November 2018 pine plywood exports increased around 8% in value year on year from US\$ 55.0 million to US\$59.3 million but export volume growth was lower at around 5% from 180,100 cu.m to 188,800 cu.m. There was a further modest increase (1.5%) in pine plywood export values in December and export volumes grew faster at around 8% from 177,800 cu.m to 192,300 cu.m.

The positive developments in demand did not spill over to tropical plywood where, in November, export volumes fell 26.0% year on year 15,400 cu.m in November 2017 to 11,400 cu.m in November 2018. The value of November exports was also down around the same level (22%) from US\$6.2 million in November 2017 to US\$4.8 million in November 2018.

There were further declines in the value and volume of tropical plywood export in December 2018 compared to a year earlier.

Export values for wooden furniture rose from US\$41.2 million in November 2017 to US\$49.0 million in November 2018 an almost 19% rise. This upward trend continued into December 2018 where export values rose from US\$43.9 million in December 2017 to US\$50.5 million in December 2018, a 15% rise.

### Furniture sector growth

The Brazilian Furniture Industry Association (ABIMOVEL) has reported that furniture production in November was recorded at 42 million pieces, 5% higher than in October. For the 11 months to November 2018 there was a modest rise in production.

Furniture exports in 2018 totalled US\$716.5 million according to ABIMOVEL representing an increase of 10% compared to 2017. Of the total, the United States accounted for 30% of export share, an increase of 26.3% over last year, followed by the United Kingdom with 10% and Argentina with 7.5%.

### Plantation products dominate exports

Export data for wood products show that over the past five years there has been a steady increase in export volumes driven mainly by exports of processed pine plantation timbers. Pine plywood exports were a record 2,272,067 cubic metres in 2018.

Exports of pine veneer rose to 165,582 cubic metres in 2018 from 103,013 cubic metres in 2017 and pine sawnwood exports were 12% higher in 2018 compared to a year earlier.

The plantation sector is optimistic about the resumption of growth in the domestic and international markets but has identified measures necessary to restore Brazil's competitiveness. These include: improving infrastructure and logistics; improving legal security; adjusting environmental licensing to best practices and reviewing of the taxation system to ensure competitiveness.

Against the background of expanding markets for plantation products exports of tropical wood products have been steadily declining. Tropical plywood exports were only 61,016 cubic metres in 2018, about the same as in the previous year. Exports of tropical veneer in 2018 followed a similar trend with just 13,424 cubic metres being exported, the same as in the previous year.

Tropical sawnwood exports increased slightly in 2018 rising to 556,441 cubic metres, an 18% increase compared to 2017.

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	208▲
Jatoba	116▲
Massaranduba	112▲
Miiracatiara	111▲
Angelim Vermelho	110▲
Mixed redwood and white woods	92▲

Source: STCP Data Bank

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	836↑
Ipé	427↑
Jatoba	402↑
Massaranduba	388↑
Muiracatiara	364↑
Angelim Vermelho	239↑
Mixed red and white	192↑
Eucalyptus (AD)	143↑
Pine (AD)	166↑
Pine (KD)	

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	533↑
4mm WBP	423↑
10mm WBP	350↑
15mm WBP	414↑
4mm MR	296↑
10mm MR	270↑
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	223↑
15mm MDF	253↑

Source: STCP Data Bank

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,439↓
Jatoba	881↓
Massaranduba	841
Muiracatiara	837↑
Pine (KD)	202↑

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

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	320↓
12mm C/CC (WBP)	299↓
15mm C/CC (WBP)	281↓
18mm C/CC (WBP)	278↓

Source: STCP Data Bank

### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,750↑
Jatoba	1,434

Source: STCP Data Bank

## Peru

### ADEX releases export data for first 11 months 2018

The Exporters Association (ADEX) has reported that up to November 2018 exports of wood products were worth US\$112.6 million FOB, this compares to the US\$110.7 million in the same period in 2017.

Of the US\$112.6 million, exports to China were the largest and accounted for a 42% share of total wood product exports however this was down around 14% from 2017.

The United States was the second ranked market in terms of export values accounting for 12%, a rise of 25% year on year. However, exports to Mexico dropped 24% year on year.

Exports of sawnwood between January-November 2018 were US\$21.1 million FOB, a drop of 3% year on year. The Dominican Republic was the main market with a 31% share. The market in Mexico accounts for another 23% of sawnwood exports followed by China at 22%.

### Peru's reconstituted panel imports surge

Between January to November 2018 Peruvian imports of particleboard and MDF were valued at US\$94.17 million, an increase of 28% compared to the same period of 2017. Of this, Ecuador was the main supplier followed by Chile. Imports of particleboard and MDF from Spain increased last year and up to November 2018 shipments from Spain grew almost 40%.

### Most rise in wooden furniture imports last year

ADEX also reports that in the first 11 months of 2018 Peruvian imports of wooden furniture reached US\$55.28 million, an increase of 5.5% compared to the same period in 2017. Brazil was by far the largest supplier of wooden furniture to Peru shipping almost US\$38 million or close to 70% of all wooden furniture imports.

Imports from China totalled US\$6 million with a further US\$2.5 coming from Malaysia. The consolidated imports of Peru's Sodimac, the home improvement chain and Peruvian Homecenters (Promart) accounted for 51% of total wooden furniture imports to Peru.

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	945-969↑
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	532-559↑
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Asian market	534-598

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	-
Virola	266-379
Spanish Cedar	339-379
Marupa (simarouba)	216-224

### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 8mm	346-374
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded 5.5mm	766-783
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.	370-393

### Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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

### Economy expanding but consumer spending flat

Recent reports from the Cabinet Office have been interpreted as showing the economic recovery has now extended to over 6 years however, analysts have pointed out that, while economic data tends to support this, Japanese consumers say they do not feel any improvement.

Although there have been modest wage increase over the past years, consumer spending power has been eaten away by a host of tax and social security contribution increases such that consumers now have less to spend.

In its January Monthly Economic Report the Cabinet Office kept its assessment that the economy is "recovering at a moderate pace."

Strong exports on the back of the weak yen and business investment have been the main drivers of growth but recently the government lowered its forecast for export growth due to the worsening trade dispute war between the US and China. The Cabinet Office, report says exports have weakened recently.

See:

<https://www5.cao.go.jp/keizai1/mitoshi/2019/h310128mitoshi-e.pdf>

### Bank of Japan lowers inflation forecast

In its most recent Economic Outlook Report the Bank of Japan has lowered its inflation forecast for the next fiscal year which begins in April 2019. The BoJ has shaved its forecast to 0.9% from 1.4%.

The BoJ also said it will maintain its current monetary which, along with the reduced inflation forecast, underscores the difficulties faced in achieving a 2% annual inflation. The latest inflation downgrade is the fourth consecutive reduction.

