# Tropical Timber Market Report

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## Top Story

**Huge domestic wood stock a challenge to Japanese policy makers and industry**

The volume of standing timber in Japan has been assessed at 5.2 billion cubic metres of which some 3 billion cubic metres is plantation species.

The standing volume of planted forests has almost doubled in 30 years and around 85% of these plantations are over 40 years old and ready for harvest. However, domestic demand for plantation logs was only 29.5 million in 2017.

Domestic mills would welcome these logs but a labour shortage and other issues are holding back harvesting.

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## Headlines


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## Central and West Africa

### Early signs of downward pressure on prices

The dampened demand in China is now, say producers, feeding through and order levels are beginning to decline. Already there is a downward pressure on prices for West African species.

Of concern to producers has been the abrupt loss of buyer interest in ovangkol, previously a big item in the market. News from the region is that stock levels of ovangkol are rather high.

Interest in the ‘redwoods’ as a group has lost momentum because Chinese buyers are on the side-lines waiting for signals that the trade dispute with the US shows signs of ending. Also, demand for tali and padouk in Viet Nam is reported as slow. Overall, there are few prices changes and producers anticipate of buyers will soon asking for discounted prices.

### Concerns over azobe stock build up in the Netherlands

With the European holiday season a few weeks away consumption is likely to decline but producers still report steady demand levels in Europe. A recent issue raised by analysts has been the apparent over-supply of azobe into the Netherlands.

One explanation given for this is that Chinese mills, especially in Cameroon, found orders slipping in their main market China so began offering attractive deliveries into Europe. There have been claims that the quality of the sawn azobe into the Netherlands is below what is normal for this sophisticated market.

### Some missing containers of kevazingo located

The media in Gabon has reported that 71 of the more than 300 ‘missing’ shipping containers loaded with kevazingo have been located on the premises of Cameroon-registered transport company and that a further 129 have been found in the Owendo Container Terminal.

The location of the other containers has not been reported and investigations are on-going. The total value of the timber in the ‘missing’ containers has been put at US$250 million.

The President’s response, say media reports, has been to relieve the Vice President and the Minister of State for Forest of their posts. This move was part of a Presidential decree to reshuffle the government.

For more see: https://www.africanews.com/2019/05/22/gabon-president-fires-vice-forestry-minister-over-timber-scandal/

Top Custom officials have also been suspended which is disrupting the flow of exports as there is no-one in authority to sign export documents.

The private sector has been lobbying government to appoint officials with the authority to process export documents however, the wider political ramifications of this crisis has meant no action has yet been taken.

### Log export prices

| West African logs | FOB Euro per cu.m | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 265 | 265 | 175 |
| Ayous/Obeche/Wawa | 250 | 250 | 225 |
| Azobe & Ekki | 275 | 275 | 175 |
| Belli | 290⬇ | 290⬇ | - |
| Bibolo/Dibétou | 215 | 215 | - |
| Bilinga | 275 | 275 | - |
| Iroko | 350 | 350 | 250 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 220 | 220 | 200 |
| Moabi | 365 | 365 | - |
| Movingui | 210 | 210 | - |
| Niove | 160 | 160 | - |
| Okan | 220 | 200 | - |
| Padouk | 340 | 290 | 245 |
| Sapele | 310 | 310 | 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 | 520 |
| FAS fixed sizes | 560 |
| FAS scantlings | 560 |
| Padouk FAS GMS | 750 |
| FAS scantlings | 850 |
| 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

### First quarter 2019 exports disappointing

A volume of 80,082 cu.m comprising 15 wood products was exported from Ghana in the first quarter of 2019. Over 90% was to international markets with the balance transported overland to African regional markets. The corresponding value of first quarter exports was Euro 41.75 million.

Compared to the first quarter 2018 there was a decline in the volume and value of first quarter 2019 trade. The tables below show shipment by products, volumes and values for the period reviewed.

**Wood products export volumes, Jan-Mar 2018 and 2019**

| | Q1 2018 cu.m | Q1 2019 cu.m | % Change |
|---|---|---|---|
| Sawnwood (Air Dry) | 56,734 | 49,551 | -13 |
| Sawnwood (Kiln Dry) | 10,389 | 10,847 | 4 |
| Billets | 8,459 | 7,580 | -10 |
| Plywood (regional) | 4,658 | 6,264 | 35 |
| Sliced Veneer (International) | 2,173 | 2,136 | -2 |
| Mouldings | 1,445 | 2,002 | 39 |
| Rotary Veneer | 1,293 | 810 | -37 |
| Kindling | 183 | 427 | 133 |
| Plywood (International) | 100 | 251 | 151 |
| Sliced Veneer (regional) | 6 | 108 | |
| Others | 382 | 106 | -72 |
| Total | 85,820 | 80,082 | -7 |

Source: TIDD, Ghana

**Wood products export values, Jan-Mar 2018 and 2019**

| | Q1 2018 Euro | Q1 2019 Euro | % Change |
|---|---|---|---|
| Sawnwood (Air Dry) | 34,836,322 | 26,246,004 | -25 |
| Sawnwood (Kiln Dry) | 6,581,292 | 6,402,473 | -3 |
| Billets | 3,384,389 | 2,841,183 | -16 |
| Plywood (regional) | 1,753,685 | 2,157,376 | 23 |
| Sliced Veneer (International) | 2,561,215 | 2,009,484 | -22 |
| Mouldings | 877,400 | 1,339,535 | 53 |
| Rotary Veneer | 505,433 | 433,624 | -14 |
| Kindling | 38,084 | 88,862 | 133 |
| Plywood (International) | 41,511 | 82,749 | 99 |
| Sliced Veneer (regional) | 5,398 | 83,797 | |
| Others | 891,891 | 65,191 | -93 |
| Total | 51,476,618 | 41,750,278 | -19 |

Source: TIDD, Ghana

Sliced veneer, plywood, kindling and mouldings export volumes and values to regional markets increased in the first quarter 2019 but volumes were small compared to shipments to international markets of sawnwood, billets (plantation logs) and plywood.

The top export timbers for regional markets, especially Cote d'Ivoire and Burkina Faso, were sapele, mahogany, walnut/lovoa, danta, candollei, makore and black ofram.

Billets (logs) accounted for almost 10% of export volumes (7,580 cu.m), secondary wood products (sawnwood, plywood, veneer, and boules) accounted for over 80% of exports (70,500 cu.m) with the balance being tertiary wood products including moulding and furniture parts.

**Rosewood ban affects exports to Asian markets**

Asian markets continue to be the leading destination for Ghana's wood products. Asian markets absorbed over 70% (59,031 cu.m) of the total exports in the first quarter 2019 but a 4% decline was recorded in shipments to these markets compared to the first quarter 2018.The table below shows the main markets for Ghana's first quarter 2018 and 2019 exports.

**Main markets: Jan-Mar 2018 and 2019**

| | Q1 2018 000's cu.m | Q1 2019 000's cu.m |
|---|---|---|
| Asia | 66.829 | 59.031 |
| Europe | 8.376 | 9.512 |
| Africa | 6.256 | 8.124 |
| America | 2.856 | 2.65 |
| Middle East | 1.503 | 0.763 |
| Total | 85.82 | 80.08 |

Source: TIDD, Ghana

Rosewood was one of Ghana's top export species to Asia but the export ban has ended this trade. It was also observed that shipments of billets to Asian markets declined in the first quarter 2019. On the other hand, exports to African regional markets and to Europe increased but exports to North America and Middle East markets dropped slightly.

**INBAR/Municipal Assembly to promote use of bamboo**

The International Bamboo and Rattan Organisation (INBAR) is partnering with the Asante-Akim South Municipal Assembly to promote the use of bamboo. A greater utilisation of bamboo could, says INBAR, will generate jobs for the people, boost the local economy and also help reduce dependence on natural forest resources.

The Assembly and INBAR have begun the process of setting up a Common Production and Training Centre (CTPC) where young Ghanaians can be trained on how to utilise bamboo for a wide array of products.

At a meeting with the press the INBAR Country Director, Michael Kwaku, hinted that equipment for the centre had been sourced from China and was expected in the country soon.

Meanwhile, as part of government's agenda to promote the processing and utilisation of bamboo the Bamboo and Rattan Unit (BRU), created within the Forestry Commission, is helping implement bamboo development policies across the country.

For more see:
https://www.ghanaweb.com/GhanaHomePage/business/Asante-Akim-South-partners-INBAR-to-promote-bamboo-utilisation-742943

**Private sector advises on effect of African Free Trade**

The Private Enterprise Federation (PEF), a non-profit, non-political, autonomous Ghanaian institution has urged the government to quickly decide which products would be allowed tariff free into the country from other African countries when the African Continental Free Trade Agreement is fully implemented later this year.

The IMF has already signaled the tariff changes will affect government revenues and local manufacturers fear there will be a flood of products from other countries on to the Ghanaian Market.

Ghana's Parliament had given backing to this free trade agreement which aims to boost intra-Africa trade through the creation of a single market for goods and services. Ghana currently exports about 10% of its wood products to the ECOWAS.

For more on the PEF see: https://www.pef.org.gh/index.php/en/

**Boule Export prices**

| | Euro per $m^3$ |
|---|---|
| Black Ofram | 330 |
| Black Ofram Kiln dry | 430 |
| Niangon | 580 |
| Niangon Kiln dry | 670 |

**Export Rotary Veneer Prices**

| Rotary Veneer, FOB | Euro per $m^3$ | |
|---|---|---|
| | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba | 350 | 363 |
| Chenchen | 431 | 479 |
| Ogea | 508 | 590 |
| Essa | 546 | 711 |
| Ofram | 350 | 435 |

**Export Sliced Veneer**

| Sliced face veneer | FOB Euro per $m^3$ |
|---|---|
| Asanfina | 750 |
| Avodire | 2,833 |
| Chenchen | 764 |
| Mahogany | 1,103 |
| Makore | 790 |
| Odum | 1,708 |

**Export Plywood Prices**

| Plywood, FOB | Euro per $m^3$ | | |
|---|---|---|---|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 341 | 640 | 641 |
| 6mm | 412 | 535 | 604 |
| 9mm | 373 | 446 | 560 |
| 12mm | 529 | 463 | 480 |
| 15mm | 450 | 380 | 430 |
| 18mm | 450 | 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 $m^3$ | |
|---|---|---|
| FAS 25-100mm x 150mm up x 2.4m up | Air-dried | Kiln-dried |
| Afrormosia | 860 | 925 |
| Asanfina | 490 | 564 |
| Ceiba | 405 | 487 |
| Dahoma | 424 | 498 |
| Edinam (mixed redwood) | 520 | 619 |
| Emeri | 475 | 571 |
| African mahogany (Ivorensis) | 930 | 971 |
| Makore | 775 | 810 |
| Niangon | 620 | 670 |
| Odum | 832 | 970 |
| Sapele | 700 | 841 |
| Wawa 1C & Select | 420 | 444 |

## Malaysia

**MTCC certification consultation**

The Malaysian Timber Certification Council (MTCC) has opened for public consultation their Draft Malaysian Criteria and Indicators for Forest Management Certification or MC&I Forest Management.

The Enquiry Draft, which is a revised and merged standard that combines the requirements of both the MC&I (Natural Forest) and MC&I (Forest Plantation.v2), was finalised by the Standards Review Committee (SRC) at its Fourth Meeting in February 2019.

The draft MC&I Forest Management Certification maintains the similar format as the previous standards with updated requirements through feedback received from the first public consultation as well as the key requirements of the ISO 17021-1 Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part 1: Requirements, and the PEFC benchmark standard on sustainable forest management. The major changes to the revised MC&I Forest Management Certification are summarised below:

- Incorporation and streamlining of the requirements under Principle 10 of the MC&I Forest Plantation.v2 into the corresponding Principles 1-9 of the MC&I Forest Management to reduce redundancy. All the requirements in the standard apply to both natural forest and forest plantation, with requirements that apply only to natural forest or forest plantation clearly specified.

- Inclusion of requirement on conversion of degraded forest to forest plantation that is not subject to the cut-off date of 31 December 2010 for conversion of natural forest to other land uses.

- Stronger requirements on social aspects through the incorporation of all core ILO Conventions and the principle of gender equality.

- Incorporation of requirements that provide guidance for internal audit and management review and improvement.

- Improved clarity on the requirements for communicating claims from certified areas.

- Stakeholders are invited to submit comments and/or proposals for amendments to the Enquiry Draft, providing justification for the proposals as well as the suggested wordings for the proposed changes.

