

Tropical Timber Market Report

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Top Story

New President for Peru's exporters association (ADEX)

Erik Fischer will assume the leadership of the Peruvian Association of Exporters (ADEX) following the resignation of Alfonso Velásquez.

According to ADEX, Fischer is a strong supporter of forest governance in Peru and defender of the Forest Development Executive Board agenda. This is the first time that ADEX has a president from the forestry sector.

See page 9

Central and West Africa

Uncertainty in the markets felt by producers

Producers in the region are experiencing a sharp downturn in orders and enquiries at a time when buyers in the EU would normally be preparing for autumn deliveries.

Traders are talking of increased competition in the EU tropical hardwood markets as demand has started to weaken due to concerns on the impact of Brexit and slowing global growth prospects.

In contrast to the impression that demand is slowing, the impact of Rougier downsizing its African operations and news that Wijma is to close its Ivory Coast sawmill has lifted interest in some African hardwoods especially sapele, iroko and sipo.

There are indications that mills in Cameroon are preparing to resume operations and this could take some heat out of demand for the more popular species.

News from Gabon is suggesting the Minister of Forestry has authorised shipment of added value Kevazingo products and analysts write that the trade in Gabon is anticipating a decision on clearing the kevazingo log stocks.

Container traffic up 2% in the first half of the year

In an interview with American Shipper, Søren Skou, Maersk CEO, said trade tensions between the US and China have had a limited impact on Maersk's business and that the north-south African trade was holding up.

American Shipper quotes Skou as saying "We don't believe that tariffs are good for the global economy and we do not welcome them. That being said, the impact from the US-China tariffs and trade tensions on global trade has been quite manageable for us, so far."

He added that global container trade was up about 2% in the first half of 2019 despite the lower US imports.

Equatorial Guinea/Cameroon border wall

News that the government of Equatorial Guinea is discussing plans to build a wall along its border with Cameroon has caused considerable concern amongst Cameroonians, many of whom work in or regularly do business in Equatorial Guinea, an oil rich country.

The two nations are members of the Central African Economic and Monetary Community (CEMAC) and a 'hard' border would seem counter to the lifting of visa requirements agreed in 2017. A closed border would effectively disrupt smuggling, an issue in the timber sector.

See: <https://www.dw.com/en/whats-behind-the-equatoguinean-cameroon-border-wall-plan/a-50055871>

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	280↓	280↓	-
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	300	280	230
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	330↓	330↓	-

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	720
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

Ghana to host World Teak Conference

Ghana has been selected to host the 4th World Teak Conference in August 2020, the first in Africa. The conference will focus on the current state of knowledge and challenges for the sustainable development of the global teak sector in a changing world.

The event will be organised by the International Teak Information Network (TEAKNET) in collaboration with the Ghana Forestry Commission, the International Tropical Timber Organisation (ITTO), Japan, and FAO.

Topics to be discussed at the conference include smallholder teak farming, marketing and livelihoods of rural communities; cost-benefit analysis on teak investments; promoting responsible trade and marketing of

teak; tree improvement, genetics, silviculture and stand management; community forestry and environmental protection and biodiversity conservation.

In Ghana teak constitutes about 70% of plantation forest species and in 2018 teak exports accounted for almost 50% of total wood product exports.

Government urged to provide targeted support for SMEs

Business managers have called on the government to do more for SMEs as current policies do not favour them. Calls have been made for targeted interventions in the sector, particularly in the area of utility charges, interest rates and financing for SMEs.

A consultant from the International Finance Corporation, Neustadt Amarteifio, said the high cost of financing was a challenge that confronted SMEs and stifles growth of the sector.

The Managing Director of Stanbic Bank and President of the Ghana Association of Bankers (GAB), Alhassan Andani, said although banks had been supporting SMEs, their efforts are not good enough and called on policy makers to pay particular attention to the growth and welfare of SMEs.

In related news, the President of the Republic has expressed concern on the high interest rates in the country which is affecting 'Doing business in Ghana' and also the development of the private sector.

He has tasked the International Finance Corporation (IFC), the Bank of Ghana (BoG) and the Ministry of Finance to find a means to bring down interest rates.

Business confidence steady but high cost of power supplies still a concern

According to the Association of Ghana Industries (AGI) Business Barometer Report, business confidence in the first quarter of 2019 improved marginally compared to the last quarter of 2018.

The report acknowledged that 2018 ended with a number of positive decisions, especially the banking sector reforms which reduced the number of banks to 23 from 35. Notable challenges continue to be exchange rate volatility, the high cost of raw materials and the high cost of electricity.

See:

https://www.agighana.org/uploaded_files/document/caf315d93fa782858ced96f4a255b3b9.pdf

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	534
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	349	445
Chenchen	431	630
Ogea	508	590
Essa	614	733
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfin	728
Avodire	721
Chenchen	1,543
Mahogany	1,731
Makore	855
Odum	2,797

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m ³		
	Ceiba	Ofram	Asanfin
4mm	312	640	641
6mm	412	535	604
9mm	400	446	560
12mm	510	463	480
15mm	450	338	430
18mm	450	441	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m ³	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfin	465	564
Ceiba	405	487
Dahoma	477	484
Edinam (mixed redwood)	520	724
Emeri	532	560
African mahogany (Ivorenensis)	930	1,008
Makore	740	810
Niangon	620	633
Odum	649	865
Sapele	700	838
Wawa 1C & Select	420	466

Malaysia

Optimism high that 2019 wood product exports will be a record

The government has reported that wood product exports for the first 5 months of this year were up just over 2% year on year. Based on this performance it is anticipated that exports for the full year could exceed the RM22.3 billion recorded last year. Last year the wood products sector contributed 1.6% to national GDP.

Forestry laws under review

Tengku Zulpuri Shah Raja Puji, Malaysia's Deputy Minister of Water, Land and Natural Resources said that the government is reviewing the current forestry laws and will consider suggestions on amendments that would strengthen forest protection.

In August environmental activists lobbied demanding changes to the current decades old laws in order to strengthen forest protection and to increase punishments for forest-clearing, corruption and pollution.

One option being considered is closer coordination between the central government and state administrations. Under Malaysia's constitution, forest management falls mainly under State not Federal control. Many complain that this has led to greater focus on economic interests compared to the environment or indigenous people's right.

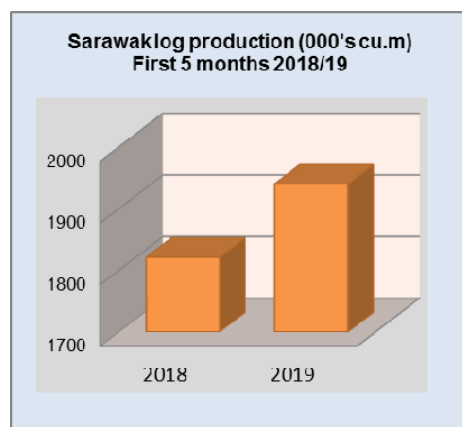
Forest fires in Sarawak

The current dry spell has resulted in several forest fires in Sarawak, especially in the northern Miri area. In early August forest and peat fires were out of control in Kuala Baram and had extended over 600 hectares. Unseasonably strong winds and dry weather contributed to the rapid spread of the fires.

Malaysia will establish a National Action Plan for Open Burning and refine the existing National Haze Action Plan. In early August much of Malaysia was affected by smoke as forest fires continued to rage in Sumatra and Kalimantan.

Sarawak log Production

The Sarawak Statistics Department has released log production data for the first five months of this year showing an almost 7% rise compared to 2018. This data has been met with scepticism in trade circles.



Data source: Sarawak Statistics Dept.

New head for MTC in Europe

In a press release the Malaysian Timber Council (MTC) has announced it has moved its operations to Rotterdam and appointed Agnes Seah as the new Regional Head of MTC Europe.

As Regional Head of MTC Europe, Seah will oversee all operations that represent MTC's interest in the region. MTC moved its operation from London to Rotterdam in April to better facilitate trade-related matters in Europe.

See:

http://www.mtc.com.my/images/media/685/Press_Release_on_Agnes.pdf

Plywood prices

Plywood traders based in Sarawak reported the following June export prices.

CP (3' x 6')	US\$ 510 – 530 C&F
UCP (3' x 6')	US\$ 610 – 630 C&F
Middle East	US\$ 430 FOB
South Korea	
(9mm and up)	US\$ 435 C&F
Taiwan P.o.C.	
(9mm and up)	US\$ 410 FOB
Hong Kong	US\$ 445 FOB

There were no exports of FB (11.5 mm) in June.

Indonesia

Vietnam a major competitor in US furniture market

Indonesian furniture producers are unable to expand market share in the US despite the tariffs on Chinese products.

Based on data from the Indonesian Center for Reform of Economics (CORE) in April 2018, when the US Government began imposing tariffs on Chinese products, the furniture market share of China in the US was 48%, while Vietnam's was 7.4% and Indonesia's 1.63%. A year later China's market share fell to 46%, while Vietnam's rose to 10.5% but Indonesia's share did not change much, rising to only 1.65%.

Mohammad Faisal, Executive Director of CORE Indonesia said that Indonesia has adequate raw materials so it should have taken advantage of the market opportunity in the US. However, as he pointed out, there are several reasons why domestic furniture products failed to capture more of the market from China, one of which that Indonesian exporters lack ability to identify market preferences and lack skills to innovate.

See:

<https://ekonomi.bisnis.com/read/20190801/257/1131279/furniture-vietnam-jadi-pesaing-berat-produk-indonesia>

Attracting overseas furniture firms to Indonesia

The government has seen an opportunity in the trade conflict between the US and China and is working to attract Chinese furniture manufacturing companies to move operations to Indonesia. The Head of the Investment Coordinating Board (BKPM), Thomas Lembong, said Chinese companies in Dongguan have been approached. In addition to Chinese enterprises, efforts have been made to attract companies in Taiwan P.o.C.

Community forests to be redefined to boost log availability

The Ministry of Environment and Forestry (KLHK) plans to redefine community plantation forests (HTR) as small-scale industrial forest plantations forest (HTI).

To effect the change the Minister directed the Director General of Social Forestry and Environmental Partnership (PSKL), Bambang Supriyanto and Acting Director

General of Sustainable Production Forest Management (PHPL), Bambang Hendroyono, to review regulations.

This change was decided upon as the HTRs have not delivered the economic benefits expected and have not been registered in the Forest Product Administration Information System (SIPUHH) of the Directorate General of PHPL making it difficult for owners to find buyers for their logs. The Minister hopes that with the new regulation, HTR will have the same business function as HTI without a reduction in the social benefits.