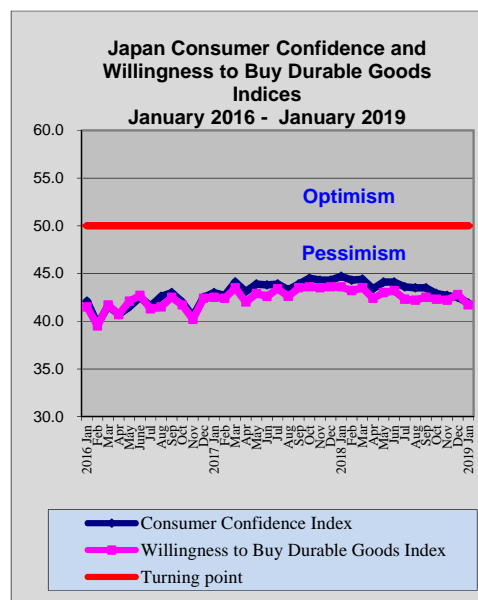
The BoJ Quarterly Report can be found at:

<https://www.boj.or.jp/en/mopo/outlook/gor1901a.pdf>

### Lowest consumer confidence since mid-2016

Japan's Consumer Confidence Index dropped for a fourth consecutive month in January. While not a major economic indicator, the movement of the index compiled by the Cabinet Office, underlines concerns that consumers are growing less optimistic about economic prospects.

The Consumer Confidence Index for January 2019 was 41.9, a level not seen since mid-2016. Prospects in all of the four components assessed in the Cabinet Office survey; overall livelihood, income growth, employment and willingness to buy durable goods were reported as negative.



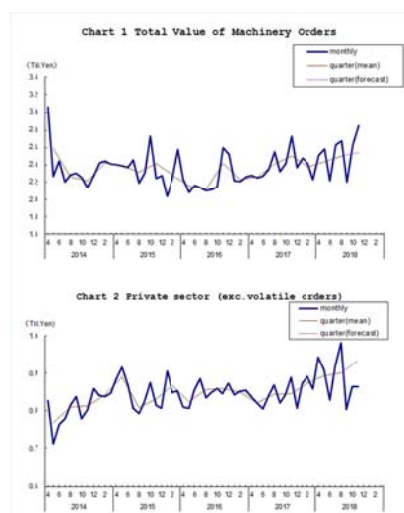
Data source: Cabinet Office, Japan

### Firms weighing the risks in the global economy before investing

Orders for machinery by the private-sector were unchanged from a month earlier suggesting firms are carefully weighing the risks in the global economy and how this will negatively impact business.

Capital expenditure is one driver of the Japanese economy but tension between the United States and China as well as uncertainty in the UK and EU is causing firms to hold off on major expansion.

The slowdown in business investment comes at a time when the government is preparing to raise the consumption tax which is expected to drive down consumer spending. This will result in an undermining of the efforts to beat deflation in Japan.



Source: Cabinet Office, Japan  
<https://www.esri.cao.go.jp/en/stat/juchu/juchu-e.html>

### Sampling irregularities distort wage growth statistics

The Japanese government has had to review the national budget for fiscal 2019 to address the failure of the Ministry of Health, Labour and Welfare to correctly compile and report income statistics.

It was found that there were sampling irregularities over the past 15 years which resulted in pay increases by the private sector being overstated. Wage increases are core to policy-makers plans to beat deflation but the latest revelations show households in Japan had less disposable income than previously thought.

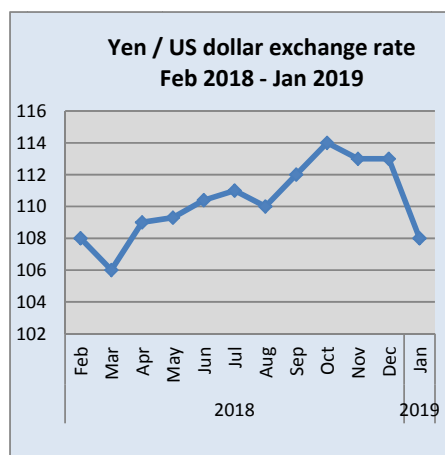
The problem arose from the ministry's failure to survey all companies in Tokyo with 500 or more employees as required. Since 2004 it has collected data from only about one-third of such businesses.

### Little BoJ could do if yen strengthens

At the start of this year the yen was up around 4% against the dollar in just a month and while many analysts are projecting a yen to dollar rate of 100 later this year especially if there's a global economic downturn, some of the strength has already gone out of the yen.

A weaker yen is good for Japan's economy and there is a concern that a stronger yen would undermine the efforts of the government and BoJ to achieve steady growth.

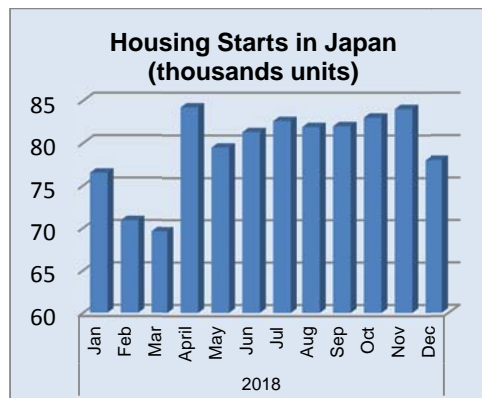
While a yen/dollar exchange rate of 100 is tolerable, anything stronger than that would be a problem especially as there would be little the BoJ could do because years of radical stimulus have diminished any flexibility the BoJ had.



### No signs yet of rush to complete housing before tax increase in October

Housing starts across Japan fell just over 2% in 2018 the second consecutive year according to full year data released at the end of December. Year on year housing starts in December 2018 were up 2% but year-end figures for houses built for rent continued to slide.

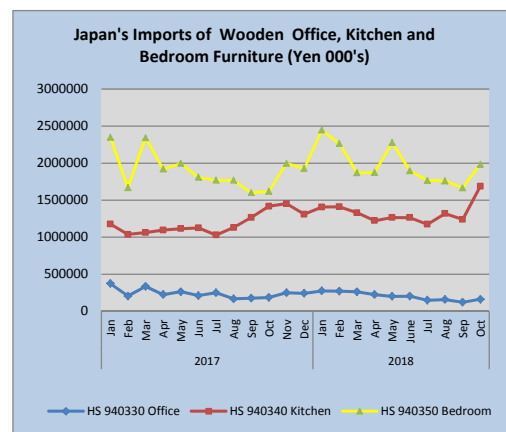
On viewing the latest data analysts say there are no signs, as yet, of demand for houses and condominiums surging in advance of the planned consumption tax rise to 10% in October this year from the current 8%.



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

## Furniture imports

True to form, imports of wooden kitchen and bedroom furniture surged in October. This, if the past is a good indication, signals a steady increase in imports of these to items until the end of 2018.



Data source: Ministry of Finance, Japan

## Office furniture imports (HS 940330)

The top three shippers of wooden office furniture (HS940330) to Japan in October were China at 59% of all October imports (down from 70% in September) followed by Italy (14%) but up by a factor of 10 compared to September and Taiwan P.o.C (6%) which translates into the top three shippers providing around 80% of all wooden office furniture imports in October.