The Enquiry Draft is available at: http://mtcc.com.my/wp-content/uploads/2019/05/LAMPIRAN-IB-Enquiry-Draft-MCI-FMC.docx

See: https://mtcc.com.my/public-consultation-on-malaysian-criteria-and-indicators-for-forest-management-certification-enquiry-draft/

### MTCC suspends certification certificate for Kedah

A press release from the Malaysian Timber Certification Council (MTCC) gives details of the suspension of forest management certification for the Kedah State forest management Unit (FMU).

An announcement on the MTCC website reads " (The) Certificate for Forest Management issued to the Kedah State FMU (FMC 0003) against the requirements of MC&I(Natural Forest) have been suspended with effect from 8 May 2019 until further notice.

SIRIM QAS International Sdn. Bhd. made this decision after the Kedah State FMU failed to close a major Corrective Action Request (CAR) following the second surveillance audit carried out by SIRIM QAS International Sdn. Bhd. It is required that any major non-conformity raised must be adequately addressed within the given time for the FMU to maintain its certification.

In light of the above development, all logs sourced from the Permanent Reserved Forests (PRFs) in the Kedah State FMU beginning 8 May 2019 (i.e. all logs accompanied by Removal Passes issued dated 8 May 2019 and onwards) will not be recognised as PEFC certified material under the Malaysian Timber Certification Scheme (MTCS).

Nevertheless, the logs originating from Kedah State FMU can be accepted as PEFC Controlled Sources, provided that a due diligence system has been implemented and does not involve sourcing of logs from conversion areas."

See: https://mtcc.com.my/suspension-of-forest-management-certificate-for-kedah-state-fmu/

### High Conservation Value training for Sarawak foresters

As Sarawak moves towards having all its Forest Management Units (FMUs) certified by 2022, foresters experienced in High Conservation Values (HCVs) Forests identification, management and monitoring practices will be in high demand.

The Sarawak Forest Department, the Sarawak Forestry Corporation (SFC), the Sarawak Timber Association (STA) and WWF-Malaysia have collaborated to produce a set of HCV training modules to equip foresters to contribute to the State objective.

A field testing workshop to obtain feedback on draft modules took place at the Samling Central Base Camp and Gerenai FMU in Upper Baram, Miri Division, in early May. Participants gained valuable feedback from those with knowledge or experience on HCV. The HCV modules will undergo a stakeholder consultation in June.

### Sabah export update

The latest statistics released by the Statistics Department of Sabah show exports of major timber products for the first three months of 2019 were worth RM265 million.

Of the total, RM59.4 million was from sawnwood exports, (22.4% of total), RM188 million from plywood exports (70.5% of the total) and almost RM18 million from exports of veneer.

The volume of sawnwood exports in the first quarter was 28,409 cu m with China being the main buyer (10,200 cu m) followed by Taiwan P.o.C (7,274 cu m) and Thailand (1,856 cu m).

For plywood, the total volume exported was 86,667 cu m with most being shipped to Japan (16,429 cu m) followed by South Korea (14,591 cu m) and the USA (13,570 cu m). For veneer, exports were 9,466 cu m and the main buyers were South Korea (3,305 cu m), Japan (2,251 cu m) and the Philippines (1,993 cu m).

### Plywood prices

Traders based in Sarawak reported the following export prices in April:

| | |
|---|---|
| FB (11.5 mm) | US$700 C&F |
| CP (3' x 6') | US$530 C&F |
| UCP (3' x 6') | US$620 C&F |
| Standard 4x8 panels | |
| Middle East | no update |
| South Korea | |
| (9mm and above) | US$440 C&F |
| Taiwan P.o.C | |
| (9mm and above) | US$410-420 C&F |
| Hong Kong | US$450 FoB |

## Indonesia

### Trade War could mean a flood of exports to Indonesia

Sanny Iskandar, Deputy of Regional Economic Development in the Indonesian Chamber of Commerce, said the trade dispute between the United States and China is expected to impact Indonesia's export and domestic trade. He said China may become more active in promoting sales into Indonesia and it may also eat away at market share held by Indonesia in overseas markets.

Sanny warned a surge in Chinese imports could disrupt domestic sales as local industries are not prepared to face the tough competition from Chinese imports, an issue of relevance to domestic furniture makers.

### Huge economic value in non-timber forest products and environmental services

Minister of Environment and Forestry, Siti Nurbaya Bakar, said that a recent study suggest most of the economic value from forests is in non-timber forest products and environmental services.

Because of this the ministry intends to encourage further development non-timber forest products so forestry becomes a multi-business sector integrating upstream to downstream activities.

In related news, a local company, Shopee Indonesia, is working with the to market non-timber forest products and will also provide training to small, micro and medium enterprises (MSMEs) commercialising non-timber forest products.

The Executive Director of the Association of Indonesian Forest Concessionaires (APHI), Purwadi Soeprihanto, said the Association urges the government to review incentives for entrepreneurs involved in the non-timber forest product sector.

See: https://ekonomi.bisnis.com/read/20190510/99/921098/klhk-dorong-pengembangan-komoditas-hutan-nonkayu
and
https://ekonomi.bisnis.com/read/20190510/99/921067/klhk-gandeng-shopee-pasarkan-produk-hutan-nonkayu

### Industry calls for review of regulations to stimulate exports

With the Indonesian election concluded the private sector is looking forward to more export friendly government policies. The Executive Director of APHI, Purwadi Soeprihanto, said the export value chain for forest products needs to be optimalised.

This can be achieved, he said, if the new government can overhaul the procedures for licensing of forestry entrepreneurs by expanding the One Single Submission (OSS) across the country. According to Purwadi, while the One Single Submission works well in the capital, permit applications in the regions still rely on the manual system.

In related news, Bambang Supijanto, Chairman of the Indonesian Wood Panel Association, identified some issues that he hopes the government can address to support the Indonesian wood panel and veneer industry: first, remove VAT on roundwood and secondly set the reforestation funds payment in Rupiah not US dollars as at present.

The other issues that should be addressed are facilitating access to credit lines with commercial banks and exemption of import duty on manufacturing machinery important for industry restructuring.

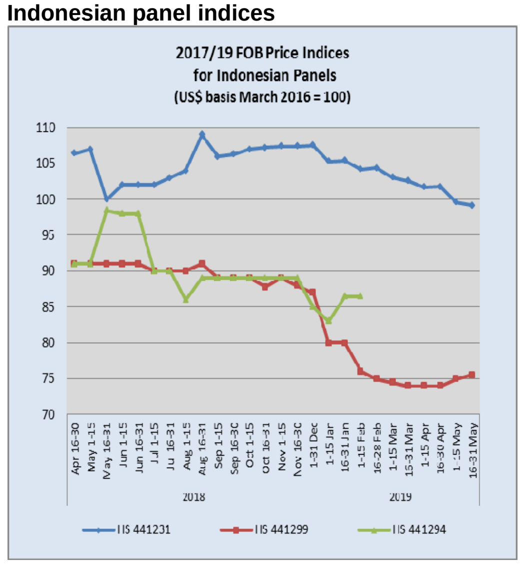
https://ekonomi.bisnis.com/read/20190521/99/925460/pemerintahan-baru-diharap-hapuskan-ppn-kayu-bulat

### Plans to accelerate replanting in degraded forests

The Ministry of Environment and Forestry (KLHK), the Association of Indonesian Forest Concessionaires (APHI) and other stakeholders intend to develop plans to accelerate the replanting in degraded forests.

APHI Chairman, Indroyono Soesilo, said that the use of drones for seeding may be a viable option especially in areas that are difficult to access. The ministry has targeted planting 230,000 hectares this year.

### Indonesian panel indices




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

## Myanmar

### Industries closer to forest create employment for communities

A member of parliament has proposed allowing wood processing industries to be established close to production forests to create employment opportunities for local people. This will also help in raising the awareness of rural communities in the development and protection of forest resources.

Currently, the location of wood processing industries is controlled as part of the government's efforts to ensure illegal timber does not enter the supply chain. Export-oriented wood industries are mostly located in Yangon but there are many small scale sawmills operating in rural areas.

### Myanmar Reforestation and Restoration programme proposed

The Myanmar Timber Merchants Association was one of the agencies visited by a World Bank delegation. The delegation also met with government and other non-Government organizations.

The forestry sector in Myanmar is an important economic sector and historically timber exports consistently ranked among the top-five exports. Today, despite reduced timber harvest and lower revenue from forestry, the sector still generates over 8% of government revenues and is a vital supplier of non-market forest products such as fuelwood and non-wood forest products.

There are plans for a 10-year Myanmar Reforestation and Restoration Programme (MRPP) supported by the World Bank and the Forest Department will be the implementing agency.

This project has four components; community forestry and community enterprises, strengthening of protected areas, creating an enabling environment for the MRPP and institutional investments in project management, monitoring and evaluation.

**US/Japan alliance could advance shared aims in Myanmar**

A recent report "Forging a Stronger Economic Alliance between the United States and Japan" proposes strategies the two countries can implement to improve their economic partnership in third countries and advance shared interests. Myanmar was a case-study.

The report says "By strengthening infrastructure, human capacity and governance practices, Myanmar can become a stronger, more democratic, more stable nation, better able to negotiate relations with neighbouring countries on its own terms."

See: https://www.csis.org/analysis/article-ii-mandate-forging-stronger-economic-alliance-between-united-states-and-japan

**Third Myanmar-EU Economic Forum set for June**

The European Chamber of Commerce in Myanmar will host the Third Myanmar-EU Economic Forum in June. Myanmar and European business communities will have the opportunity to interact and more than 500 participants are expected. This annual event provides an opportunity for business people and high level government officials to discuss developments in the business climate.

**Foreign investments continue pour into Myanmar**

According to the Myanmar Directorate of Investment and Companies Administration (DICA) over US$2.5 billion in foreign investments flowed to Myanmar up to May this fiscal year. The transportation and communications sectors topped the list of foreign investment.

In 2013, in cooperation with Japan International Cooperation Agency (JICA), the Myanmar Investment Commission developed its foreign investment policy and this was implemented in 2014.

**Log Tender Prices for April 2019**

**Teak logs**

| Grade | H.tons | Average US$/H.ton |
|---|---|---|
| SG-1 | - | - |
| SG-2 | - | - |
| SG-4 | 96.2 | 3,395 |
| SG-5 | 192.3 | 2,735 |
| SG-6 | 185.00 | 2,345 |
| SG-7 | 745.00 | 1,992 |

**Prices for other hardwood logs**

| Species | Quality | H.ton | US$ Average/H. ton |
|---|---|---|---|
| Kanyin | 1st | 1,875 | 882 |
| Kanyin | 2nd | 2,942 | 750 |
| Pyinkado | 2nd | 47.00 | 703 |
| In | 2nd | - | - |

## India

**Industrial output slips but GDP holds up well**

Data from the Indian Central Statistics Office is showing that, month on month, the industrial output index fell slightly in March, the first time in nearly two years. The manufacturing sector accounts for over 75% of the industrial production index and it was the decline in the manufacturing sector that pulled down the index.

In other news, GDP growth is holding up well with the last quarter 2018 data showing a 6.6%, expansion.

See: https://data.gov.in/catalog/all-india-index-industrial-production-base-2011-12100

**GST adjusted to boost affordable homes sector**

At its mid-March meeting the GST Council discussed the implementation of recommendations for lower GST rates of 1% in case for affordable houses and 5% on construction of houses other than affordable house. The GST Council formally reduced the GST rates for under-construction flats and affordable housing to 5% and 1%.

The Council also increased the so-called 'carpet area' defining affordable homes as up to 90 sq. m from 60 sq. m. A move aimed at attracting more buyers. This changes are aimed at giving a boost to the affordable homes sector and are a welcome move which could lift wood product consumption.

See:
http://gstcouncil.gov.in/sites/default/files/34th_GST_Council.pdf

**Booming housing growth in Southern cities**

The Vestian Quarterly Newsletter has reported that the pace of new residential launches in the three southern cities of Bengaluru, Hyderabad and Chennai in the first quarter of this year were up around 17% on the last quarter 2018.

The authors of the article interpret this as signaling finally that real estate companies have adjusted to the recent regulatory changes and are increasingly active. The Vestian newsletter notes recent launches were mainly in the affordable and mid-price market segment.

See: https://housing.com/news/tag/vestian-quarterly-newsletter/

### Plantation teak prices

Since the third quarter 2018 C&F prices for imported plantation teak have not changed and this is largely because the US dollar/rupee exchange rate has been stable. Analysts write that the current rise in oil prices may feed into higher freight costs which could result in a downward pressure on prices in the face of the steady but flat demand in India.

C&F rates for Indian ports are within the same range as given earlier.

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

Price range depends mainly on length and girth.