The Association of Indonesian Forest Concessionaires (APHI) added its support to the planned change which will encourage community forest plantations to be managed as small-scale industrial plantations. APHI Executive Director, Purwadi Soeprihanto, said this change would benefit plantation owners and has the potential to deliver more raw materials for manufactures.

See:

<https://ekonomi.bisnis.com/read/20190730/99/1130357/tingkatkan-produktivitas-skema-bisnis-hutan-tanaman-rakyat-bakal-berubah>

and

<https://ekonomi.bisnis.com/read/20190730/99/1130386/aphi-dukung-rencana-pemerintah-ubah-skema-bisnis-hutan-tanaman-rakyat>

Permanent moratorium on forest permits

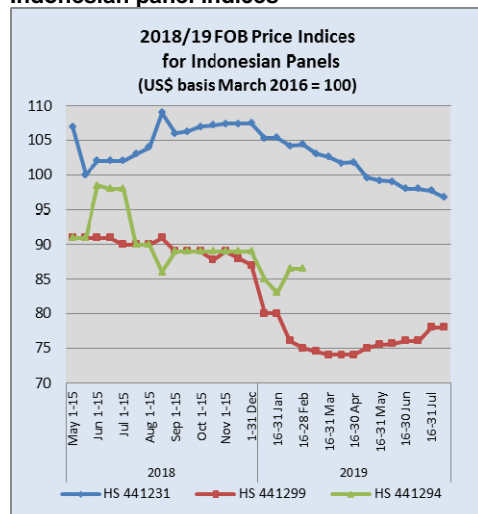
The Indonesian President has signed a Presidential Instruction regarding the moratorium on forest area permits. The Minister of Environment and Forestry, Siti Nurbaya, said the moratorium is now permanent for primary and peat forests. Previously the moratorium was renewed every two years.

See:

<https://nasional.kontan.co.id/news/presiden-jokowi-tandatangani-inpres-moratorium-izin-hutan>

<https://republika.co.id/berita/pvw6rc383/pemerintah-hentikan-pemberian-izin-kelola-baru-hutan-primer>

Indonesian panel indices



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

Myanmar

MTE facing slow sales of hardwood logs

The Myanmar Timber Enterprise (MTE) has said it is holding as much as 40,000 tons of unsold inn-kanyin logs from last years' harvest. Inn-kanyin logs from Myanmar are commonly used for plywood face veneer. The price of first quality of inn-kanyin logs is between US\$700-800 ex-site but at this price plywood manufacturers complain it pushes production costs too high. Prices for teak and other hardwood logs have been rising since a decision was made to lower the annual allowable cut.

U Ohn Win, Minister of Natural Resources and Environmental Conservation, has called on MTE to further reduce in harvest levels in 2019/20 saying the harvest should be just sufficient to cover the costs of logging.

The Minister also mentioned an age limit for teak harvests and urged the planting of three seedlings for every tree felled in Mandalay and Sagaing. The Ministry is also planning support for the mahouts and working elephants affected by the reduction in logging.

Myanmar Arbitration Center opened

For the first time a Myanmar Arbitration Center has been opened at the headquarters of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). In the past the UMFCCI formed the mediation committees to deal with commercial disputes between business persons and merchants. Myanmar passed an Arbitration Law in 2016 in order to solve commercial disputes.

At the Arbitration Center opening ceremony, U Zaw Min Win, President of UMFCCI, reminded Arbitrators not to be biased as action will be taken against biased and dishonest members. With the creation of the Arbitration Center dispute resolution will become more transparent.

Union taxation law

The Parliament recently passed the Union Taxation Law which set a tax of 10% on logs and sawnwood for export and 5% for import (export of logs from the natural forest is banned). Manufacturers have urged the government to reduce the tax on imports.

While it is understood the Ministry of Natural Resources and Environmental Conservation is in favor of reducing tariffs on the importing wood as manufacturers have a hard time competing with products from neighboring countries.

Log Tender Prices for July 2019

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	70.70	3,325
SG-5	99.706	2,842
SG-6	287.73	2,193
SG-7	670.50	1,620

Other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	-	-
Kanyin	2nd	5,687.4	654.60
Pyinkado	2nd	646.0	790.84
In	2nd	-	-

India

Home buyers find some relief in interest rate cut

India's economy grew at its slowest pace in more than four years in the January-March period, falling behind China's pace for the first time in nearly two years.

On the housing front, home sales in India's main property markets declined by 11% year-on-year in the first quarter (April-June) of the current financial year. During the same period housing starts dropped almost 50%.

Home buyers will welcome the cut in interest rates by India's largest lender State Bank of India (SBI) and other lenders following the decision of the Reserve Bank of India to lower interest rates.

In related news, the government is planning construction of 18 million new homes with electricity supplies and fittings for cooking gas to fulfill an election promise to rural voters.

Plantation teak imports

Optimism amongst teak importers was dented recently as the rupee slipped by around 4% against the dollar driving up import costs. Against this background, and with no decision on easing the advance payment conditions under the Goods and Services tax rules, C&F prices are stuck at the same level as a month ago.

	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

While demand and import levels are balanced traders report severe market competition such that prices, while steady, are under pressure.

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

Analysts report that weakening demand levels reported earlier continued into early August citing the sluggish housing market and dampened consumer sentiment because of political issues.

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

No changes in demand or prices for imported European and US hardwoods has been reported.

Sawnwood, (Ex-warehouse) (KD 12%)	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

Millers report continued increases in production costs driven by rising log costs and wages. The increases have now become so high that wholesale prices have been increased.

The various plywood manufacturers associations collectively decided to increase prices by around 7% as shown on the right.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood	Rs. per sq.ft
Ex-warehouse	
4mm	74.00↑
6mm	98.00↑
9mm	123.00↑
12mm	153.00↑
15mm	200.00↑
18mm	215.00↑

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	37.50↑	53.50↑
6mm	55.50↑	70.50↑
9mm	70.50↑	86.50↑
12mm	87.00↑	102.00↑
15mm	102.00↑	123.00↑
19mm	119.00↑	141.00↑
5mm Flexible ply	75.00↑	

Vietnam

Rubberwood – a major raw material in Vietnam

Rubberwood has become an important raw material for Vietnamese wood product exporters. Over the past few years clearing of rubberwood for replanting has yielded a volume of between 4.5 and 5 million cu.m of roundwood and some 70% of this is utilised by manufacturers.

In 2017, exports of rubberwood products were worth around US\$1.7 billion accounting for almost 25% of Vietnam's wood products exports.

In the future this source of raw material will have sustainable forest management certificates and CoC documents to satisfy demands for legality verification.

The greater use of rubberwood will sharply improve the supply of raw material for Vietnamese manufacturers.

Piloting Vietnam's Forest Certificate System

In order to certify 20,000 hectares of plantation forests in accordance with the Vietnam Forest Certification System (VFCS), the Vietnam Administration of Forest and Vietnam Rubber Group (VRG) plans to coordinate with sector stakeholders to ensure Vietnamese wood product manufacturers meet the standards set in the VFCS for sustainable management and for CoC.

The Vietnam Rubber Group has already signed an agreement under which about 12,000 ha. of rubberwood will be certified.

To build upon this effort the VRG and its members organised training activities for stakeholders on (i) building capacity to understand and implement CoC and certify SFM (ii) Planning the roadmap to achieve CoC (iii) submitting documents to verify SFM and CoC.

See: <http://tapchicaosu.vn/tin-tuc/thoi-su-trong-nganh/tong-cuc-lam-nghiep-se-ho-tro-vrg-cap-chung-chi-rung-cho-10-000-ha-cao-su.html>

Calls for long-term plantation plan

Forest plantations play a vital role in the national wood processing industry and Nyssaceae (dogwood) is utilised commercially. Due to intense pressure on manufacturers to secure raw materials Nyssaceae trees are being harvested after just 5-7 years and this has raised concerns as felling at such an early stage diminishes the economic potential of the plantations.

To address the issue of Nyssaceae harvesting, Ha Cong Tuan, Deputy Minister in the Ministry of Agriculture and Rural Development (MARD), signed a Decision (No. 2962) providing regulations for Nyssaceae harvests.

The new regulations are seen as demonstrating the determination of government to improve the current obstacles in the national wood processing industry and to promote sustainable harvesting and export of certified wood products.

According to the Forestry Administration worth wood product exports were almost US\$7 billion in the first 6 months of 2019.

The General Statistics Office (GSO) has reported that in the second quarter of 2019 the central plantation forest area was estimated at 78,000 ha a decline of around 5% compared to the same period of 2018. These plantations produced around 7 million cu.m.

See: <http://fpabinhdinh.com.vn/tinh-hinh-xuat-nhap-khau-go-va-san-pham-tinh-den-trung-tuan-thang-7-2019/>

Brazil

Furniture sector strategy to promote export

There is a prominent furniture cluster in Bento Gonçalves and the Bento Gonçalves Furniture Industry Union (SINDMÓVEIS) has started to support training in export marketing.

The first training course focused on export-related issues such as risks and costs, production capacity, quality and brand image as well as tax incentives for exporters. Other topics include global market strategy and development, international marketing plans and promotion of Brazilian brands abroad.

In comments to the local media a spokesperson for SINDMÓVEIS said the first export training programme involves four seminars until year end.

Drop in June domestic furniture sales

After an almost 16% year on year increase in May 2019 domestic furniture sales fell in June, the first decline in the second quarter. Up to May this year the accumulated sales growth was around 8% and the annualised rate rose slightly.

Export update

The value Brazilian exports of wood-based products in June 2019 (excluding pulp and paper products) fell 12% year on year from US\$263.4 million to US\$230.6 million.

The value of June 2019 pine sawnwood exports dropped around 5% year on year (2018 June US\$45.5 million and 2019 June US\$43.4 million). In volume terms exports increased 11% from the same period in 2018 from 214,200 cu.m to 237,700 cu.m.

Tropical sawnwood exports also fell in June dropping 14% in volume, from 47,400 cu.m (June 2018) to 40,800 cu.m in June 2019. But in terms of value exports dropped almost 19% from US\$19.1 million to US\$ 15.5 million.

The downward trend in exports continued with pine plywood which recorded a 36% fall in the value of exports in June 2019 in comparison with June 2018, from US\$60.8 million to US\$38.7 million. Export volumes also fell but by a lesser amount dropping 10% from 173,700 cu.m in June 2018 to 155,700 cu.m this June.

The decline in exports was even more severe for tropical plywood as export volumes fell 39% and export values dropped a massive 46% from 11,600 cu.m (US\$1.2 million) in June 2018 to 7,100 cu.m (US\$ 2.8 million) in June 2019.