## Office furniture imports

	Imports Oct 2018 Unit, 000's Yen
S. Korea	-
China	94638
Taiwan P.o.C	9070
Hong Kong	-
Vietnam	2035
Thailand	490
Singapore	-
Malaysia	1965
Indonesia	1796
India	442
Sweden	-
Denmark	838
UK	-
Netherlands	-
France	342
Germany	2092
Switzerland	-
Portugal	6346
Spain	-
Italy	22823
Poland	8300

Romania	-
Turkey	-
Lithuania	1101
Slovenia	-
Slovakia	2561
USA	5369
Mexico	409
Australia	-
<b>Total</b>	<b>160617</b>

Data source: Ministry of Finance, Japan

## Kitchen furniture imports (HS 940340)

October data for kitchen furniture imports cemented the dominance of the top two shippers, Vietnam and the Philippines which together accounted for almost 80% of Japan's wooden kitchen furniture imports.

## Kitchen furniture imports

	Imports Oct 2018 Units,000's Yen
S Korea	-
China	153934
Taiwan P.o.C	-
Vietnam	484966
Thailand	60185
Malaysia	17345
Philippines	778112
Indonesia	4349
India	-
Denmark	-
UK	612
Netherlands	675
Belgium	-
France	-
Germany	38019
Italy	33859
Finland	-
Poland	585
Austria	-
Romania	234
Canada	13201
USA	1328
<b>Total</b>	<b>1587404</b>

Data source: Ministry of Finance, Japan

As was the case in September shippers in the Philippines accounted for half of Japan's imports of wooden kitchen furniture in October 2018 with shippers in Vietnam providing another 30%. The third largest shipper, China, could only secure a 10% share of imports in October.

Year on year, October 2018 imports of wooden kitchen furniture were up 19% and there was a 35% surge in imports mainly because of increased shipments from Thailand, Malaysia and Italy.

#### Bedroom furniture imports (HS 940350)

The sharp almost 20% rise in October 2018 imports of wooden bedroom furniture (HS 940350) mirrors the trend seen in previous years where, after dipping mid-year, imports rise steadily to year end.

#### Bedroom furniture imports

	Imports, Oct 2018 Units, 000's Yen
S Korea	-
China	1018400
Taiwan P.o.C	-
Hong Kong	2016
Vietnam	727457
Thailand	97747
Malaysia	59625
Philippines	-
Indonesia	16043
Cambodia	-
India	-
Sri Lanka	-
Sweden	-
Denmark	1007
UK	-
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	-
Portugal	340
Italy	5253
Poland	44821
Austria	1389
Romania	7563
Turkey	-
Estonia	-
Latvia	-
Lithuania	611
Ukraine	-
Bosnia Herzegovina	1063
Slovakia	-
USA	454
Mexico	-
Australia	-
Total	1983789

Data source: Ministry of Finance, Japan

In October 2018, year on year imports of wooden bedroom furniture were some 23% higher reflecting increased shipments from Vietnam and Thailand. China was the number one shipper of wooden bedroom furniture in October as it has been for the past year but the value of shipments in October was little changed from a month earlier.

#### 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>

#### Domestic log supply continues tight

Log production has been increasing in November with fair weather but sawmills still feel hungry so that they keep buying. The prices are simmering down with increasing log production but in general, price level stays high by strong demand. Lumber movement is recovering for precutting plants but there is not enough strength to push the prices higher. Sawmills are caught in between high log cost and flat lumber prices.

Log production in last September and October was slow so sawmills' log inventory was getting low while overall log demand increased with new sawmills started running in many areas. In particular, in Northern Kanto region where there are more new sawmills coming into stream, log inventory of sawmills dropped considerably and some sawmills curtail production partly by lack of log supply.

3 meter post cutting cedar log prices climbed to 14,500 yen per cbm in Northern Kanto and Kyushu where there are many post cutting mills and the prices in other areas are 12,000-13,000 yen. Firm trend continues which is unusual. 4 meter sill cutting cypress log demand is also strong with the prices being 20,000 yen or higher. Small cedar log prices are also firm and there is no more logs under 10,000 yen.

Weather in December continues fair so log production should be steady. Since lumber production drops in Northern regions by cold weather and snow so tightness of log supply should ease. Movement of KD lumber for precutting plants is active but price hike seems difficult.

Nationwide average lumber prices are unchanged at 50,000-52,000 yen on 3 meter cedar KD 105 mm post square and 64,000-66,000 yen on 4 meter KD cypress 105 mm sill. Other green lumber and lower grade KD lumber which have been in low priced, are one notch higher. In Tokyo market, 4 meter 90 mm cedar square and sheet pile are more than 30,000 yen.

In three prefectures of the North North East of main island of Japan, supply of 3.65 meters cedar logs is tight. This is lumber length and plywood mills and LVL plants need 4 meter logs. Since there is very little price difference between 3.65 meter and 4.0 meter, log harvesters cut logs into 3.65 meter. With large LVL plant being under construction and many biomass power generation plants, sawmills need to compete with these new demand.

Prices of 16-22 cm top cedar log with 3.65 meter prices are about 12,300 yen so the price difference with 4.0 meter logs is only 500 yen. Sawmills are busy with active orders from Tokyo market, not only structural lumber but also non-structural common lumber.

#### **Tight supply of hardwood plywood**

In Tokyo Bay area, inventories of imported tropical hardwood uncoated concrete forming panel are dropping.

In producing regions, rainy season arrived and log supply decreases and the log prices would climb. Shipping companies are reluctant to call Tokyo bay ports due to congestion, which causes demurrage. Meantime construction work, which was delayed by terrible heat and heavy rains during last summer, started since October so the demand for plywood is recovering.

In Sarawak, Malaysia, rain started since October and every day is rainy in November. Besides foul weather, by the government restriction on illegal harvest, log production decreased so that log inventories of local plywood mills continue low. Log inventories of plywood mills are about two weeks and this kind of hand to mouth operation has been lasting for more than a year.

Actually some plywood mills had to shut-down by log shortage about a year ago. Future export prices would be climbing but the demand in Japan has been stagnant and the prices of 3x6 concrete forming panel have been unchanged at 1,420 yen per sheet FOB truck so the gap between climbing export prices and market prices in Japan continue spreading. Since last spring, future cost exceeded 1,500 yen so the contracts started declining.

With the volume decreasing, container shipping has been increasing since late last year instead of bulk carriers. Actually container volume doubled in one year. By this, warehouses are filled with plywood. Particularly since last summer when ports in Western Japan had damages by typhoons and heavy rain, the cargoes rushed to Tokyo bay ports, which filled up warehouse space in Tokyo Bay ports.

Bulk carriers are not able to unload plywood without any space of warehouses so the ships have to wait for unloading. The shipping companies now refuse to call Tokyo Bay ports by congestion and there will not be any ship calling until late January. More than half of warehouse inventories are owned by wholesalers, which think it is safe to carry inventories rather than buying higher future cargoes even with storage charges.

Therefore, there is very little unsold 3x6 concrete forming panel in the market now. Now the importers are asking 1,480-1,500 yen per sheet FOB truck.

#### **South Sea logs and lumber**

After Sabah, Malaysia banned log export since last May, log import from Sabah for the first five months was only 37,148 cbms. To substitute Malaysian logs, PNG is now the top log supply source for Japan.

Total log import from PNG for ten months through October was 55,764 cbms, 215.6% more than the same period of last year. Cost of PNG's mersawa for plywood is higher than meranti of Sarawak. Average log prices in PNG is lower than Malaysia but cost of selected logs for plywood is higher than Sarawak.