### Locally sawn hardwood prices

Demand for imported hardwoods remains steady and in recent weeks ex-mill prices for locally milled sawnwood have risen slightly.

| **Sawnwood Ex-mill** | **Rs per cu.ft.** |
|---|---|
| Merbau | 4,100-4,250 ↑ |
| Balau | 2,600-2,750 ↑ |
| Resak | 1,800-2,000 ↑ |
| Kapur | 2,250-2,400 |
| Kempas | 1,550-1,750 |
| Red meranti | 1,500-1,650 ↑ |
| Radiata pine | 850-950 |
| Whitewood | 850-950 |

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

### Myanmar teak prices

There has been a rise in demand for imported Myanmar teak sawnwood and this has created an opportunity for price increases.

| Sawnwood (Ex-yard) | Rs. per cu.ft |
|---|---|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 15,000-22,000 ↑ |
| Teak A grade | 9,500-11,000 ↑ |
| Teak B grade | 7,500-8,500 ↑ |
| Plantation Teak FAS grade | 5,000-7,000 ↑ |

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

The firming demand for sawnwood has lifted prices for imported European and US sawn hardwoods.

| Sawnwood, (Ex-warehouse) (KD) | Rs per cu.ft. |
|---|---|
| Beech | 1,700-1,850 ↑ |
| Sycamore | 1,800-2,000 |
| Red Oak | 2,000-2,200 ↑ |
| White Oak | 2,500-2,600 |
| American Walnut | 5,000-5,500 |
| Hemlock STD grade | 2,200-2,400 |
| Western Red Cedar | 2,300-2,450 ↑ |
| Douglas Fir | 1,800-2,000 |

Price range depends mainly on lengths and cross-sections.

**Plywood prices**
Plywood prices are unchanged.

**Domestic ex-warehouse prices for locally manufactured WBP plywood**

| Plywood Ex-warehouse | Rs. per sq.ft |
|---|---|
| 4mm | 69.00 |
| 6mm | 92.00 |
| 9mm | 115.00 |
| 12mm | 143.00 |
| 15mm | 190.00 |
| 18mm | 201.00 |

**Domestic ex-warehouse prices for locally manufactured MR plywood**

| | Rs. per sq.ft | |
|---|---|---|
| | Rubberwood | Hardwood |
| 4mm | 35.00 | 50.00 |
| 6mm | 52.00 | 66.00 |
| 9mm | 66.00 | 81.00 |
| 12mm | 81.00 | 95.00 |
| 15mm | 95.00 | 115.00 |
| 19mm | 111.00 | 132.00 |
| 5mm Flexible ply | 70.00 | |

## Brazil

**Santa Catarina wood, pulp and paper products rise 15%**
Santa Catarina, in the southern region of Brazil, is known for its vibrant timber sector. In 2018, the value of forestry sector output in Brazil was just over R$14 billion of which about 10% was from Santa Catarina.

According to the Santa Catarina Association of Forest Companies (ACR) in 2018 forest plantations extended to 829,000 ha. of which 70% was pine, the balance eucalyptus. At the beginning of this year there were almost 6,000 companies in the direct and indirect timber sector and they provide thousands of direct jobs.

The State Department of Agriculture recognises the forestry sector is a major exporter as in 2018 export shipments of wood, pulp and paper products expanded 15% year on year contributing revenues of US$1.4 billion.

**IBA – exports firm but domestic consumption weak**
The IBÁ Bulletin reports a 2.3% increase in wood product export values in the first quarter of 2019 compared to the first quarter 2018. In the first three months of this year business negotiations with importers were valued at US$2.8 billion.

Among the various products, exports of pulp expanded 3.3%. The main market for pulp was China with a 39% of exports (US$ 856 million). The wood-based panel export market recorded growth of 13% with revenues at US$44 million compared to the same period of 2018. The main destinations for its exports were Latin American countries.

In contrast, IBÁ says domestic consumption of wood-based panels grew only 1.1% in the first quarter 2019 compared to the same period of 2018, a reflection of the slow revival of the Brazilian economy. About 1.6 million cubic metres were consumed, some 17,000 cubic metres more than the first three months of 2018.

**Export update**
In April 2019, the Brazilian exports of wood-based products (except pulp and paper) declined 19% in value compared to April 2018, from US$286.6 million to US$232.9 million.

The value of April 2019 pine sawnwood exports dropped 10.5% compared to April 2018, from US$48.8 million to US$43.7 million. In terms of volume, exports fell 9% over the same period.

Exports volumes of tropical sawnwood also fell (-8%) in April from 46,200 cu.m in April 2018 to 42,500 cu.m in April 2019. There was an even sharper decline in export values which dropped 14% from US$20.2 million to US$17.3 million in April this year.

The negative trend in exports continued with plywood. Pine plywood exports fell 41% in value in April 2019 in comparison with April 2018, from US$68.3 million to US$40.0 million. However price for plywood held up better as export earnings dropped only 27% over the same period, from 198,500 cu.m to 145,000 cu.m.

Tropical plywood exports are now very small and in April there was a drop in the value and volume of exports from 13,900 cu.m (US$6.1 million) in April 2018 to 7,500 cu.m (US$ 2.8 million) in April 2019.

Wooden furniture exports also took a hit in April with earnings falling from US$45.3 million in April 2018 to US$42.8 million in April 2019.

**Three southern states – 85% of exports**
Furniture production in February 2019 was 34 million pieces, down 4% compared to January of the same year. Year-to-date, over the same period of the previous year, volume production increased 1.2%.

According to the Brazilian Institute of Geography and Statistics (IBGE) accumulated furniture production over the past twelve months declined 1.5% compared to the previous 12 month period. On the other hand, national manufacturing output expanded.

Furniture exports totalled US$137 million in the first quarter of 2019, up 1.6% compared to the same period in 2018. Of this total, exports of furniture to the United States stood out with a 34% share. This was followed by the United Kingdom, an 11% share and Uruguay with 8% of total exports.

The three southern states are the largest furniture exporters in Brazil. Altogether, Santa Catarina (41.3%), Rio Grande do Sul (30.4%) and Paraná (13.9%) accounted for just over 85% of all Brazilian furniture exports in the first quarter of 2019.

For more see: http://www.brazilianfurniture.org.br/

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US$ per m$^3$ |
|---|---|
| Ipê | 206 |
| Jatoba | 115 |
| Massaranduba | 110⬇ |
| Miiracatiara | 110 |
| Angelim Vermelho | 108⬇ |
| Mixed redwood and white woods | 91 |

Source: STCP Data Bank

**Domestic Sawnwood Prices**

| Brazil sawnwood, domestic (Green ex-mill) | US$ per m$^3$ |
|---|---|
| Ipé | 835⬆ |
| Jatoba | 430⬆ |
| Massaranduba | 413⬆ |
| Muiracatiara | 387⬆ |
| Angelim Vermelho | 370⬆ |
| Mixed red and white | 243⬆ |
| Eucalyptus (AD) | 194⬆ |
| Pine (AD) | 140⬇ |
| Pine (KD) | 163⬆ |

Source: STCP Data Bank

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

| Parica | US$ per m$^3$ |
|---|---|
| 4mm WBP | 537⬆ |
| 10mm WBP | 425⬆ |
| 15mm WBP | 348⬇ |
| 4mm MR | 414⬇ |
| 10mm MR | 298⬆ |
| 15mm MR | 273⬆ |

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

| *Domestic ex-mill Prices* | US$ per m$^3$ |
|---|---|
| 15mm MDParticleboard | 219⬆ |
| 15mm MDF | 255⬆ |

Source: STCP Data Bank

**Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US$ per m$^3$ |
|---|---|
| Ipe | 1,426⬆ |
| Jatoba | 867⬆ |
| Massaranduba | 843⬆ |
| Muiracatiara | 850⬆ |
| Pine (KD) | 190⬇ |

*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) | 299⬇ |
| 12mm C/CC (WBP) | 283⬇ |
| 15mm C/CC (WBP) | 263⬇ |
| 18mm C/CC (WBP) | 260⬇ |

Source: STCP Data Bank

**Export Prices For Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per m$^3$ |
|---|---|---|
| Decking Boards | Ipê | 2,809⬆ |
| | Jatoba | 1,436 |

Source: STCP Data Bank

## Peru

### New operation guidelines for industry

Through two new resolutions the Peruvian government introduced measures to strengthen and promote the forestry sector. One of the provisions approves the Official List of Forest Species which includes 275 species. The object of this resolution is to standardise timber names to facilitate forest inventory and control measures along the supply chain.

The second resolution provides updated formats for qualification requirements for timber harvesting operations as well as those for processing operations. The Forest Service (SERFOR) will lead a training programme for both guides and the overall aim is to improve its timber traceability and guarantee the legal origin of wood products.

### Officials are trained on forest legislation and wildlife

Representatives of the Public Prosecutor's Office, members of the National Police, the Superintendent of the Tax Administration and other governmental officials recently participated in a specialised course on the Forestry and Wildlife Legislation. This activity was organised by SERFOR with the support of the US Forest service.

This course was part of the programme for continuous capacity building and sought to provide specialised tools to participants for the application of the Forestry and Wildlife Law and regulations.

### Loreto to offer forest concessions

As part of the programme of activities for Regional Forest and Wildlife Development Management (GRDFFS) a recent event focused on facilitating promotion, marketing and strengthening of forestry sector businesses in the Loreto region. The main themes were forest management, conservation of natural resources, industry and technology.

The Regional Governor of Loreto said that reactivating forestry activity can improve the economy of the region which has decline over the past five years. It was announced that Loreto will allocate around one million hectares of forest concessions for commercial exploitation.

The Governor called on communities and forest entrepreneurs to work together to ensure sustainable use of the natural resources.

**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 | 604-641 |

| Peru Sawnwood, FOB Callao Port (cont.) | US$ per m$^3$ |
|---|---|
| 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 | 951-978 |
| Asian market | 999-1049 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 542-561 |
| Dominican Republic | 671-681 |
| Marupa 1", 6-11 length KD | |
| Asian market | 551-591 |

**Domestic Sawnwood Prices**

| Peru sawnwood, domestic | US$ per m$^3$ |
|---|---|
| Mahogany | - |
| Virola | 253-266 |
| Spanish Cedar | 339-352⬇ |
| Marupa (simarouba) | 218-228 |

**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 | 349-379 |
| 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$^3$ |
|---|---|
| 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 | 756-822⬆ |

## Japan

**Decline in imports tilts up GDP growth**

In the first quarter 019 Japan's economy grew at an annualised rate of 2.1% according to Cabinet Office data, an acceleration of growth compared to the previous quarter. The better than expected numbers were due largely to a sharp decline in imports, interpreted as a sign of underlying weakness in demand. While exports rose 2% in the first quarter the trend in consumer spending and private sector capital investment continued to disappoint.

The weakening global economy, especially slower growth in China, Japan's biggest market, has undermined corporate confidence and driven down business investment, a cornerstone of recent economic growth in the country.

The continued down trend in consumer confidence is reflected in weak domestic demand, something that will weigh on the minds of policymakers as they debate whether or not to raise the consumption tax in October.

**Vital that tax be raised in October says OECD**

At a press conference to launch the OECD's 'Economic Survey' report on Japan, OECD Secretary-General, Angel Gurria, said the increase in consumption tax scheduled for October this year along with constrained spending is vital if the government wishes to stabilise its budget. Japanese government debt topped 225% of GDP in 2018, the highest amongst members of the OECD and far exceeding that of Greece and the United States.

The OECD's report on Japan says the impact of the 2% rise in consumption tax "would be less intense than the 2014 3% rise because the government has plans for offsetting fiscal support specifically aimed at supporting domestic consumption.

The OECD also recommended that the government speed up economic reforms to address the aging population and women in the workplace. The OECD report supports Japan's plan to make it easier and more attractive for foreign workers, a major step to deal with the growing labour shortages in Japan.

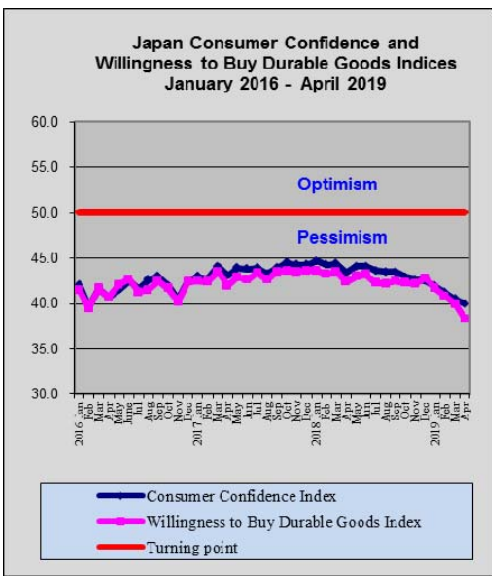
https://www.oecd.org/economy/surveys/japan-economic-snapshot/

**First quarter machinery orders down 10%**

The total value of orders received by top machinery manufacturers in Japan fell just over 4% in March compared to February. First quarter 2019 data show that orders fell by 10.4% compared with the previous quarter.

