

Tropical Timber Market Report

Volume 19 Number 13, 1st – 15th July 2015



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

Contents

Central/West Africa	2
Ghana	2
Malaysia	3
Indonesia	4
Myanmar	5
India	6
Brazil	8
Peru	9
Guyana	10
Japan	11
China	15
Europe	18
North America	19
Currencies and abbreviations	21
Ocean Freight Index	21
Price Indices	22

Headlines

	<i>Page</i>
Luxury apartment segment driving demand for high value W. African veneers	2
Ghana Association appeals for elimination of duties on imported sawnwood	2
Sabah Association calls for ban on log exports	4
Revised minimum wage proposed in Myanmar	5
Japan's housing starts rise but prospects uncertain as construction orders fall	12
From Yiwu, Zhejiang Province to Madrid in 21 days	16
African tropical timber a success in the EU	18

Top Story

JLIA to maintain focus on securing verified legal wood products

The Japan Lumber Importers Association elected Mr. Satoru Yasuda as the Association new chairman.

In accepting the post the new chairman said the focus in his term in office will be to maintain the system to ensure the consumption of only legal wood products.

The Association will continue requiring wood product suppliers to supply verified legal products. Mr. Yasuda is currently Managing Director of Sojitz Building Materials Corporation.

See page 14

Report from Central/West Africa

Minor price changes but focus is on change in China

A few minor price movements were reported in the first week of July but most log and sawnwood prices remain unchanged because of only moderate demand in the main markets.

Of major concern to West African exporters was the rapid collapse of stock values in China and the impact this could have on domestic consumption. A large volume of equities in China are in the hands of small investors many of whom have borrowed heavily to buy stocks.

Coming on top of the recent weakening in property prices in China it is expected that this latest shock will undermine Chinese consumer confidence and that spending will decline.

Analysts say it is too early to forecast if, how and when this situation will impact timber imports but it is likely there will be a period of adjustment until growth trends in the Chinese economy stabilise.

There is has been no change in the level of production and West and Central African producers continue to rein-in production through temporary mills closures and limiting output to orders in-hand. The consensus is that demand will not improve significantly in the short term.

Middle East luxury apartment segment driving demand for high value veneers

Demand from Middle East buyers is holding up but price negotiations are getting tougher as buyers take advantage of market weakness in the EU and now China.

Buyers for Middle East markets continue to look for low cost species and at the same time are raising demands on specifications and quality. Much of the recent purchases, especially of high value veneers, appear destined for the luxury apartment segment of the housing market. Construction companies in the Middle East report high order book volumes for luxury, new-build accommodation.

No price differential for certified or verified legal products

Producers say business in Europe is slow. There has been some recent interest in azobe, bilinga, moabi and sapele and prices are firm with EU buyers being prepared to pay for their usual high quality.

These orders come with demands for fully verified legal and even certified timber. Producers say they sense there is now little or no price difference between these two alternative methods of satisfying the issue of legality.

Pressure to find new markets

Some West African producers continue to try and diversify into Asian markets other than China and a small number are considering venturing into further processing of mouldings and high quality interior trim.

Log Export Prices

West African logs, FOB	LM	B	BC/C
<u>Asian market</u>			
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	160
Belli	300	280	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	240	240	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	250	-
Padouk	310	285	225
Sapele	320	320	240
Sipo/Utile	345	340	265
Tali	320	320	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³
Ayous FAS GMS	410▲
Bilinga FAS GMS	500
Okoumé FAS GMS	360▼
Merchantable	225
Std/Btr GMS	280▼
Sipo FAS GMS	610
FAS fixed sizes	610
FAS scantlings	640▼
Padouk FAS GMS	920▲
FAS scantlings	980
Strips	500
Sapele FAS Spanish sizes	600
FAS scantlings	610▲
Iroko FAS GMS	610▼
Scantlings	690▲
Strips	440
Khaya FAS GMS	450
FAS fixed	460▼
Moabi FAS GMS	610
Scantlings	630▲
Movingui FAS GMS	420

Report from Ghana

Appeal for elimination of duties on imported sawnwood

The Domestic Lumber Trade Association of Ghana (DOLTA), has appealed to government to waive the import and other taxes on sawnwood.

The CEO of DOLTA, Mr. Kofi Afreh Boakye, said an Association review showed that the zero tax on imported logs was insufficient to make milling imported logs profitable.

DOLTA is appealing to the government to remove the 20% import duty and 17.5% VAT and NHIL (National Health Insurance Levy) on imported sawnwood.

According to DOLTA, providing a profitable means to secure legal timber would benefit the country and help the government eliminate illegal timber from the market place.

Cedi rebounds but impact yet to be felt in real economy

Ghana's currency has appreciated strongly against most major currencies in response to confirmation by the IMF that Ghana is on the right track to stabilise the economy. On 1 July the World Bank approved an additional US\$150 million in budget support for Ghana.

Since January this year the cedi has fallen by around 18% against the US dollar. Around two weeks ago the cedi was trading at GHc4.20 to the dollar but now the exchange rate stands at GHc3.40.

Despite this good news consumers are yet to see any benefit but analysts say it is possible that a review of fuel prices by the National Petroleum Authority could bring a reduction prices of petroleum products.

300Megawatts power shortfall

The ongoing electricity 'load-shedding' that is seriously affecting manufacturers and domestic households has been made worse by a further shortfall of 300 megawatts due to an interruption of gas supplies from the Atuabo Processing Plant to the Volta River Authority power plant.

It has been reported that the problem stems from a fault on the gas floating storage and off-loading vessel. As a stop-gap measure the government will purchase oil and natural gas as it has been estimated repairs will take two weeks.

Planting trees to protect the environment

The Ministry of Environment, Science, Technology and Innovation (MESTI) in consultation with the Forestry Commission, government departments and other stakeholders will begin a programme aimed at planting 30 million seedlings annually. This will be undertaken as part of the 'Green Ghana Programme'.

In a related development, the Western Regional Minister, Mr. Evans Paul Aidoo, has urged Chiefs in the region to play an active role in protecting the natural environment.

Boule Export prices

	Euro per m ³
Black Ofram	305
Black Ofram Kiln dry	395
Niangon	478↓
Niangon Kiln dry	570↑

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9mm)	FACE (>2mm)
Ceiba	312↓	415↑
Chenchen	330↑	355
Ogea	450	400
Essa	325	380↑
Ofram	350	350

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afromosia	1.19	0.84
Asanfina	1.40	0.63
Avodire	1.15	0.34
Chenchen	1.10	0.65
Mahogany	1.30	0.82
Makore	1.60	1.10
Odum	1.76	1.00

Export Sawnwood Prices

Ghana Sawnwood, FOB	€ per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	492	564
Ceiba	240	320↑
Dahoma	426↑	495
Edinam (mixed redwood)	525	580
Emeri	456↑	620↑
African mahogany (Ivorenensis)	512↓	930↓
Makore	630↑	790
Niangon	489↓	580
Odum	660	812↓
Sapele	642	768↓
Wawa 1C & Select	300	400

Export Plywood Prices

Plywood, FOB	€ per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	482↓	510	641
6mm	400	535	615
9mm	393	460	510
12mm	347↓	463↑	450
15mm	450	415↑	374
18mm	352↑	362↑	370

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	14.20↑	16.00	17.80↓
Odum	10.25↑	12.55↑	11.70
Hyedua	14.52↑	14.93	18.25↓
Afromosia	15.50	18.65	18.73↑

Grade 2 less 5%, Grade 3 less 10%.

Report from Malaysia

Furniture exports set to rise through change in strategy

Annual furniture exports are set to rise to RM16 bil. by 2020 from the current RM8 bil. as a result of the Malaysian Timber Industry Board's (MTIB) Professional Designers Programme (PDP).

The PDP is a joint initiative of the Malaysian Furniture Promotion Council (MFPC) and MTIB aimed at expanding design capacity in the country.