Adding to the bad news, wooden furniture export earnings fell from US\$49.1 million in June 2018 to US\$43.4 million in June 2019, an almost 12% decline.

Furniture production in Rio Grande do Sul higher than national average

The July 2019 report on Brazil's foreign trade in furniture published by the Market Intelligence Institute (IEMI) shows that between January and May, 2019 furniture production in Rio Grande do Sul expanded around 8%, higher than the national industry average.

According to the Brazilian Institute of Geography and Statistics (IBGE), over the past 12 months furniture production in Rio Grande do Sul expanded around 8% while at the national level there was a decline. The three southern states, Santa Catarina, Rio Grande do Sul and Paraná are the top 3 in terms of furniture exports accounting for 86% of the national total. A further 10% is exported from São Paulo.

The main export markets in June were the US, with 18% of exports, followed by the UK, 13%, and Uruguay, 13%. In June there was a spike in exports to Bolivia.

Strong demand for pulp lifts Mato Grosso do Sul exports

According to the Mato Grosso do Sul Federation of Agriculture and Livestock (FAMASUL) during the first six months of 2019 forest product exports from the state increased by 12% over the same period of the previous year.

According to FAMASUL this increase was due to the increased international demand especially from China which accounted for about 60% of all wood product exports. There is a large area of eucalyptus plantations in Mato Grosso do Sul extending over around 1 million hectares and exports are mainly of wood pulp.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	205↑
Jatoba	114↑
Massaranduba	109↑
Muiracatiara	109↑
Angelim Vermelho	107↑
Mixed redwood and white woods	90↑

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	825↑
Jatoba	438↑
Massaranduba	415↑
Muiracatiara	381↑
Angelim Vermelho	371↑
Mixed red and white	244↑
Eucalyptus (AD)	191↑
Pine (AD)	139↑
Pine (KD)	161↑

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	528↑
10mm WBP	419↑
15mm WBP	343↑
4mm MR	411↑
10mm MR	295↑
15mm MR	270↑

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	215↑
15mm MDF	252↑

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,419↓
Jatoba	865↓
Massaranduba	841↓
Muiracatiara	850
Pine (KD)	185↓

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports. High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	288↓
12mm C/CC (WBP)	272↓
15mm C/CC (WBP)	253↓
18mm C/CC (WBP)	248↓

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,828↑
Jatoba	1,450↑

Source: STCP Data Bank

Peru

New President for exporters association

The Association of Exporters (ADEX) has announced the resignation of its president Alfonso Velásquez. In accordance with the association's constitution the first Vice President, Erik Fischer, will assume the leadership of the export union and will serve until 31 March 2021.

Fischer, according to ADEX, is a promoter of forest governance in Peru and defender of the Forest Development Executive Board agenda. This is the first time that ADEX has a president specialising from the forestry sector.

Promoting the use of legal wood products

Taking advantage of the 2019 Pan American and Para-Pan American Games to be held in Lima the National Forest and Wildlife Service (SERFOR) will mount a campaign 'Casa Peru' with the aim of promoting the use of legal wood products. It is government policy to prioritise the forestry sector because it has high economic potential.

The theme of 'Casa Peru' is to promote the domestic use of legal wood in architectural projects and for wooden items for the home. Samples have been manufactured from wood from well managed forests and come with details of traceability and are for display to the public.

The use of Amazonian species such as capirona, anacspi, shihuahuaco, quinilla, yacushapana and others, which are sustainably managed, will be exhibited.

Particleboard imports up 13%

Between January and May 2019 Peruvian imports of composite panels were worth US\$42.23 million, a 13% year on year increase. Ecuador was the main supplier followed by Chile and Spain. Recently producers in Brazil have secured market share in Peru.

Forest fires a challenge for SERFOR

According to SERFOR more than 30 forest fires have been reported over the past month. Fires have been reported in the Departments of Amazonas, Cusco, Apurímac, Puno, Ancash, Huancavelica, La Libertad and Ayacucho. Some fires were burning in the altimontano mountain forest, an ecosystem that is very vulnerable to fire, but these have been controlled. Forest fires in the country are mostly caused by farmers clearing the land.

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	961-981▲
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

	US\$ per m ³
Peru sawnwood, domestic Mahogany	-
Virola	264-275▲
Spanish Cedar	333-352
Marupa (simarouba)	221-232

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 Lupuna plywood	389-412
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	1327-1398
Cumaru KD, S4S	
Swedish market	97991098
Asian market	1085-1119
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	544-577
2x13x75cm, Asian market	756-822

Japan**Economy gets a boost from holiday spending**

Japan's economy grew faster than expected in the second quarter driven higher by consumer spending over the 10 day public holidays to celebrate the new imperial era. Is a welcome boost to the government as it intends to raise the consumption tax in October. The last time Japan raised the consumption tax in 2014 there was a decline in consumption and this especially affected spending on durable goods such as furniture.

Some economists have warned that now is not the time to raise taxes because of uncertainty over global trade and the possibility of a 'no-deal' Brexit. However, the government seems determined to go ahead and has planned measures to cushion the impact on the economy.

Expansion of capital investment forecast

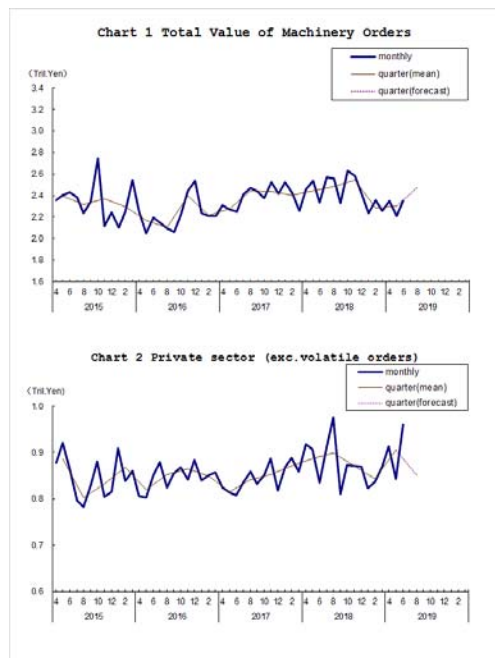
The Cabinet Office has just released data on machinery orders in June, 2019 and its forecast for the third quarter.

The total value of machinery orders received by 280 manufacturers operating in Japan increased by 6.3% in June from the previous month which translates to a 1.1% rise in the April-June period compared with the previous quarter.

In the July-September period the total amount of machinery orders is forecast to increase by around 7% but private-sector orders have been forecast to drop by 6% from the previous quarter.

Machinery orders, while a highly volatile data series, are regarded as an indicator of capital spending in the short term.

See: <https://www.esri.cao.go.jp/en/stat/juchu/1906juchu-e.html>

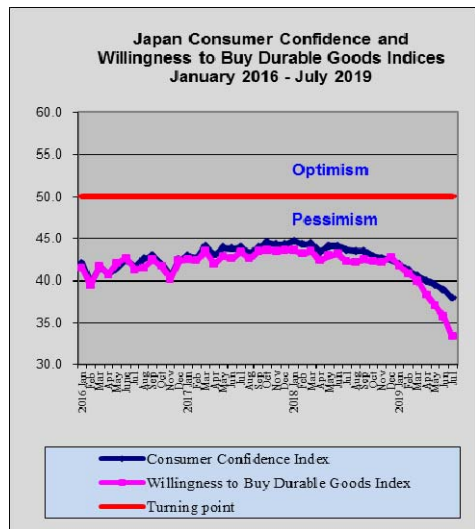


Source: Cabinet Office, Japan

Consumer spending at all time low

While over the past month household spending has risen over the past decade there has been a steady decline as households spend less and less of their disposable income.

Data just released by the ministry of internal affairs shows that the percentage of income spent dropped to 64% in June, the lowest on record. The reluctance to spend is reflected in the consumer confidence survey data which reported that consumer confidence in July fell to its lowest level in more than five years.



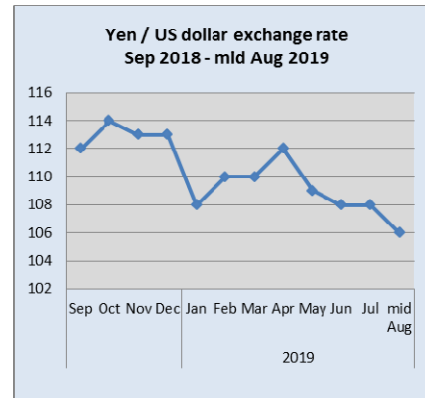
Data source: Cabinet Office, Japan

Yen set to strengthen further

From a high of 114 to the US dollar in November 2018 the yen is now 7% lower at 106 to the dollar and it is forecast to strengthen further which will undermine the actions of the Bank of Japan (BoJ).

If the yen strengthens to 100 to the US dollar this would be a serious blow to exporters and is likely to result in further monetary easing by the BoJ. Last month, the BoJ said it would act without hesitation if the stability of the economy is threatened.

Over the past six years, the BoJ has been trying to achieve a 2% rate of inflation but is yet to succeed.

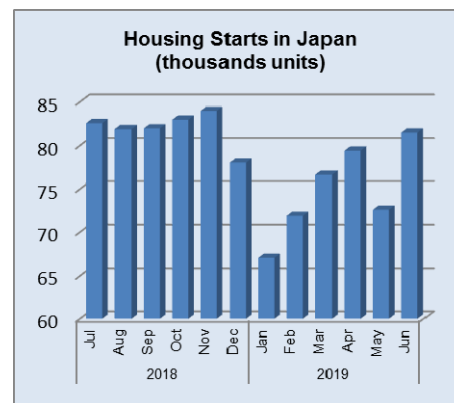


Overseas investors pour money into Japanese real estate

Japanese real estate companies have once again reported that US and British investment firms are very active in the Japanese real estate market, being attracted by the very low cost of borrowing.

It is reported that British firm plan to invest in housing for the elderly, clearly a growth market given Japan's aging population. Several Japanese finance companies are teaming up with overseas investors in a yen 100 billion rental housing scheme.

The surge of interest in Tokyo properties has caused analysts to caution that the market could be 'overheating'. Sales on buildings in Tokyo according to Daiwa Real Estate Appraisal were the highest since before the 2008 financial crisis.