Private-sector machinery orders, excluding those for ships and those from electric power companies, increased a seasonally adjusted by 3.8% in March but were also down quarter on quarter. Manufacturers surveyed by the Cabinet Office forecast core orders could rise over 15% in the second quarter.

See data at: https://www.esri.cao.go.jp/en/stat/juchu/1903juchu-e.html



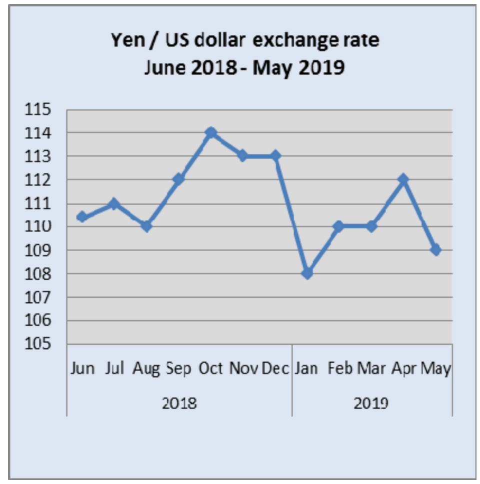

Data source: Cabinet Office, Japan

**Yen strength defies Bank of Japan efforts**

As the US/China trade war intensifies investors are moving assets to safe currencies such as the yen.

In the past two weeks the yen has strengthened by almost 2% against the US dollar. The perception is that yen strength may continue even though the Bank of Japan maintains its current monetary policy.

However, a stronger yen undermines export prospects while, at the same time, making imports that much cheaper.




**Three month of rising housing starts**

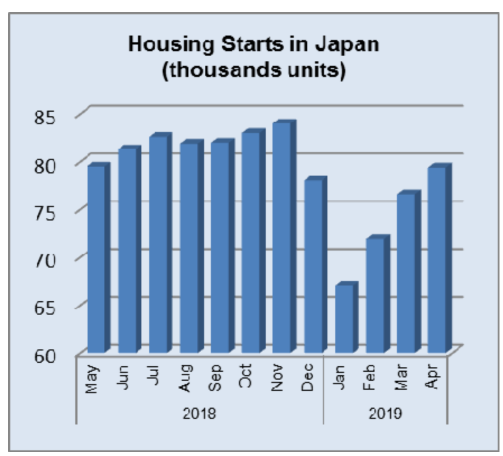
April data shows a third straight monthly (4%) rise in housing starts but year on year there was a 6% decline.

**Panasonic/Toyota expand diversification in housing sector**

In a press release Panasonic, the Japanese electronics firm, announced it will form a joint venture with Toyota and the two will merge their respective housing businesses. The joint venture brings together the companies' housing subsidiaries Toyota Housing and Panasonic Homes Co. as well as Misawa Homes Co..

The press release says globally, urban communities will increasingly desire 'connected' life styles and homes which are energy efficient systems and this will be the focus of the joint venture.

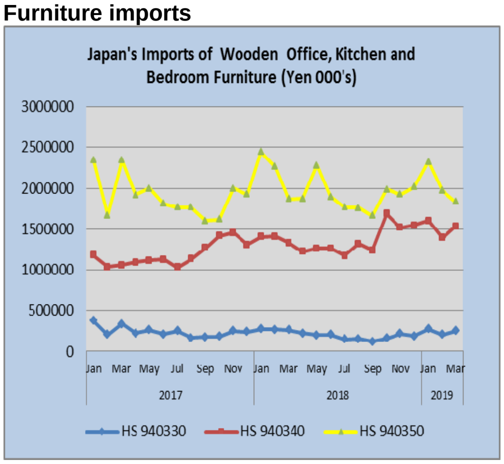
See:
https://news.panasonic.com/global/press/data/2019/05/en190509-2/en190509-2-1.pdf




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

**Import update**

**Furniture imports**




Data source: Ministry of Finance, Japan

**Office furniture imports (HS 940330)**

First quarter 2019 wooden office furniture imports were down around 10% compared to the first quarter 2018, this despite a 22% rise in the value of imports in March 2019.

**Office furniture imports**

| | Imports Mar 2019<br>Unit, 000's Yen |
|---|---|
| S. Korea | 293 |
| China | 123,666 |
| Taiwan P.o.C | 7,564 |
| Hong Kong | 627 |
| Vietnam | 885 |
| Thailand | 1,426 |
| Malaysia | 2,434 |
| Indonesia | 3,661 |
| India | - |
| Denmark | 1,373 |
| Netherlands | 503 |
| France | 1,094 |
| Germany | 70,307 |
| Portugal | 5,576 |
| Spain | 427 |
| Italy | 5,595 |
| Poland | 18,373 |
| Lithuania | 323 |
| Slovakia | 1,890 |
| Canada | 607 |
| USA | 4,048 |
| Mexico | - |
| Tanzania | - |
| Total | 250,672 |

Data source: Ministry of Finance, Japan

Two shippers dominated March imports, China which accounted for 49% of Japan's imports of wooden office furniture and Germany which contributed a further 27%. If shipments from Poland are added to those from the two main shippers then over 80% of imports are accounted for. Shippers seeing a significant decline in March deliveries to Japan include Viet Nam, Indonesia and Portugal.

Shipments of office furniture from Germany surged in March coming in some 25 times higher than a month earlier. The month on month value of March imports from China was flat. Overall, year on year imports of wooden office furniture dipped 5% in March 2019.

**Kitchen furniture imports (HS 940340)**

The value of Japan's first quarter 2019 imports of wooden kitchen furniture rose 9% compared to the same period in 2018. As usual, the main shippers of wooden kitchen furniture to Japan in March were the Philippines (49% of all wooden kitchen furniture imports) and Viet Nam (36%).

**Kitchen furniture imports**

| | Imports Mar 2019<br>Unit, 000's Yen |
|---|---|
| China | 95,053 |
| Taiwan P.o.C | 2,694 |
| Vietnam | 530,160 |
| Thailand | 76,018 |
| Malaysia | 17,445 |
| Philippines | 753,983 |
| Indonesia | 5,736 |
| Cambodia | - |
| India | 305 |
| Denmark | - |
| UK | 412 |
| Netherlands | 367 |
| France | 2,176 |
| Germany | 35,991 |
| Spain | - |
| Italy | 5,432 |
| Finland | - |
| Canada | 7,723 |
| USA | 472 |
| Total | 1,533,967 |

Data source: Ministry of Finance, Japan

China is not a big supplier of kitchen furniture to Japan and in March shipments dropped sharply. As was the case with office furniture, shipments of wooden kitchen furniture from Germany jumped in March.

Year on year the value of March 2019 imports of wooden kitchen furniture rose 15% and there was a 10% increase compared to the value of February imports.

**Bedroom furniture imports (HS 940350)**

The decline in Japan's imports of wooden bedroom furniture first noted in February continued into March when there was a furthet 7% month on month decline. This marks two months of decline mirroring the pattern of imports seen in previous years, a rise in imports should kick in mid-year.

**Bedroom furniture imports**

| | Imports Mar 2019<br>Unit, 000's Yen |
|---|---|
| S. Korea | 617 |
| China | 876,004 |
| Taiwan P.o.C | 2,104 |
| HG KONG | - |
| Vietnam | 725,158 |
| Thailand | 90,793 |
| Malaysia | 51,508 |
| Philippines | 718 |
| Indonesia | 21,292 |
| India | - |
| Sweden | 620 |
| Denmark | 1,937 |
| Netherlands | - |
| Belgium | - |
| Germany | - |
| Spain | - |
| Italy | 9,957 |
| Finland | 1,134 |
| Poland | 31,861 |
| Austria | 395 |
| Romania | 3,960 |
| Estonia | 4,904 |
| Latvia | 993 |
| Lithuania | 7,447 |
| Bosnia Herzogovena | - |
| Slovakia | 273 |
| USA | 510 |
| Mexico | - |
| Total | 1,832,185 |

Data source: Ministry of Finance, Japan

The combined value of imports of wooden bedroom furniture from the top two shippers, China and Viet Nam, accounted for almost 90% of March 2019 imports. The third largest sipper, Thailand, contributed only an extra 5% to imports.

In March this year imports from China fell around 25% compared to a month earlier and imports from Viet Nam were at around the same level as in February. Almost all of the other shippers saw March deliveries rise.

Year on year the value of March 2019 imports of wooden bedroom furniture was little changed from March 2018 and there was a 7% decline compared to the value of February imports

**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)

**Wood supply statistics in 2018**

The Ministry of Agriculture, Forestry and Fisheries disclosed wood supply statistics of 2018. Total wood supply for lumber, plywood and wood chip in 2018 was 26,545,000 cbms, 0.3% more than 2017.Supply of imported logs was 4,905,000 cbms, 3% less. North American logs, New Zealand logs and South Sea logs decreased.

By use, supply for plywood was 5,287,000 cbms, 5.7% more than 2017 in which domestic wood increased by 9.0% to 4,492,000 cbms. Plywood mills operated smoothly without much trouble in 2018 then Nisshin started new plywood mill.

By species, cedar was 2,851,000 cbms, 9.2% more then cypress was360,000 cbms, 18.8% more. In 2019, Shinyei Plywood's Ohita plant and Keytec's Yamanashi plant will start up so supply of domestic wood will increase further, getting close to 5,000,000 cbms.

Total of imported wood for plywood was 795,000 cbms, 9.9% less. Russian logs increased by 9.4% but North American logs decreased by 12.1% and South Sea logs also decreased by 1.5%. The largest decrease was New Zealand logs by 45.5%. Russian logs covered shortage of North American logs (Canadian Douglas fir logs), which prices soared and the supply was tight in competition with booming North American demand.

Wood supply for lumber was 16,672,000 cbms, 0.8% less. Domestic wood was 12,563,000 cbms, 0.5% less while import wood was 4,109,000 cbms, 1.5% less. Import of lumber in 2018 was 5,968,000 cbms, 5.6% less. Shipment of domestic lumber was 9,202,000 cbms, 2.7% less.

Since KD lumber shipment was 3,930,000 cbms, unchanged from 2017 so green lumber for construction was the main decrease. Green lumber supply for public works and crating increased. Number of sawmill was 4,582 in 2018, 232 down from 2017. Small sawmills continue quitting while large mills get larger. 73% of log consumption was by large mills with power output.

**Domestic lumber production of laminated Lumber**
The Ministry of Agriculture, Forestry and Fisheries disclosed domestic production of structural laminated lumber in 2018. It was 1,852,000 cbms, 0.3% less than 2017. By size, large size decreased by about half. Medium size decreased by about 10% then small size increased more than 50%.

Imported structural laminated lumber in 2018 was 813,215 cbms, 6.3% less than 2017 so total supply of structural laminated lumber in 2018 was 2,665,215 cbms, 2.2% less. Production of CLT was 14,000 cbms.

In domestic production, large size was 27,000 cbms, 50.9% less than 2017. Medium size was 784,000 cbms, 9.4% less. Small size was 1,041,000 cbms, 11.0% more. Others like interior finishing and decorative lumber was 71,000 cbms, 37.2% less so total production of laminated lumber was 1,923,000 cbms, 2.4% less.

Consumption of lamina was 2,691,000 cbms, 2.3% less. By source, domestic was 1,051,000 cbms, 15.7% more and the import was 1,640,000 cbms, 11.2% less. Domestic share increased to 39.1% from 33.0% in 2017. Obviously domestic cedar lumber increased.

Total supply by size including imports is 27,804 cbms of large size, 50.6% less, 1,138,956 cbms of medium size, 7.7% less and 1,498,445 cbms of small size, 4.4% more. Domestic production of small size increased but imports decreased by 7.9%.

The market of structural laminated lumber in 2018 was inactive through whole year so despite high imported lamina cost, market prices did not climb to cover the high cost.

Whitewood laminated post supply increased since 2017 then by reduced imported post, the market recovered in late 2018 and the market prices were up some after inventory adjustment was made but the market prices are not high enough to cover high cost.

Redwood laminated beam market was bullish in early 2018 then the supply increased and the market skidded in spring. Inventory of imported redwood laminated beam increased in the second half of the year so the prices dropped. Number of laminated lumber manufacturing plant was unchanged from 2017 at 165 then CLT manufacturing plant was nine, two more then 2017.

**Plywood**
Movement of both domestic and imported products has been stagnating. Large precutting plants' operations were active in April so market recovery was expected but lengthy holidays started before market got active so trading firms are worried about downside of the market in May with lower prices and the manufacturers try to tighten the market while the market prices are softening.