MFPC Chief Executive Officer, Sarimah Mohamad Sabudin, was reported by The Star newspaper as saying the PDP would enhance product value in the country as well as contribute towards original furniture designs.

Despite falling commodity prices, MFPC said that the wood-based industry will remain strong and will continue to contribute to the country's export earnings.

Malaysia exported wood products valued at RM20.5 billion (approx. US\$ 5.4 bil.) in 2014 compared to RM19.5 bil. in 2013.

MTIB Director General, Dr Jalaluddin Harun, has said the country needs to strengthen its supply chain, increase production of market oriented value added products and diversify into new markets.

Call for Sabah to ban log exports

The Sabah Timber Industries Association (STIA) has urged the Sabah State Government to consider a total ban on the export of logs from natural forests to ensure all timber resources are fully-utilised by the local industry.

STIA President, James Hwong, was reported by the local newspaper, Daily Express, as having said there was enough local processing capacity to fully utilise the export grade logs and the industry was able to pay the international market price for such logs.

However, Sabah Forestry Director, Sam Mannan, has said a total log export ban was unnecessary citing statistics that show between 2010 and 2014 from 86% to 91% of Sabah's natural forest log production was consumed by domestic mills.

The Daily Express quoted Mannan as saying "log sales to domestic mills are highly subsidised in the form of preferential royalty rates". For example, he said, royalty on red seraya (Class C) for export is RM160 per cubic metre whereas if the log is milled locally the royalty is just RM90 per cubic metre.

For more see:

<http://www.dailyexpress.com.my/print.cfm?NewsID=101124>

Sabah Logs: production, exports and local processing

	Total Production cu.m	Total Export cu.m	Local Processing cu.m
2010	3,483,928	408,049 (12%)	3,075,834 (88%)
2011	2,212,466	308,971 (14%)	1,903,495 (86%)
2012	1,965,671	171,000 (9%)	1,794,671 (91%)
2013	2,101,143	212,051 (10%)	1,889,092 (90%)
2014	2,060,511	237,297 (12%)	1,823,214 (88%)

Source: Sabah Forestry Dept

Slight decline in Sarawak log production

The Sarawak Timber Association (STA) has released log production statistics for the first five months of the year.

Total log production fell around 8% in the first five months of 2015 from the same period a year earlier. Production of Hill Species dropped 7% while production of Swamp Species fell a massive 39% in the same period.

Hill Species accounted for 98% of production in the first five months of 2015 almost unchanged from the same period in 2014.

	Jan-May 2015	Jan-May 2014
Hill Species	cu.m	cu.m
Kuching	59,862	13,727
Sibu	1,322,047	1,417,679
Bintulu	937,622	1,204,791
Miri	800,218	728,503
Total Hill Logs	3,119,749	3,364,700
Swamp Species	cu.m	cu.m
Kuching	22,059	1,647
Sibu	17,696	6,468
Bintulu	3,102	352
Miri	24,696	101,791
Total Swamp Logs	67,553	110,258
Grand total total	3,187,302	3,474,958

Data source: STA.

Plywood traders in Sarawak reported the following FOB export prices:

FB (11.5mm) US\$ 605 FOB

South Korea (8.5 – 17.5 mm) US\$ 460 FOB

Taiwan (8.5 – 17.5 mm) US\$ 460 FOB

Hong Kong US\$ 465 FOB.

Report from Indonesia

Dependence on commodity exports cannot continue

The World Bank has lowered its GDP growth forecast for Indonesia to 4.7% this year, the lowest forecast since 2009.

The Bank said private consumption, which accounts for more than half of Indonesia's GDP, is expected to continue to weaken.

The government of Indonesia aims to effect a transformation of the economy from one dependent on consumption to one focused on production and investment. The President has said the dependence on commodity exports cannot continue and that the country must move to industrialisation. This will be achieved by increased government spending on infrastructure and through measures aimed at attracting higher levels of foreign investment.

An increase in export values since TLAS introduction

The Director General of Sustainable Forest Product Management, Ministry of Environment and Forestry, Ida Bagus Putra Parthama, has said that since the introduction of the Timber Legality Assurance System (TLAS), the

ministry recorded an increase in the value of wood product exports. He also noted that Indonesia's TLAS is an evolving system and is constantly being improved.

Before TLAS was mandatory the value of exports in 2012 was US\$5.17 billion but after implementation the value of exports continued to rise such that by 2014 they had risen to around US\$6 billion. It is difficult to judge just how much of the increase in export earnings is due to TLAS or improved demand in the EU.

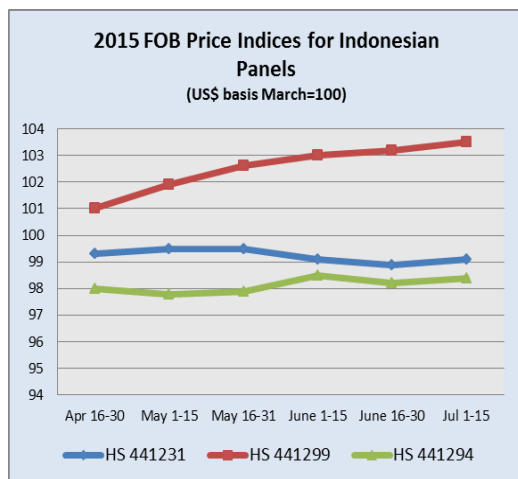
According to the Director of Processing and Marketing of Forest Products in the ministry, Agus Jerry Justianto, negotiations with the EU have entered the final phase and by 1 January 2016 Indonesia will be trading TLAS certified wood products to all 28 EU member states.

Negotiations with EU hit a snag

Negotiations between Indonesia and the EU to exempt Indonesia's wood products from the due diligence requirement of the EUTR has suffered a setback as the Environment and Forestry Ministry is now involved in a legal dispute.

The ministry's Director General of Sustainable Forest Products Management, Ida Bagus Putera Parthama, said the ministry was being sued by Forest Watch Indonesia (FWI) a domestic NGO for refusing to release what the ministry deems to be confidential documents and this is unsettling EU negotiators.

For more on FWI see:
<http://translate.google.co.jp/translate?hl=en&sl=id&u=http://fwi.or.id/&prev=search>



IMF warns on growth private-sector loans

Officials from the International Monetary Fund (IMF) have warned that rapid growth in bank lending may pose a risk to the Myanmar economy. A team from the IMF visited Myanmar in late June and has just released its report.

The IMF team agreed with the government's GDP forecasts but cautioned on the continual rise in inflation which, along with the steady increase in the cost of imports as the kyat slides against major currencies, is now affecting ordinary people in Myanmar.

The IMF also warned on the steep rise in loans being taken up by the private sector pointing out that credit was up 36% year-on-year.

See:
<http://www.imf.org/external/np/sec/pr/2015/pr15308.htm>
 and www.irrawaddy.org/business

Interim minimum wage proposal

The government of Myanmar has announced an interim minimum wage proposal of 3600 kyats (approx. US\$3.25) per eight-hour day, a compromise figure after labour representatives demanded 4000 kyats (US\$3.60) and representatives of manufacturers refused a rate above 2500 kyats (US\$2.25).

The Irrawaddy newspaper (1 July) reported comments made by Myat Thin Aung, President of the Hlaing Tharyar Industrial Zone Management Committee and a Yoma Bank board member. He is reported to have said the 3,600 kyats proposal is likely to have a significant impact on manufacturers.

Those involved in the wage negotiations have two weeks to lodge objections to the interim proposal before it is introduced.

The Eleven Media Group has reported that the Chinese Investment Association, representing garment manufacturers in Myanmar has threatened that members may pull out of the country if the new minimum is implemented and the chairperson of the Korean Garment Manufacturers Association made the same threat.

June average auction prices

The following timber was sold by Myanma Timber Enterprise by tender on 26th and 29th June 2015.

