Tropical Timber Market Report

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Contents

Headlines

Top Story

India seeks exemption from CITES Dalbergia requirements

India is a regular exporter of musical instruments made from Indian rosewood. But because of the need to comply with CITES formalities they are finding it difficult to meet exports schedules.

As rosewood is readily available in India and harvests are strictly controlled Indian exporters object to what they see as unnecessary delays to their export business.

The Government of India is seeking exemption from the CITES Dalbergia requirements as Indian rosewood for export is sourced from plantations and agro-forestry plantings.

See page 7

Central and West Africa

Log and sawnwood FOB prices end the year up slightly

A few minor price adjustments have been reported as the year end approaches but these do not signal any significant shift in market sentiment. The current quiet market conditions provide no clue as to where the market will be heading in the New Year.

Reviewing log price trends over the past year it can be seen that prices for most species have ended the year up slightly compared to levels at the end of 2016. The main exceptions were sipo and sapele and movingue.

Okoume log prices advanced the fastest during the year on the back of firm demand in several markets not just China.

As the availability of okoume logs in Equatorial Guinea has greatly diminished and because Gabon does not allow log exports, the remaining sources of okoume logs for export are limited so prices will likely remain very firm.

Strengthened forest surveillance and strict implementation of regulations in Gabon and the Republic of Congo will continue to impact log harvest volumes and constrain exports. The combined effect of availability and strict controls is likely to drive log prices higher in the coming months.

Almost all sawnwood FOB prices ended the year with slight gains of around euro10-20 per cubic metre. The mid-year slowdown in demand for sawn sapele/sipo drove prices lower and while prices have stabilised in recent weeks they are currently priced lower than a year ago.

Increased demand for certified timber would be a major challenge

In terms of markets, the main focus of producers is China. While there was some uncertainty early in the year on which way demand in China would go, producers are now reassured that demand in this market has stabilised and that there are good prospects for West and Central African suppliers.

Manufacturers in China are very mindful of the EU and US regulations aimed at eliminating illegal timber from the trade. There is some concern amongst West and Central African producers that buyers for the Chinese market will eventually be demanding, not only verified legal, but also ‘certified’ logs and sawnwood. Analysts write that this would be a huge challenge for many producers given the complexity of their businesses and the costs involved.

In the short term, European buyers are unlikely to return to the market in any strength through the Christmas and New Year period and in many countries the cold weather, heavy rain and snow means there is a slowdown in building and construction activities.

Reconstruction in Middle East could pave the way for export growth

For African producers, market prospects in the Middle East could improve as the various conflicts in the region come to an end and reconstruction of infrastructure and housing begins. This market is unique in that it absorbs the most diverse variety of wood products anywhere in the world often of the lowest quality and grades and at the lowest prices.

In a recent meeting with the French Trade Minister the Iraqi Planning Minister indicated that Iraq will require at least US$100 billion over 10 years from 2018 to rebuild devastated areas. In related news, the EU has already offered grant funds to finance reconstruction and mine clearance and the US ambassador to Iraq said a US$115 million grant for reconstruction of liberated areas is being processed. The main challenge facing Iraqi alone is the issue of housing the almost 3 million displaced persons.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	160
Ayous/Obeche/Wawa	245	240	190
Azobe & Ekki	235	235	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	335⬆	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	190
Moabi	330	300	235
Movingui	210	200	160
Niove	175	160	-
Okan	235⬆	215⬆	-
Padouk	300	275	210
Sapele	300⬆	260	220
Sipo/Utile	290	270	200
Tali	330	320	-

Sawnwood export prices

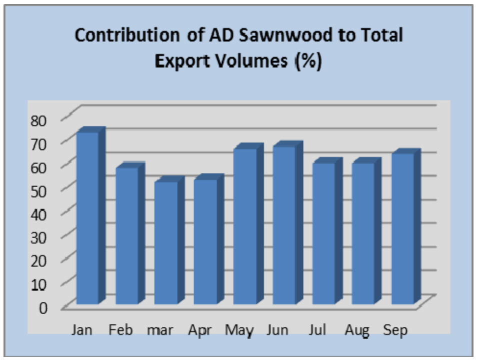
West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1020⬆
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Air Dried sawnwood tops exports

Ghana's timber exports for the nine months to September 2017 totalled 228,642 cubic metres and earned euro 124 million. This compares with the 302,085 cubic metres in 2016 which brought in some euro 172 million.

Air dried sawnwood was the leading export product in the first nine months of this year, consistently accounting for over 60% of monthly export volumes



Data source TIDD, Ghana

For the first nine months of 2017 air-dried sawnwood accounted an average for 62% of the accumulated monthly exports and together with five other products some 95% of total exports can be accounted for.

January – September 2017 exports

	Cu.m	% Volume	Value Euro mil.
Sawnwood (AD)	142577	62.3	81.3
Sawnwood (KD)	27261	11.9	15.5
Billets (logs)	20740	9.1	6.7
Plywood	12933	5.7	4.4
Sliced Veneer	9112	4	8.6
Mouldings	5577	2.4	3.5
Other	10442	4.6	4.2
Total	228,642	100	124.2

Data source TIDD, Ghana

The main markets for Ghana's wood product exports were China and India which imported around 70% of total wood product export volumes in the first nine months of this year. Markets in Asia have now become the foundation of the Ghanaian wood processing industries. The species sold were mainly teak, rosewood and papao/apa.

Most of the plywood exported was destined for African countries including Nigeria, Niger, Burkina Faso and Benin.

Trained IMTs to help halt illegal logging

Ghana is benefitting from a European Union (EU) grant for the training and equipping of Independent Monitoring Teams (IMTs), to help fight against the rising illegal timber logging operations in the country.

A pilot programme funded by the EU will be implemented in three districts of the country, Western Region (Asankragwa), Brong Ahafo Region (Goaso) and Eastern Region (Mpraeso), for a period of fourteen months up to the end of 2018. Monitoring teams will provide oversight forr timber operations in the various localities.

The programme seeks to reduce and gradually eliminate illegal forest logging to ensure that all timber and timber related products exported are in compliance with Ghana's laws and Sustainable Development Goals (SDGs). Through this effort it will be possible to verify the legality of wood products from Ghana and so satisfy the EU FLEGT licensing system.

The supervision of this pilot operation is under the Resource Management Support Centre of the Forestry Commission in collaboration with the Timber Validation Department among others.

Office to promote inward investment opens in China

The Association of Ghana Industries (AGI) has opened its first liaison office in China. This was possible through support from the 'Belt and Road Collaborative Innovative Centre' (BRCIC) in China. The aim of the centre is to boost Chinese investment in Ghana.

At the official opening of the new office the Chairperson of BRCIC commended Ghana for being the first country to open a liaison office under the initiative and pledged to support the office so it becomes a model for other countries.

Boule Export prices

	Euro per m^3
Black Ofram	420↑
Black Ofram Kiln dry	519
Niangon	570↑
Niangon Kiln dry	610↓

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3 CORE (1-1.9 mm)	Euro per m^3 FACE (>2mm)
Ceiba	347↓	450
Chenchen	425	502
Ogea	428	596↑
Essa	400	623↓
Ofram	350	406

NB: Thickness below 1mm attract a Premium of 5%

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	1,239↑
Avodire	897
Chenchen	826↑
Mahogany	1,732↑
Makore	2,667↑
Odum	1967

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	352↑	586	641
6mm	600	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	364	430
18mm	417	417	370

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	492	564
Ceiba	240	341↑
Dahoma	380↓	400↓
Edinam (mixed redwood)	520	580
Emeri	380	428
African mahogany (Ivorensis)	870	1040↑
Makore	685	846↑
Niangon	620	675
Odum	755	1029↑
Sapele	700	775
Wawa 1C & Select	400	449↑

Malaysia

2017 exports on track for another good year

The value of wood product exports shipped from Malaysia jumped from RM20.79 billion in 2014 to RM22.15 billion in 2015 before taking a slight dip last year to RM22.11 billion. The domestic market in 2016 was worth another RM18 billion bringing the total value of output to around RM40 billion.

For 2017, the value of wood product exports up to June was RM11.5 billion with Japan and the US being the main markets followed by India, Australia, Singapore, South Korea, United Kingdom, China, Taiwan P.o.C and Thailand. Furniture and other added value products accounted for the highest proportion of 2017 followed by semi-finished products such as plywood, sawn timber and wood chips.

MTCC welcomes mandatory certification in Sarawak

The Malaysian Timber Certification Council (MTCC) has welcomed the move by the Sarawak State government for mandatory forest certification in the state.

In applauding the commitment by Sarawak, MTCC Chief Executive, Yong Teng Koon, said forest certification is an important instrument to promote and verify the implementation of sustainable forest management towards safeguarding environmental, social and economic benefits.

Timber concessionaires in Sarawak will be required to obtain forest management certification under the Malaysian Timber Certification Scheme (MTCS) to demonstrate that the forest is responsibly managed.

Coordinating forest landscape restoration projects

A memorandum of understanding has been signed between University Putra Malaysia (UPM), Biodiversity International and the French Centre for International Cooperation and Development (CIRAD) to support replanting projects.

Professor Aini Ideris, UPM Vice-Chancellor, said this collaboration would provide the starting point for coordinated forest landscape restoration projects in Malaysia.

The challenge for Sarawak – added value products from plantation stock

The Sarawak state government is actively encouraging timber enterprises in the state to venture into plantation investments as the supply of timber from natural forests is being reduced.