Plywood mills' log demand is much more than supply volume from PNG so Japan needs to keep looking for other substituting log sources. Import of laminated free board and solid wood lumber from China decreased by about 10% but because of dull demand in Japan, market prices of tropical hardwood lumber continue weak.

#### **Dull movement of Vietnamese plywood**

Export cargoes from Japan to China is getting slower by trade conflict between China and the U.S.A.

Vietnamese eucalyptus plywood is used for crating of export cargoes so the market of Vietnamese plywood in Japan is weakening. Plywood dealers in Japan have procured enough through December then the shipment slowed down so that the port inventories are increasing. Some forecast that export business to China will get active shortly so recovery of plywood demand is expected.

In Vietnam, eucalyptus plywood prices are over US\$300 per cbm C&F. Japanese buyers intend to reduce the purchase prices but the Vietnamese suppliers want to add high cost of veneer onto export plywood. Weather in Vietnam is stable and log production is smooth.

#### **Wooden straw developed**

To deal with global contamination by plastic products, which harm marine lives, there are some moves to use non-plastic products to improve environmental conditions. Now Acura Home and the Capitol Tokyo hotels jointly tied up to manufacture and use wooden straw. Wooden straw is rolled sliced cedar of 0.15 mm diagonally and glued to make 21 centimetre straw for drinks.

Rolling work is done manually so the cost is higher than plastic straw. Initial production is 1,000 pieces a month.

The Capitol Tokyu Hotels use about 80,000 pieces of straw a year. Raw materials are thinning and drift wood by typhoon damaged areas.

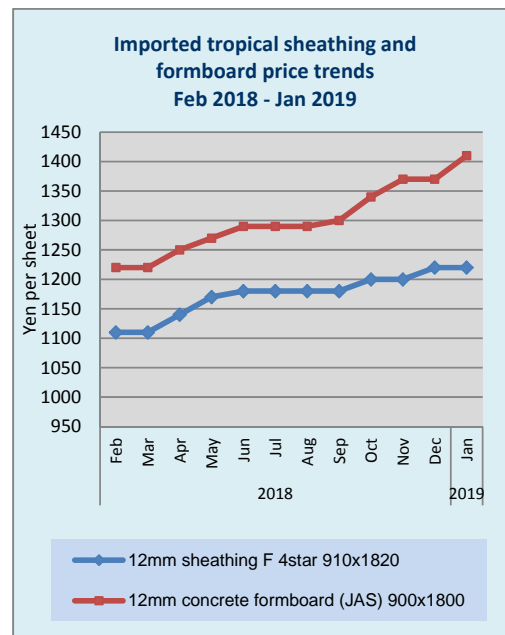
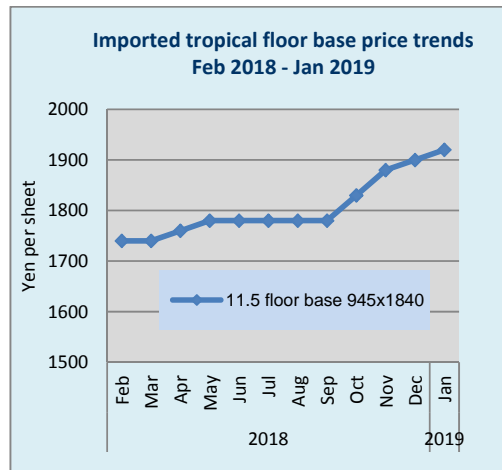
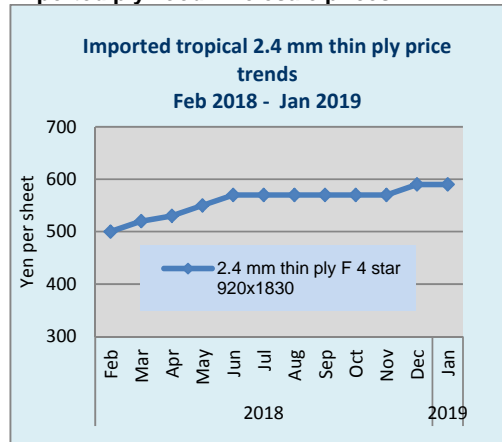
#### **Marketing of colored MDF**

Taiko Co., Ltd. (Nagoya) starts marketing Korean made coloured MDF. The manufacturer is Foresco in Korea. The MDF has nine colours. The products for Japan market are JIS-F4-star. Wood fibre is coloured before forming MDF so they have uniform color in any part of MDF.

There are two coloured MDF manufacturers in Europe so total is three including Foresco in the world. Name of coloured MDF is FORESCOLOR. In Europe and Korea, the products are approved as fire proof so not only for furniture and house appliances, they are used for wall of commercial facilities.

Standard sizes are 4x8 with 5-18 mm in thickness. Non-standard sizes are 6x8 and 4x10. Foresco started manufacturing MDF in 1998 at Incheon then started colour MDF in 2012 and percentage of colour MDF is about 10% of all the production. It has been marketing all over Asia but this is the first supply for Japan.

**Imported plywood wholesale prices**

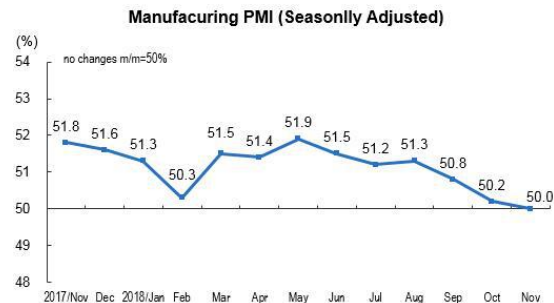


**China**

**Manufacturing growth slows**

Manufacturing growth slowed in China for the first time in two years in November 2018. The Purchasing Managers' Index (PMI), released by the National Bureau of Statistics (NBS), was below analysts' expectations.

An index of below 50 indicates a contraction. The NBS reported that there were signs of weakness in new orders from domestic and overseas buyers.



Source: National Bureau of Statistics, China

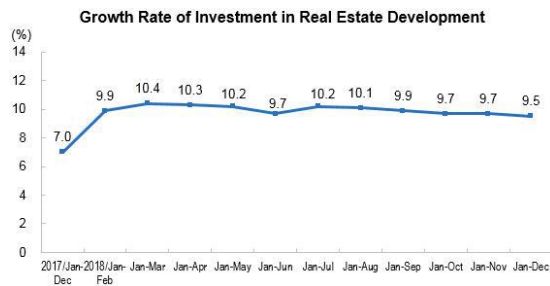
See:

[http://www.stats.gov.cn/english/PressRelease/201812/t20181204\\_1637527.html](http://www.stats.gov.cn/english/PressRelease/201812/t20181204_1637527.html)

**Pace of growth in real estate development continues to slow**

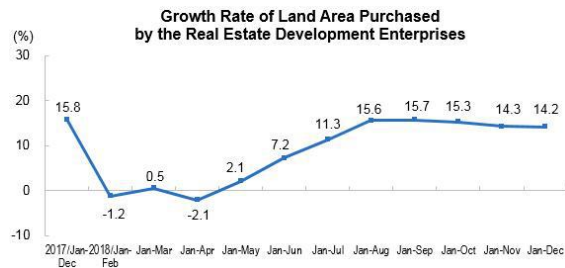
Investment in real estate development in 2018 increased 9.5% year on year however the pace of growth has fallen steadily since mid 2018. Of total investment in residential buildings was up 13.4%, year on year and accounted for 71% of all real estate investments.