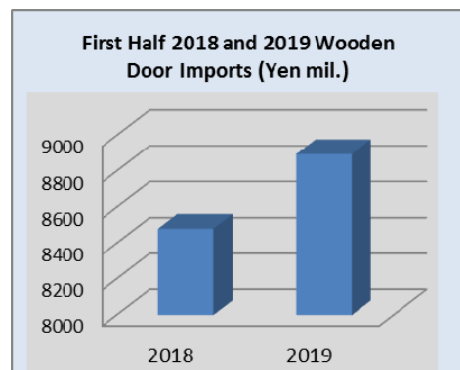


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

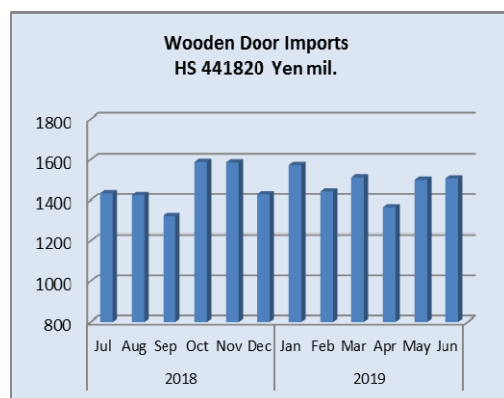
The value of Japan's first half 2019 imports of wooden doors (HS441820) were up around 5% on the same period in 2018



Data source: Ministry of Finance, Japan

The value of Japan's June imports of wooden doors (HS441820) rose around 3% from May, the third consecutive monthly increase.

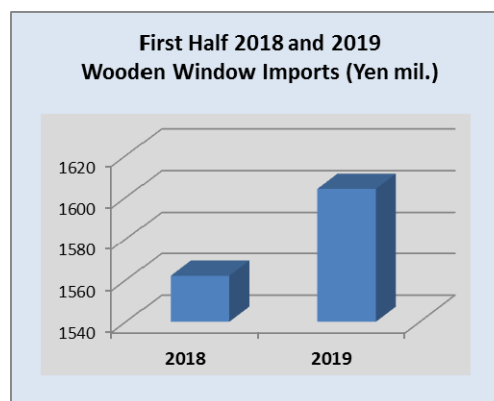
As in previous months the top four shippers accounted for over 80% of June imports with manufacturers in China accounting for 67% of June imports followed by the Philippines (19%). A further 3-4% was shipped from both Indonesia and Malaysia .



Data source: Ministry of Finance, Japan

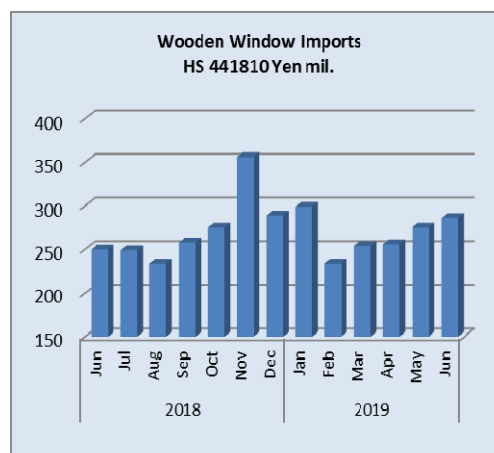
Wooden window imports

The value of Japan's first half 2019 imports of wooden windows (HS441810) were up around 3% on the same period in 2018.



Since February this year there has been a steady rise in Japan's imports of wooden windows (HS441810). The value of June imports were up almost 6% year on year and month on month June imports rose around 4%.

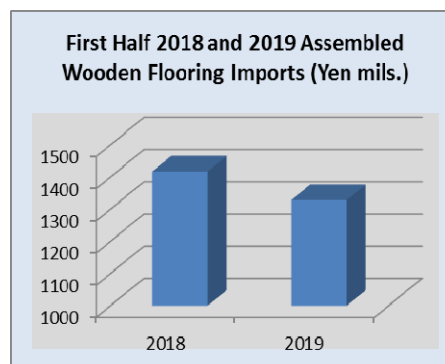
The top three in June were China (36% of imports) the US (28%) and there was a sharp rise in imports of wooden windows from the Philippines which contributed over 20% to total window imports.



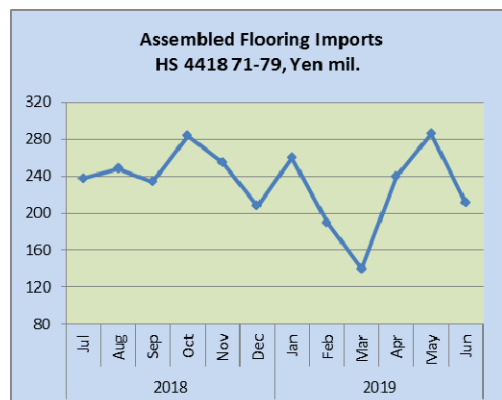
Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

The value of Japan's first half 2019 imports of assembled wooden flooring (HS441871-79) dropped 6% from the same period in 2018.

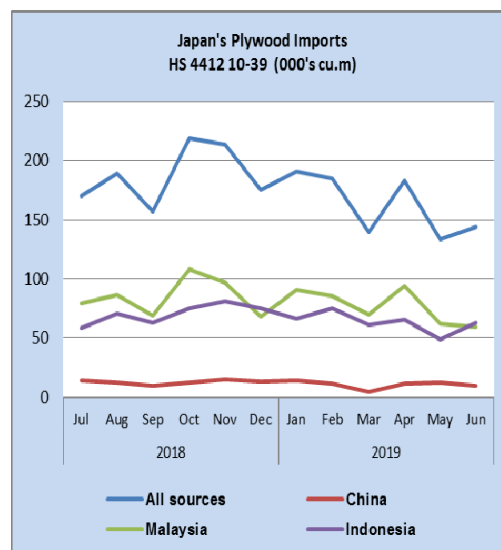


Of the range of categories of assembled wooden flooring imported into Japan, HS441875 accounts for the largest proportion with China, Indonesia, Malaysia and Thailand being the top shippers in order of magnitude. June 2019 imports of assembled wooden flooring were down 8% year on year and down a massive 25% compared to the value of May imports.



Data source: Ministry of Finance, Japan

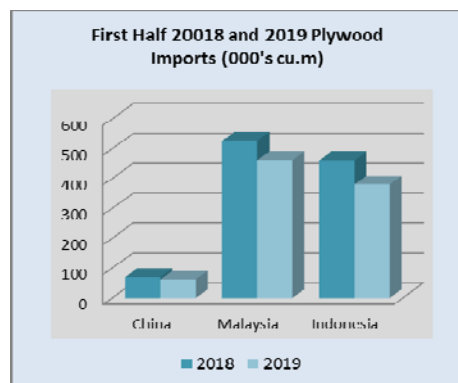
HS441233 and HS441234 contributed 5% each with another 2% being HS441239.



Data source: Ministry of Finance, Japan

Plywood imports

The volume of Japan's first half 2019 imports of plywood (HS441210-39) dropped 15% compared to the same period in 2018. There has been a downward trend in the volume of imports since November 2018. The volume of imports from the main suppliers Malaysia, Indonesia and China have fallen with Malaysia and Indonesia posting the largest declines.



One category of plywood, HS441875, dominates Japan's plywood imports and in June, as in the previous months, accounted for well over 60% of all plywood imports. The changes reported in Japan's plywood importing sector continue to emerge.

Year on year the volume of June imports of plywood were down a massive 23%. Year on year shipments from Malaysia were down 23% in June, shipments from Indonesia dropped 21% in June and there was a 25% drop in June shipments from China.

As in previous months plywood imports were dominated by HS 441231, accounting for 88% of all June imports.

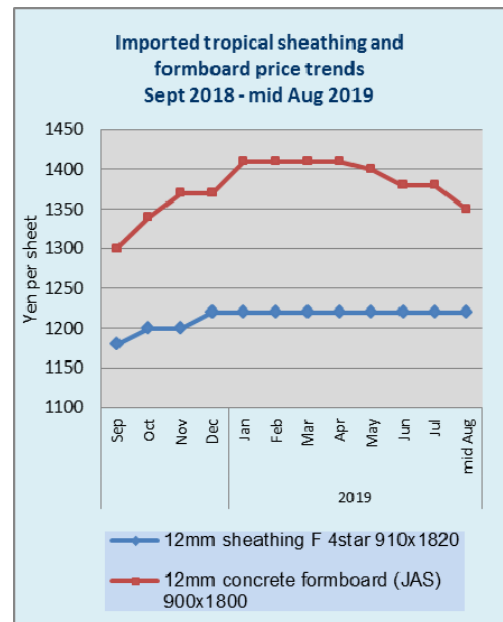
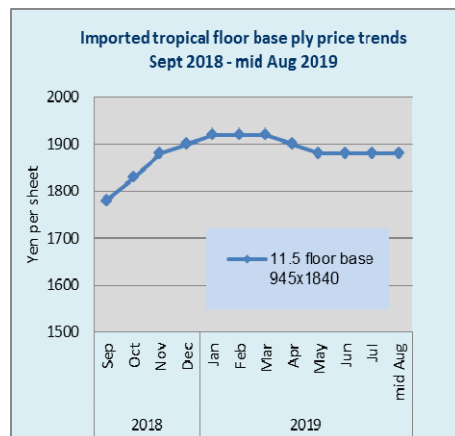
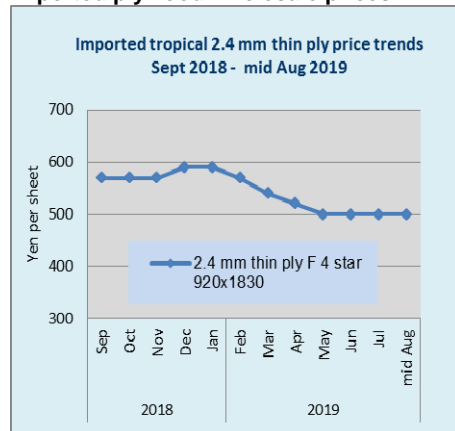
Main sources of Japan's plywood imports (000's cu.m)

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5

	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8

Data source: Ministry of Finance, Japan

Imported plywood wholesale prices



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>

South Sea (tropical) logs

Log supply from PNG is steady. May arrivals from PNG were 4,162 cbms. Total arrivals during January and May were 49,305 cbms, 2.5 times more than the same period of last year.

Japanese plywood mills are able to build up log inventory of two to three months but the demand for South Sea hardwood plywood remain weak and there is pressure to reduce the sales prices as imported South Sea plywood prices are softening but log cost is high so the mills cannot afford to reduce sales prices.

Laminated free board market is slow but the prices are unchanged by sporadic orders. The supply seems to be increasing as the Indonesian suppliers are anxious to ship more to take advantage of weak Rupiah so future seems shaky.

Chinese LVL is firm for core use but crating use is dropping by weak orders as a result of U.S./China trade war.