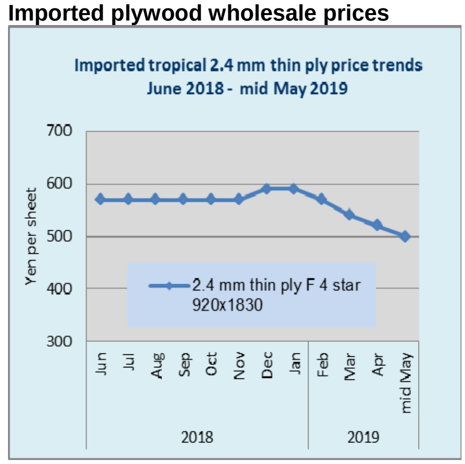
March plywood production was 275,000 cbms, 0.5% less then March last year and 4.3% more than February. Softwood production was 263,200 cbms, 1.3% less and r.1% more.

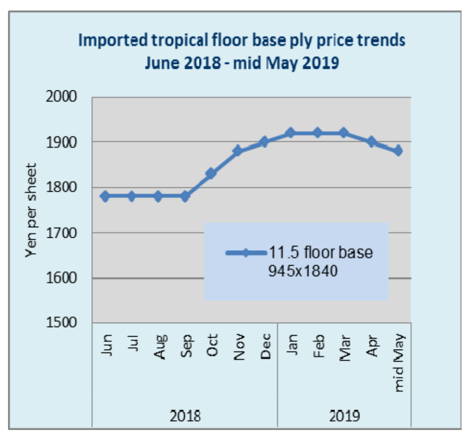
Shipment of in March was 256,200 cbms, 1.8% more and 1.4% more. March end inventories were 124,100 cbms, 7,000 cbms more than end of February.

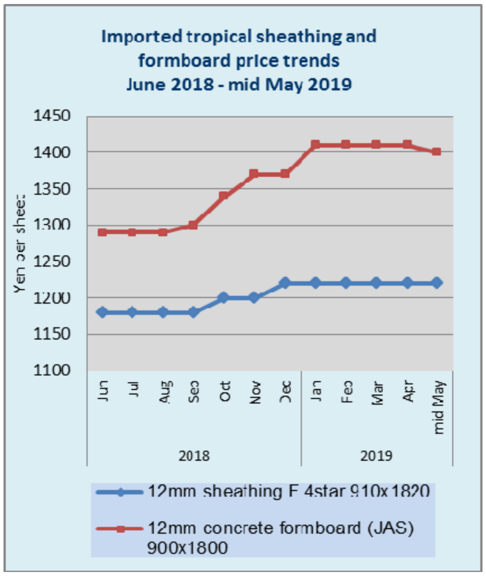
Movement of imported plywood is stagnating and the prices are weakening after some trading firms
offered low prices of 12 mm panels to reduce on-hand inventories in March for book closing.

The inventory of distributing dealers is increasing due to confusion of warehouse management by increased container shipments and uneven mixture of imported items. 12 mm panel is not particularly heavy in inventory but 12 mm is easy to market so low price of 12 mm is confusing the market. The importers try to restructure the market since April but it is not easy when the demand is weak.

**Imported plywood wholesale prices**






**Tokyo Metropolitan government allocates larger budget for wood use**

For 2019 budget, the Tokyo metropolitan government intensifies utilization of local wood and allocates total of 1,620 million yen, 5.6 times more than 2018 budget. It has started subsidising to put up wooden fence when concrete wall of public schools and private residence are removed. It also promotes using wood fence made by locally produced wood when concrete block wall of public facilities is removed.

It allocated 170 million yen for wooden table, bulletin board and outdoor bench in public facilities including 2020's Tokyo Olympic facilities. It encourages to use wood produced in Tama area of Tokyo.

550 million yen is allocated for exterior wall and other exterior use, which needs to use 30% or more of Tama wood. It also gives financial support if public schools use wood for any part of the facilities.

**Issue of domestic wood supply**

Stock of timber in Japan has been increasing year after year and recent investigation reveals is 5.2 billion cubic meters. In this planted timber is 3.3 billion cbms, almost doubled in 30 years. The administration says resources have matured. 85% of planted timber is more than forty years and well matured for harvest. However, log demand in 2017 was 29,520,000 cbms, only 0.9% of total stock.

Therefore, expansion of log demand is urgent issue so the administrations have been supporting capital investment of wood processing facilities and development of demand.

Now in some areas where new sawmills and plywood are built, log supply shortage is occurring so the voices are saying there is enough capital investment and no need to stimulate log demand but expansion of log supply is necessary.

Ideal plan is that log and lumber prices climb by increasing demand, which stimulate log supply then number of workers for log harvest and log processing facilities increase, which vitalize local economy.

Since 2017, many lumber mills, plywood mills, laminated lumber mills and biomass power generation facilities have started up one after another so log prices climbed but log supply did not increase to satisfy expanded demand and log supply shortage escalated in many areas. Log shortage will get worse since there are more new log consuming facilities after this year.

The largest reason of supply shortage is labor shortage. Many forest workers are aged and have been retiring while young workers are not enough to fill the gap of retired workers. High performance forest harvesting machines have been introduced and logging road system has been developing but shortage of absolute numbers of workers make it hard to utilize such machines efficiently. Such machines attract young workers so this is one of effective measures to draw young workers for forest business.

Workers engaged in forest harvest in 2015 were 20,910, 2,241 increase in ten years but it is less than half of 1985. Workers engaged in replantation in 2015 were 19,400, 75% less than 1985 and less than half of 2000. If clear cutting system continues, replantation would be way behind cutting.

Another reason is recent trend of increasing clear cutting, which requires replanting and clearing under bush. This takes workers from harvesting works.

Increasing number of biomass power generation plants impacts supply of low grade logs for sawmills. For fuel, C class small logs are used. This used to be used for wood chip for paper manufacturing plants and some selected logs are sent to sawmills to produce low priced disposable type lumber like crating and lumber supporting concrete forming panels.

This type of lumber has demand all the time so log suppliers made such sorting as long as the prices are higher than wood chip. Now biomass plants use large volume of logs for fuel and log suppliers prefer to send all type of low grade logs direct to biomass plants rather than sorting for sawmills.

Now low grade lumber manufacturing sawmills suffer log shortage critically. If this trend continues, such sawmills are forced to quit and low grade, low priced lumber supply would stop so log supply shortage is likely to cause shrinkage of wood demand.

Large users of domestic wood are categorized into three. First is lumber mills. Second is plywood mills and LVL plants. Third is wood biomass power generation plants.

In last several years, large sawmills, which consume more than 100,000 cbms annually, have been built one after another.

Large sawmills need large amount of logs but log supply is not even all through a year and it fluctuate by the season. Since log quality is inferior during summer months so log supply decreases in summer months and the log prices tend to climb. Thus, unlike plywood and biomass business, lumber business suffers periodical log shortage by season.

Plywood mills have established stable log supply structure with local forest unions. Softwood plywood made by cedar has been main material for structural panel then in recent years, new demand like floor base, and concrete forming has been increasing. For these, various different species are required such as cypress, fir and larch.Fir is mainly produced in Hokkaido.

This is highly demand for floor base but he supply is limited and ships to transport logs to main-island are hard to come by. Larch also grows in limited area and demand for lumber is very strong so it is chronically short in supply. Cypress is easy to obtain during harvest season but it becomes hard to find during rainy season of June and July because log suppliers reduce the harvest when logs are easy to deteriorate.

Problem of biomass is utilization of unused fiber left in the woods such as branches, roots and chunks. These are original idea of biomass fuel when FIT started but it takes a lot of labor to get them out so it is costly as fuel so the plants tend to use thinning, low grade small logs, imported wood chip and PKS, which are more economical than fiber left in the woods. Future issue is how leftover fiber can be removed and distributed economically.

In total stock of planted timber of 3.3 billion cbms, cedar is 1.9 billion cbms, 57.6% in total. Cypress is 738,980 M cbms, one fourth of cedar and larch is 223,580 M cbms. Assuming all of 3.3 billion cbms is harvested at any desired time, can log demand be satisfied ? First is prices. Prices are not always agreed with timber owners then type of logs users demand is not always same by species and size of logs.

With new demand like biomass power generation and log export, any type logs can be sold at 6,000-8,000 yen per cbm but once the prices exceed 8,000 yen, type of logs to meet this high price is limited.

Like cedar logs with more than 30 centimeters in diameter, it is hard to market while timber keeps growing so percentage of large diameter logs is increasing.

In stock of cedar of 1.9 billion cbms, 46-65 age class is 1.173 billion cbms, 60% of total. Therefore, it is urgent issue to find market of larger diameter cedar logs. Plywood mills can use larger logs now but the prices may be same as small cedar logs so this may not be the solution unless log suppliers are willing to accept low prices.

## China

**Young mainland Chinese changing furniture market**

The Hong Kong Trade Development Council has just released the results of its latest survey of Chinese consumer trends which focuses on furniture consumption in the mainland. This is one of several very information reports prepared by the Council on furniture markets and consumption in China.

The report published 21 May is titled ‘Mainland Furniture Gets Smarter as Target Buyers Get Notably Younger’ says the younger generation tends to look for modular, intelligent units for every item from beds and sofas to desks.

Quoting from the Council report “Typically, many manufacturers have turned to modular designs in order to streamline the process of integrating smart devices, a move seemingly welcomed by the many consumers looking to upgrade and renew their home furnishings. In particular, it is the younger consumer demographic that is now the most demanding when it comes to smart furniture specifications.”

For full details see: http://economists-pick-research.hktdc.com/business-news/article/International-Market-News/Mainland-Furniture-Gets-Smarter-as-Target-Buyers-Get-Notably-Younger/imn/en/1/1X308LSH/1X0AHAWA.htm

**Chinese companies seeking alternatives to US timbers**

At present, Chinese companies have been able to absorb the increased tariff levels on imported US timber raw materials but if these are raised further then their businesses will be at risk.

To avoid this Chinese companies have started to look for alternative raw material sources and substitutes for US logs and sawnwood.

According to China Customs data imports from the US were mainly softwood logs such as douglas fir, spruce and fir but close examination shows there is no real price advantage over other sources. This is leading importers to look at douglas fir from Canada and more softwoods from New Zealand as well as spruce and fir from Russia.

China’s imports of douglas fir from the US, Canada and New Zealand were 98,000, 480, 000 and 380,000 cubic metres in 2017 respectively. The average price for douglas fir from the US was the highest at US$186 per cubic metre, from Canada US$172 per cubic metre and from New Zealand US$138 per cubic metre.

China imports spruce and fir are mainly from Russia, US and Canada and amounted to 3,080,000, 790,000 and 780,000 cubic metres in 2017 respectively. Smaller volumes came from Estonia, France and Denmark. The average price for imported spruce and fir from the US was US$184 per cubic metre, from Canada US$161 per cubic metre, and from Russia US$124 per cubic metre.

China also imports sawn hardwood from the US such as oak (1.32 million cubic metres), other US hardwoods (570,000 cubic metres), ash (340,000 cubic metres) and cherry (190,000 cubic metres).

Analysts suggest that most of sawn hardwood from the US can be replaced by sawn hardwood from Canada, Russia and European member states.

For more see:
http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201905/t20190513_3256788.html

**Tariff impacts production in Fujian Province**

The 10% import tariff on Chinese exports of forest products is a serious blow for exporters and they have begun lobbying the government for support to help them get through these difficult times.

As an example some 80% of production from a company in Fujian Province is exported to the US. Because of the tariff issue, output by the company between January to May this year dropped by 15% year on year. The company is expanding efforts to diversify and lower production and distribution costs.

**Nankang a centre for rubberwood import and processing**

A Rubber Industry Development Conference was recently held in Nankang district, Ganzhou City. Participants heard that China imports about 3 million cubic metres of rubberwood logs and sawnwood annually for production of furniture. Across China there are around 10,000 wood furniture manufacturing enterprises with an output value of RMB70-80 billion.

As a major rubberwood import and distribution centre companies in Nankang district consume around 2.5 million cubic metres of rubberwood annually.