Deputy Chief Minister, Awang Tengah Ali Hasan, has said Sarawak is embarking on a new phase in added value timber manufacturing and the challenge is how best to utilise plantation species as their characteristics are very different from natural forest timbers.

He called for more research to be undertaken as engineered wood products can be produced from relatively small diameter logs such as those from plantations.

Inter-state timber tracking to secure CoC

Close collaboration between the Sabah and Sarawak authorities will ensure that wood products being moved between both states are legal. To achieve this the Sabah Forestry Department and the Sarawak Timber Industry Development Corporation (STIDC) will develop a plan of operation.

The focus will be on the handling of logs and wood product shipments at the Immigration, Customs, Quarantine and Security Checkpoint (ICQS) at the border towns of Marapok and Sindumin in southern Sabah where there will be standardisation in the way logs and wood products are checked.

This initiative will strengthen the documentation vetting process for the shipment of timber between the two states, a crucial part of the tracking process to secure the chain of custody requirement to ascertain legality.

November plywood prices

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$ 640 FOB
Standard plywood	
S. Korea (9mm and up)	US$ 475 C&F
Taiwan P.o.C (9mm & up)	US$ 450 FOB
Hong Kong	US$ 450 FOB

Indonesia

Plantation log prices set to rise
The Chairman of the Indonesian Furniture and Handicraft Association, Soenoto, has spoken again on the log export issue questioning why the country should export logs rather than process and export finished goods.

While he acknowledges the domestic industry is not able to absorb all the available timber he says a shift in policy to allow plantation log exports will create anxiety for local entrepreneurs as raw materials such as logs and raw rattan are getting harder to secure.

He says that this move will affect the competitiveness of local manufacturers because they will see raw material costs climb.

In related news, Soenoto has said the Association is calling on the government to support manufacturers so that furniture sales can reach the target of US$5 billion by the end of 2019.

He said the Association has prepared a business strategy to boost sales of furniture and handicraft products and that greater domestic sales features prominently in this plan.

Commenting on developments, Abdul Sobur, Secretary General of the Association, said that industry restructuring and retooling as well as training will be addressed in the business plan.

Wait and see say rattan producers
In the absence of a decision on exports rattan producers of raw rattan and those undertaking the first stage of processing have ceased harvesting and production.

When questioned producers of rattan said they are waiting to see what the new rattan export regulations involve. Most are anticipating that the prices they receive in the domestic market will increase as prices are high in export markets as demand is strong.

Since 2011, the government has banned rattan exports to help spur the domestic processing industry, particularly production of rattan furniture but this ban resulted in lower prices being offered to rattan producers by local furniture manufacturers.

Australia the next target market
The Minister of Environment and Forestry, Siti Nurbaya, has pointed out that as Indonesian wood products come with proof of legality through the domestic legality verification scheme (SVLK) the competitiveness of Indonesian wood products has been enhanced.

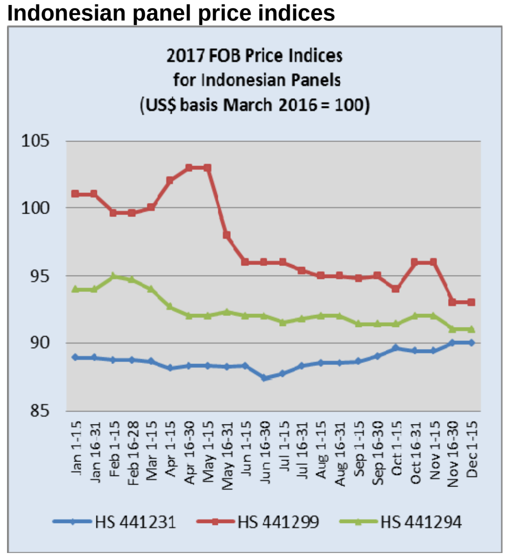
She said that, compared to last year, production of wood products in Indonesia has risen and there has been an increase in export sales notably to the EU. The next target market is Australia and the government is working to reach an agreement with Australia for recognition of the SVLK as proof of legality.

In related news, the Chairman of the Indonesian Sawn Timber and Timber Manufacturers Association (ISWA), Soewarni has said the SVLK has not resulted in any significant rise in demand for Indonesian wood products saying the value of exports in the first 10 months of this year was US$1.72 billion whereas the total for the same period in 2016 was US$2 billion.

Wood products from Indonesia are exported mainly to China, Japan and Australia but while the SVLK was supposed to boost exports and export prices this has not been achieved. However, Soewarni believes in the future the SVLK could enhance the image and competitiveness of Indonesian wood products.

As if to support the views of Soewarni, the Vice Chairman of Marketing in the Association of Indonesian Furniture and Handicraft Industries (Bali), Krisna Pratama Astawa, has reported that exports by members of his Association are less than a year ago because of slow demand in the EU which accounts for around 70% of exports from manufacturers in Bali. He said there has been a 50% decline in sales to the EU.

Indonesian panel price indices



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

Myanmar

Progressing negotiations for the VPA
A two-day workshop was recently held in Yangon on the subject of the definition of legality marking an essential step as Myanmar moves closer to agreeing a VPA with the EU. To advance the VPA process a multi-stakeholder group is being formed involving government, the private sector and civil society.

Civil society organizations (CSO) want the rights of indigenous people to be recognised in Myanmar's Nationally Determined Commitment (NDC) the government's action plan to implement the Paris Agreement for tackling carbon emissions.

The CSOs want this in order to protect the rights of tribal people who could be displaced from forest areas when climate-change mitigation projects are implemented.

The United Nations Framework Convention on Climate Change (UNFCCC) includes a legally binding text on the rights of indigenous people.

M-TLAS training in Sagaing

The Myanmar Forest Certification Committee (MFCC) undertook a visit to the Sagaing Region in order to provide training for certification body auditors on the M-TLAS standards. This training was supported by the MFCC/PEFC Participatory Assessment project for supply chain verification.

According to Barber Cho, Secretary of MFCC, independent third party certification is expected to be in place very soon. He said the experience gained during the recent training in Sagaing has contributed to a better understanding of the challenges in concluding the VPA.

Business council visit seeking investment opportunities

A US-ASEAN Business Council delegation recently visited Myanmar to examine opportunities for investment, economic cooperation and regional development. This visit comes as the Myanmar amended the Companies Act allowing foreign companies to buy up to 35% of local companies.

According to the Myanmar Investment Commission up October this year US private sector investments were in the region of US$375 million. The total value of foreign investment was almost US$5 billion as of November this year.

In addition, Myanmar has seen over US$330 million in grant assistance from around the world with around half coming from the US. The Myanmar Ministry of Health and Sports and the Ministry of Education have benefitted most from this international aid.

Private sector calls for action to spur growth

The economic Advisor to the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) has suggested to State Counsellor Daw Aung San Suu Kyi that economic development be given the same priority as the peace process. This advice was offered as recent data shows that economic growth has slowed for the past two years.

November teak log tender prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	20.5	3,610
SG-4	49.0	3,125
SG-5	120.4	2,445
SG-6	95.5	1,900
SG-7	205.8	1,605

India

The drivers of affordable housing

The Confederation of Real Estate Developers Association of India (CREDAI) and JLL India (India's largest professional services firm specializing in real estate) have released a report 'The dawn of India's Future Cities'.

This highlights the need for new urban centres in India and shortlists 45 potential mega cities such as Nagpur, Lucknow, Jaipur, Kochi and Bhopal which could drive the supply of affordable housing in India.

The report identifies opportunities for developers while reiterating the impact of regulatory changes on the sector and emphasises that India needs new cities to spur growth.

India's urban population currently accounts for around a third of the total population and contributes over 60% of India's GDP which is projected to increase to 75% by 2030. This rapid pace of urbanisation underscores the need for identifying was to increase worker productivity to lift wages and raise living standards.

'The dawn of India's Future Cities' report makes a strong case for cities like Nagpur, Lucknow, Jaipur, Kochi, Ahmedabad, Varanasi, Bhopal and others. Driven by investments in infrastructure, affordable housing and skilled workforces, these cities can potentially see accelerated growth in the manufacturing/industrial, tourism and warehousing sectors and emerge as India's new mega cities.

For the CREDAI press release see: https://credai.org/press-releases/45-potential-mega-cities-to-drive-affordable-housing-demand-in-india-credai--jll-report

and

http://www.jll.co.in/india/en-gb/research/350/jll-credai-nagpur-report

Post event review of Mumbai Wood 2017

In a post event review of MumbaiWood, a leading trade show for the furniture sector, it has been reported that the event attracted more than 6,000 trade visitors, a significant increase on the 2015 show.

This biennial event attracted participation from woodworking machinery and tool suppliers, fittings and accessory companies as well as raw materials and consumable suppliers to the furniture sector.

Most of the visitors, according to show registration data, were furniture and kitchen manufacturers but this year there was a jump in the number of visitors from the architectural and interior design professions.

Visitors from as many as 29 countries showed keen interest in Indian furniture designs and export capacity. Trade visitors came from Bahrain, Bangladesh, Bhutan, China, Indonesia, Iran, Japan, Kazakhstan, Kuwait, Lebanon, Malaysia, Maldives, Mauritius, Myanmar, Muscat, Nepal, Pakistan, Qatar, Saudi Arabia, Singapore, Sri Lanka, South Korea, Sultanate of Oman, Taiwan, Thailand, Turkey, the UAE, and Vietnam.