Review of energy saving standard

The Ministry of Land, Infrastructure and Transport and the Ministry of Economy, Trade and Industry held committee meeting to review energy saving standard. Obligation to keep the energy saving standard for detached house is left over but explanation to house owner may be

institutionalised. Then top runner standard, which has been for major house builders to build units for sale only, is now fit to major house builders and rental unit builders as well.

The committee revises a part of the law of energy saving performance of buildings by two steps. In November, widen subject to fit top runner standard system then in 2021, obligation to explain energy saving performance should be entered into force in two years. The committee meeting will be held in August and September then invites public comments and finalized in late October.

At revision of the law this time, the reason why obligation to conform to energy saving standard for detached building is left over is about a half of architects and smaller contractors are not able to make energy saving calculation so only about 60% of newly built houses fits to the standard so revision at this time will promote simplifying calculation of energy saving performance (evaluation).

Present energy saving standard consists of primary energy consumption of a house and outer shell like roof, wall, window and for small contractors, it is hard to figure out such calculation so simple evaluation to calculate by specifications only should be made.

European lamina market

Market of structural laminated lumber in 2017-2018 suffered high export prices as the U.S.A. and China market was booming.

Imported European lamina prices soared and Japanese laminated lumber manufacturers struggled to pass high lamina cost onto sales prices. In particular, imported laminated post lost market share because many domestic wood laminated lumber mills started up and existing mills expanded the production so it was hard to pass high import lamina cost onto the products.

According to the Ministry of Agriculture, Forestry and Fisheries, total consumption of lamina for laminated lumber manufacturing in 2018 was 2,691,000 cbms, 2.3% less than 2017. In this, imported lamina was 1,640,000 cbms, 11.2% less and domestic wood lamina was 1,051,000 cbms, 15.7% more.

Laminated beam's material is mainly European redwood. As competing North American Douglas fir solid wood beam prices increased in 2018 by higher export log prices, higher imported redwood laminated beam prices could be passed onto sales prices to some extent but the market prices started softening since spring of 2018 because of oversupply so domestic redwood laminated lumber manufacturers had hard time to come out.

When the U.S. and China markets were booming, lamina cost stayed high until middles of 2018 then after the both markets skidded, lamina prices started weakening and this trend should continue this year.

Present lamina prices by the European suppliers are about Euro 240 per cbm C&F on both whitewood and redwood. Based on exchange rate of 122 yen per Euro, imported cost would be about 34,000 yen per cbm FOB truck port yard.

Peak of export prices of whitewood lamina was Euro 255-260 in the fourth quarter of 2017 and of redwood was Euro 265-270 in the first quarter of 2018. Peak of imported cost of whitewood was about 39,000 yen and redwood was about 42,000 yen so compared to the peak time, whitewood lamina cost is down by Euro 15-20 (5.9-7.7%) and landed cost is 5,000 yen (12.8%) less. Redwood lamina cost is down by Euro 25-35 (9.4-12.7%) and the landed cost is down by 8,000 yen (19.0%).

On top of reduction of Euro based prices, strong yen and reduction of import duty by EPA agreement contribute drop of yen cost.

Market prices on both whitewood and redwood lumber are weakening in Japan and it is obvious that sellers' market of European lamina now turned to buyers' market so drop of market share of European lumber should slow down.

Whitewood laminated post prices are still higher than domestic cedar laminated post but Chugoku Lumber, a major manufacturer of laminated cedar post, announced 2,000 yen per cbm price increase in last April so if whitewood lamina prices drop some more, both prices become almost even.

However, share of domestic cedar laminated post should continue solid without any risk of exchange rate. Redwood laminated beam continue to compete with solid wood Douglas fir KD beam. After the second largest Douglas fir lumber manufacturer, To last fall, supply of Douglas fir beam is not as stable as before then orders by local contractors to prefer solid wood beam are declining, which is another favorable factor to European redwood beam.

As long as Douglas fir lumber prices stay up high, there is chance for European redwood laminated lumber for other use such as rafter and girder. Shortage of domestic larch supply, redwood laminated lumber is replacing for sill use.

Looking at domestic lamina market, when laminated lumber mills rely on lamina supply from outside suppliers, they were not able to compete by higher lamina cost but after laminated lumber manufacturing mills started manufacturing its own lamina, lamina cost dropped and the cost of cedar laminated post dropped.

Market prices of cedar laminated post are about 53,000 yen per cbm delivered (about 1,750 yen per piece) so it is overwhelmingly advantageous to European whitewood laminated post, which prices are 1,880 yen per piece.

What about log supply for laminated lumber mills? Large laminated lumber manufacturing mills have its own biomass power generation plant so the mills can utilize any type of logs.

They buy class A logs, which are suitable to recover lumber, B class logs, which are suitable to recover lamina and even class C logs, which are used for wood chip. Log suppliers do not have to make any sorting by use so the cost is reduced that much.

Mills can select some class C logs for lamina recovery, which reduce lamina cost. In other words, cedar laminated lumber supply is becoming monopolized by large manufacturers, which is why European whitewood laminated lumber manufacturers cannot use domestic cedar lamina.

Reason why domestic cedar laminated post market share expanded is sizable increase of imported wood products in 2017 and 2018. Many house builders started using less costly cedar laminated post to reduce overall cost, which is less costly than whitewood laminated post.

China

July marked first month-on-month improvement in PMI growth in four months

Chinese manufacturing activity remains depressed due to the combination of the ongoing US-China trade conflict as well as slowing domestic demand. The National Bureau of Statistics has reported that in July the manufacturing purchasing managers index (PMI) was 49.7, slightly up on June marking the first month-on-month PMI growth in four months. A reading above 50 indicates expansion, while a reading below reflects contraction.

Among the five sub-indices comprising the PMI, the production index and supplier distribution time index were higher than the threshold, while the new orders index, main raw materials inventory index and employment index were lower than the threshold.



See:

http://www.stats.gov.cn/english/PressRelease/201907/t20190731_1683178.html

Manzhouli Port cancels maintenance fee to support traders

The management of Manzhouli Port has announced the cancellation of maintenance fees levied on traders in order to implement the current policy to lower import and export costs. This is in response to the on-going trade friction with the US.

Surge in wood furniture export through Huizhou city

According to Huizhou Customs the value of wooden furniture exports from Huizhou City surged nearly 200% to US\$887 million in the first half of 2019 setting a new record high. Wooden furniture exported from Huizhou City is mainly tables and chairs, cabinets, sofas and panel furniture and is exported to 156 countries with Japan, South Korea and Australia the main markets.

In the first half of 2019 furniture from Huizhou City was exported to Brunei, Iraq and other countries along the "Belt and Road Initiative" route. New markets were found in Liberia, Lesotho and other African countries.

According to Huizhou Customs, thanks to the construction of Guangdong-Hong Kong-Macau Greater Bay Area, Huizhou City has become a top choice for the manufacture of furniture attracting enterprises from Shenzhen and Dongguan.

In the first half of 2019 there were 84 newly registered wooden furniture enterprises in the Huizhou area of which about 40% were relocated from Shenzhen and Dongguan.

In order to ensure the smooth production and export of wooden furniture and promote international trade, Huizhou Customs set up a special group for enterprise registration and assessment because of the high demand for enterprise registration.

Huizhou Customs actively assists enterprises in improving quality management systems, formulating self-inspection and self-control plans, strengthening the whole production management and environmental controls.

First home designed fully automated mill for China

The first fully automated sawmill has been commissioned in Lanzhou the capital of China's northwest Gansu Province.

The mill has automatic feeding and optimal cutting capacity with virtually no manual input. The mill was operational in April 2019 and is the first 'intelligent' automated production line in China. With the exception of some machines imported from Germany, the other machines in the mill were all designed and manufactured by the company.

See: http://www.lzbs.com.cn/szyw/2019-07/29/content_4515243.htm

Wood chips sales expanding 10% annually

Over the past few years the wood chip processing market in China has expanded by about 10% annually. The number of enterprises in the wood chip processing sector is larger and there are more than a thousand production enterprises in the country but the number of enterprises with a turnover of more than RMB20 million is small. Domestic raw material for wood chip production is insufficient such that mills are highly dependent on the imports.

Factors affecting China's Wood Market

China's economic downturn is impacting sales of wood products and under present market conditions there is growing over-capacity in the sector. Consumption of wood products has declined and supply exceeds demand. Analysts suggest that mill capacity utilisation has fallen to only 50% in many plants.

Much of the weakened demand is the result of lower housing starts brought on by tighter credit conditions. This is especially noticeable in the economically developed coastal areas such as Shandong, Jiangsu and Guangdong Provinces where house prices have fallen. Timber consumption has also been impacted by lower investment rural housing as many low cost housing projects have suffered budget cuts.

See: <http://www.chinatimber.org/news/70208.html>

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
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500

Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots pine	No knot	2100

Europe

EU wood manufacturing struggles with slow growth and substitutes

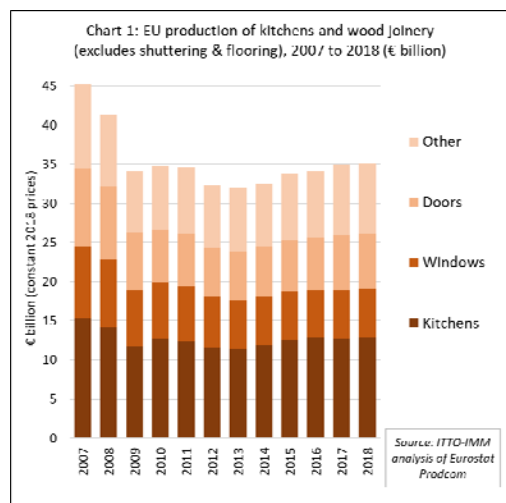
The EU wood joinery sector continued to grow only very slowly in 2018, well below the pace of increase in the wider construction sector. While joinery production and consumption gained momentum in Germany, Austria, Spain, the Netherlands and Belgium last year, it remained subdued in Italy, the UK, France and Scandinavia.

Growth in the EU wood door sector slowed in 2018, while the wood window sector was close to a new record low. There was some evidence of wood making up some lost ground against plastics in these sectors, but wood continues to face stiff opposition from other materials. Where wood is being used, it is increasingly combined with metals, or used in engineered form, to ensure greater strength and durability.

These are the main conclusions to be drawn from analysis of newly released Eurostat PRODCOM data which provides a snapshot of the production and consumption value of wood joinery products in the EU in 2018.

EU joinery production not keeping pace with construction sector growth

The independent research agency Euroconstruct estimates that the value of construction activity in the EU increased 3.1% in 2018, building on 3.1% growth the previous year. However, analysis of newly released Eurostat data indicates that activity in the European wood joinery sector has been relatively unresponsive to this wider expansion in the building sector.