**Guangzhou Yuzhu International Timber Market Wholesale Prices**

| | Logs | Yuan/Cu.m |
|---|---|---|
| Merbau | dia. 100 cm+ | 4000-6000 |
| 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 |

| | 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

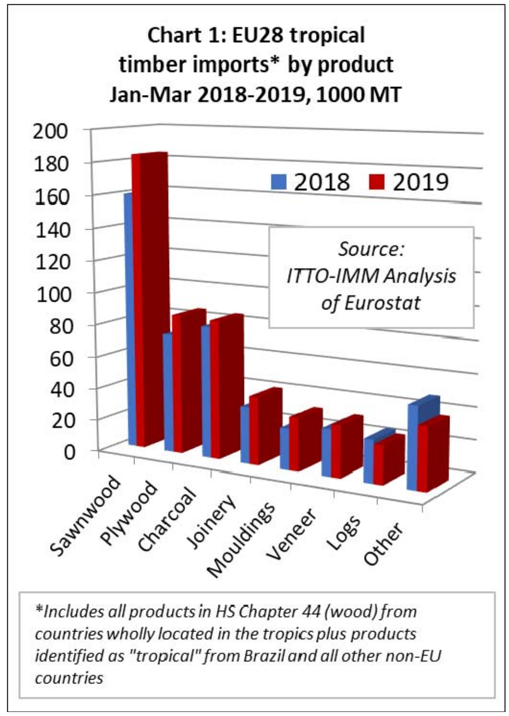
### EU tropical wood trade strong in the first quarter of 2019

The EU's trade in tropical wood products was more buoyant in the first quarter this year compared to the same period in 2018.

Total imports of all wood products (classified in HS Chapter 44) from tropical countries in the first quarter of 2019 were 525,000 MT, 9% more than the same period in 2018. Import value increased 17% to €561 million.

This is surprising given that the wider economic situation in the EU is not particularly promising this year, the European Commission having recently downgraded GDP growth projections to only 1.4% for the whole of the EU in 2019 in response to signs of deteriorating economic conditions.

To some extent the rise in EU tropical wood imports so far in 2019 is only a reflection of just how poor the market was last year when imports for several commodities barely exceeded the record lows of the 2008-2009 financial crises. Nevertheless, it is encouraging that the rise in EU imports so far this year has been consistent across nearly all tropical wood product groups (Chart 1).




The latest upturn in imports is also quite well distributed across the EU with imports of tropical wood products higher during the first quarter in all the leading EU markets except Germany.

In the first quarter of 2019 compared to the same period in 2018, total imports of tropical wood products increased in Belgium (+5% to 102,500 MT), the UK (+23% to 91,000 MT), Netherlands (+16% to 72,000 MT), France (+4% to 60,000 MT), Italy (+13% to 44000 MT), Spain (+36% to 26,600 MT), Portugal (+70% to 19,400 MT) and Greece (+23% to 18,700 MT).

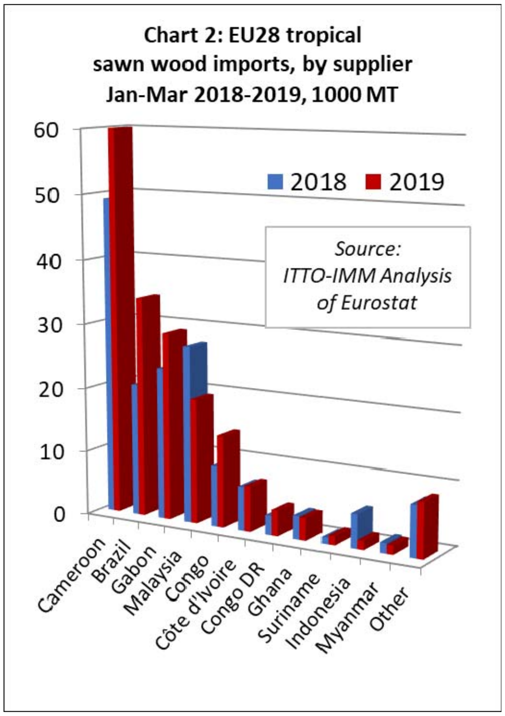
In contrast, total imports of tropical wood products in Germany declined 9% to 42,400 MT in the first quarter of 2019. This decline is partly driven by increasing reliance on indirect imports of tropical wood products from other EU countries by German distributors.

**15% rise in EU imports of tropical sawn wood**

EU imports of tropical sawn wood increased 15% to 184,000 MT in the first quarter of 2019 compared to the same period in 2018. Import value increased 12% to €181 million.

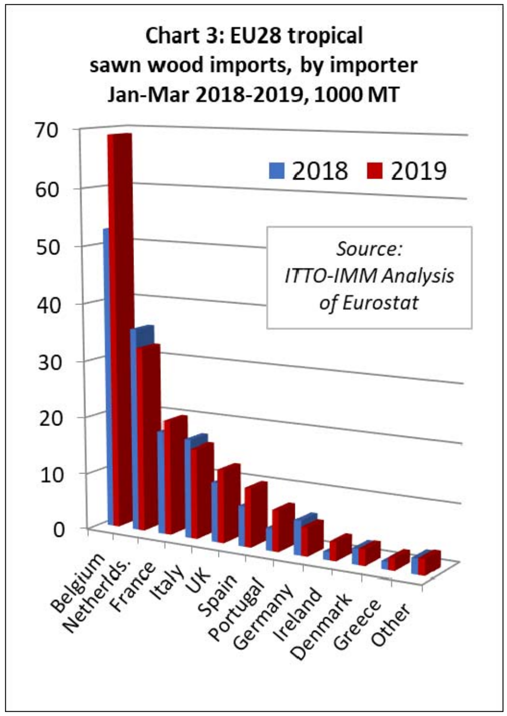
Imports from Cameroon, particularly slow in the first quarter of last year, increased 22% to 60,000 MT in the same period this year. Imports also increased sharply from several other countries including Brazil (up 66% to 34,000 MT), Gabon (up 23% to 29,000 MT), Congo (up 52% to 14,200 MT), and DRC (up 32% to 4,000 MT).

Imports increased slightly, by 4%, to 7100 MT from Cote d'Ivoire. These gains offset a 30% decline in imports from Malaysia, to 19,400 MT. (Chart 2).



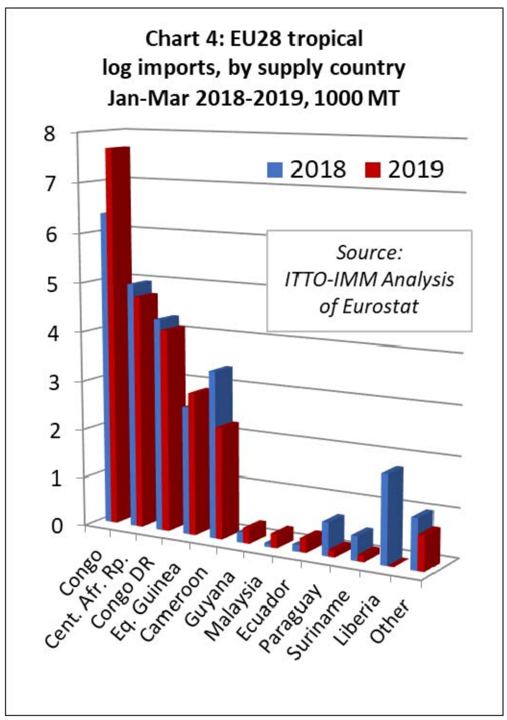

The trend towards increased concentration of tropical sawn wood imports into the EU by way of Belgium has continued this year. In the first quarter of 2019 compared to the same period in 2018, imports into Belgium increased 31% to 69,000 MT.

Imports also increased in France (up 12% to 20,100 MT), the UK (up 23% to 12,900 MT), Spain (up 47% to 10,370 MT) and Portugal (+85% to 7,200 MT). However, imports fell 9% to 32,500 MT in Netherlands and were down 8% to 15,900 MT in Italy. (Chart 3).




**Slowdown in EU imports of tropical logs**

After recovering a little ground in 2018, EU imports of tropical logs slowed again in the first quarter of 2019. Imports of 23,500 MT during the first quarter of the year were 10% less than the same period in 2018. Import value fell 16% to €11.2 million during the period.




While EU imports of tropical logs increased by 20% to 7,680 MT from Congo, the leading supplier, this was offset by falling imports from the Central African

Republic (-5% to 4,730 MT), DRC (-5% to 4,100 MT) and Cameroon (-33% to 2,260 MT).

There were also zero EU imports of tropical logs from Liberia during the first quarter of 2019 compared to 1790 MT in the same period last year. (Chart 4 above).

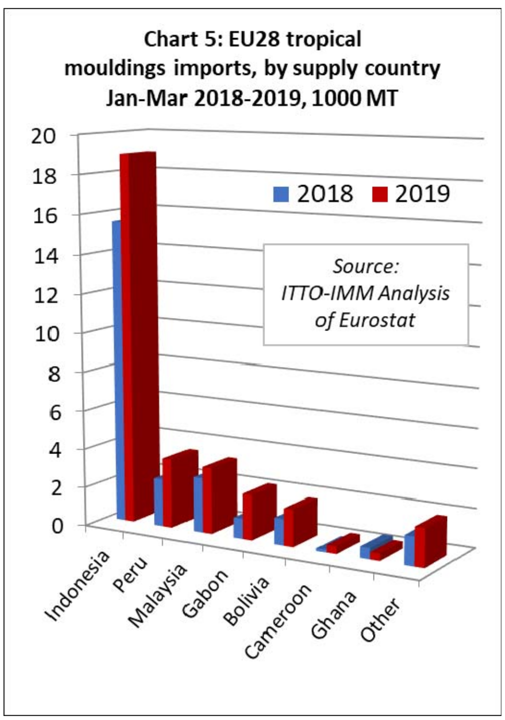
All three of the leading EU markets for tropical logs declined in the first quarter of 2019 compared to the same period last year; imports fell 7% to 11,200 MT in France, 26% to 4,360 MT in Belgium, and 10% to 3,450 MT in Portugal.

**Sharp rise in EU tropical moulding imports**

EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) increased sharply, by 30%, to 32,900 MT in the first quarter of 2019. Import value increased 46% to €54 million.

EU imports of tropical mouldings increased from all the leading suppliers of this commodity in the first quarter of 2019 including Indonesia (+22% to 19,000 MT), Peru (+45% to 3,600 MT), Malaysia (+21% to 3,400 MT), Gabon (+124% to 2,300 MT) and Bolivia (+40% to 1,900 MT) (Chart 5).

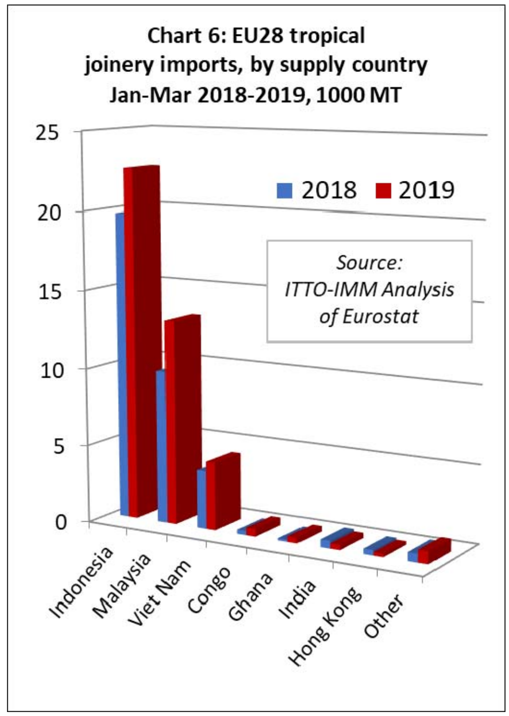
In the first quarter of 2019, imports of tropical mouldings increased in all the leading EU markets including Germany (+33% to 9,500 MT), Netherlands (+30% to 7,400 MT), France (+58% to 5,100 MT), Belgium (+11% to 4,600 MT), and the UK (+49% to 3,500 MT).




**Tropical Asian suppliers make gains in EU joinery market**

EU imports of tropical joinery products, mainly doors (from Indonesia), and laminated window scantlings and kitchen tops (from all leading tropical suppliers), increased 21% to 42,300 MT in the first quarter of 2019. Import value increased 26% to €87.2 million.

EU imports of tropical mouldings increased in the first quarter of 2019 from all three of the countries that dominate international trade in tropical joinery products including Indonesia (+15% to 22,600 MT), Malaysia (+33% to 13,100 MT), and Viet Nam (+17% to 4,300 MT) (Chart 6).