Visitors from Europe included those from Austria, Belgium, Denmark, Finland, France, Germany, Italy, Norway, Poland, Romania, Russia, Spain, Slovakia, Switzerland, Sweden, The Netherlands and the UK.

According to the Vice-President, PDA Trade Fairs, the organisers of Mumbai Wood "The market response speaks for itself. Our priority was to provide stimulating meetings, an environment for sharing information, generating ideas and initiating collaborations. I think we have succeeded in that aim."

For more see: http://www.mumbai-wood.com/index.php

India seeks exemption from the CITES Dalbergia requirements

India is a regular exporter of musical instruments and parts much of which is made from Indian rosewood and sissoo or northern Indian rosewood (Dalbergia latifolia and Dalbergia sissoo). Over the past months exporters have been experiencing a slowdown in exports due to the time it takes for CITES formalities to be completed.

Both of these timbers are readily available in India and harvests are strictly controlled so the Indian trade feels that these two domestic timbers should be removed from CITES Appendix II.

These species are found in Indian forests and have also been planted alongside coffee and other agri-crops to provide shade. They are also planted along canals and rivers.

The Government of India is of the view that products made for exports from both plantation logs or agro-forestry plantings should be exempted from the CITES. This message was conveyed to CITES at a meeting last month by Mr. Das Gupta who represented India. The Indian trade is now waiting for a decision from CITES.

Ecuador the main supplier of plantation teak

At the time of this report prices for imported plantation teak continue within the range a previously indicated. Analysts report that there is a tendency for average prices to be on the low side of the range shown below as in recent months both the quality and girth of logs has fallen.

In 2017 Ecuador was the main supplier of plantation teak to India. Shipments from all sources were generally of the same quality as in 2016 and over the years log girths have become smaller and the overall quality has deteriorated.

Knowledgeable experts blame the problem on the mono culture of teak and short rotations. The most common defects are thick bark, wide sapwood and variable wood texture as a result of slower growth after around 6~7 years. Analysts also report that it would appear from the shipments that pruning has not been carried out as the logs have many knots.

Most of the imported plantation teak is used for household joinery, doors and window frames as well as for furniture. Prospects for demand for these products should get better in 2018. Sawnwood recovery from plantation teak is always a challenge and depends on quality and size. Average recovery rates in India for small plantation teak are said to be as high as 70% because for many uses sapwood is permitted.

	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

Prices for imported hardwoods remain unchanged. Domestic demand for imported sawnwood continues to firm and there is growing substitution of hardwoods for imported plantation teak.

Sawnwood Ex-mill	Rs. per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1100-1200
Radiata pine AD	600-700
Whitewood	650-750

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

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	3500-4000

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

Prices for imported sawnwood (KD 12%) remain unchanged.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1350-1450
Sycamore	1500-1650
Red Oak	1600-1750
White Oak	2200-2250
American Walnut	4250-4500
Hemlock clear grade	1200-1400
Hemlock AB grade	1200-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price range depends mainly on lengths and cross-section.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	50
6mm	67
9mm	85
12mm	105
15mm	140
18mm	147

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	25.0	37
6mm	37.75	48
9mm	48	58
12mm	58	69.5
15mm	70.5	84.25
19mm	80.25	95
5mm Flexible ply	50	

Brazil

Furniture production increases

In October 2017 national industrial production increased 0.2% compared to September. This was the second consecutive rise. Over the same period the output of the furniture sector expanded 5.3% compared to October 2016, the sixth consecutive rise and the highest since April 2013.

Output from the furniture sector has been increasing in recent months. In September output rose almost 12% and in October output rose 17.8%, the highest rate of increase since 2006.

Change in law – tax on log production eliminated

The Mato Grosso State Government, in Law 10.632, of December 1, 2017, has exempted companies from payment of the Circulation of Goods and Services tax (ICMS) which specifically relates to logging activities in natural forests and forest plantations. There will no longer be a tax on the purchase of logs originating from the forest.

Since May 2016, logging companies in the State were required by the State Treasury Secretariat (Secretaria da Fazenda MT- SEFAZ) to pay 17% tax per cubic metre on the purchase of logs.

The industry argued that since it was also paying a tax on the sale of milled products the log tax was in effect a double tax as it had to pay 17% on log purchases and another 12-17% on product sales.

It was argued by the Center for Timber Producers and Exporters of Mato Grosso State (CIPEM) that this double taxation was undermining the competiveness of mills and manufacturers in the state.

The State Government's initiative to exempt companies from the ICMS tax on logs has been welcomed by the timber industry since it demonstrates that the state government is actively promoting the timber sector.

Global Timber Forum discusses market access

The Vice President of ABIMCI presented an overview of the Latin American forestry sector at the recent Global Timber Forum meeting held in Peru. He said in Latin America the annual sustainable harvest is around 22 million cubic metres from natural forest and 538 million cubic metres from planted forest and that domestic consumption is around 75% of the total.

Of the 7 countries with largest natural forest cover, Brazil ranks first with approximately 500 million ha, followed by Peru, 73 million ha.

In terms of planted forest area, Brazil is also in the first place with 7.7 million ha (with 60% Eucalyptus), followed by Chile, with 3 million ha.

During the two-day event 60 delegates representing the timber industry in Latin America discussed issues such as competitiveness, market access, new regulations, ways of improving transparency and data flow in regional trade, incentives for the conservation and monitoring of forests.

Forestry sector exports recovering

Between January and October this year Brazil's pulp exports grew by almost 3% year on year reaching about 16 million tonnes. Exports of woodbased panels increased around 30% to 1.1 million cubic metres while paper exports increased modestly to 1.7 million tonnes.

Due to this positive performance export revenue exceeded US$7 billion in the first 10 months of this year, a 10.9% growth over the same period of 2016.

China remains the main market for Brazilian pulp (a 40% share) generating earnings of some US$2 billion followed by European countries (a 31% share) at a little over US$1.6 billion.

Latin American countries were the main markets for the paper and woodbased panel segments in the first ten months of the year with export revenues above US$1.0 billion and US$126 million (+16.7%), respectively.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	218
Jatoba	124
Massaranduba	124
Miiracatiara	124
Angelim Vermelho	117
Mixed redwood and white woods	104

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	976
Jatoba	482
Massaranduba	451
Muiracatiara	450
Angelim Vermelho	405
Mixed red and white	269
Eucalyptus (AD)	225
Pine (AD)	161
Pine (KD)	186

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	599
10mm WBP	489
15mm WBP	431
4mm MR	494
10mm MR	368
15mm MR	344

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	259
15mm MDF	314

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1480
Jatoba	913
Massaranduba	777
Muiracatiara	750
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)	296
12mm C/CC (WBP)	281
15mm C/CC (WBP)	265
18mm C/CC (WBP)	267

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,467
	Jatoba	1,467

Source: STCP Data Bank

Peru

GTF/GIZ study points the way forward for private sector associations

The Peruvian forestry sector has suffered several setbacks stemming from the seizure of significant volumes of illegal timber in 2015 and 2016 which resulted in the main export markets closing their doors to Peruvian wood products.

Against this backdrop the Global Timber Forum, the FAO-EU FLEGT Programme and the German development agency GIZ, through its ProAmbiente II programme, undertook a study to analyze the current organisational capacities and needs of forest and timber organizations of Peru.

The finding from this analysis are presented in a report "Assessment of the forest and timber associations of Peru: currento rganizational capacities and needs"

One of the main findings was in the words of the study authors that "the organizations interviewed showed little knowledge about organizational management of private associations. Most leaders do not have the leadership skills or experience for a member-driven and production as wells as market-oriented management.

Organizations tend to concentrate on solving legal problems, but from a very political viewpoint and not based on technical discussions.

Their discourse is only pointed towards the national government and its executive power, leaving aside both the legislative power and the regional forestry authorities – even though the regional forest authorities have been responsible in most forestry matters since the decentralization of government functions started in 2009."

In pointing the way forward the study says "Empowerment and self-sustainability of associations will only be achieved if they: (i) operate and manage for commercial purposes of group interest, (ii) have a permanent and active number of members, (iii) seek the recruitment of new members in the short term, (iv) ensure a minimum fixed subsistence allowance, (v) convene a particular formal industry (e.g. milling companies), (vi) offer attractive, competitive and immediate services, (vii) and are oriented to a differentiated commercial niche. It was interesting to see that none of the

For the full report see:
http://www.gtf-info.com/wp-content/uploads/2017/11/GIZGTF2017PeruvianForestAssociationsAssesment.pdf

CIFOR - Long-range plantation road map needed in Peru

A new study by the Center for International Forestry Research (CIFOR) says there is a need for more research, training, financial and fiscal incentives along with secure land tenure if Peru is to achieve its goal of restoring 3 million hectares of degraded forest land.

A press release from CIFOR quotes Manuel Guariguata, CIFOR principal scientist and leader on forest management and restoration and the lead author of the study as saying "At present, it is estimated that about one-third of the global demand for sawn timber is satisfied by commercial tree plantations, and this proportion is expected to increase over time,"

Many countries have begun promoting plantation forestry rather than timber from natural forests and Peru is taking initial steps in the same direction. What is needed according to CIFOR is for Peru to develop a long-range roadmap so that the potential of forest plantations can be realised.