Average log prices are expressed in hoppus tons (H.tons) and the prices for 'conversions' and sawn teak (including hewn timbers) are shown in cubic tons (C.tons).

Sawing Grade teak logs Open Tender Yangon Depots,
26 Jun 2015

Grade	H. tons	Avg. US\$/h. ton
SG-1	10	5489
SG-2	19	4120
SG-4	171	3450
SG-5	139	2740
SG-6	73	2331
SG-7	39	1560

Open Tender for teak conversions from Yangon Sawmills.
26 June 2015

Commodity	Grade	Ton	Avg. US\$/ton
Boards (Long)	Second	8	4435
Boards (Short)	Second	1	4123
Planks	Second	1	5001
Flitches	First	2	5101
Flitches	Second	1	4126
Squares	Market	3	2001
Squares	Reject	8	1507
Posts	Market	4	1936
Scantlings	First	0.5	4058
Scantlings	Second	56	1305
Scantlings	Third	173	652

Specifications

Flitches-Thickness 4" & up x Width 6' & up x Length 6' & up
Planks- Thickness Average 2.5" & up 3.5" x Width 6' & up x
Length 6' & up

Boards- Thickness 0.5" to 2" x Width 6' & up x Length 6' & up

Squares- 10" & up x 10' & up x 10' & up (6'/9.5'; 3'-5.5')

Posts-6"/9" x 6"/9" x 10' & up (6'/9.5'; 3'/5.5')

Longs- 6' & up; Shorts-3' to 5.5' avg. 4'; Ultra shorts 1.5'/2.5'

The prices for squares and posts are average prices for 6' & up and 10' & up. Average price for scantlings are for all lengths long, short and ultra-shorts.

Report from India

Devolution of authority to spur 'Smart Cities' and 'Housing for All' plans

Indian Prime Minister, Shri Narendra Modi, has indicated that urban leadership would be given much greater powers over housing to ensure the government's plans for the housing sector can be implemented smoothly.

This initiative was revealed at the launch of three urban development initiatives: AMRUT (Atal Mission for Rejuvenation and Urban Transformation); Smart Cities Mission and Housing for All.

The Prime Minister said local administrations and residents would be able to contribute to formulation of development plans for their cities.

For details see: <http://www.credai.org/pms-remarks-launch-amrut-smart-cities-mission-and-housing-all-urban-pmo>

In related news a delegation from CREDAI recently met with Shri Venkaiah Naidu, Union Urban Development Minister and recommended the elimination or reduction of the Service Tax on housing so that low and middle income families could aspire to home ownership.

The Minister assured the delegation that he intends to discuss this with the Union Finance Minister and would continue to focus on the housing sector in support of the central government policy initiatives.

Economy showing signs of recovery

The Reserve Bank of India (RBI) governor has added his voice to those who have said the economy is recovering and that private sector capital investment was picking up.

Last month Finance Minister, Arun Jaitley, was convinced that the economy had turned the corner on the basis of a rise in tax and import duty revenues which reflect growth in manufacturing and imports. At the time analysts put the statement from the finance minister down to wishful thinking but with the RBI adding its voice confidence is improving.

Coniferous log imports through Kandla Port

In fiscal 2014/15 a total of 3,951,096 cu.m of timber was imported through Kandla Port. Of this 1,763.289 was softwoods and the balance 2,187,807 was hardwoods.

	Cu.m
Araucaria logs	52,452
Fir and Spruce from N. America	52,843
Sources of Pine	
Australia	34,514
Austria	2,111
Belgium	8,124
Canada	3,578
Estonia	1,949
Germany	114,929
New Zealand	1,339,041
Russia	4,031
Sweden	1,254
USA	140,200
Ukraine	2,305
Other countries (13)	5,958
Total	1,763,289

Prices for imported plantation teak, C&F Indian ports

The flow of imports and demand is balanced. Prices for imported plantation teak from suppliers able to deliver larger diameter logs are rising whereas suppliers delivering small diameter logs (poles) have seen prices easing in recent weeks.

	US\$ per cu.m C&F
Belize logs	350-400
Benin logs	318-775
Benin sawn	530-872
Brazil logs	404-1063
Brazil squares	370-680
Cameroon logs	331-510
Colombia logs	224-836
Congo logs	408-710
Costa Rica logs	404-739
Côte d'Ivoire logs	435-720
Ecuador squares	253-740
El-Salvador logs	364-934
Ghana logs	255-808
Guatemala logs	308-603
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	350-460
Malaysian teak logs	363-525
Nicaragua logs	350-596
Nigeria squares	382-450
Panama logs	358-923
PNG logs	455-575
Sudan logs	404-970
Tanzania teak, sawn	307-885
Thailand logs	451-700
Togo logs	232-803
Trinidad and Tobago logs	420-680
Uganda logs	426-909
Uganda Teak sawn	680-900

Variations are based on quality, lengths of logs and the average girth of the logs.

A question of girth

The girth of teak logs has a major impact on prices paid by Indian importers.

The following example illustrates the range of prices paid for various girth categories for logs from one exporter.

Girth range cm	C&F US\$/cu.m
40-49	220
50-59	265
60-69	325
70-79	385
80-89	425
90-99	455
100-109	515
110-119	525
120-129	570
130-139	620
140-149	660
150-159	720

Prices for domestically milled sawnwood from imported logs

Overall, supply and demand continues in balance and no price changes have been observed.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	1500-1650
Balau	1500-1600
Resak	1200-1400
Kapur	1250-1300
Kempas	1100-1200
Red Meranti	900-950
Radiata pine AD	600-725
Whitewood	600-700

Price variations depend mainly on length and cross section

Current prices for Myanmar teak sawn in Indian mills

Endusers continue to resist any moves by importers to raise prices preferring instead to choose plantation teak from Sudan, Tanzania and Uganda saying the appearance of the teak from these sources compares well with natural forest teak from Myanmar.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-14000
Teak A grade	5500-6500
Teak B grade	4500-5000
Plantation Teak FAS grade	3500-4000

Price variations depend mainly on length and cross section

Imported sawnwood

Prices for imported sawnwood (KD 12%) shown below are per cu.ft ex-warehouse. No significant price movements have been reported. AHEC continues to actively promote sales.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1300-1350
Sycamore	1300-1400
Red oak	1500-1650
White Oak	1600-1800
American Walnut	2300-2400
Hemlock clear grade	1300-1400
Hemlock AB grade	1100-1200
Western Red Cedar	1600-1650
Douglas Fir	1200-1300

Price variations depend mainly on length and cross section

Plywood prices

Locally produced MDF as well as imported MDF is slowly replacing plywood for furniture, internal partitioning and other enduses where strength is of secondary importance. This development is affecting sales of locally manufactured plywood and is undermining the profitability of domestic manufacturers who are facing rising costs for face veneers.

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	41.00
6mm	54.50
9mm	69.10
12mm	85.60
15mm	113.20
18mm	119.30

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.80	Rs.30.80
6mm	Rs.31.60	Rs.39.60
9mm	Rs.39.80	Rs.48.00
12mm	Rs.47.30	Rs.58.10
15mm	Rs.58.10	RS.71.00
19mm	RS.67.30	Rs.79.50
5mm Flexible ply	Rs.42.00	

Export market diversification plan

The Ministry of Development, Industry and Foreign Trade (MDIC) has published a National Plan for Exports aimed at diversifying markets and has details of how financing promotion and providing guarantees for exporters as well as modifying taxation will provide a solid foundation for export growth.

MDIC is aware that international trade generates many direct and indirect benefits such as maintenance and expansion of job opportunities, improved skills, innovation, productivity growth and improved competitiveness.

MDIC will launch an International Trade Portal that aims to minimise paperwork and speed administrative procedures and customs controls. The aim is to have the new system recognised as an Authorised Economic Operator (AEO) with other countries.