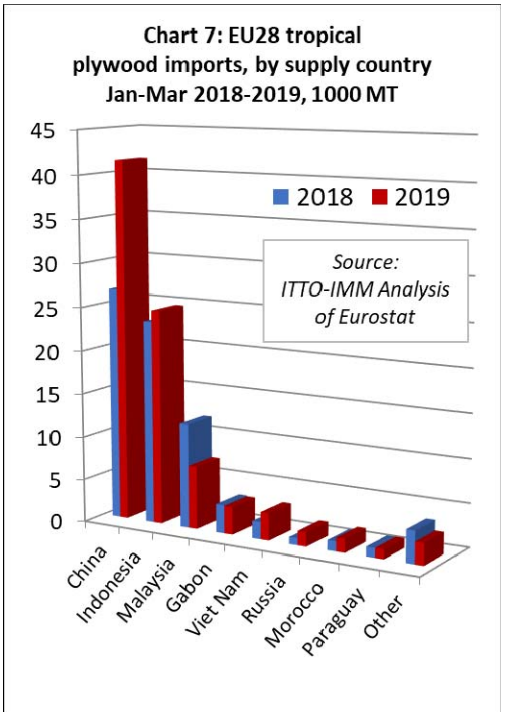

In the first quarter of 2019, imports of tropical joinery products increased by 13% to 17,400 in the UK and by 115% to 12,300 MT in the Netherlands. These gains offset a 10% fall in imports in Belgium to 4,200 MT, a 33% fall in France to 2,500 MT, and a 14% fall in Germany to 2250 MT.

**EU imports of tropical plywood made in China continue to increase**

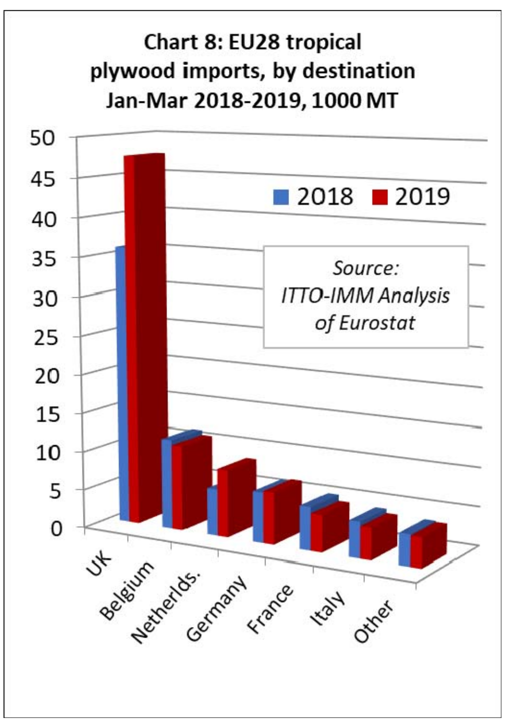
EU imports of tropical plywood products increased 17% to 86,600 MT in the first quarter of 2019 compared to the same period last year. Import value increased 24% to €76.6 million.

A large and growing proportion of the plywood faced with tropical hardwood imported into the EU is manufactured in China. The EU imported 41,400 MT of this product from China in the first quarter of 2019, 55% more than during the same period in 2018.

Imports also increased from Indonesia, by 6% to 24,700 MT, and from Viet Nam, by 60% to 3,100 MT. These gains offset a 40% fall in imports from Malaysia, to 7,300 MT (Chart 7).




In the first quarter of 2019, imports of tropical plywood products increased 32% to 47,500 in the UK, by 45% to 8,700 MT in the Netherlands, and by 3% to 6,700 MT in Germany. These gains offset a 5% fall in imports in Belgium to 11,000 MT, a 14% fall in France to 4,750 MT, and a 12% fall in Italy to 4,050 MT. (Chart 8).

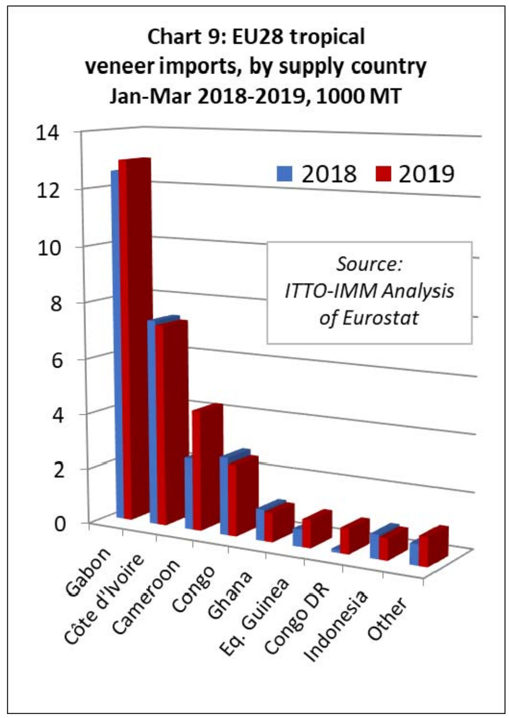



**EU imports of tropical veneer up 11%**

EU imports of tropical veneer increased 11% to 31,800 MT in the first quarter of 2019 compared to the same period last year. Import value increased 13% to €42.6 million.

The EU imported 12,970 MT of veneer from Gabon in the first quarter of 2019, 3% more than during the same period in 2018. Imports from Cameroon rose sharply, by 68% to 4,300 MT, after a poor year in 2018.

There was also a significant increase in imports from two smaller African suppliers of this commodity, Equatorial Guinea (+61% to 1000 MT) and DRC (+700% to 900 MT). Meanwhile imports from several long-term veneer suppliers to the EU lost ground, including Cote d'Ivoire (-2% to 7,200 MT), Congo (-8% to 2,560 MT), and Ghana (-6% to 1,050 MT). (Chart 9).




In the first quarter of 2019, tropical veneer imports increased by 10% in France, to 11,600 MT, by 22% in Italy, to 8,100 MT, and by 120% in Greece to 2,500 MT. However, imports fell slightly, by 4%, to 4,550 MT in Spain.

**Benefits to UK merchants of stocking wide range of hardwoods**

The first edition of the UK Timber Trade Federation's Merchant News ([https://ttf.co.uk/latest/merchant-news/](https://ttf.co.uk/latest/merchant-news/)) includes an article focusing on the challenges and opportunities in the UK hardwood trade.

The article seeks to answer the question "Are merchants missing out on business by not making available a selection of sustainably-grown hardwoods from around the world"?

The article highlights how the market for hardwoods in the UK is constrained by the costs to merchants of holding a diverse range of expensive stock as well as by lack of knowledge of end-users of the wide range of species available.

The article quotes John Dowd, Specialised Product Category Director at International Timber,one of the UK's largest hardwood importers: "For many merchants the main difficulty is not having sufficient space to carry the ideal inventory: boards may not be the right width or length for bespoke joinery work, for example.

The main hardwood species we find demand for are American white oak, sapele, meranti, European oak, beech, and, for decking, bangkirai. One or two merchants succeed by keeping a small stock of hardwoods on the ground in-branch, but sawn hardwood lumber can be expensive to stock".

Commenting on the main hardwood species available to UK buyers and their respective uses, Chris Bowen-Davies, Key Accounts Manager at Brooks Bros Timber, notes that: "In terms of African hardwoods, sapele is our largest seller. It's a good all-rounder for external and internal use, with reasonable density and good machining capabilities. It's good for paint application too. Utile is still favoured as it tends to be more stable than many external hardwoods.

"Iroko is classed as Very Durable and lasts well in outdoor situations. It can be used for example as cill sections or for other outdoor joinery. It can also be used in boat-building and garden furniture, as well as for marine work," Brooks' Chris Bowen-Davies says. "idigbo is another durable material, but it needs a primer coat before any top paint coat is applied. Its availability from legal and sustainable sources can be somewhat erratic.

Travelling further round the globe, meranti, which comes from Se Asia, is a very popular joinery hardwood used in window and door manufacturing. It paints satisfactorily but its density can vary considerably."

The article notes that UK merchants are seeing a sales benefit from stocking the more familiar types of hardwood, in defined ranges to suit particular market segments, as Business Development Director at builders' merchants MGM Timber, relates: "We stock a range of hardwood mouldings in our branches.

European oak mouldings match the current fashion for Oak flooring, joinery and kitchens. We also stock meranti mouldings for the replacement market, including skirtings, architraves and window cill sections.

"The market for hardwood mouldings is very wide-ranging, from the enthusiastic DIYer to builders and joiners involved in RMI, window fitters and even housebuilders.

Local housebuilders want to increase the value of the homes they build by providing a high quality finish, which is where hardwood mouldings come in," Grant Wilson says.

Grant Wilson also notes that "ensuring sustainable sourcing is of primary importance on hardwoods", and this is a theme also highlighted by TTF Managing Director David Hopkins. Hopkins particularly emphasises the role of the FLEGT VPA process which is seen as having strong market development potential in the UK.

According to Hopkins, "FLEGT licensing is a mechanism for ensuring the legality of harvesting and supply at country-level, whereas the two main certification schemes license at individual forest and producer level.

Merchants should watch the FLEGT space as a number of African countries are going through the licensing process, which will eventually make more species available for purchase under EUTR rules."

## North America

### Hope for quick end to trade deal wanes

Talks to end the trade dispute between the US and China have hit a roadblock and relations between the economic superpowers have deteriorated. President Trump followed up on earlier threats and increased tariffs from 10% to 25% effective May 10 on US$200 billion of Chinese imports. China responded by upping tariffs on US$60 billion of US goods starting June 1.

China's State Council Customs Tariff Commission announced that 2,493 US products will be subject to a 25% tariff, 1,078 products will be hit with a 20% tariff and 974 products will be subject to a 10% tariff. A 5% tariff on 595 products will also remain in place.

Tariffs have already had an impact. Over the six-month period ending in March, wood product exports from the US to China dropped by US$700 million or 42% percent. Industries affected included firms that buy logs of hardwoods like walnut, maple and cherry.

### US furniture imports dip in March

US imports of wooden furniture fell by 9% in March. Declining imports from China was the main cause of the decline as imports of wooden furniture from China were down 29% from February.

Imports from China for March 2019 were 28% below that of March 2018 and finished the quarter down 17%. Imports from Canada, Mexico and Indonesia rose in March and all are now ahead of 2018 numbers for the first quarter.

Imports from Vietnam were down by 12% from January but remain well above March 2018 levels. Vietnamese imports have gained the most in the 1st quarter, up 24% year to date.

### Housing starts on the rise

Housing starts rose 5.7% to a seasonally adjusted annual rate of 1.235 million units in April, driven by gains in the construction of both single- and multi-family housing units. Groundbreaking was also likely boosted by drier weather in the Midwest.

Data for March was revised up to show homebuilding rising to a pace of 1.168 million units, instead of falling to a rate of 1.139 million units as previously reported. Building permits rose 0.6% to a rate of 1.296 million units in April, after three straight monthly declines. Single-family building permits, however, fell for the fifth straight month.

### But - sales of existing home slide

Existing-home sales saw a minor decline in April, continuing March's drop in sales, according to the National Association of Realtors. Two of the four major US regions saw a slight dip in sales, while the West saw growth and the Midwest essentially bore no changes last month.

Total existing-home sales fell 0.4% from March to a seasonally adjusted annual rate of 5.19 million in April. Total sales are down 4.4% from a year ago (5.43 million in April 2018).

### Consumer sentiment highest in 15 years

US consumers appear optimistic as the Index for Consumer Sentiment surged in early May to its highest level in fifteen years. All of the May gain was in the Expectations Index, which also rose to its highest level since 2004, while the Current Conditions Index was virtually unchanged and well below the cyclical peak set in March 2018.

Consumers viewed prospects for the overall economy much more favorably, with the economic outlook for the near and longer term reaching their highest levels since 2004. The gains were recorded mostly before the trade negotiations with China collapsed and China responded with their own tariffs.

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

### Manufacturing still expanding but at a slower pace

The overall economy grew for the 120th consecutive month and economic activity in the US manufacturing sector expanded in April, according to the nation's supply executives in the latest Manufacturing ISM Report on Business.

Comments from respondents reflect continued expanding business strength, but at the softest levels since the fourth quarter of 2016. Export orders contracted for the first time since February 2016.

The wood products sector was among six of the 18 manufacturing industries surveyed to report contraction in April, but it also reported growth in new orders.

### US distributor coalition to fight cabinetry anti-dumping decision

A coalition has been launched to fight the recent unfair trade allegations against ready-to-assemble cabinetry imports from China.

The formation of the American Coalition of Cabinet Distributors (ACCD), a group made up of US distributors, dealers, contractors, installers and importers, was in direct response to the antidumping and countervailing petition filed March 6 by the American Kitchen Cabinet Coalition.

The petition alleges the Chinese government's "manipulation and unfair trade practices" have led to a more than 75 percent rise in Chinese imports of kitchen and bath cabinetry since 2015 and created a threat to the US$9.5 billion American industry.

According to its website, (American Cabinet Distributors.org,) the small and medium-sized businesses represented by ACCD represent less than 10 percent of the US domestic cabinet industry sales, while employing tens of thousands of American workers. The ACCD claims imposition of proposed duties could effectively eliminate the RTA option from the US marketplace.