For more see:
https://forestsnews.cifor.org/53125/tree-plantations-could-help-peru-meet-forest-restoration-goal?fnl=en

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	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	461-482
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	655-678
Marupa 1", 6-13 length KD	
Asian market	496-569

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	191-204

Export Veneer Prices

Veneer FOB Callao port	US$ per m^3
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	342-371
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m^3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1304-1391
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1059-1089
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		493-519
	2x13x75cm, Asian market	732-815

Japan

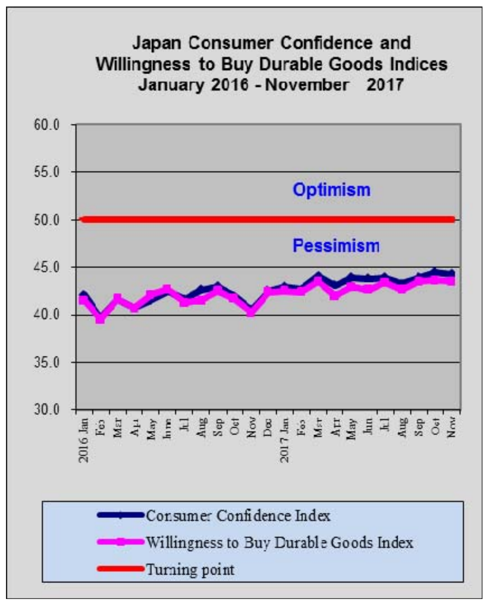
Modest economic growth but prices stagnant

The Finance Ministry said in the July-September period capital investment by Japanese companies rose over 4% year on year marking the fourth straight quarter of gain. This has encouraged analysts to suggest the signs are of a modestly improving economy.

In the third quarter of 2017 the Japanese economy grew at an annualised rate of 1.4%, the longest period of consecutive growth in 16 years.

On the basis of recent data the Japanese government is expected to revise up its growth forecast for 2018 as an expanding global economy should drive capital investments by Japanese companies even higher.

Economists say monetary policy is a strong driver of current growth and, while the macro-picture is encouraging, prices are not rising much which calls into question the approach being taken by the Bank of Japan.

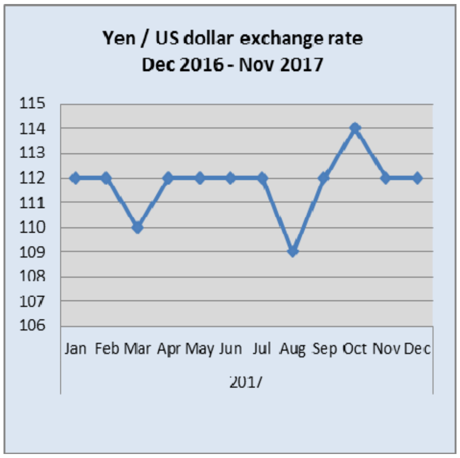


Data source: Cabinet Office, Japan

Dollar falls on Jerusalem announcement then up on US tax plan

After suffering from a decline when the US administration announced recognition of Jerusalem as the capital of Israel, the US dollar rebounded to a 3 week high against the yen in early December driven higher after the US Senate approved the tax reform bill. This strengthening was also supported by improved private-sector employment data.

In mid-December the US dollar was trading at around yen 112 to the US dollar, a rate that is favourable to exporters.

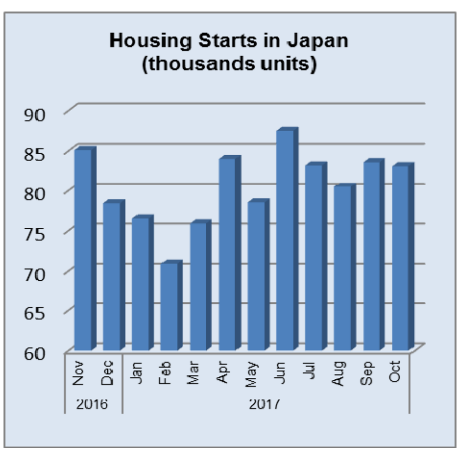


Inheriting a house – a potential nightmare

In Japan the prospect of inheriting the parental home has now become a nightmare, particularly those who live and work far from their parents' home and do not plan to return. Inheriting a house involves becoming responsible for maintenance and taxes and perhaps a hefty inheritance tax bill, the law for which has recently been changed to widen its net.

An inheritance can be disclaimed which would mean the house can be abandoned adding to the already massive stock of empty houses in Japan. The alternative would be to pay for the property to be demolished but then the land tax would kick-in at a much higher rate than if there was a house on the land.

This very unusual state of affairs and has spawned a growing business in house renovations. Several of the major houses building companies are expanding their businesses into house refurbishment but this is still relatively rare in Japan. As the population of Japan shrinks and with the economic prospects still bleak renovated buildings represent a niche in the housing market.



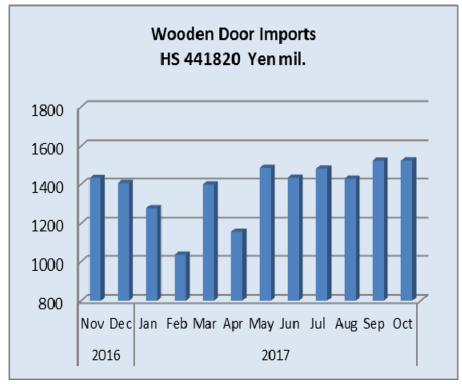
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

Year on year, Japan's October 2017 imports of wooden doors (HS441820) were at around the the same level as in October 2016 and month on month the value of imports was also flat. From May this year the value of monthly imports of wooden doors has hovered around yen 1.5 billion.

In October, China was the largest supplier of wooden doors accounting for 55% on imports followed by the Philippines (21%) and both Indonesia and Malaysia at 8% each. These four shippers accounted for over 90% of Japan's October wooden door imports.

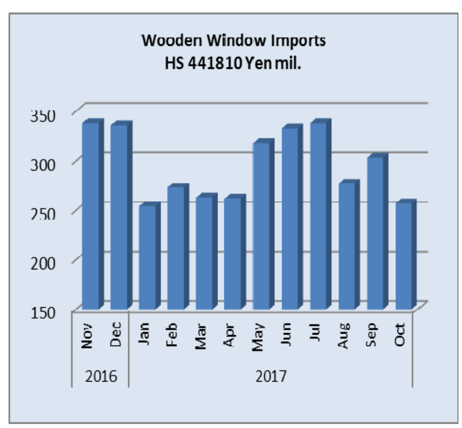


Data source: Ministry of Finance, Japan

Windows

The rise in the value of wooden window imports in September 2017 now seems to have been a one-time event as October figures show imports dropping sharply and even falling below the level in August, the builders holiday month in Japan.

Year on year, October 2017 wooden window imports were down over 40% compared to 2016 and compared to levels in September a 15% drop was observed. Around 90% of Japan's wooden window imports originate from just three sources, China (32%), the Philippines (29%) and the US (27%).

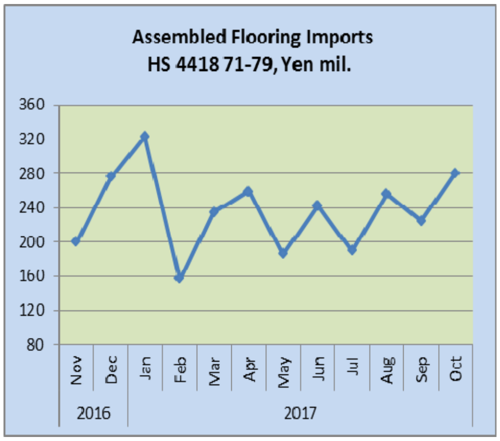


Data source: Ministry of Finance, Japan

Assembled flooring

The value of Japan's October 2017 imports of assembled wooden flooring (HS441871-79) was almost 25% higher than a month earlier and since July there has been a steady rise in the value of imports despite the periodic ups and downs.

Year on year, October 2017 assembled flooring imports were flat. Of the various categories being tracked HS 441875 accounted for the bulk of October imports (82%) with China being the main supplier followed Indonesia, Vietnam and Malaysia. For HS441879 which accounted for 12% of October imports the main suppliers were Indonesia and China.



Data source: Ministry of Finance, Japan

Plywood

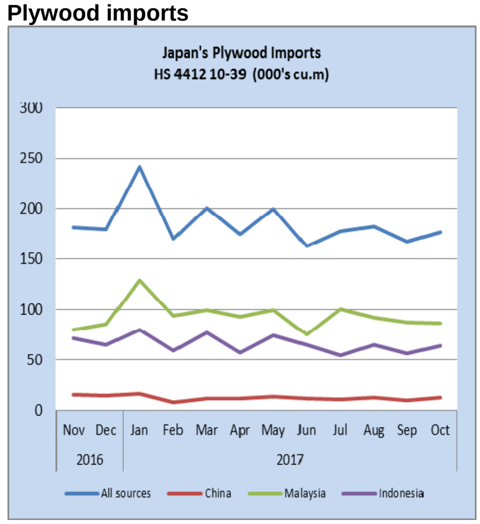
Japan's October 2017 imports of plywood (HS441210-31) were flat year on year but compared to a month earlier October import volumes were up slightly.

Since June this year Japan's plywood imports have remained at around 170,000 cubic metres per month and shipments from the main suppliers, Malaysia, Indonesia and China have moved within a very narrow band.

Shipments from Malaysia are mostly of HS 441231 with smaller volumes of HS 4412 33 and 34. Shipments from Indonesia follow a similar pattern with most being HS 441231 but more HS 441234 is shipped from Indonesia than Malaysia.

In contrast plywood shipments from China are of more varied specifications with HS 441231 accounting for most.