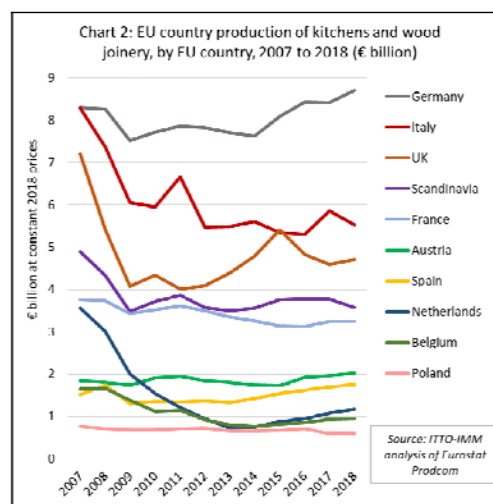


Eurostat PRODCOM data shows that the production value of wood joinery and related products in the EU increased only 0.3% to €35.1 billion in 2018 following growth of 2.4% in 2017. Although 2018 marked a high point for EU joinery sector activity in the last 10 years, activity was still down more than 20% compared to the period before the global financial crises (Chart 1 left).

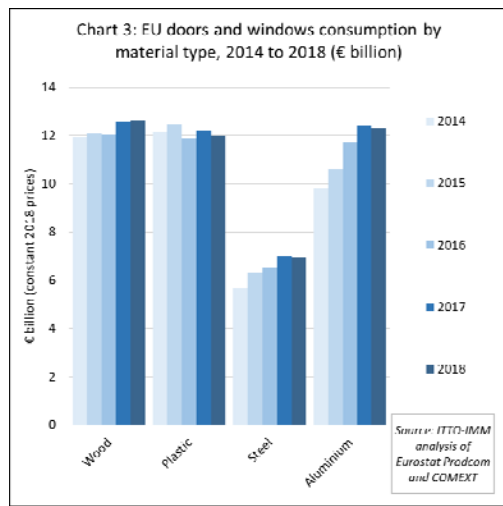
The trend in wood joinery activity has varied widely between EU countries in recent years (Chart 2). After levelling off in 2017, growth in joinery activity in Germany resumed last year, rising at 3.3% to €8.70. After a brief bounce in 2017, joinery production in Italy fell back 6% to €5.52 billion in 2018, only just above the historically very low levels recorded in 2015 and 2016.

In the UK, joinery production increased 2.6% to €4.71 million after slowing over 5% the previous year. Joinery production declined in Scandinavia, by 5.6% to €3.57 billion in 2018. Joinery production in France increased only 0.3% in 2018, to €3.25 billion, after rising 3.7% the previous year.

However, there has been more consistent growth in joinery production in several other EU markets including Austria rising 3.3% to €2.03 billion in 2018 (+2.2% in 2017), Spain rising 3.6% in 2018 to €1.75 billion (+4.6% in 2017), the Netherlands rising 8.5% in 2018 to €1.17 billion (+11.7% in 2017), and Belgium rising 1.5% in 2018 to €0.95 billion (+8.8% in 2017).



Part of the explanation for the slow increase in wood joinery activity in the EU compared to growth in the wider construction sector and economy is increased substitution by alternative materials. However, there is some evidence to suggest that the pace of substitution slowed in 2017 and 2018. This is revealed by comparing the total EU apparent consumption value of doors and windows in various materials (Chart 3).



Between 2014 and 2017 total EU consumption value for doors and windows increased 26% in aluminium and 28% in steel. The consumption value for wood increased only 4% during this period, while consumption of plastic stagnated.

Overall the share of wood in the total value of EU door and window consumption fell from 30% to 28% between 2014 and 2017, while the share of aluminium increased from 25% to 28%, steel increased from 14% to 16%, and plastic decreased from 31% to 27%.

During this period, the growth in aluminium consumption in the EU windows and doors sector was particularly dramatic. Aluminium has always remained the default windows product in the commercial market but has enjoyed considerable resurgence within the residential window and door market.

An important driver behind this has been aluminium bi-fold and sliding doors as consumers demand greater space and light within living areas. Another factor is the demand for lower maintenance and greater strength in light weight frames for high energy efficiency double and triple glazed units.

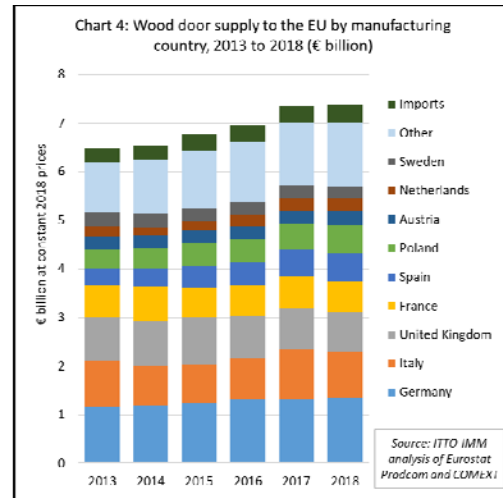
However, in 2018, the growth in consumption of steel and aluminium appears to have stalled. Wood even regained a little share, rising from 28% to 29%, at the expense of plastic for which share fell from 28% to 27%.

The Eurostat data has limitations and the suggestion that wood may be regaining some market share is contradicted, at least in the window sector, by other more detailed studies (see report below on the Interconnection study).

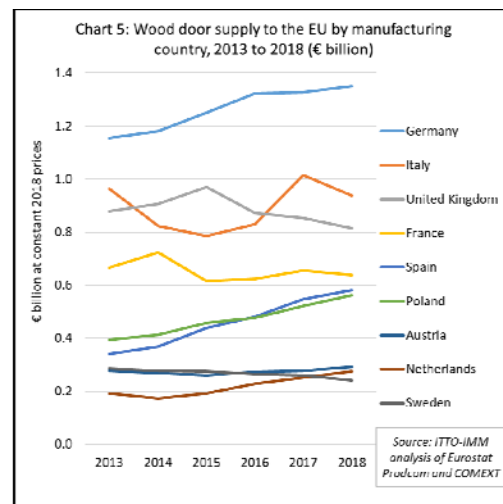
A specific constraint of the PRODCOM data is that it does not distinguish products made wholly in wood or metals from those that are composites of both materials. The development of wood-aluminium composite window frames has been a key growth area in the EU in recent years. These products combine the strength and efficiency of aluminium with the thermal insulation and aesthetic properties of wood.

Stasis in EU market for wooden doors

Eurostat PRODCOM data shows that the total value of wood doors supplied to the EU increased just 0.1% to €7.36 billion in 2018. Most new wood door installations in the EU comprise domestically manufactured products. The EU's domestic production was static at €7.0 billion in 2018 (Chart 4).



There was significant variation in the performance of the wood door sector in EU countries in 2018. Production in Germany, the largest wood door manufacturing country, increased 1.9% to €1.35 billion during the year. Production in the UK fell back a further 4.5% to €810 million in 2018 after declining 2% the previous year, the volatility being partly due to Brexit and partly to changes in the EUR-GBP exchange rate.

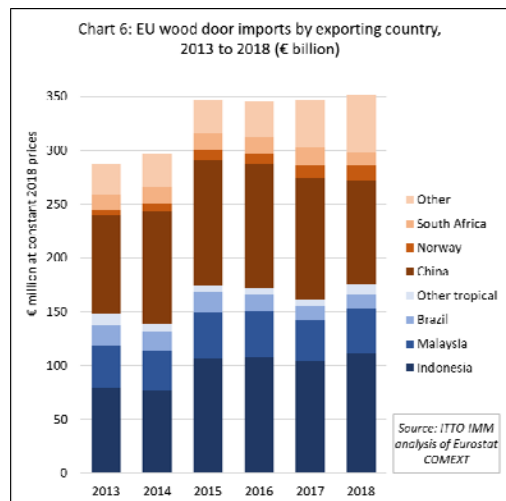


Door production in Italy has also been volatile, declining 7.5% to €940 million in 2018 after a 22% increase the previous year. Production in France fell 2.5% to €640 million after a 5% rise in 2017. Production in Sweden fell nearly 8% to €240 million.

Elsewhere there were solid gains during 2018, with door production rising 6% to €580 million in Spain, 7.4% to

€60 million in Poland, 5% to €90 million in Austria and 9% to €80 million in the Netherlands (Chart 5 above).

Wood door imports into the EU increased by 1.5% to €352 million in 2018 (Chart 6). Imports accounted for 4.8% of the total euro value of wood door supply to the EU in 2018, the same proportion as the previous year.



Tropical countries took a larger share of the EU market for wooden doors in 2018, largely at the expense of China. Total EU imports from the tropics were €175 million in 2018, 8.6% up on the previous year and enough to offset a 6% decline in 2017.

In 2018, wooden door imports from Indonesia increased 7.8% to €12 million, while imports from Malaysia were up 7.1% to €11 million. Imports from Brazil increased 1.7% to €13 million. EU imports of wooden doors from China, still the largest single external supplier, fell 2% to €11 million in 2017.

The European wood door industry is now dominated by products manufactured using engineered timber driven by requirements to comply with higher energy efficiency standards and efforts to provide customers with more stable products and long-life time guarantees.

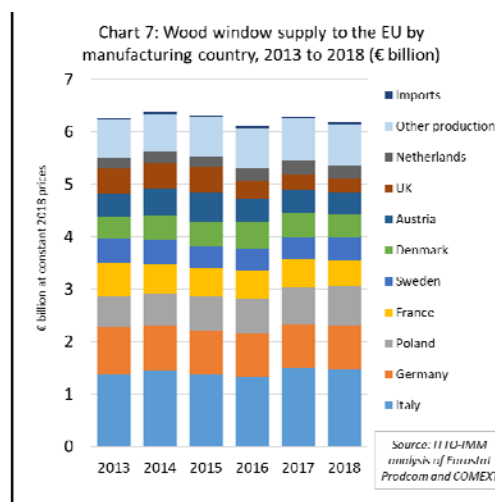
Another key trend is towards composite doors with a steel-reinforced uPVC outer frame with an inner frame combining hardwood and other insulation material. These new products are designed to combine strength, security, durability, high energy efficiency, with a strong aesthetic.

There may be a place for tropical hardwoods in the design of these products with manufacturers looking to combine high quality, consistent performance, regular availability, and good environmental credentials with a competitive price.