Source: National Bureau of Statistics, China

In 2018, the land area purchased by real estate developers increased 14% but the pace of growth also slowed in the second half of the year.



Source: National Bureau of Statistics, China

See:

[http://www.stats.gov.cn/english/PressRelease/201901/t20190124\\_1646610.html](http://www.stats.gov.cn/english/PressRelease/201901/t20190124_1646610.html)

The performance of the residential housing sector in 2018 served to boost domestic furniture sales. The value of furniture retail sales last year was RMB225 billion, up 10% from 2017. Sales of 'building and decoration furnishing materials', which includes wood products, increased 8% year on year.

See: [http://www.wood365.cn/Industry/IndustryInfo\\_259013.html](http://www.wood365.cn/Industry/IndustryInfo_259013.html)

### Major flooring maker adopts E0 standard

Recently, in order to meet the government environment requirements, Shiyou Flooring Co., Ltd, a leading enterprise in the Zhejiang wood flooring industry, announced they will adopt an E0 level environmental protection standard which will involve upgrading its standards for solid wood composite and laminate flooring production processes. This decision by Shiyou Flooring could lead to changes being adopted by other flooring manufacturers.

Because the E0 standard is so high production costs are likely to rise because raw material requirements are demanding and the manufacturing processes are strict.

### Record high wood furniture exports from Hebei

According to Shijiazhuang Customs the value of wood furniture exports through Hebei province ports was US\$473 million in November rising beyond the US\$400 million level for the first time. Of this total, 70% was from Langfang city worth of US\$352.

Langfang city is one of the main furniture producing areas in China and exports mainly household furniture such as living and dining room furniture. Manufacturers in Langfang export to over 150 countries and in order to promote growth in furniture exports the Langfang Customs has created a paperless single window for customs clearance.

### Distribution centre for scented rosewood established in Haikou

A new scented rosewood (*Dalbergia odorifera* T. Chen) trading market has been established in Haikou city of Hainan province and opens every Sunday in the form of a bazaar. The site can accommodate about 300 vendors and it is estimated that about 5,000 professional buyers visited the bazaar on the opening day. This is the only scented rosewood trading market in Haikou city and the buyers include wood carvers, merchants, professional collectors and winter tourists.

*Dalbergia odorifera*, or fragrant rosewood, is endemic to China and occurs in Fujian, Hainan, Zhejiang, and Guangdong.

### Launch of new facility for China's Europe rail service

In early January a new facility for providing services to enterprises utilizing the China/Europe rail network was launched. The new facility, termed the 'China-European Bangui (Chengdu) wood custom-made class booking service' is integrated in the Qingbaijiang International Timber Exchange Center.

The focus of activities will be on integrated supply chain services for exporters and promotion of the rail links to major markets.

See: [http://www.wood365.cn/Industry/IndustryInfo\\_258871.html](http://www.wood365.cn/Industry/IndustryInfo_258871.html) and [http://www.yuzhuwood.com/news/details\\_ff80808167f254e1016842e3d57a1a7a.htm](http://www.yuzhuwood.com/news/details_ff80808167f254e1016842e3d57a1a7a.htm)

### 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
	<b>yuan per tonne</b>	
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

### Steady EU hardwood trade despite uncertain political situation

There are signs that the upturn in the eurozone economy in the last 2 years will be short-lived and growth is stagnating again. Meanwhile, the trade war between USA and China has stirred fears of a new global recession and EU countries are anxiously awaiting the outcome of Brexit negotiations with the UK. None of which is good for market stability.

The latest economic forecasts suggest that the eurozone will be marked by significantly lower growth in 2019. An FT survey of 24 economists at the end of last year, gave forecasts of eurozone GDP growth across a wide range, from 0% to 3%, a sign of the high level of uncertainty. The majority forecast eurozone growth close to the middle of this range, at around 1.5%.

With signs that economic growth slowed at the end of last year, IMF forecasts issued in January 2019 suggest that growth in Germany will slump to 1.3% in 2019, down from their 1.9% forecast in October. Italy's GDP is now forecast to grow only 0.6% in 2019, down from the previous IMF forecast of 1%.

The IMF is now slightly more optimistic about the UK economy, forecasting growth of 1.5% in 2019, 0.1% higher than the October forecast, but this is dependent on the UK securing an agreement to leave the EU. Brexit aside, the UK economy appeared to be in quite good shape at the end of last year.

Employment is at historically high levels, and wages have been rising which should prop up consumer spending at least for a time. However, indicators show that UK consumer and business sentiment dipped in December amid heightened Brexit uncertainties.

Despite these rather ominous signals, the hardwood sector in the EU continues, for now, at a steady, albeit slow, rate. To some extent this is merely a reflection of industry structure. Compared to the softwood sector, which deals in large volumes with rapid stock turnover, the hardwood sector is a small volume business with very long lead times, particularly for tropical products. Much of the product is used in high-value, often bespoke, applications, which are irregular and difficult to forecast.

In these circumstances, hardwood traders are naturally cautious about building stock, extremely wary of being caught out by currency fluctuations, and inclined to focus on a limited number of well-known and favoured species which have traditionally offered the best margins.

It maybe that significant change is just around the corner, or already underway, driven by larger social and political forces. But this is taking time to filter through into readily observable trends in a highly conservative industry.

Feedback from EU hardwood importers suggests that African supply has become more stable in recent weeks, with fewer hold-ups at the Cameroon port of Douala. This may be partly due to a recent slowdown in Chinese demand, helping to free up shipments to Europe.

UK importers report that their imports of Malaysian meranti and keruing are currently constrained by limited supply of the PEFC certified material preferred for EUTR conformance and other green procurement requirements.

Despite FLEGT licensing, there are no clear indications yet of any significant rise in European trade in bangkirai decking and other solid hardwood products from Indonesia, with traders suggesting that FLEGT-licenses have yet to achieve any real market traction.

Some companies and trade associations, notably in the UK, are now more regularly flagging up Indonesia's FLEGT status. Research by the FLEGT Independent Market Monitor (IMM), an ITTO project, also suggests good awareness in the European trade that FLEGT licenses, which require no further due diligence under the terms of EUTR, greatly simplify and reduce the costs of conformance to the regulation

However, there remains a need for more effective market development efforts for FLEGT licensed products which are less dependent on "avoiding a negative" (i.e. EUTR sanctions and links to illegal logging) and instead emphasise positive messages and commercial benefits.

The European Forestry Institute, which manages the EU FLEGT facility, is contributing to this more positive approach with the launch of a new online resource to help timber buyers to communicate the FLEGT scheme to their own customers at [www.timberbuyers.flegtlicence.org](http://www.timberbuyers.flegtlicence.org).

This is a start, but traders are advising that policy-led communication initiatives of this type, in isolation, will be insufficient to drive any real transformation in the

European market towards FLEGT licensed products, or to encourage greater engagement with the tropical timber industry.