Plywood 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
	Jul	10.6	100	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:
http://www.n-mokuzai.com/modules/general/index.php?id=7

Soaring Malaysian and Indonesian plywood export prices

Export prices of Malaysian plywood are climbing again. Before log production recovered, rainy season started since late October and log production will stay low until rainy season is over in March next year.

Log prices continue firm and the government of Sarawak will raise timber harvest tax since January next year, which is another factor to push log prices up.

In this situation, plywood mills in Sarawak propose about $600 per cbm C&F on 3x6 JAS coated concrete forming panel for shipment in January and $520-530 on uncoated concrete forming panel. They are $30 higher than present prices.

Major plywood manufacturers in Sarawak carry almost six months order files due to delayed production and shipments. Structural and uncoated concrete forming panel are rather easy to produce compared to coated panels while coated concrete forming panels need quality logs, which are hard to come by so the manufacturing is limited.

Actually many plywood mills are forced to reduce the production by log supply shortage and they decide what to produce depending on quality of logs as they come in.

Indonesian plywood manufacturers are in the same situation with log supply shortage and climbing labor cost so they are raising the export prices to follow Malaysian move.

Present market prices of 3x6 JAS coated concrete forming panel in Japan are about 1,350 yen per sheet delivered but the inventories in distribution channels are very limited so distributors have to accept $600 prices as even shipment ofcontracted volume is largely delayed.

Plywood meeting by three countries

Japan, Taiwan and Korean plywood manufacturers had a meeting at Nagoya in late October. Many subjects were discussed.

- Close information exchange on utilization of wood biomass energy based on cascade use of wood.
- Establishment of law to use only logs harvested from legally approved forests with sustained yield system.
- Request to the government to maintain import duty including use of safeguard on plywood and board products.
- Promotion to develop technical measures to improve performance and quality of plywood and board.
- Efforts to prevent global warming with carbon fixation through expansion of plantation and demand of wood products.
- Log supply/ demand of PKS, wood chip and fuel logs needs to be watched as demand for recyclable energy is rising worldwide.
- China is becoming major manufacturing country of plywood and board by increased import of logs from all over the world.
- Demand for plantation wood and softwood logs has been increasing for India and Middle Eastern countries so it is necessary to exchange information on demand of logs by other countries without delay.

Shin-ei Plywood to build new mill in Ohita

Shin-ei Plywood Co., Ltd. (Tokyo), one of Seihoku group companies, will build a new plywood mill in Ohita prefecture as the second base mill in Kyushu. Shin-ei has plywood mill in Minamata, Kumamoto prefecture, only one plywood mill in Kyushu, which produces softwood structural panels and concrete forming panels for coating.

In 2015, it increased the production by 30% to deal with busy demand of thick panel for floor, wall and roof sheathing in Kyushu.It has been running full since it increased the production but is not able to catch up busy demand so it decided to build another mill in Ohita.

Minamata mill consumes 300,000 cbms of logs, out of which 240-250 M cbms are local domestic logs from Southern Kyushu (Kumamoto, Miyazaki and Kagoshima prefecture).

New Ohita mill will consume about 108,000 cbms of local logs (70% cedar and 30% cypress) to produce 68,000 cbms of softwood structural plywood, which will be marketed in Kyushu.

Plywood

Movement of plywood on both imported and domestic continues steady. On domestic softwood plywood, both production and shipment continue record high level. October plywood production was 280,300 cbms, 6.2% more than October last year and 1.8% more than September.

The shipment was 286,200 cbms, 4.8% more and 2.2% more. Softwood plywood production was 267,800 cbms, 6.5% more and 1.9% more. The shipment was 273,100 cbms, 5.8% more and 2.1% more. Both are monthly highest record.

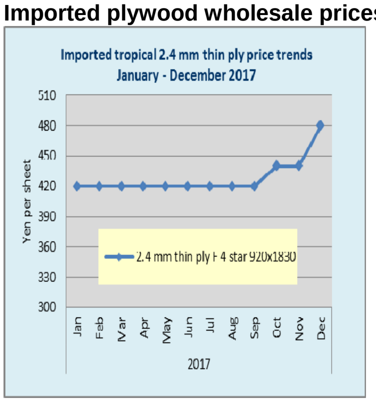
Production of non-structural panel was 14,000 cbms, 59.2% more and 53.3% more with shipment of 14,400 cbms, 68.0% more and 39.5% more. This is replacing demand of South Sea hardwood floor base, which arrivals are largely delayed.

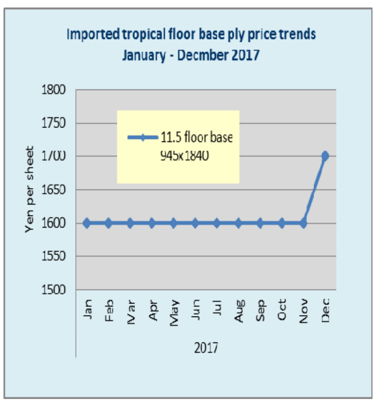
The inventories of softwood plywood were 100,500 cbms, 4,700 cbms less than September. The manufacturers' inventories are dropping with the shipments exceeding the production so supply side fears supply shortage but precutting plants and wholesalers have secured enough inventories so they are not worried about supply shortage.

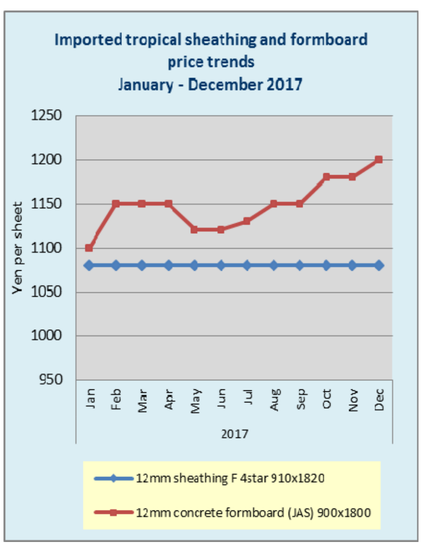
Market prices of imported plywood have been gradually climbing. Supply of thin panel and floor base from Indonesia continues short.

The shipments of imported plywood have been largely delayed by log supply shortage at producing regions, where rainy season has started so log supply will not recover until spring of next year. Since shipment time is uncertain, the buyers in Japan commit whenever offers are made regardless of the prices.

Imported plywood wholesale prices



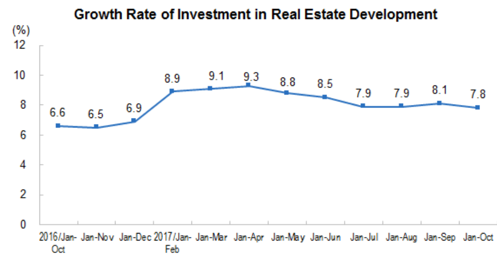




China

Real estate investment powers ahead

In a press release the National Bureau of Statistics of China shows that total investment in real estate development in the first ten months of 2017 increased by almost 8% year on year but that the pace of growth has been slowing throughout the year.

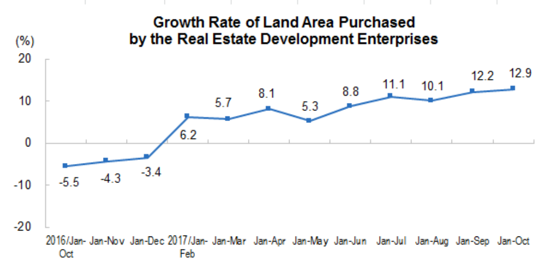


Source: National Bureau of Statistics, China

Real estate investment in the eastern region was up 8% year on year as it was in the central region which clocked a 13% increase year on year. Investment in the western region was also up but by a more modest 4% and in the northeast real estate investment fell marginally.

For more see:
http://www.stats.gov.cn/english/PressRelease/201711/t20171115_1553774.html

Prospects for further growth appear good as the land area purchased by real estate developers continues to rise and is up almost 13% year on year.



Source: National Bureau of Statistics, China

The Nikkei Asian Review, quoting the Financial Times has reported that China's stock of unsold homes continues to fall. Analysts suggest activity in the building and construction sectors could soften the negative impact of the likely economic slowdown next year.

China's real estate sector is a major driver of growth accounting for about a fifth of GDP if output from other industries driven by housing such as household items, wood products, steel and cement are included.

See:
https://www.ft.com/content/e7627c22-d413-11e7-a303-9060cb1e5f44

Environmental tax will add to production costs

It has been reported that China will introduce an environment protection tax in January next year. This will be the first tax reflecting a 'green tax system' aimed at creating awareness in society of the need for environmental sustainability. Manufacturing enterprises will be affected as they will be encouraged to increase investment in environmental protection.

Currently most of provinces in China have specific environmental taxes the standards of which vary considerably depending on the carrying capacity of the local environment, pollutant types as well as the development goals behind the environmental laws.

The highest environmental taxes are levied in Zhejiang, Hubei, Hunan, Guangdong, Guizhou, Yunnan and Shanxi provinces. The tax levels are moderate in Jiangsu, Henan and Sichuan provinces. But the taxes are very high in Beijing, Tianjin and Hebei province.

As a result of the new taxes production costs are set to rise for wood product manufacturers but it will take time before the impact of the taxes can be assessed.

10 million cubic meters of timber through Taicang Port

According to the Taicang Entry-Exit Inspection and Quarantine Bureau, timber imports through Taicang Port rose 27% to 10.29 million cubic metres between January and November 2017.

This is the first time imports through this port exceeded 10 million cubic metres. The cargoes comprised 7.26 million cubic metres of logs (up 41% year on year and 3.04 million cubic metres of sawnwood (up 10%).