EU market for wood windows fell 1.6% in 2018

The total value of wood windows supplied to the EU fell 1.6% to €6.18 billion in 2018 following a 2.8% increase the previous year (Chart 6). EU consumption of wood windows in 2018 was €6.14 billion, the second lowest

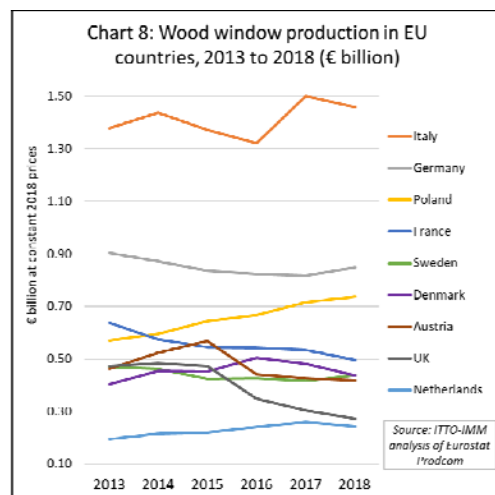
level recorded in the last twenty years (when adjusted for inflation), only just exceeding the record low of €6.07 in 2016.



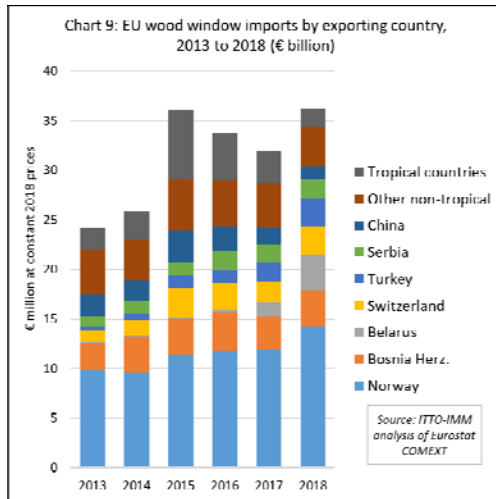
Supply of wood windows to the EU is overwhelmingly dominated by domestic production which fell 1.7% to €6.14 billion in 2018. Imports from outside the EU accounted for only 0.6% of total EU wood window supply in 2018, a slight gain compared to 0.6% in 2017.

Italy has maintained its position as the largest wood window manufacturer in the EU, although production fell 2.7% to €1.46 billion in 2018. Production in Germany increased 4% in 2018, to €850 million, rebounding after a 0.9% decline the previous year. Production in Sweden also rebounded in 2018, up 5.4% to €440 million, after declining 2.4% the previous year. Production in Poland continued to rise in 2018, by 2.9% to €740 billion.

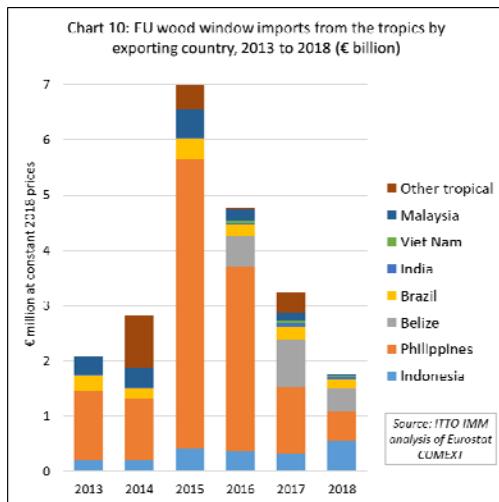
However, wood window production declined in most other leading EU producer countries in 2018 including France (-7.2% to €500 million), Denmark (-9.2% to €440 million), Austria (-2.2% to €420 million), UK (-10.8% to €270 million), and the Netherlands (-5.9% to €240 million) (Chart 7).



EU imports of wood windows from outside the EU increased by 13.1% in 2018 to €6 billion, recovering ground lost in the previous two years (Chart 9). Imports increased 19% to €1.4 billion from Norway, 8% to €4 million from Bosnia Herzegovina, and 154% from Belarus, to €4 million.



Only a very limited, and currently declining, quantity of wood windows is imported into the EU from tropical countries. After a spike in imports of €7 million in 2015, mainly from the Philippines, imports from tropical countries fell continuously to only at €1.8 million in 2018 (Chart 10). Most EU wood window imports from tropical countries are destined for France and Belgium.



Tropical wood in the European wood window market

While tropical countries are not significantly engaged in the EU market for finished windows, this sector is of interest as a source of demand for tropical wood material. From this perspective, a notable trend in the EU window sector – as in the door sector – is towards use of engineered wood in place of solid timber.

This is particularly true of larger manufacturers producing fully-factory finished units that buy engineered timber by the container load.

Increased use of engineered wood is closely associated with efforts by window manufacturers to meet rising technical and environmental standards, provide customers with long lifetime performance guarantees and recover market share from other materials.

Increased focus on energy efficiency means that triple-glazed insulating window units with very low U-factors are now more common than double-glazed units in Europe. These units demand thicker, more stable and durable profiles that in practice can only be delivered at scale using engineered wood products or by combining wood with aluminium and steel in composite products.

The quality and engineering of wood windows has undergone a revolution in the EU in recent years so that manufacturers are now able to deliver products with many of the benefits previously reserved only for the best quality tropical hardwood frames using softwoods and temperate hardwoods.

Factory-finished timber windows are given a specialist spray-coated paint finish for even and durable coverage which might only need redoing once a decade. The lifespan of factory-finished engineered softwood frames is now claimed to be about 60 years, while thermally or chemically modified temperate woods can achieve around 80 years.

Nevertheless, smaller independent joiners producing bespoke products in low volumes still tend to rely on solid timber purchased from importers and merchants to manufacture window frames. Tropical woods such as meranti, sapele and iroko continue to supply a high-end niche in this market sector, competing directly and often successfully with oak, Siberian larch, and western red cedar.

Total window sales increase 2% in Western Europe 2018

Sales in the window market in Western Europe increased by 2.0% in terms of value last year. Sales in the industry increased by 1.5% in terms of quantity. A similar development is expected for 2019, as shown by Interconnection Consulting in a study presented at the First Vienna Window Congress in June 2019.

The great uncertainty surrounding Brexit caused a 2.1% sales decrease in the window industry in the UK and Ireland area. By contrast, the window market in southern Europe (Italy, Spain, Portugal) will continue to recover and will be Europe's main growth area with sales expected to increase 6.8% in 2019.

The largest markets, France and Benelux and the German-speaking DACH region, however, will continue to achieve moderate growth rates of 1.6% and 1.9% in 2019, respectively. In these countries, the main factor curbing growth is restrained housing construction.

The Scandinavian countries are also suffering from the poor development of residential construction and the window market in this region is expected to decline 1.5% in 2019 with a particularly large slowdown in Sweden.

Overall, Interconnection estimate that sales of windows in western Europe will increase from €18.4 billion in 2018 to €19.9 billion by 2022, with Italy, Spain and Portugal making a major contribution to growth both in the new construction sector and in the renovation segment.

Wood-metal composite windows gain ground in western Europe

According to Interconnection, western European sales of windows with wood content should hit €5.38 billion in 2019, including €2.62 billion of wood-only products and €2.86 billion of wood-metal composite products. Window market share of wood-only products currently stands at 14.0% while the share of wood-metal composites stands at 15.3%.

Sales of wood-only windows in western Europe are forecast to decline 1.2% per year between 2018 and 2022. However, this decline is expected to be offset by 2.6% annual growth in sales of wood-metal composite windows.

In 2019, metal windows have the largest share of the western European window market, with 36.8%. Sales of metal windows in this market are forecast to reach €6.8 billion this year and annual growth of 3.2% is expected until 2022.

Consistently high growth rates for this material are expected due to relatively low costs of maintenance and the optical appeal of aluminium.

PVC currently accounts for €5.40 billion (29.4%) of window sales in the western European market. PVC window sales are expected to grow by 1.7% per annum until 2022, mainly driven by rising demand in southern Europe.

An additional €680 million (3.7%) of window sales comprise PVC-aluminium composite product. Sales of this product are expected to increase 3.7% annually until 2022.

Environmental requirements drive window demand for renovation

Interconnection report that the residential construction sector is the most important market for windows in western Europe, accounting for 66.3% of sales. Total sales in this sector are expected to grow 1.4% per year until 2022 with most of the increase driven by renovation which continues to perform well due to increased environmental requirements.

The European window industry is undergoing a major structural change due to increased internationalization. Companies from Eastern Europe, particularly in Poland, Slovakia and Romania, are gradually increasing share of western European markets. Nearly 30% of windows installed in Germany each year are manufactured outside

the country. Exports account for 56% of sales by Polish windows manufacturers.

PVC dominant window type in Eastern Europe

According to Interconnection Consulting, PVC is the leading material used for window frames in Eastern Europe, with annual sales of €2.48 billion expected to grow at 3% per year until 2022. Metal windows are the second most popular window type with annual sales of €1.03 billion euros growing annually at a rate of 5.2%.

Metals are particularly dominant in the non-residential construction sector. There is also expected to be rapid growth in sales of wood-aluminium windows in Eastern Europe, at an annual rate of 7.6% until 2022.

North America

Sawn tropical hardwood imports from Brazil jumped 25% in June

US imports of sawn tropical hardwood were down by 25% in June following a strong May, but still greatly outpaced volume from one year ago. Imports fell to 18,193 cubic meters, in June, which is 17% higher than that of June 2018. After the first half of the year, import volume is ahead of 2018 by 25% year to date.

Imports from most trading partners fell in June, while imports from Brazil jumped by 25%. Imports from Brazil are up 35% year to date as the country has separated itself from Ecuador as the top supplier to the US. Imports from Ecuador rose by 7% in June but remain down 12% year to date.

The decline in volume was chiefly due to drops of more than 50% in both jatoba and keruing imports. Even with the June decline, US imports of Jatoba are still impressive. Through the second quarter, imports of Jatoba are up 117% and jatoba has surpassed balsa as the top tropical hardwood imported to the US by volume.

Vietnam replaces China as top supplier of hardwood plywood to the US

US imports of hardwood plywood were down 5% in June, with decreases in volume from nearly all trading partners. Imports from China were down 21% in June and are behind last year's volume by just under 90,000 cubic meters (51%) year to date.

Through the first half of the year, US imports are down 26% and, with the exception of Vietnam, imports from all major trading countries are down more than 10% year to date.

While down slightly in June, imports from Vietnam have increased more than 112,000 cubic meters year to date, up 109%, as the country has supplanted China to become the new top supplier of hardwood plywood to the U.S.

Imports of Chinese tropical veneers fall further

US imports of tropical hardwood veneer rose by 5% in June but remain at a level 30% below that of June 2018.