A more pressing challenge is to ensure importers and their customers have strong commercial reasons to purchase the product on a regular basis. For this, they need assurances of likely long-term availability, competitive pricing and potential to achieve good margins, quality and technical performance, and delivery times, alongside assurances of legality and sustainability.

In practice this highlights the need for more product-specific business-to-business market development efforts, based on solid data on supply and demand, targeting specific end-uses and niche markets, and ensuring conformance to customers' technical requirements.

Messages about FLEGT may be integrated into this process, but cannot be the only, or even the leading, hook to drive market demand.

#### **Brexit impacts on hardwood trade**

The 29th March, the date scheduled for the UK's departure from the EU, is now fast approaching. But there is considerable uncertainty over the exact form Brexit will take on that date, or even if it will happen at all.

In early January, for example, JP Morgan concluded there was only a 45% probability of Brexit in March with a deal close to the one that has been negotiated between the EU and UK government. However, so far the negotiated agreement has fallen well short of a majority in UK parliament.

JP Morgan also suggested a 25% probability of a second referendum on EU membership, a 15% probability of a general election, a 10% probability of an extension of "article 50" (the EU procedure by which the UK is leaving the EU) into the second half of the year, and a 5% chance of a disorderly no deal Brexit.

JP Morgan's assessment is a couple of weeks old, and already by the end of January the equation has shifted. The UK political process is in stalemate while there is little sign that the EU will budge to make the negotiated deal more palatable to UK parliament.

The chances of the deal being agreed have diminished while the chances are rising both for a disorderly 'no deal' and for the scenarios leading either to a delay or even a reversal of Brexit.

The political and economic situation in the UK is balanced on a knife edge. If there is a lack of progress during February and it looks like a "no-deal" UK exit from the EU is becoming even more likely, the negative impact on the economy will be magnified.

Alternatively, if it looks ever more likely that a “no-deal” exit will be averted, some of the uncertainty may ease, although it is unlikely to disappear completely until it is absolutely guaranteed there will be a deal.

As in other sectors, the politics of Brexit creates a significant headache for the hardwood trade. However, unlike other more fast-moving industries, the hardwood sector has not been able to do much to mitigate the commercial risks, only to sit it out and wait and see.

According to the TTJ, the softwood industry in the UK has been building up landed stock to pre-empt anticipated customs and port disruption after 29th March. But this has not happened in the hardwood sector due to lengthy lead times and concerns about fluctuations in the sterling exchange rate, which could go either way depending on the outcome of negotiations.

Brexit uncertainty led sterling to weaken sharply against other major currencies at the end of last year. Hardwood importers are reluctant to build stock now as they are concerned that, if a deal is agreed, sterling could regain ground, leaving them sitting on a lot of over-valued stock.

Of course, events might go the other way, and a short-term effect of a no deal Brexit could be a further fall in the value of sterling. But how far and how fast sterling might fall is unknown as the extent to which markets have already factored in the likelihood of a no deal is not clear.

The immediate effect of all this uncertainty is to increase the tendency for UK hardwood importers to buy little and often. While trade remains quite steady, there is no sign of growth in the UK market at present.

And as the chances of a ‘no deal’ Brexit have risen, there’s increasing interest in, and speculation about, what the effects of this outcome would be on the hardwood trade.

From a policy perspective, in theory a ‘no deal’ Brexit would “level the playing field” for UK direct imports of hardwoods from the tropics and other non-EU countries relative to imports from the EU.

Last year, as part of efforts to limit the potential fallout, the UK government issued a series of guidance notes on the implications of a possible no-deal outcome for business. The guidance states that a no deal Brexit would result in “businesses having to apply the same customs and excise rules to goods moving between the UK and the EU as currently apply in cases where goods move between the UK and a country outside of the EU”.

A ‘no deal’ Brexit would have little or no immediate impact on UK tariffs imposed on imports from EU countries of mouldings (HS 4409) and rough sawn products since these are already duty free for all EU imports regardless of their species or source.

However, in a ‘no-deal’ scenario, UK imports of some planed and sanded hardwood products from the EU would become subject to a 2.5% import tariff. Depending on species and degree of working, a variety of tariffs would also be imposed on UK imports from the EU of veneers (3% to 6%), plywood (7% to 10%), MDF and particleboard (7%-10%), and joinery products (3% to 6%).

While the EUTR would cease to apply in the UK in a ‘no-deal’ scenario, the law will be replaced with a UK law imposing equivalent due diligence requirements to demonstrate wood is legally harvested. This will apply to all timber placed on the UK market. This means imports of hardwood from the EU into the UK would, like imports from the tropics, be subject to due diligence requirements.

Similarly, in the event of a ‘no deal’, all wood packing material moving between the EU and the UK would need to be ISPM15 compliant (treated and marked), as is currently required for imports from non-EU countries. Imports of timber into the UK from the EU would also be subject to phytosanitary regulation in the same way as imports from non-EU countries.

However, UK government guidance states that “to deliver a smooth transition when we leave the EU, in a ‘no deal’ scenario the Government has decided that the majority of plants and plant products are low-risk and should continue to enter the UK from the EU freely, as they do now”.

Of course, in the event of a no-deal scenario, these changes in the tariff and regulatory environment which might benefit non-EU suppliers of hardwood products into the UK, may well be overshadowed and offset by the wider economic impacts.

According to an analysis by the Bank of England last year, in the event of a no deal, UK GDP in five-year’s time may be up to 8% smaller compared to forecasts in which a deal is assumed.

Similarly, the IMF estimates that Britain could lose about 5% of GDP in 5 years in the event of ‘no deal’, while the Netherlands, Denmark and Belgium, which have strong trade links with the UK, could see GDP losses of 1% or more, and Ireland’s economy would stand to lose 4% over the same period.

These are worst-case scenarios for a so-called “disorderly no deal” and still seem unlikely, although the chances are rising with every day that the UK parliament resists accepting the deal on the table. It’s possible that there will be a Brexit deal, or a delay, or a referendum, or an election, all with unknown outcomes.

As things stand, it is simply impossible to predict how the UK, or indeed the wider EU hardwood market, will evolve this year.

### **More US hardwood likely to be diverted to Europe**

While Brexit is a preoccupation in the EU, the impact of events in other regions may be just as profound for the hardwood trade in Europe this year.

Particularly significant is the on-going trade dispute between the US and China which may well lead to an increase in tariffs on US hardwood imports into China (which currently accounts of over 50% of all US hardwood exports) from the current 10% to 25% from March onwards.

The trade dispute combined with signs of slowing economic growth in China, has contributed to a sharp decline in the value of the Chinese renminbi against the US dollar. This coupled with a desire by traders to ensure shipments do not arrive in China either over the New Year holiday period or after the new higher tariffs become due on 1st March, led to a sharp fall in US hardwood exports to China in the last quarter of 2018.

Against this background, US hardwood importers are once again turning their attention to the opportunities presented by the European market. The full impact has yet to be felt, since heavy rain reduced US hardwood production last year and thereby helped underpin prices even as Chinese demand waned.