An authorized economic operator, or AEO, is defined as: "a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards

The AEO concept is one of the main building blocks within the WCO SAFE Framework of Standards (SAFE). The latter is part of the future international Customs model set out to support secure trade. SAFE sets out a range of standards to guide international Customs Administrations towards a harmonised approach based on Customs to Customs cooperation and Customs to Business partnership.

Source:
https://en.wikipedia.org/wiki/Authorized_economic_operator

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) will cooperate to ensure that the plan is implemented efficiently especially in respect of tax adjustments and financing of promotion.

Plywood market diversification

According to ABIMCI, there is a need to seek new markets for Brazilian plywood. The volume of pine plywood exported to the US market has been declining, falling from 21,289 cu.m in March to 16,376 cu.m in April this year.

Countries such as Germany, the United Kingdom, Belgium and Italy are also importing less Brazilian wood products. On the other hand demand was firmer in Mexico, Puerto Rico, Trinidad and Tobago, Denmark and Argentina but the combined increase in demand from these countries was insufficient to off-set the decline in sales to the US.

Sawnwood markets are more buoyant and millers were able to maintain export levels in the first half of the year but anticipate a softening of demand in the second half. Demand in some individual markets, such as Sweden, grew in the first half but the United States still represents the main market for Brazilian sawnwood.

New law to streamline management plan approval process

A revised Law in the state of Mato Grosso (No. 567), will result in faster field inspection processes required prior to the approval of forest management plans.

This measure is a response to a request made by the timber sector to the state governor to speed up forest management plan approvals.

According to the Center for Timber Producers and Exporters of the State of Mato Grosso (CIPEM), the State Secretariat of the Environment (SEMA) has so far only approved 43 of the 586 forest management plans submitted this year

As an interim measure SEMA decided to examine the possibility of approving, prior to inspection, the start of harvesting in 30% of the areas within each plan. The revised law requires that after an initial preliminary analysis is carried out the forest area should be released for management activity even prior to the final analysis of approval process.

Mato Grosso wood products exports rise

Timber exports from mills in Mato Grosso increased 22% between January and May 2015 compared to the same period of 2014 according to the Ministry of Development, Industry and Foreign Trade (MDIC).

The value of exports increased slightly (almost 4%) to US\$38.4 million this year compared to the same period in 2014).

Exports of tropical sawnwood increased 15% from US\$4.8 million in 2014 to US\$5.5 million this year. Exports of tropical timber 'in the rough' increased a massive 614% in 2015 over the first five months of 2014.

Plywood exports increased 53% in terms of value from US\$89,360 in the first five months of 2014 to US\$136,849 this year.

CIPEM is hoping the domestic market conditions improve quickly as exporters suffer from exchange rate fluctuations when trading in international markets.

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	770
Jatoba	412
Massaranduba	354
Muiracatiara	381
Angelim Vermelho	334
Mixed red and white	209
Eucalyptus (AD)	200
Pine (AD)	145
Pine (KD)	160

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	155
Jatoba	89
Massaranduba	93
Muiracatiara	97
Angelim Vermelho	89
Mixed redwood and white woods	78

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	571
10mm WBP	457
15mm WBP	398
4mm MR	518
10mm MR	386
15mm MR	367

Domestic prices include taxes and may be subject to discounts.

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDP Particleboard	249
15mm MDF	361

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipê	1336
Jatoba	1976
Massaranduba	736
Muiracatiara	709
Pine (KD)	222

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	358
12mm C/CC (WBP)	331
15mm C/CC (WBP)	328
18mm C/CC (WBP)	324

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,368
Jatoba	1,545

Report from Peru

Participation in Dubai Wood Fair

A large delegation of Peruvian entrepreneurs participated in the Dubai Wood Show 2015.

Participants from Peru said this fair is important for the timber companies trading with Middle East countries. Executives from Peru joined business meetings, factory visits and briefings on the market in the Middle East which today is considered one of the most vibrant for tropical wood products.

This was the first time a delegation from Peru traveled to Dubai where they could interact with business groups not only the Middle East but also from USA, Europe and Asia.

Executives representing exporters and traders of sawnwood, hardwood floors and furniture benefitted from observing technological developments on show.

The visit to Dubai was organised by the Peruvian private sector, the Commission for the Promotion of Peru's Exports and Tourism and the Exporters Association of Peru. Assistance was also provided by the Consulate of Peru in Dubai.

Four companies dominate particleboard imports

Between January-May this year the Martin Group of Peru doubled its share of imports of particleboard and accounted for around 18% of total particleboard imports into Peru despite an overall fall in particleboard imports. From January to May Peru's imports of particleboard fell around 9% compared to the same period in 2014.

Despite the strong performance of the Martin Group, Novopan Peru maintained its leading position regarding particleboard imports accounting for almost 40% total imports, followed by Arauco Peru with about 23%, Martin Group with 18% and Masisa Peru a 14% share.

Laminate flooring promotion in Chile, Peru and Ecuador

During June this year the German manufacturer of laminate flooring, Egger, under took sales promotion missions with distributors in Chile, Peru and Ecuador. Eggers new collection of laminates was presented to architects, designers, specialists in floor covering and construction companies.

See:

http://www.egger.com/EX_en/news/?N=21&Ntk=generalSearch&Ntpc=1&Ntpr=1&Ntt=peru&Ntx=mode+matchallpartial&Nty=1&R=news-20504-ex-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

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	457-532
Grade 2, Mexican market	388-423
Cumaru 4" thick, 6'-11' length KD	
Central American market	841-865
Asian market	871-916
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-11 length Asian market	456-506

	US\$ per m ³
Peru Sawnwood, FOB Iquitos	
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	451-514
Grade 2, Mexican market	355-391
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Asian market	460-511

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic	
Mahogany	-
Virola	182-211
Spanish Cedar	305-364
Marupa (simarouba)	151-168

Export Veneer Prices

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

Export Plywood Prices

	US\$ per m ³
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15mm	328-365
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	373-399
Lupuna plywood B/C 15mm	413-441
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Iquitos mills	
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

	US\$ per m ³
Peru, Domestic Particleboard	
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

	US\$ per m ³
Peru, FOB strips for parquet	1296-138
Cabreuva/estoraque KD12% S4S, Asian market	
Cumaru KD, S4S Swedish market	950-1094
Asian market	1139-1162
Cumaru decking, AD, S4S E4S, US market	1298-1386↑
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Report from Guyana

VPA negotiation update

Guyana has just concluded its 3rd Negotiation session on the VPA. Two key outputs from this latest engagement were the revised Joint Roadmap document as well as the Aide Memoire of the main agreements reached.

These documents can be viewed on the GFC's website at www.forestry.gov.gy

The new roadmap, though ambitious, was thought to be achievable by both parties over the coming months and the team in Guyana is committed to making the VPA a reality without compromising the involvement of stakeholders.

The development of key Annexes to the VPA has continued with inputs from stakeholders such as civil society groups, government and non-government organisations. A further round of national consultations on the VPA process will continue over the next two months and will focus on advancing many of the Annexes which were drafted based on stakeholder inputs.

All annexes of the VPA remain in draft form and will be open for comments and inputs until the signing of the VPA.

Care needed when comparing log prices

The ITTO has noted that prices reported in Volume 19, Number 11 of its market report for the period June 1-15, 2015 have been referenced incorrectly in a recent analysis by the media in Guyana.

ITTO wishes to emphasise that in its report log prices for China are not CIF as has been represented by the media in Guyana. The ITTO report clearly indicates that prices reported for the Guangzhou Yuzhu International Timber Market are wholesale prices. These wholesale prices include the cost of domestic transport and mark-ups along the supply chain to the wholesale market.

ITTO has noted that there has been an attempt at comparing the Guyana FOB price for logs exported to China directly with the wholesale prices reported in the ITTO report and advises that such a comparison will lead to an incorrect interpretation of price structures for logs exported to China from Guyana.

Export prices

There were exports of greenheart, purpleheart or mora logs in the period reviewed.