The timber arrived from Canada, New Zealand, Russia, Australia and the USA and these five suppliers accounted for 93% of the total imports through Taicang.

Imports from Australia more than doubled, imports from the USA increased 83% while imports from New Zealand were up 73%. Furthermore, imports through the port from Canada rose 10% but imports from Russia fell 3%.

Zhenjiang City – major processing and trading base for imported timber

It has been reported that a major industrial zone, the Xinminzhou Industrial Zone, has been constructed specifically for processing imported timber. This industrial complex in Zhenjiang City, Jiangsu Province covers an area of over 300 hectares.

Timber imports through Zhenjiang Port rose 18% to 1.15 million cubic metres up to the end of November fueled by shipments from New Zealand, Australia, Canada, the USA, Uruguay, Japan, Estonia and Guatemala. The main species imported were radiata pine, douglas fir, Caribbean pine, Japanese cedar and hoop pine.

Transfer of furniture manufacturers away from main cities

In a new round of industrial restructuring many furniture manufacturers have been required to relocate away from the main cities.

Almost all of furniture manufacturers in Beijing have transferred operations to surrounding provinces because they are responsible for polluting the city environment.

In addition around 70% of the furniture manufacturing enterprises in Chengdu city have been moved out. There were more than 6,000 home furnishing enterprises in Cheng with a combined output of around RMB100 billion.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-30000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	28000-40000

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	3850-4300
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

Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28

Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Europe

EU tropical imports sliding again

While there are clear signs that the EU economy is picking up EU trade in tropical timber continues to slide. Market demand within in producer countries and other non-EU consuming markets are now probably more important drivers of trade volumes into the EU than the current and potential level consumption in the region.

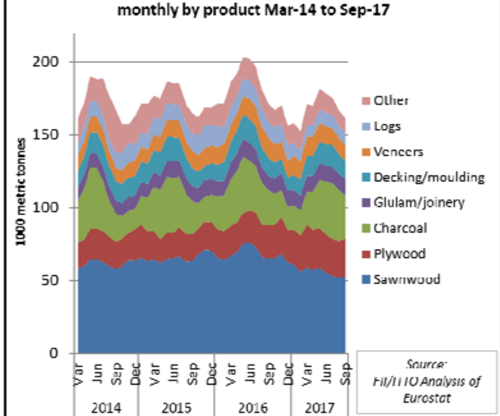
With tropical wood supplies constrained globally and strong demand elsewhere, particularly in China, and the additional challenge of satisfying EUTR due diligence requirements in the EU, tropical suppliers seem more inclined to focus on other markets.

The total value of EU imports of tropical timber products was euro1.65 billion in the first nine months of 2017, 5% less than the same period in 2016. In quantity terms, imports into the EU between January and September 2017 were 1.53 million metric tonnes (MT), nearly 9% down on the previous year.

The unit value of EU tropical timber imports has increased slightly this year, from euro1039/MT to euro1080/MT, mainly because imports of higher value products like plywood, glulam, veneer and decking have declined less than imports of unprocessed logs and sawnwood.

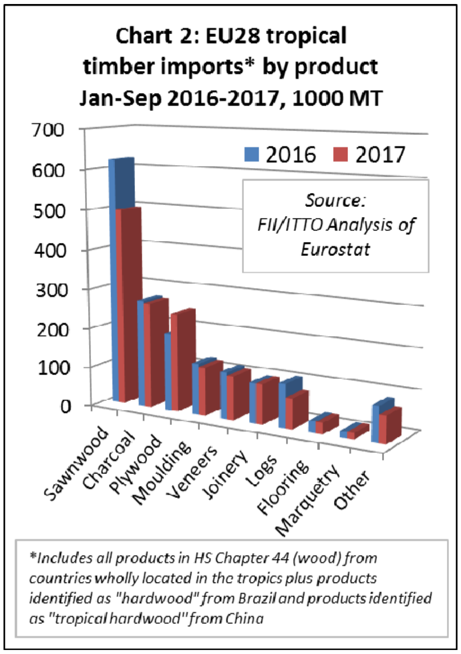
Although there was the usual seasonal rise in EU tropical timber imports in the first half of 2017, this was subdued compared to 2016 and imports declined sharply in the third quarter (Chart 1).

Chart 1: EU28 tropical wood product imports: monthly by product Mar-14 to Sep-17

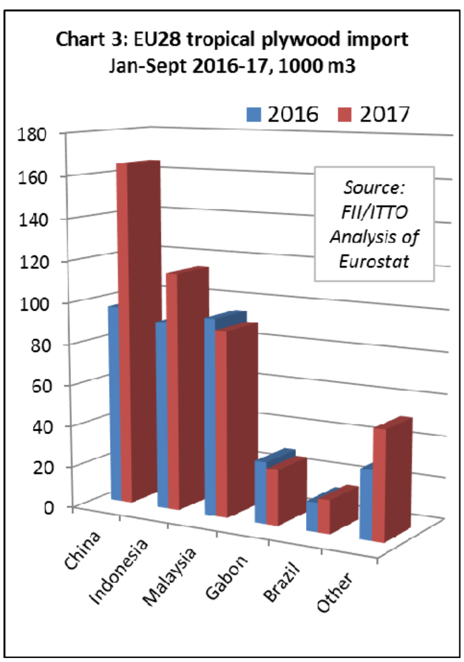


A large part of the decline in EU tropical timber imports in the first nine months of 2017 was concentrated in sawnwood, which in tonnage terms were down 20% compared to the same period in 2016.

During this period there was also a fall in import tonnage of tropical charcoal (declining 2% to 266,000 MT), decking/mouldings (declining 5% to 122,000 MT), veneer (declining 6.3% to 110,000 MT), logs (declining 31% to 76,000 MT) and flooring (declining 3% to 28,000 MT) (Chart 2).



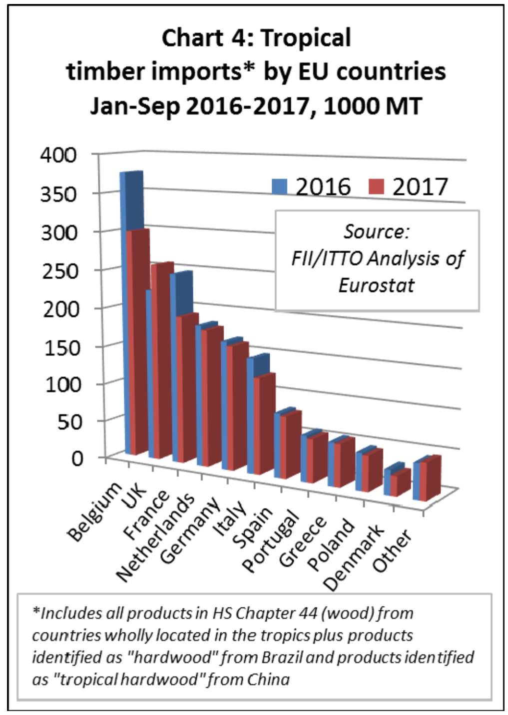
Tropical plywood apparently bucked this trend, with EU imports rising 30% to 464,000 cu.m in the first nine months of 2017.



However much of this gain comprised tropical hardwood plywood manufactured in China, rather than direct imports from the tropics, and may well be due to the increased range of hardwood types specifically identified as “tropical” rather than “other” in the HS product definition since the start of this year. (Chart 3).

The downturn in EU imports of tropical timber products during the first nine months 2017 was concentrated in Belgium (declining 20% to 300,000 MT), France (declining 22% to 194,000 MT), and Italy (declining 16% to 125,000 MT).

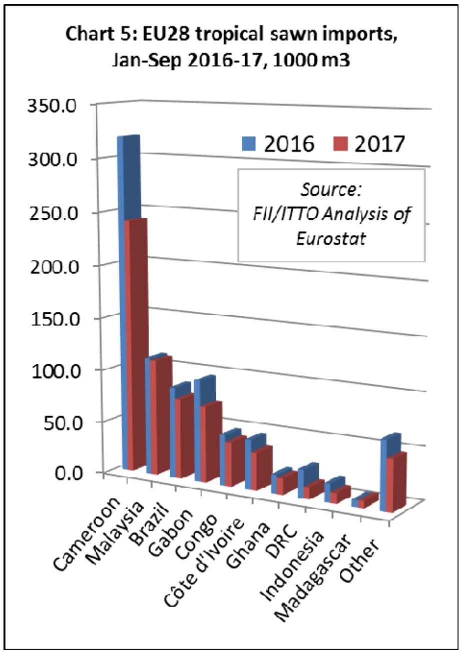
The only market apparently recording significant growth in tropical timber imports during this period was the UK, rising 15% to 258,000 MT. (Chart 4).



The apparent rise in tropical imports in the UK is misleading because this is by far the largest European destination for tropical hardwood plywood from China. Direct imports of tropical timber products into the UK have not posted significant gains this year.
EU sawn timber imports fall 21%

In volume terms, EU imports of tropical sawnwood were 670,500 cu.m in the first nine months of 2017, 21% less than the same period in 2016. Although a large share of the decline was due to a 25% fall in imports from Cameroon (to 241,000 cu.m), there was a fall in trade with nearly all the main supply countries.