However, felling has picked up again in the US this winter. European buyers now expect that availability of US hardwood will rise significantly during 2019, while prices are expected to soften. So far, the most affected species has been red oak, the US' most abundant commercial hardwood species and also the largest exported hardwood to China.

Europe has never been a strong market for red oak, always much preferring white oak. However, prices for red oak are now 40% below those for white oak (and at a similar level to those for meranti), and red oak's price competitiveness may increase even further if there is no change in the China tariff situation.

The American hardwood industry is now gearing up for a major market push in Europe, particularly focusing on the technical, logistical and environmental benefits of using red oak.

There have been several attempts to encourage greater use of American red oak in the European market in the past, with only limited impact. But there's a feeling that this time round it may be different.

This is due not only to the exceptional situation with respect to price and availability of red oak, but also by recent interest in the species shown by high profile developers and designers in Europe, notably in the new Bloomberg headquarters in London last year.

The US hardwood sector is also looking to expand applications for red oak in Europe, for example it is identified by the American Hardwood Export Council as a species which responds well to thermal treatment which would allow it to be used more widely in external applications.

Nevertheless, these efforts by the US hardwood industry to promote red oak in Europe may not yield immediate results, and European traders are likely to remain hesitant until there are clearer signs of the long-term situation in relation to price, availability and end-user demand.

In the meantime, there is also likely to be more availability of the other temperate hardwoods which are already popular in Europe with the decline in Chinese demand, such as American white oak, tulipwood, walnut and ash.

Although not subject to the same tariff situation, there are signs that the very tight supply situation for European oak has also eased slightly this year in response to slowing Chinese demand.

Until last year, rising demand from China and other Asian markets and a strong fashion for oak in Europe, combined with limited production volume and tightening export controls in Croatia and Ukraine, led to record prices for European oak logs and lumber.

However, first reports in 2019 suggest that availability of European oak has improved and prices are stable at the higher level.

### **Wood flooring sales slow**

Based on information obtained from its member companies and national associations, FEP – the European Federation of the Parquet Industry - estimates that overall European consumption of parquet flooring (i.e. with a real wood face) fell by around 2% in 2018.

This is a preliminary forecast based on best estimates provided by member country representatives at the recent FEP Board meeting held at the BAU fair in Munich and may be subject to change following analysis of complete market data to be published at FEP's annual General Assembly, due to be held in June in Lisbon, Portugal.

FEP note that the fall in consumption in 2018 came after three years of moderate growth or stabilisation and despite a generally good start to the year.

FEP also highlight that there was some variation from country to country, with the market contraction occurring in Germany, Switzerland, the Nordic countries (Denmark, Finland and Norway), France and Belgium. In contrast, consumption improved in Austria, Italy and Poland during 2018, and was stable in Spain and Sweden.

The FEP Board of Directors fear the overall negative trend will continue in the first half of 2019, particularly highlighting the intense competition from "wood like" flooring solutions, especially Luxury Vinyl Tiles (LVT).

On the other hand, FEP welcomed the increasing recognition by the EU authorities of the positive contribution of wood products, including parquet, to fight climate change and to support the “circular economy” and sustainable development.

## North America

*Due to the US government ‘shutdown’ trade statistics were not available for this report*

### **US shutdown hits growth and consumer sentiment**

More than 800,000 US government workers remain furloughed or working without pay as the longest government shutdown in US history passed the one-month mark. Currently, several agencies are affected by the partial shutdown (including those responsible for the collection and reporting of economic and trade data).

Consumer sentiment declined in early January to its lowest level since president Trump was elected. The decline was primarily focused on prospects for the domestic economy, with the year-ahead outlook for the national economy judged the worst since mid-2014.

The loss was due to a host of issues including the partial government shutdown, the impact of tariffs, instabilities in financial markets, the global slowdown and the lack of clarity about monetary policy

The University of Michigan survey of consumer confidence says “consumers now sense a need to buttress their precautionary savings, which is typically done by reducing their discretionary spending. Evolving job and wage prospects, which were slightly weaker in early January, are critical to extending the current(US) expansion.”

See: <http://www.sca.isr.umich.edu/>

### **Canadian hardwood imports rose in November**

Canadian imports of tropical sawnwood rose by 28% in November compared to October but imports year to date still trail 2017 by 14%. Sapelli, iroko, virola, imbuia, and balsa imports to Canada are all down between a quarter and a third from 2017. Imports from Ecuador, Cameroon and Brazil are off significantly year to date, while imports have increased over 2017 from Ghana, Indonesia, Malaysia and the U.S.

### **US manufacturing continues to expand but hardwoods in short supply**

Economic activity in the manufacturing sector expanded in December and the overall economy grew for the 116th consecutive month according to US supply executives surveyed in the latest Manufacturing Institute of Supply Management Report on Business.

While executives say overall demand is softening, they reported growth in wood products manufacturing and noted hardwood is a commodity currently in short supply.

See:

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

### **US Housing starts for small families down, sales declined sharply**

Affordability issues continue to hinder single-family housing production in the US even as total housing starts increased in November. Overall housing starts rose 3.2 % in November to a seasonally adjusted annual rate of 1.26 million units from a downwardly revised October reading. Year to date, new housing starts are 5.1% above their level over the same period last year.

The November reading of 1.26 million is the number of housing units builders would start if they maintained this pace for the next 12 months. Within this overall number, single-family starts fell 4.6% to 824,000. Single-family production has now dropped for the third straight month. Meanwhile, multifamily starts—which include apartment buildings and condos—rose 22.4% to 432,000.

Overall permits—which are an indicator of future housing production—rose 5% in November to 1.39 million. Single-family permits inched up 0.1% to a 848,000 unit pace while multifamily permits rose 14.8% to an annualized rate of 480,000.

Looking at the regional numbers on a year-to-date basis, combined single-family and multifamily housing starts rose 11% in the West and 5.3% in the South. Starts fell 0.8% in the Northeast and 1.9% in the Midwest.

See press release: <https://www.nahb.org/en/news-and-publications/press-releases/2018/12/single-family-starts-drop-in-november.aspx>

According to press statements from the National Association of Realtors, existing-home sales declined sharply in December following two consecutive months of increases. All four major US regions saw declines in sales activity compared to the previous month. In 2018 sales declined in all four regions, ranging from 6.8% in the Northeast of the US to 15% in the West.