Although an April 19 preliminary vote by the US International Trade Commission determined that "there is a reasonable indication" that American cabinetry manufacturers are being harmed by Chinese imports of wooden cabinets and vanities, the ACCD said it is "encouraged" by the commission's views on the industry.

For more see:
https://www.woodworkingnetwork.com/news/woodworking-industry-news/us-distributor-coalition-set-fight-trade-case-rta-cabinetry-imports

### Largest US grocery chain pursues No-Deforestation policy

The largest grocery chain in the US will develop and implement a new plan to improve its protection of tropical forests.

See:
https://www.greencentury.com/kroger-to-adopt-deforestation-policy-following-green-century-engagement/
https://www.treehugger.com/corporate-responsibility/kroger-commits-no-deforestation-policy.html

Two years ago, the Union of Concerned Scientists released a report that ranked 13 major food companies on their deforestation-free beef commitments and practices, highlighting that fact that, "beef is the largest driver of tropical deforestation – and companies that buy beef from tropical countries could be doing a lot more to stop it."

Kroger, the United States' largest grocery chain and the country's largest second-largest general retailer behind Walmart, received zero points out of 100 in the rating of deforestation-free beef policies and practices. But now the company will be developing and implementing a no-deforestation policy that will cover its private label "Our Brands" products, according to a statement from Green Century Funds.

### US imports, Q1 2019 compared to Q1 2018

#### Highlights

#### Plywood

- An overall decline from the main shippers
- Imports from China fall further
- Surge in imports from Viet Nam

| | Q1 2018 | Q1 2019 | % change |
|---|---|---|---|
| China | 86,579 | 53,104 | -39% |
| Russia | 91,933 | 90,282 | -2% |
| Indonesia | 135,990 | 101,418 | -25% |
| Malaysia | 33,048 | 37,133 | 12% |
| Cambodia | 30,666 | 26,042 | -15% |
| Vietnam | 35,639 | 108,719 | 205% |
| Ecuador | 28,513 | 20,245 | -29% |
| Other | 124,914 | 130,907 | 5% |

#### Veneer

- Top shippers, Italy and China, saw declines in Q1 2019
- Strong export performance from India

| | Q1 2018 | Q1 2019 | % change |
|---|---|---|---|
| Italy | 2,895,667 | 2,379,567 | -18% |
| China | 1,682,276 | 841,168 | -50% |
| Ghana | 198,856 | 378,704 | 90% |
| Cote d'Ivoire | 637,855 | 935,576 | 47% |
| Cameroon | 270,735 | 10,102 | -96% |
| India | 395,915 | 948,402 | 140% |
| Other | 2,463,643 | 2,014,487 | -18% |

#### Mouldings

- Two main shippers, China and Brazil, saw quarter on quarter declines in Q1 2019

| | Q1 201 | Q1 2019 | % change |
|---|---|---|---|
| Brazil | 8,061,929 | 3,862,216 | -52% |
| China | 18,240,742 | 8,812,999 | -52% |
| Malaysia | 3,674,457 | 3,697,445 | 1% |
| Canada | 5,679,773 | 5,727,984 | 1% |
| Other | 10,707,805 | 10,890,678 | 2% |

#### Assembled flooring

- Shipments from China continue down
- Strong export performace by Indonesia and Viet Nam
- No shipments from Brazil in Q1 2019

| | Q1 2018 | Q1 2019 | % change |
|---|---|---|---|
| China | 9,262,017 | 5,724,293 | -38% |
| Canada | 8,269,199 | 8,126,465 | -2% |
| Indonesia | 2,679,899 | 5,509,033 | 106% |
| Vietnam | 529,586 | 4,992,044 | 843% |
| Thailand | 1,288,352 | 2,520,014 | 96% |
| Brazil | 119,016 | 0 | |
| Other | 11,808,628 | 10,531,988 | -11% |

#### Wooden Furniture

- All main shippers saw increased exports in Q1 2019 compared to Q1 2018 except China

| | Q1 2018 | Q1 2019 | % change |
|---|---|---|---|
| China | 2,130,825,486 | 1,758,523,397 | -17% |
| Vietnam | 916,088,689 | 1,139,425,715 | 24% |
| Canada | 336,612,125 | 338,576,089 | 1% |
| Malaysia | 183,172,904 | 204,998,732 | 12% |
| Mexico | 231,103,655 | 245,332,647 | 6% |
| Indonesia | 165,943,094 | 167,005,191 | 1% |
| India | 75,203,645 | 72,573,821 | -3% |
| Other | 635,929,923 | 644,017,402 | 1% |

Wooden furniture includes following HS codes: 940161/69, 940330/40/50/60

#### Hardwood sawnwood

- Strong export performance by Cameroon, Brazil and Indonesia
- Sharp drop in shipments from Cote d'Ivoire

| | Q1 2018 | Q1 2019 | % change |
|---|---|---|---|
| Ecuador | 12,097 | 13,330 | 10% |
| Brazil | 12,996 | 16,881 | 30% |
| Cameroon | 4,010 | 5,946 | 48% |
| Malaysia | 7,613 | 8,214 | 8% |
| Congo (Brazzaville) | 3,078 | 3,623 | 18% |
| Peru | 110 | 177 | 61% |
| Indonesia | 2,552 | 4,100 | 61% |
| Ghana | 1,957 | 2,079 | 6% |
| Cote d'Ivoire | 462 | 308 | -33% |
| Other | 9,043 | 10,540 | 17% |

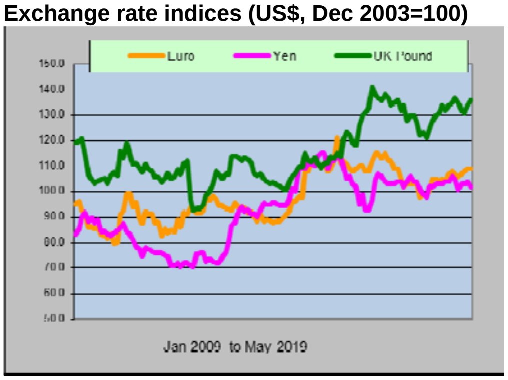
Data for all table sourced from the US Dept, of Commerce, Foreign Trade Statistics.

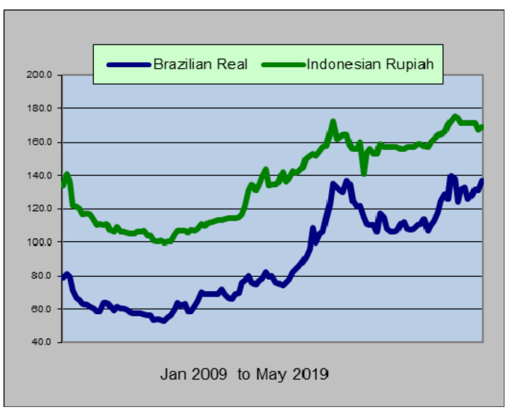
## Dollar Exchange Rates

**As of 25 May 2019**

| | | |
|---|---|---|
| Brazil | Real | 4.0247 |
| CFA countries | CFA Franc | 586.35 |
| China | Yuan | 6.9 |
| EU | Euro | 0.8923 |
| India | Rupee | 69.38 |
| Indonesia | Rupiah | 14393 |
| Japan | Yen | 109.3 |
| Malaysia | Ringgit | 4.1864 |
| Peru | New Sol | 3.32 |
| UK | Pound | 0.7867 |
| South Korea | Won | 1185.33 |

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



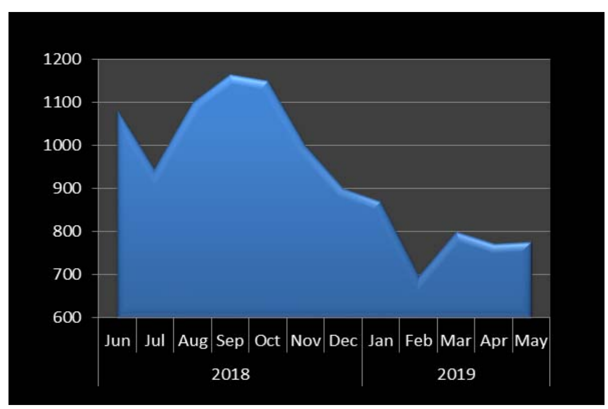




## Abbreviations and Equivalences

| | |
|---|---|
| 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**
**June 2018 – May 2019**

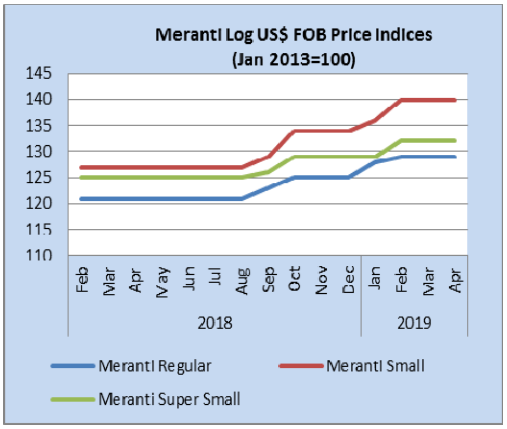



Data source: lloydslist.maritimeintelligence.informa.com

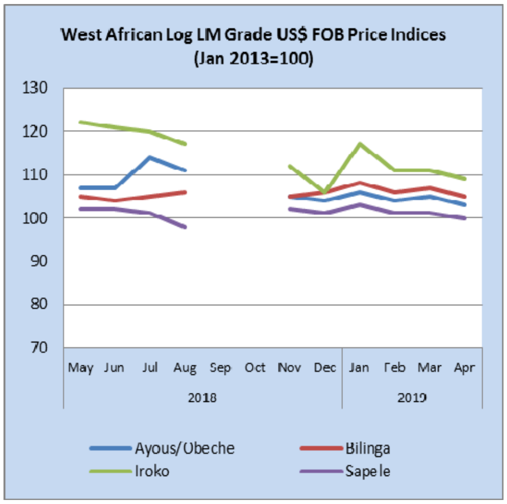
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

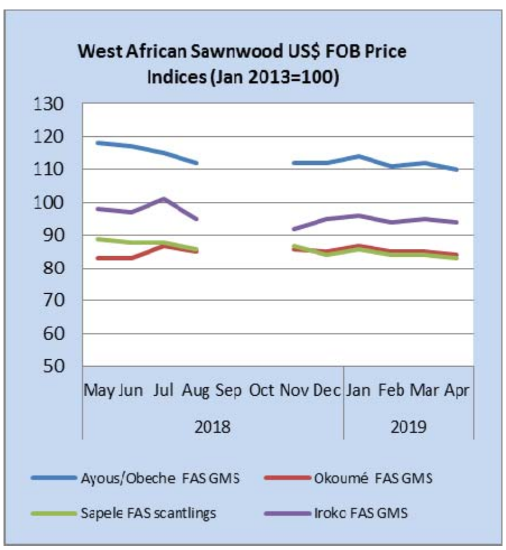
## Price indices for selected products

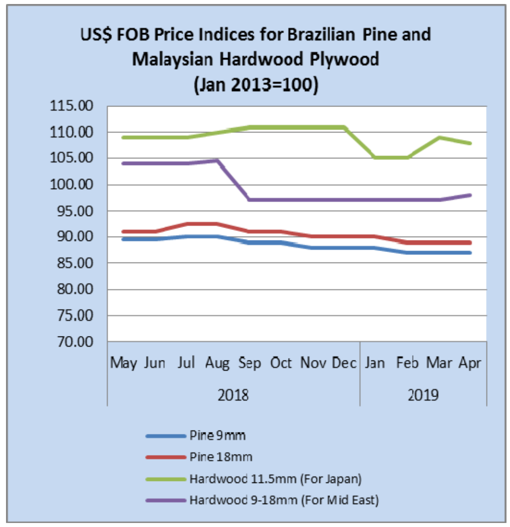
The following indices are based on US dollar FOB prices

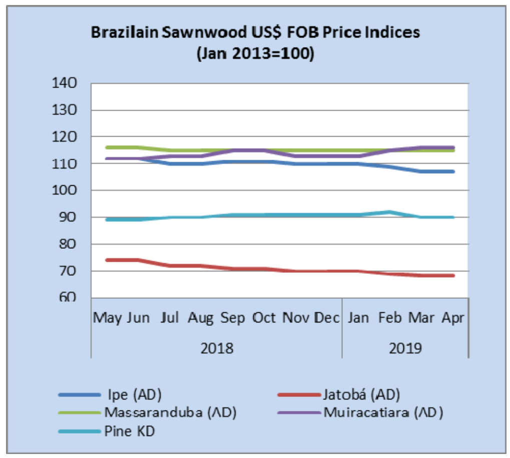



Note: Sarawak logs for the Japanese market




Note: Jatobá is mainly for the Chinese market.

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