EU tropical sawnwood imports fell sharply from Brazil (declining 12% to 76,600 cu.m), Gabon (declining 25% to 72,500 cu.m), Congo (declining 13% to 42,100 cu.m), Cote d’Ivoire (declining 24% to 36,000 cu.m), Ghana (declining 14% to15,500 cu.m) and DRC (declining 57% to 11,300 cu.m). Of major suppliers, only Malaysia maintained a level (110,000 cu.m) close to that of the previous year. (Chart 4).



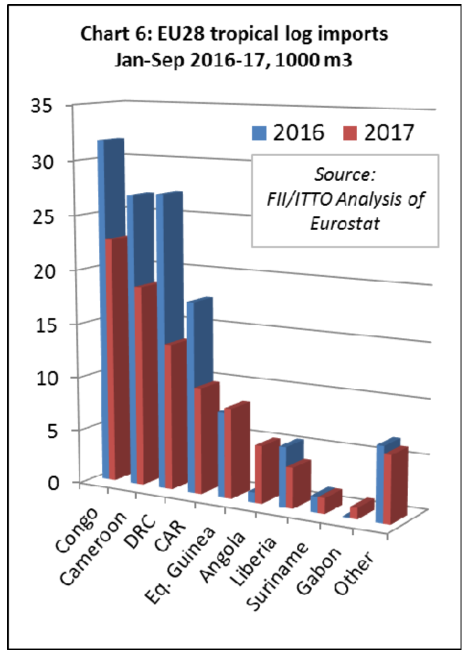
In the first nine months of 2017, imports of tropical sawnwood declined into all the main EU markets, with the single exception of the UK.

Imports were down 29% in Belgium (202,600 cu.m), 6% in the Netherlands (103,100 cu.m), 26% in France (80,200 cu.m), 35% in Italy (73,100 cu.m), 21% in Spain (45,200 cu.m), 14% in Germany (31,700 cu.m), and 10% in Portugal (22,200 cu.m). Imports in the UK increased, but by only 2% to 67,600 cu.m.

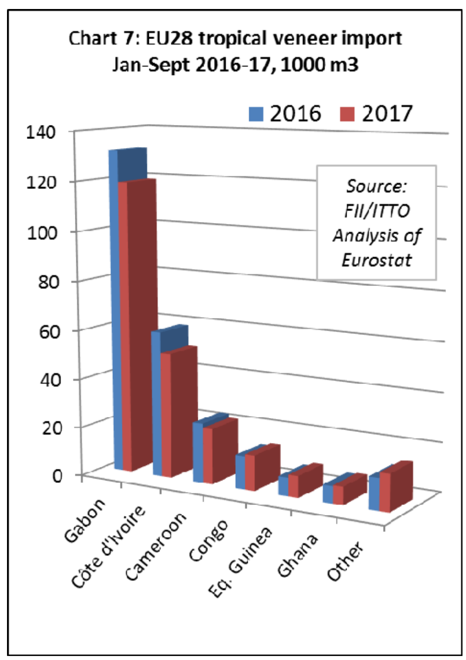
EU log imports fall from all leading tropical suppliers

The EU trade in tropical logs followed a similar downward path. Imports in the first nine months of 2017 totalled just 90,400 cu.m, 28% less than the same period in 2016, and fell 29% to 22,700 cu.m from Congo, 31% to 18,500 cu.m from Cameroon, 50% to 13,500 cu.m from DRC, and 44% to 9,800 cu.m from CAR.

However, there were gains in imports from some smaller suppliers, notably Angola (to 5,300 cu.m from a negligible level in 2016). (Chart 5).



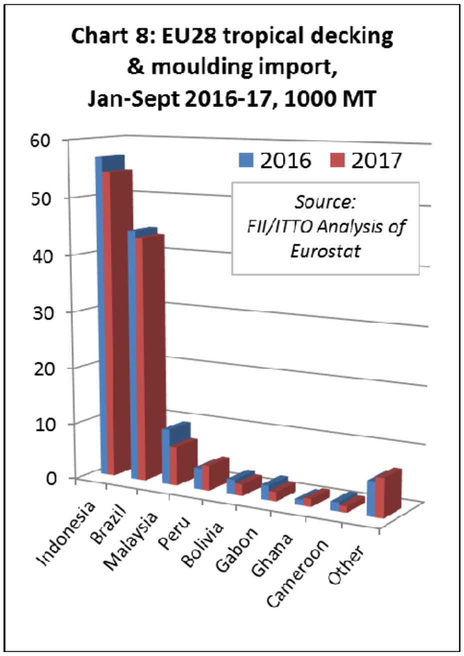
EU imports of tropical veneer declined 7% to 238,400 cu.m in the first nine months of 2017, mainly due to a 10% fall in imports from Gabon to 119,000 cu.m. There was also a 14% fall in imports from Cote d'Ivoire to 51,100 cu.m, and a 7% fall in imports from Cameroon to 22,700 cu.m. However, imports increased from some smaller suppliers including Congo (rising 7% to 14,400 cu.m), Equatorial Guinea (rising 17% to 8,800 cu.m) and Ghana (rising 6% to 7,300 cu.m). (Chart 7).



Most of the decline in EU imports of tropical veneer was concentrated in the two largest EU markets; France and Italy. Tropical veneer imports increased in Spain, Greece and Romania during the nine-month period.

EU imports of moulding/decking were more stable than for other tropical products in the first nine months of 2017, falling only 5% to 121,000 cu.m.

Imports declined 4% from Indonesia to 54,300 cu.m, 3% from Brazil to 43,100 cu.m, and 30% from Malaysia to 6,900 cu.m. There was a 17% gain in imports of mouldings/decking from Peru, but from a small base to 4,400 cu.m. (Chart 8).



Tropical glulam, mainly laminated window scantlings and kitchen, was one of the few tropical wood products to record an increase in EU trade in the first nine months of 2017, with imports rising 9% to 43,800 MT. Imports from Malaysia increased 31% to 19,800 MT but declined 2% from Indonesia to 16,500 MT and 1% from Vietnam to 4,600 MT.

Imports decline despite economic growth

As noted in previous MIS reports, the downturn in imports is more disappointing because it is occurring at a time when there are clear signs that the EU is at last returning to economic health. In their autumn statement issued in November, the European Commission said that the latest GDP statistics show that the EU "is on track to grow at its fastest pace in a decade this year."

The EC forecast that the eurozone economy will grow by 2.2% this year and 2.1% next year, a significant improvement on their previous forecast in May (1.9% in both 2017 and 2018). For the whole EU, including non-eurozone countries, growth is expected to be a "robust" 2.3% this year and 1.9% next year - compared to 1.9% for both years that was expected in May.

The EC noted that for the first time in a decade all EU countries will grow this year. This was due, according to the EC, to "resilient private consumption, stronger growth around the world, and falling unemployment".

Investment in the EU is also "picking up" and confidence in the economy has "considerably brightened", encouraged partly by the European Central Bank policy of low interest rates and massive bond buying.

The EC noted downside trends, notably " sluggish wage growth" which "partly reflects low productivity growth and persistent slack in the labour market." But for the first time, risks surrounding the economic outlook are considered by the EC to be "broadly balanced" instead of "tilted to the down side".

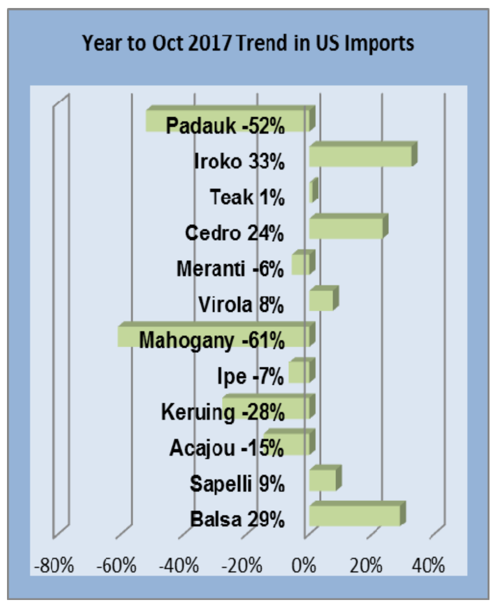
North America

Decline in US imports of ipe sawnwood in October

US imports of temperate and tropical sawn hardwood grew by 13% in October to 71,024 cu.m. The growth was largely in imports of tropical sawnwood. Tropical imports jumped 32%, while imports of temperate species increased 6%.

Tropical sawnwood imports were 22,107 cu.m. in October. The value of these imports increased by just 15% from September to US$21.7 million.

The discrepancy between volume and value growth is due to lower ipe sawnwood imports in October. Ipe along with teak are the highest priced hardwoods imported, and both declined in October. Brazil exported 2,409 cu.m. of ipe sawnwood to the US, down 13% from September.



Data source: US Census Bureau, Foreign Trade Statistics

Imports of most other key tropical species increased in October. Imports of sapelli and acajou d'Afrique more than doubled from the previous month to 4,090 cu.m. and 2,583 cu.m., respectively.

However, year-to-date imports of acajou d'Afrique were lower than in October last year. Both Cameroon and Congo shipped higher volumes of sapelli to the US.

The growth in acajou d'Afrique imports in October came mostly from Ghana and Congo.

Imports from Malaysia were up 65% in October. Both keruing and meranti shipments were up, with keruing sawnwood from Malaysia at 1,487 cu.m.

Canada imports more tropical sawnwood from the US

Canadian imports of tropical sawnwood were worth US$1.65 million in October, slightly down from the previous month and also year-to-date from October 2016. The drop was in the combined category of virola, imbuia and balsa.