See: <https://www.nar.realtor/newsroom/existing-home-sales-see-64-percent-drop-in-december>

**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.

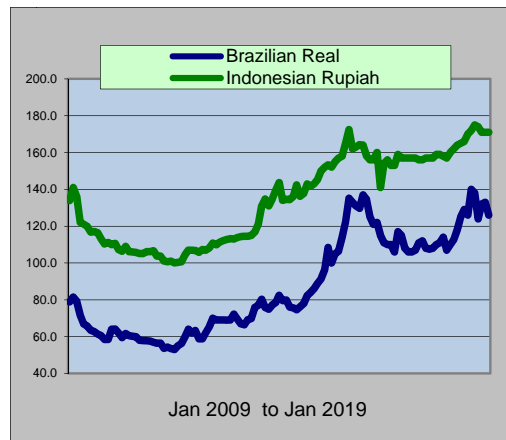
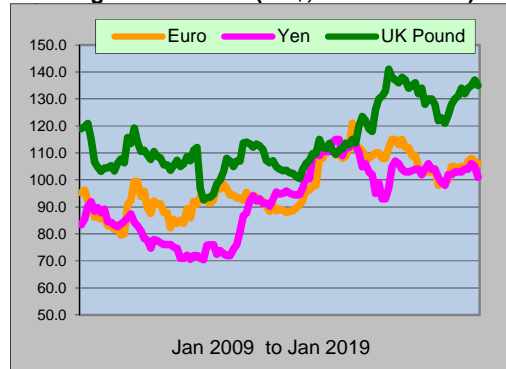
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 25 January 2019

Brazil	Real	3.7744
CFA countries	CFA Franc	578.14
China	Yuan	6.7487
EU	Euro	0.8762
India	Rupee	70.98
Indonesia	Rupiah	14085
Japan	Yen	109.5
Malaysia	Ringgit	4.1245
Peru	New Sol	3.34
UK	Pound	0.7576
South Korea	Won	1118.78

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

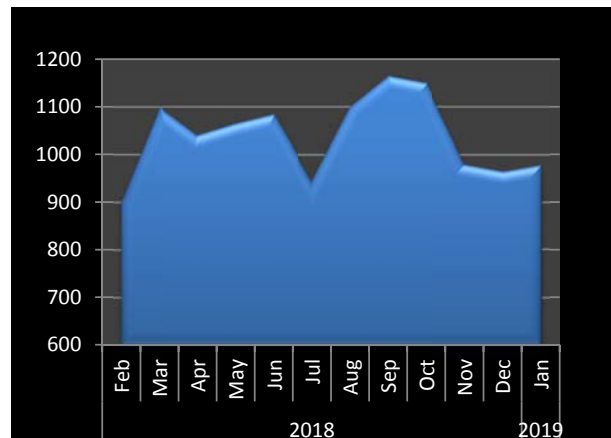


## Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF	Cost insurance and freight
C&F CNF	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Weather and boil proof
MT	Metric tonne
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

## Ocean Freight Index

Baltic Supramax Index  
February 2018 – January 2019

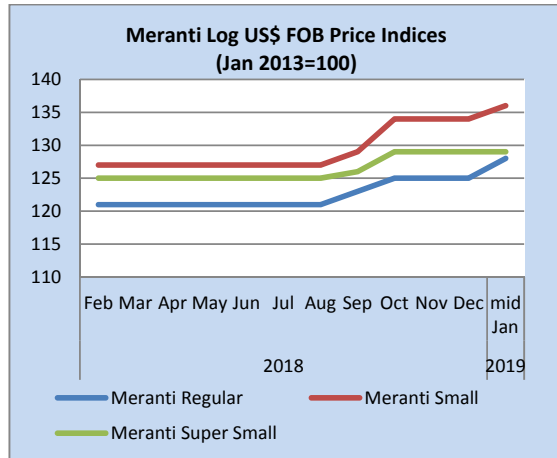


Data source: [lloydslist.maritimeintelligence.informa.com](http://lloydslist.maritimeintelligence.informa.com)

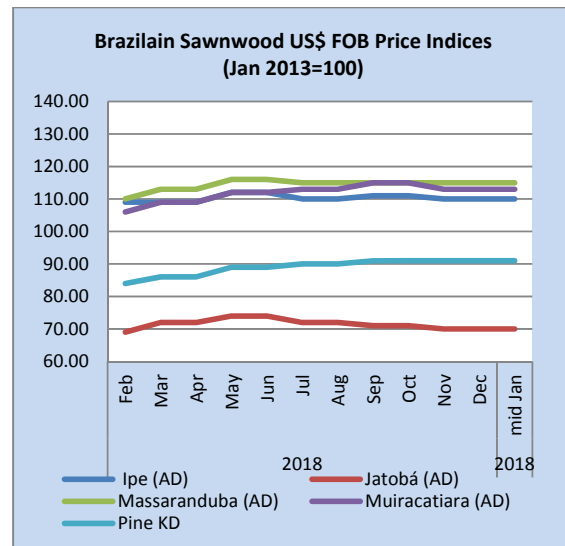
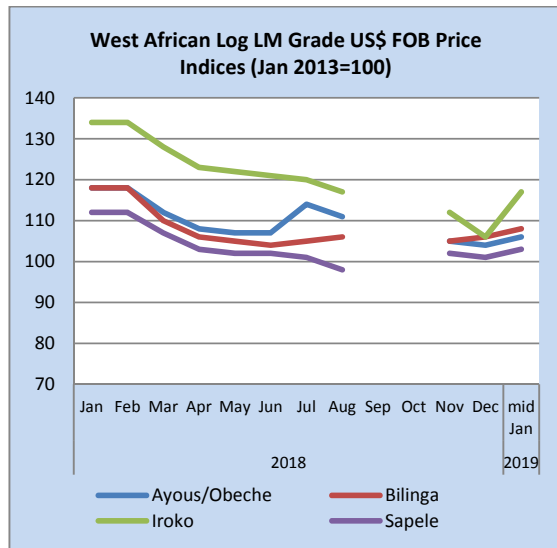
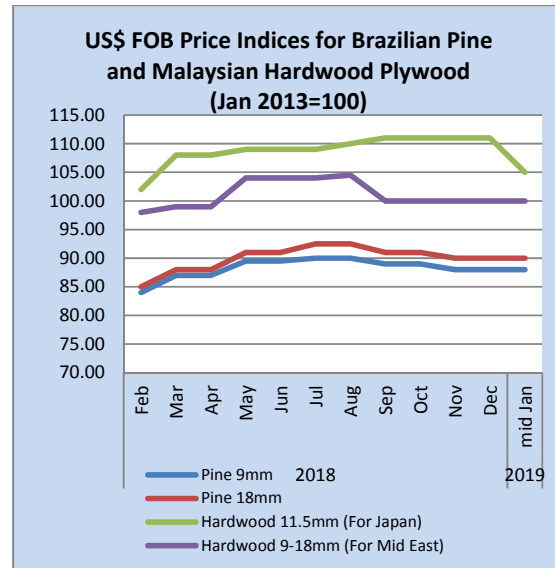
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

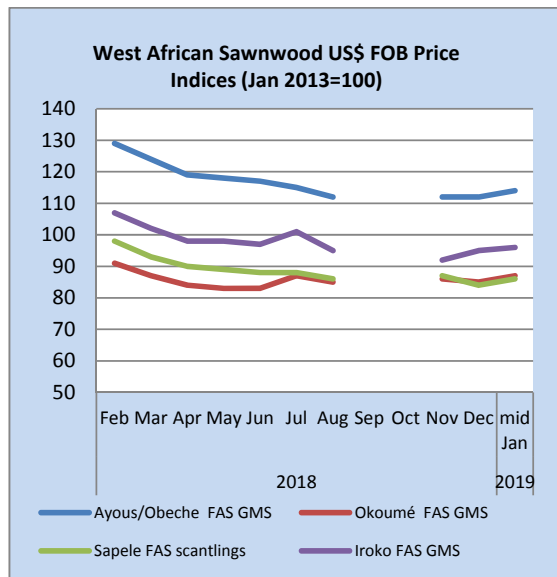
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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