Logs, FOB Georgetown	US\$ price per m ³		
	Std	Fair	Small
Greenheart	180	160-170	-
Purpleheart	200-220	220	-
Mora	-	115	-

Export Sawnwood Prices

Sawnwood, FOB Georgetown		US\$ price. per m ³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	1820	-
	Standard	-	650-2580
	Select	600-1018	-
	Sound	500-763	-
	Merchantable	-	-
Purpleheart	Prime	-	-
	Standard	-	650-1500
	Select	1050	-
	Sound	-	-
	Merchantable	-	-
Mora	Prime	-	-
	Select	795	-
	Sound	450	-
	Merchantable	-	-

In the case of no price indication, there is no reported export during the period under review.

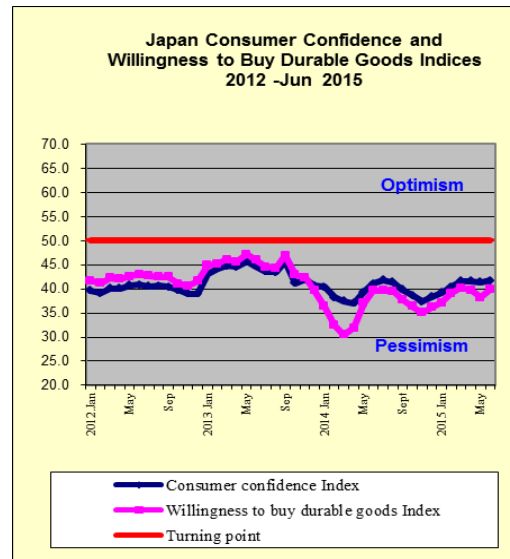
Export plywood prices

Plywood, FOB Georgetown Port			US\$ Avg unit val. per m ³
Baromalli	BB/CC	5.5mm	No export
		12mm	360-584
Utility		5.5mm	No export
		12mm	No export

Report from Japan

Consumer confidence rebounds

Results of the June consumer confidence survey were released by the Cabinet Office on 10 July. Consumer sentiment improved in June after the decline reported for May.



Source: Cabinet Office, Japan

The overall consumer confidence index rose to 41.7 in June and sentiment in all sub-sectors in the survey were positive. The June survey reveals that most respondents expect prices to go up in the next twelve months which will hearten the Bank of Japan which has set an ambitious inflation target.

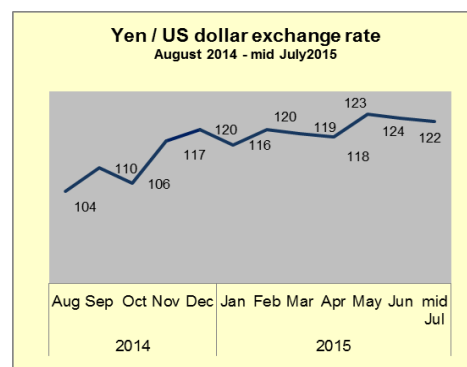
For the full details see:

<http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>

Caution on US interest rate rise pushes up yen

The yen rose against the US dollar mid-month after the US Federal Reserve signaled its caution on raising interest rates in the short term.

The US Federal reserve expressed concern about the pace of growth in major economies, specifically in China, as well as its concern on the Greek debt crisis. At one point in early July the yen rose to 120 to the US dollar the strongest for almost three months.



Manufacturers continue to increase capital spending

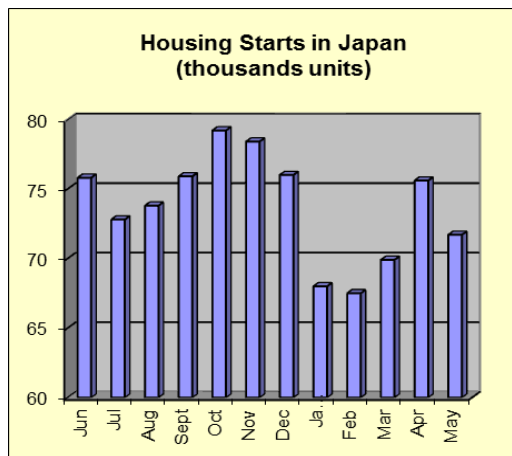
While the total value of May machinery orders by Japanese manufacturers fell from the previous month, core machinery orders unexpectedly rose marking three monthly increases. The rise in core orders, a data series regarded as an indicator of capital spending, beat expectations.

May housing starts rise year-on-year but prospects uncertain as orders fall

Housing start data for May released by the Ministry of Land, Infrastructure, Transport and Tourism showed an increase in May 2015 compared to May 2014 marking the third consecutive year-on-year rise.

May 2015 housing starts grew by around 6% year-on-year improving on the pace of improvement in April. However, compared to levels in April this year, starts were down about 5%.

Construction companies report orders received for the ministry’s survey and have indicated orders fell just over 7% in May following the 12% fall in orders in April.



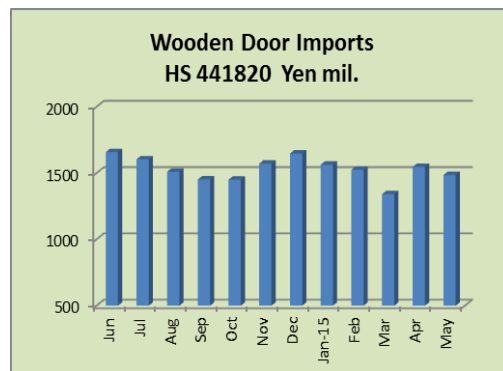
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

Japan’s May imports of wooden doors fell 4% from the previous month and were down around 5% year on year in May. Average imports in the first five months of 2015 were down 17% compared to the first five months of 2014.

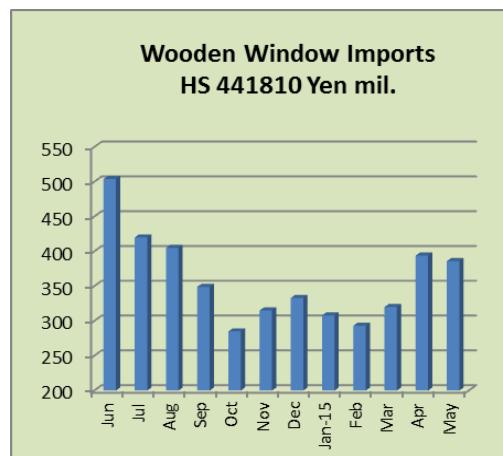
China, Philippines and the USA continue to be the main suppliers accounting for more than 80% of total wooden door imports.



Data source: Ministry of Finance, Japan

Windows

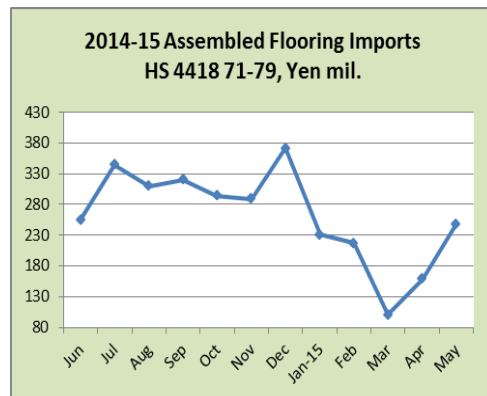
Wooden window imports by Japan in May 2015 were down sharply year on year (-21%) and compared to the previous month, May imports were down 4%. The modest month on month fall disguises the massive 29% drop in average monthly imports in the first five months of 2015 compared to the same period in 2014.



Data source: Ministry of Finance, Japan

Assembled flooring

Imports of assembled flooring have increased for three consecutive months and May imports were a massive 56% above those a month earlier. However, May 2015 imports were down 10 from the same month in 2014.