Mahogany imports more than tripled from the previous month last year to US$339,433. Year-to-date mahogany imports were also up compared to the same time last year. Higher mahogany shipments into Canada were reported from a range of sources, but primary from Brazil and Cameroon.

More tropical sawnwood reached Canada via its southern neighbor in 2017 to date. The US was the only major supplier that significantly increased tropical shipments to Canada this year. In October, Canadian imports from the US accounted for 7% of the value of total US tropical sawnwood imports.

US International upholds duties against China and Canada

The US International Trade Commission (ITC) ruled on December 1 that China dumped subsidized hardwood plywood in the US market and that as a consequence, the domestic industry is materially injured, or threatened with material injury.

US imports of Chinese hardwood plywood increased 22% from 2014 to 2016, according to data used by the Commission. The ITC also ruled that hardwood plywood imports from China will not be subject to retroactive antidumping or countervailing duties.

Member organizations of the American Alliance for Hardwood Plywood, who purchase or distribute plywood from China, are alarmed by the ruling and the high duties. The US Department of Commerce set an antidumping duty of 183.6% and countervailing duties of up to 194.9%.

According to the American Alliance for Hardwood Plywood, up to half the world's supply of hardwood plywood may be unavailable to US manufacturers, which would create an economic advantage for competitors outside the US.

The US International Trade Commission also voted for the antidumping and countervailing duties on sawn softwood from Canada. Despite the duties, Canadian sawmills have not cut production because of record-high prices and strong demand in the US market, which depends for about one third of its demand on imports.

Positive outlook for 2018 US hardwood flooring market

Hardwood flooring consumption increased 5.9% in 2016, according to a market research report released by Catalina Research.

Growth in laminate flooring was much lower at less than 1%. The US hardwood flooring market was worth US$3.64 billion in 2016.

In laminate flooring imports have grown, especially from Asia, but US producers hope that the new federal formaldehyde emission requirements will provide a competitive advantage to domestic manufacturers. Competition from non-wood hard surface floors, especially luxury vinyl tile and wood plastic/polymer composites, is another concern for wood flooring producers.

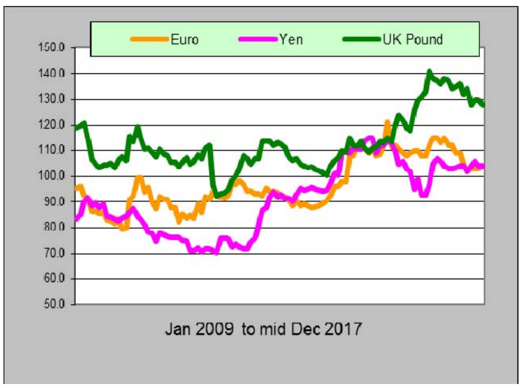
The hardwood flooring market outlook for 2018 is positive. The National Hardwood Flooring Association carried out a survey among its members this year and more than 70% expect sales to grow at least 3% in 2018. One third of manufacturers, distributors, retailers, and contractors expect sales to grow 8% or more.

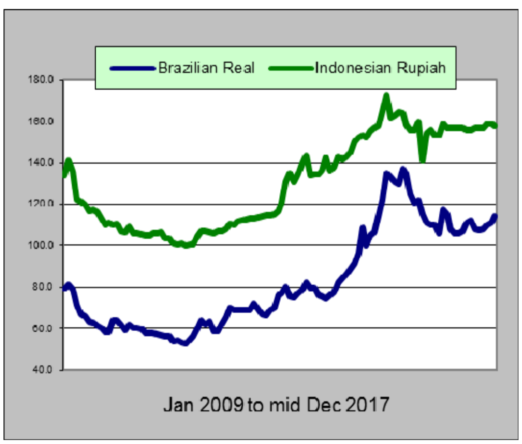
Dollar Exchange Rates

As of 10 December 2017

Brazil	Real	3.3419
CFA countries	CFA Franc	553.78
China	Yuan	6.6084
EU	Euro	0.8491
India	Rupee	64.285
Indonesia	Rupiah	13561
Japan	Yen	112.22
Malaysia	Ringgit	4.0845
Peru	New Sol	3.24
UK	Pound	0.7446
South Korea	Won	1089.22

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



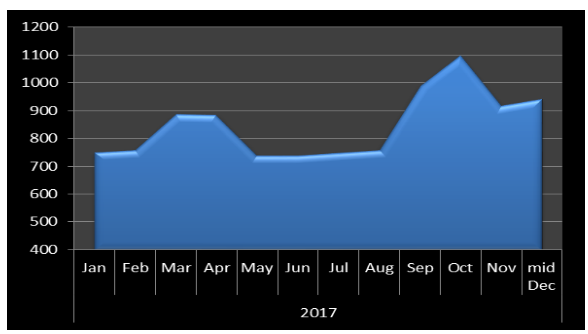


Abbreviations and Equivalences

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, CNF	Cost insurance and freight
C&F	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, Water 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
December 2016 – mid December 2017

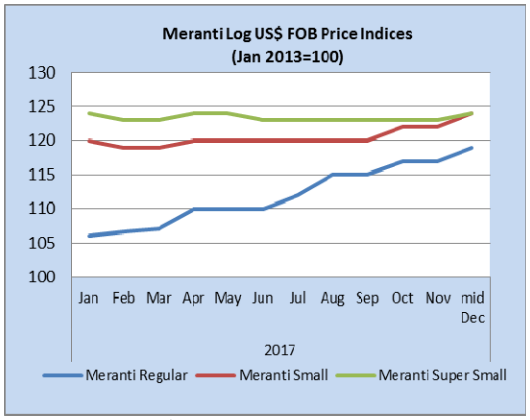


Data source: Open Financial Data Project

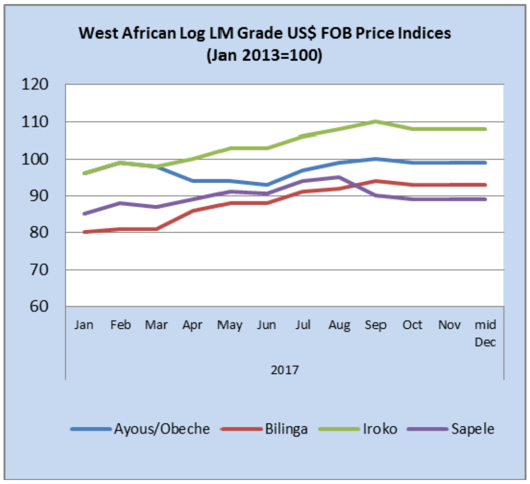
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

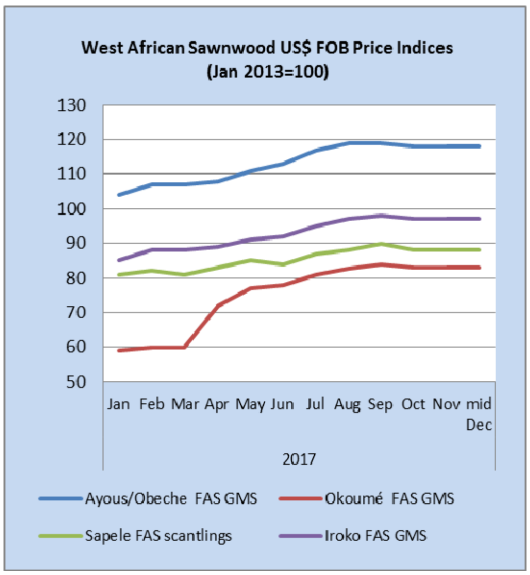
Price indices for selected products

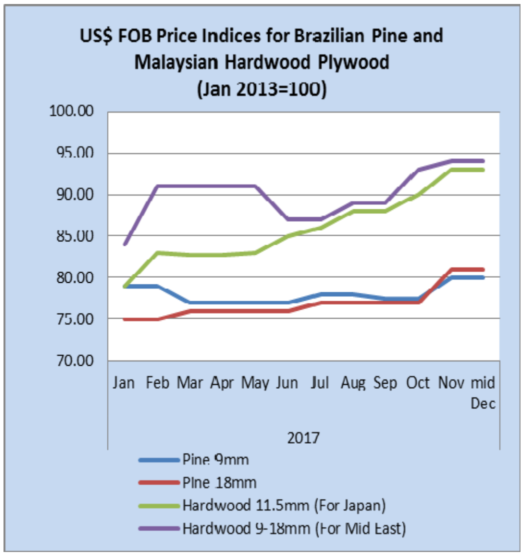
The following indices are based on US dollar FOB prices

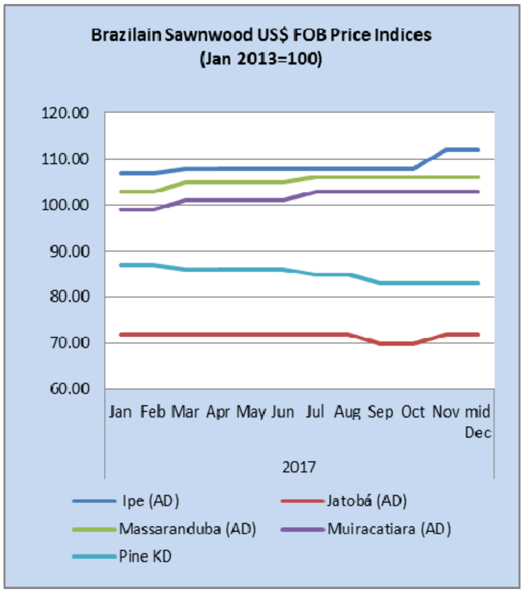


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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