Year to date imports are down 21% as imports from China and Cameroon continue to plummet. Imports from China were down 32% in June and trail 2018 by 61% year to date. Imports from Cameroon were down 22% in June and are 65% behind 2019 year to date. Imports from India were up 31% in June and are ahead by 27% year to date.

US importers turn to Brazil for hardwood flooring

US imports of hardwood flooring fell by 18% in June, ending an extended stretch of growth. Despite the tumble, imports for June were nearly even with that of June 2018 and remain 15% ahead year to date. Imports from China continue to dwindle, down 47% in June and 48% year to date. Importers turned again to Brazil to make up the loss. Imports from Brazil rose 33% in June and are up 123% year to date.

The story is much the same regarding Imports of assembled flooring panels. Imports were also down 18% in June but remain 11% ahead year to date. Imports from China were down 28% in June and are 23% behind year to date. But it is Vietnam that is gaining from China's fall here. While down 30% in June, US imports from Vietnam are up by 179% year to date.

Moulding imports regress

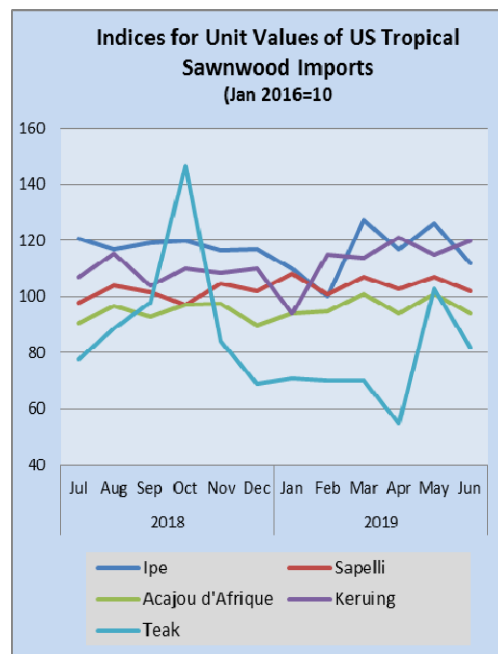
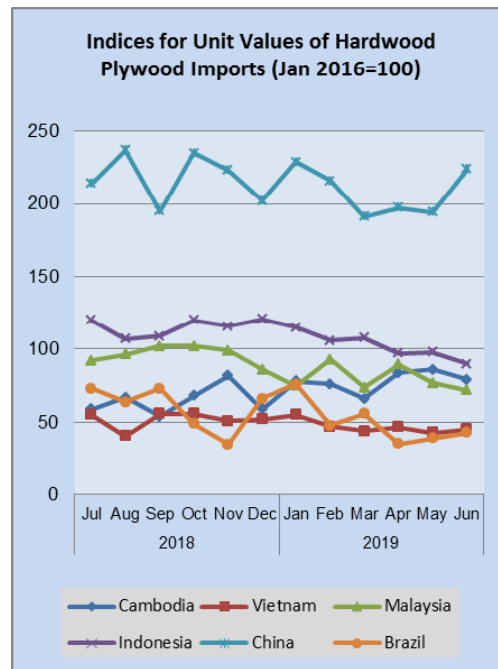
After falling by 16% in June, imports of hardwood mouldings ended the first half of 2019 down more than 25% year to date. Imports from Brazil and China were down by more than 20% for the month and are both at nearly half of 2018 totals year to date. Imports from Canada were up 6% in June and are 10% ahead through the first half of the year.

GDP grows by 2.1% in 2nd quarter

The US economy grew at an annual rate of 2.1% in the second quarter, a rate better than economists had expected, but slower than the 3.1% pace of the first quarter.

The middling result was propelled by a strong increase in consumer spending and government spending, which rebounded after the government shutdown in January. But it was dragged down by a large decrease in business investment, particularly in real estate, which had been much stronger in 2018.

Residential investment fell for the sixth straight quarter. However, consumer spending was very strong, growing at a 4.3% annualised rate in the second quarter, up from only 1.1% in the prior quarter. Spending on durable goods, which includes long-lasting items like cars and furniture, was particularly strong, growing at a 12.9% annualised rate.



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

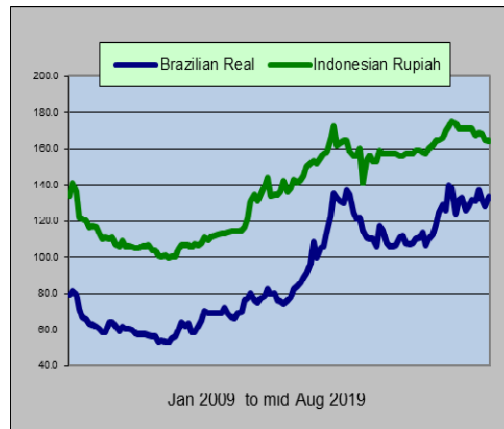
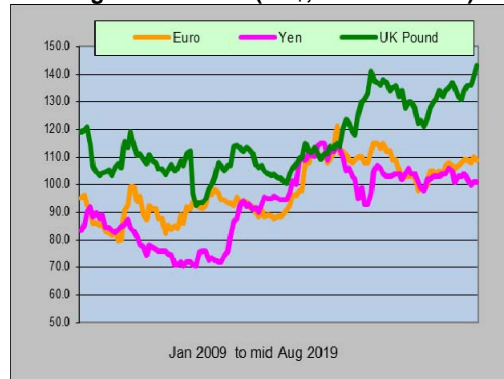
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 August 2019

Brazil	Real	3.9853
CFA countries	CFA Franc	584.50
China	Yuan	7.0582
EU	Euro	0.8916
India	Rupee	70.81
Indonesia	Rupiah	14318
Japan	Yen	106.74
Malaysia	Ringgit	4.2019
Peru	New Sol	3.32
UK	Pound	0.8282
South Korea	Won	1206.64

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

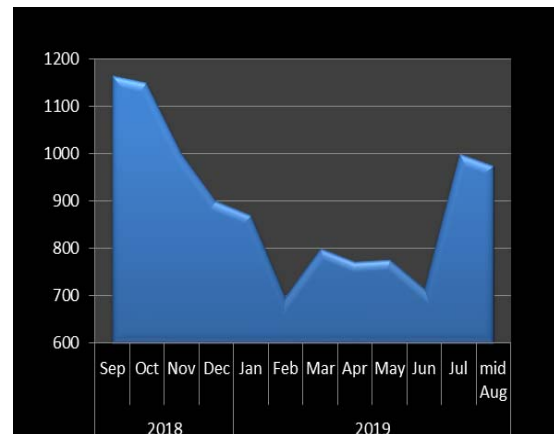


Abbreviations and Equivalences

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

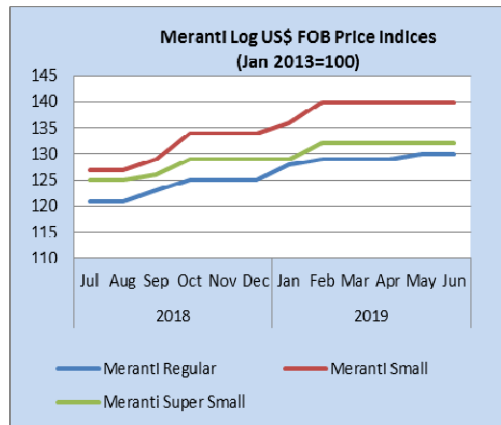
Baltic Supramax Index
September 2018 – mid August 2019



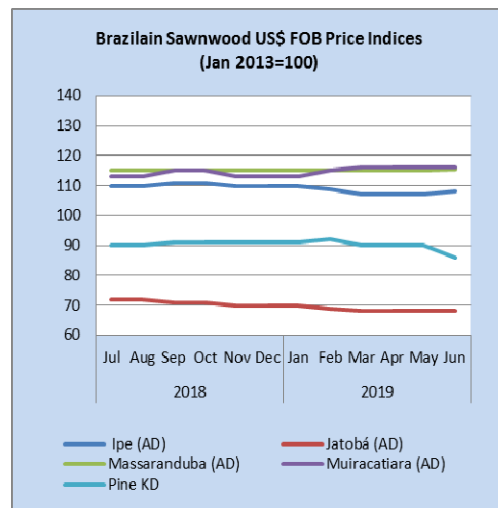
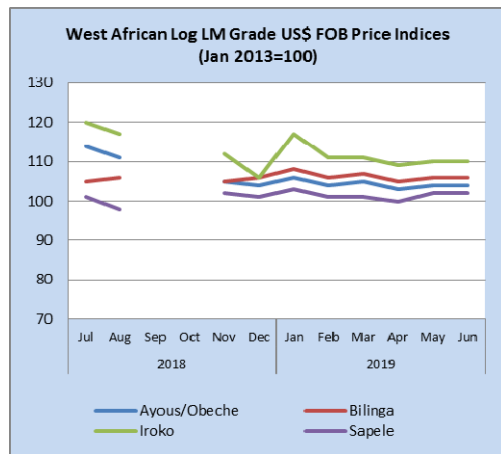
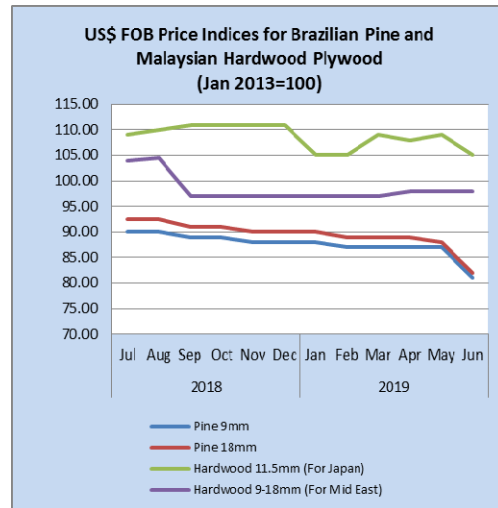
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

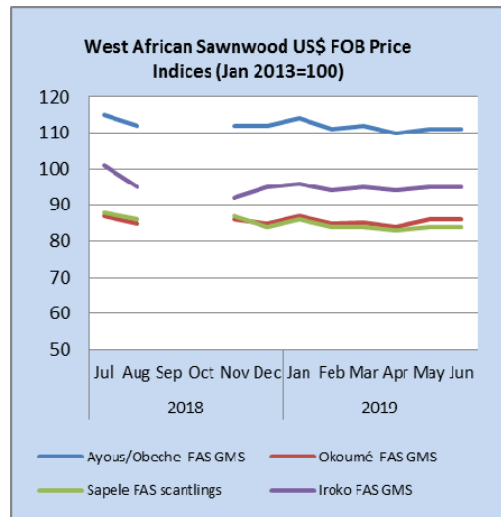
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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