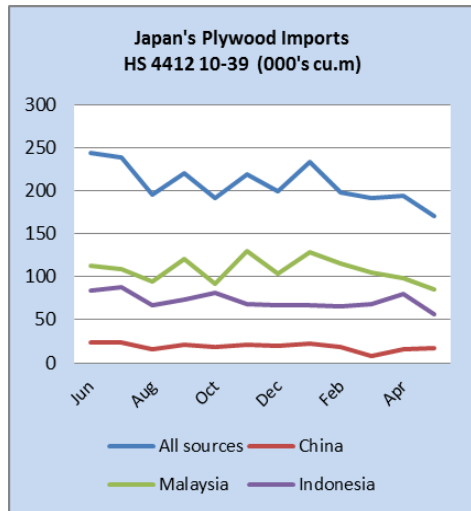


Data source: Ministry of Finance, Japan

In spite of the impressive upward trend in imports of assembled flooring in 2015, especially over the past two months, average imports for the first five months of 2015 were down 25% on the same period in 2014.

Plywood

All three major suppliers of plywood to Japan saw a decline in business in May. Total plywood imports in May fell 32% year on year and compared to the previous month May imports were down 12%. The big loser was China where year on year imports in May were down around 35%.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports

		000's cu.m		
		China	Malaysia	Indonesia
2014	Jan	31	146	97
	Feb	21	121	70
	Mar	24	125	91
	Apr	27	144	83
	May	26	131	81
	Jun	24	113	84
	Jul	23	109	88
	Aug	16	95	67
	Sep	21	121	74
	Oct	19	92	81
	Nov	21	130	68
	Dec	20	104	67
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57

Data source: Ministry of Finance, Japan

Both Malaysia and Indonesia also saw business with Japan slide as plywood imports by Japan from each country fell 20% in May 2015. First five month average imports in 2015 were 25% less than in the first five months of 2014.

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>

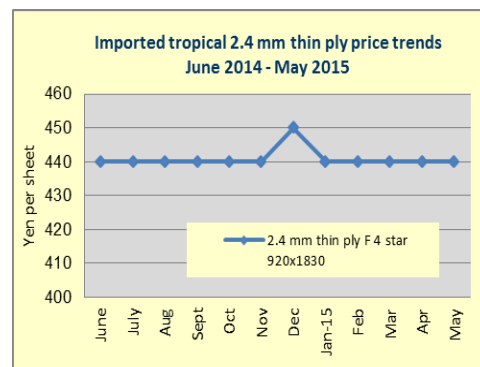
Progressive depreciation of the yen

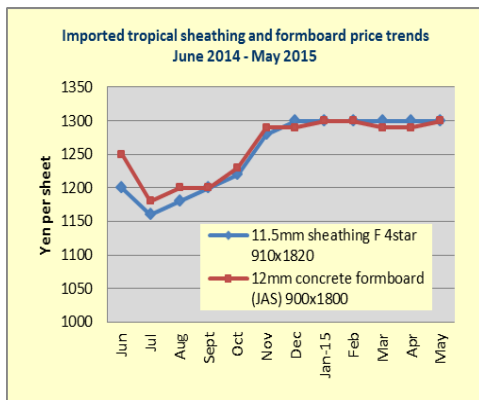
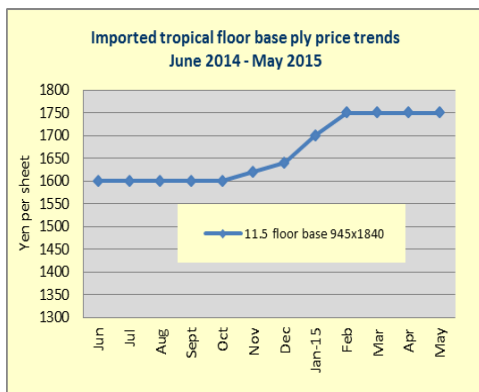
Spiraling cost by thirteen years' low of the yen. With outlook of early increase of interest rate of the U.S. dollar by improvement of employment statistics, U.S. dollar has been strengthening to all the other currencies and the yen dropped down to close to 126 yen to the dollar, which is the lowest since June 2002.

The yen shot up to less than 80 yen to the dollar in fall of 2012. After having marked record high, the yen has been falling to the U.S. dollar and Euro for last two years.

Although there was momentary demand pick-up before the consumption tax increase since April 2014, cost of imported building materials has been climbing and transfer to the sales prices faces tough going by weak demand. Particularly since middle of last year, the reactionary drop of the demand was conspicuous so the importers and wholesalers suffer chronic loss.

Higher cost of imported materials continues but price increase related to the cost is difficult in demand depressed market. It is uncertain if depreciation of the yen would tighten the market or reduce suppliers' export prices to ease higher yen cost. This would influence future supply of imported materials in slump market.





JLIA's to maintain focus on securing verified legal wood products

The Japan Lumber Importers Association held the general meeting and elected Mr. Satoru Yasuda for the new chairman of the Association.

The new chairman commented that the Association would make every effort to have balanced steady supply of imported wood materials by having friendly relationship with overseas related groups with close communications to have smooth trade. Also it is now important to pay attention to domestic wood supply.

Mr. Yasuda is currently managing director of Sojitz Building Materials Corporation. Mr. Yasuda is 57 years old, who was working for former Nissho-Iwai Corporation. Focus of this term is to maintain authorization system of legal wood use and continue asking overseas wood products suppliers to supply legally certified products and the Association will lead market to use legally certified wood products.

In fiscal year of 2014, a percentage of imported legally certified sustained yield wood by the members of the Association was 69.9%, 2.7 points up from the previous year, out of which 26.2% was sold as certified wood, 4.5 points up.

As to communication with overseas groups, the Association joins the Canada Wood seminar in June held by COFI as joint planner. Then in September, it will hold plywood conference in Tokyo by three countries, Japan, Malaysia and Indonesia. It will continue information exchange with Russian and European related groups.

The Association made outlook of imported wood products in 2015. It shows decrease of import on both logs and lumber. Log import will decline by 9.5% and lumber by 6.9%. Russian log volume will be less than 200 M cbms while North American lumber will increase by 2%.

European lumber import will drop by nearly 20% due to import adjustment in the first half of the year.

Seihoku group stops plywood production

Softwood plywood market has been in slump with weak demand then the supply has been more than the shipment so that the inventories have been swelling. In this supply glut, the market continues weakening so the major manufacturer, Seihoku group, which has more than 50% share in softwood plywood market, announced to reduce the production to restore the market.

April softwood plywood inventories were 256 M cbms, 2.3 times more than April of last year and the market prices of 12 mm 3x6 panel prices are down to 700 yen per sheet delivered or less from 850 yen in early January and the prices have not bottomed out in June yet.

The Seihoku group now decided to reduce the production by 30% and shift the product from structural panel to non-structural panel like concrete forming panel. Concretely, it will reduce production of structural panel by 30% so that by the time fall demand shows up after three months, the supply should balance out and the price should recover.

The president Inoue says that unless plywood market is stabilized, stable supply of local logs with certain level of prices would become difficult, which hampers revitalization of forest resources. Another measure is to change product mix from heavy percentage of structural panel to non-structural panel.

In the past, concrete forming panel and floor base panel have been mainly South Sea imported hardwood plywood, which would be about 100,000 cbms a month. This is equivalent to five million sheets of 3x6 12 mm panel. If softwood panels can replace this market, this would become a great help for softwood plywood. It needs technical improvement but it is necessary to solve the problems to change product mix.

Daiwa House starts housing in Malaysia

Daiwa House Industry Co., Ltd (Osaka) concluded an agreement to develop and market prefabricated detached units with the largest developer in Malaysia, Sunway SDN BHD on June 11 and established a joint venture company, Daiwa Sunway Development SDN BHD, (DSD), Malaysia.

DSD will start building 100 detached houses in 5.3 hectare's property of Sunway Iskandar project since summer of 2015. Daiwa House has built seven Japanese plants in Malaysia since 1964 then opened Kuala Lumpur representative office in 2012 and has studied industrialised housing to match tropical rain forest climate of Malaysia.

In 2013, it put up Malaysian type experimental light steel prefabricated unit in Sunway Eastwood property for sale in lots, which is in Selangor province near Kuala Lumpur. This completed in March 2014.

'South Sea' (tropical) logs

Weather in Sarawak has been good since rainy season was over but because of tight control of illegal harvesting log production has been low.

Log export prices have stayed up high. Meranti regular prices are firm at US\$290-295 per cbm FOB. Small meranti prices are US\$260-265 and meranti low grade for India are up at US\$270-280.

Keruing regular are US\$420-430 and kapur regular are US\$410-420. They are up by US\$10 from May. With slow production, quality logs are scarce but the prices keep climbing on all the grades.

Unlike Chinese buyers, who buy any kind of species for the volume, Indian buyers are choosy and select hardwood like kapur and keruing but it becomes hard to have enough volume of these species in Sarawak and Sabah so they are sending more ships to PNG and Solomon Islands.

China has been slowing their purchase then India is filling a gap but log production in PNG is dropping. In Solomon Island, for last two weeks, heavy rain hinders log production.

Domestic logs and lumber

In general, by increasing log production and weak lumber market, log prices are falling across the board all over Japan. In some areas, with strong demand of low grade logs for biomass generation, log prices were high but now the supply is fully satisfied and the prices are softening

Asahi Woodtec changes base raw material mix

Asahi Woodtec Corporation (Osaka), building materials manufacturer, announced change of base materials mix of floor board.

In the past, a percentage of imported materials such as plywood and domestic materials such as particleboard was nine to one. It will change it to three to one so domestic share is 2.5 times more to stabilize cost of base materials of flooring.

The company manufactures and markets floor products of about 792,000 square meters a month. Floor base materials have been 75% of South Sea hardwood plywood like meranti, 15% of plantation wood like falcate and 10% of domestic products like particleboard.

Looking at recent trend of South Sea hardwood plywood, decline of supply of virgin timber, tight control of illegal harvest and chronic high export price of plywood continues so future outlook is very severe for stable supply and price then came recent weakening of the yen, which pushes cost of imported materials so fundamental issue is

to shift from imported tropical hardwood products to others since passing higher cost to the floor customers is difficult.

Now it decided to change mix of base materials to 50% meranti plywood, 25% of plantation wood plywood, making total percentage of 75% of plywood then 25% of domestic products like particleboard.

Report from China

Log shipments carrying pests

According to China's General Administration of Quality Supervision, Inspection and Quarantine many pests have been found in logs imported from the US.

This serves as a reminder to timber traders to ensure treatment prior to shipment and to strengthen inspection and quarantine of imported logs.

When pests are observed in shipment traders must inform the authorities so that the pest can be identified and a decision made on quarantine and treatment.

The Fujian Inspection and Quarantine Bureau has reported finding pests such as *Platypus parallelus*, *Xyleborus ferrugineus*, *Agaone notabilis*, *Nyssodrysternum signiferum*, *Odontocera molorchoides*, *Odontocera javieri*, *Chlorida festiva*, *Cycnidolon batesanium* and *Chrysobothris amabilis*.

China's 2014 wood-based panel production

According to statistics from the State Forestry Administration the total output of China's wood-based panel industries in 2014 was 273.72 million cubic metres, a year on year increase of 7%.

Of the total plywood output was 149.7 million cubic metres, up 9% over 2013 and accounting for 55% of all wood based panel output.

The output of fibreboard was reported at 64.63 million cubic metres, similar to the level in 2013 (24% of total output). The output of MDF was 56.83 million cubic metres. The output of particleboard (8% of total output) was 20.86 million cubic metres, up 11% over 2013. Of the output of other wood-based panels blockboard accounted for 62%.

The provinces with wood based panel output of more than 10 million cubic metres in 2014 were Shandong, Jiangsu, Guangxi, Anhui, He'nan, Hebei and Guangdong. The output of these 7 provinces came to 210.73 million cubic metres, around 75% total output.

Transformation of 'redwood' enterprises

Some of China's 'redwood' enterprises have cut production and are seeking alternative business opportunities due to supply issues and the current downturn in demand for 'redwood' products.

Analysts report that at least 100 'redwood' processing enterprises have switched their attention to other businesses such as agriculture and livestock, transport and logistics, e-commerce and other industrial ventures.

It is a positive characteristic of Chinese enterprises that when market conditions deteriorate for one product they have no inhibitions to redirect investment to other business sectors.

Imports through Shanghai Port in the first half of 2015

China's Customs has reported that timber imports through Shanghai Port in the first half of 2015 amounted to 4.43 million cubic metres, a year on year decline of 47%. Timber imports from North America, Africa and Russia, accounted for about 70% of total timber imports through Shanghai Port.

Timber imports from North America, Africa and Russia fell by more than 50%. On the other hand imports from Southeast Asia and South America were about the same level as in the same period in 2014

Imports from North America, Russia, Africa, South America and Southeast Asia were 1.31 million cubic metres, 1.04 million cubic metres, 0.88 million cubic metres, 0.46 million cubic metres and 0.14 million cubic metres respectively.

From Yiwu, Zhejiang province to Madrid in 21 days

China has successfully test-run an export shipment to Spain by the new rail link that connects China directly to Spain. This is said to be the longest rail link in the world and is longer than the Trans-Siberian railway.

Some 40 containers left Yiwu in Eastern China and completed the 13,000 km journey to Madrid in 21 days. The rail link runs through Kazakhstan, Russia, Belarus, Poland, Germany and France. Traders report that the rail shipment cut almost 10 days from the time it would take by ship.

The Zhejiang Governor, Li Qiang, was in Madrid to welcome the shipment and said this new rail link contributes to the government's strategy of developing a 21st century 'silk road'.

Zhejiang Province, China



Source: <https://en.wikipedia.org/wiki/Zhejiang>

Guangzhou Yuzhu International Timber Market Wholesale Prices
Logs

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	5200-5400
Bangkirai	dia. 100 cm+	5300-5500
Kapur	dia. 80 cm+	2800-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	2000-2200
Kempas	dia. 60 cm+	2000-2100
Teak	dia. 30-60 cm	8000-12000

	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	2300-2450
Purpleheart	dia. 60 cm+	3100-3300
Pau rosa	dia. 60 cm+	4700-4800
Ipe	dia. 40 cm+	4000-4800
yuan per tonne		
Cocobolo	All grades	53000-58000

	Logs	yuan/cu.m
Wenge	All grades	4300-5200
Okoume	All grades	2200-2500
Okan	All grades	3700-3800
African blackwood	All grades	8000-15000
African rosewood	All grades	5000-6500
Bubinga	dia. 80 cm+	13000-15000

	Logs	yuan/cu.m
Ash	dia. 35 cm+	4200-4300
Basswood	dia. 36 cm+	3500-3800
Elm	dia. 36	2800-3600
Catalpa	dia. 36	2800-4200
Oak	dia. 36 cm+	4000-5500
Scots pine	dia. 36 cm+	2000-2200
Larch	dia. 36 cm+	1550-1900
Maple	dia. 36 cm+	2700-3050
Poplar	dia. 36 cm+	1650-1950
Red oak	dia. 30 cm+	2500-2600

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7300
Zebrano	Grade A	12000-15000
Walnut	Grade A	9500-10000
Sapelli	Grade A	7500-7900
Okoume	Grade A	4200-4500
Padauk	Grade A	14500-17000
Mahogany	Grade A	6500-7000
yuan/tonne		
Ebony	Special grade	16000

	Sawnwood	yuan/cu.m
Ulin	All grade	9000-10000
Merbau	Special grade	8600-9500
Lauan	Special grade	4600-4800
Kapur	Special grade	5500-6000
Teak	Grade A	9600
Teak	Special grade	14000-20000

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	10000-12800
Black walnut	FAS 2 inch	14000-16000
Maple	FAS	7500-10000
White oak	FAS	8000-11000
Red oak	FAS	6800-9000
Finnish pine	Grade a	3000

Sawnwood		yuan/cu.m
Maple	Grade A	10000-10500
Beech	Special Grade	5300
Ash	no knot	5000-5800
Basswood	no knot	2700-3500
Oak	no knot	4000-5500
Scots pine	no knot	2800

Shanghai Furen Forest Products Market Wholesale Prices

Logs

Logs All grades	000's yuan/tonne
Bois de rose	250-300
Red sandalwood	1600-2000
Siam rosewood	100-550
Burma padauk	27-45
Rengas	8-15
Mai dou lai	6000-8000
Neang noun	32-65
Burma tulipwood	28-60

Cocobolo	43-180
Morado	10 - 15
Ebony	15-40
Trebol	7-8
African sandalwood	18-32

Sawnwood

	Sawnwood	yuan/cu.m
Okoume	Grade A	4500-4700
Sapelli	Grade A	7600-7900
Zebrano	Grade A	8000-9000
Bubinga	Grade A	13500-15800
Mahogany	Grade A	6000-7000
Wawa	FAS	3700-3900
Ayous	FAS	4000-4200

	Sawnwood	yuan/cu.m
Lauan	Grade A	3700-3900
Merbau	All grade	8000-10000
Teak	All grade	11500-36000

	Sawnwood	yuan/cu.m
Beech	Grade A	4200-4800
Ash	Grade A	5500-6500
Elm	Grade A	4900-5300
Red oak	2 inch FAS	8000-8600
White oak	2 inch FAS	7500-8500
Maple	2 inch FAS	9800-10500
Cherry	2 inch	9500-10500
Black walnut	2 inch	15000-17000

Zhangjiagang Timber Market Wholesale Prices

Logs, all grades	yuan/tonne
Sapelli	4500-5700
Kevazingo	8700-34000
Padouk de africa	3000-3800
okoume	2100-2600
Okan	3490-3650
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4500-5000
Zingana	4200-5500
Acajou de africa	3100-3600
Ovengkol	3850-4300
Pao rosa	5950-6600

Logs, all grades	yuan/tonne
Merbau	3500-5800
Lauan	1600-2400
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850

Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

Report from Europe

European tropical timber markets volatile in first half of 2015

European importers are reporting satisfactory overall demand for tropical timber in the first six months of this year: the majority of sources said business was stable or slightly better than last year.

However, they also noted that the market had shown sharp fluctuations in the last few months, with periods of strong demand frequently being followed by several rather subdued weeks.

This is mostly believed to be due to uncertainty caused by the economic crisis in Greece and the related weakness in the euro. Smaller importing companies and downstream converters have apparently scaled back their purchases against this background, as they wanted to avoid the risk of building uncompetitive stock.

As a result, large, well-stocked importers in several instances noted an increasing number of last-minute inquiries and orders – and growth in their business and market share.

In addition to exchange rates trends, freight rate fluctuations as well as the UK elections in May were also quoted as reasons for the patchy demand for tropical hardwood in the first half of this year.

Key European market stable or growing

Sales of tropical hardwood in the UK market have maintained a good level overall. However UK demand is

not quite as strong as last year when many companies reported double-digit percentage increases in sales.

Signs of recovery in the French market have firmed during the summer months and several companies are now reporting significant improvements compared to last year.

The Netherlands market also continues to show signs of a turnaround after the lengthy crisis, although market insiders are still uncertain as to whether this is a lasting trend. The Scandinavia and German markets are generally described as stable at a satisfactory level.

African tropical timber a success in the EU market

Among the different producer regions, African timber has shown the strongest demand trend in Europe over the last few months, according to importers.

European demand for sawn sapele, iroko and sipo, for example, has remained at a good overall level and improved in some markets. The market for wawa was stable until recently.

However importers are now voicing concerns that price hikes instituted by Ghanaian suppliers in the last few weeks could dampen demand. Prices in Ghana were raised against the background of the strong US dollar, to which the Ghanaian cedi is tied. This has made the old, euro-based sales prices increasingly unattractive for Ghanaian sawmills.

Prices for most of the other key African species for European markets have been stable in recent weeks, after several rounds of price hikes were pushed through last year.

At the same time, European importers note that sawn timber prices for species sold primarily to the USA, such as khaya or makoré, have climbed again in the last two months, on the back of continuing strong US demand and the strong US dollar, making them almost unaffordable for European buyers.

According to European importers, the supply situation in Africa is described as largely in balance with demand, in contrast to last year when there were shortfalls in supply for certain species and grades.

The recent slow-down in Chinese demand has meant some improved availability of tropical timber for European buyers. However to some extent this benefit is offset as many European importers have now narrowed their base of suppliers in response to EUTR. And even in a slow-down, China still consumes a large quantity of tropical timber.

German importers report that demand for bangkirai decking, sawn meranti and laminated meranti scantlings from Malaysia and Indonesia is slightly more subdued in 2015 than last year.

This is blamed mainly on the weak euro/US dollar exchange rate. In response buyers are reported to have switched to European domestic species, notably softwoods such as larch and douglas fir or (in the case of window scantlings) pine and fir.

In addition Wood Plastic Composites (WPC) continue to gain market share in the decking sector, while plastic is making ground in the window sector.

However, German importers note that sales of bangkirai decking were particularly strong in the first half of 2014. Although sales are down a bit this year, they are still significantly higher than in 2013. The market also slowed significantly in the second half of 2014 and no such trend is expected this year.

The situation for sawn meranti remains more difficult than for bangkirai, according to importers. Both wood species lost significant market share in 2012 and 2013, due to sharp price increases in early 2012 and long delays in delivery of meranti scantlings and sawn meranti.

However, in contrast to bangkirai which regained some market share last year when prices were lower, demand for meranti has yet to recover any ground in the European market.

European demand for sawn tropical timber from South and Central America has been more buoyant in 2015 than last year. Total EU imports from the region were 47,000 m³ in the first quarter of 2015, 35% greater than the same period in 2014.

Although Brazil still accounts for around 70% of sawn hardwood imported into the EU from South and Central America, there was a sharp increase in imports from Surinam and Guyana in the first quarter of 2015.

Changes to EUTR Guidance Document

According to EU importers, one factor which continues to create uncertainty in the European market for tropical wood is lack of clarity on the steps required to mitigate risk of illegality in line with the EU Timber Regulation (EUTR).

Some market players seem unsure whether any documentation from countries with a low score on the Transparency International Corruption Perceptions Index can be accepted as evidence of negligible risk under the EUTR.

This is particularly the case in Germany where, in 2013, the German EUTR Competent Authority seized a shipment of wenge roundwood after concerns were raised over the authenticity of legal documents issued by the government of the Democratic Republic of the Congo.

In an effort to clarify the situation, the European Commission recently updated the EUTR Guidance Document – although it has yet to publicise this on their website.

The new guidance emphasises that operators placing timber on the EU market must do more than merely collect legal documents. They also have an obligation to explain why and how each document serves to mitigate risk of illegality.

The key change is to Chapter 4 of the Guidance Document (Clarification of the requirement for documents indicating compliance of timber with applicable legislation) which states: *“It is important to remember that information included in the collected documents must be verifiable. If the information cannot be verified, the value of the document becomes questionable and the use of the document for risk evaluation and risk mitigation is most likely insufficient”*.

The new Guidance goes on: *“In addition it is also necessary to take into account the risk of corruption, where possible, specifically in relation to the forestry sector. In cases where the risk of corruption is not negligible even official documents issued from authorities cannot be valued as reliable in themselves.*

The higher the risk of corruption in a specific case is, the more it is necessary to get additional evidence to mitigate the risk of illegal timber entering the EU market. Examples of such additional evidence may include third party verified schemes, independent/self-conducted audits or timber tracking technologies (e.g. with genetic markers or stable isotopes)”.

Report from North America

Sapelli, ipe, keruing and mahogany imports up

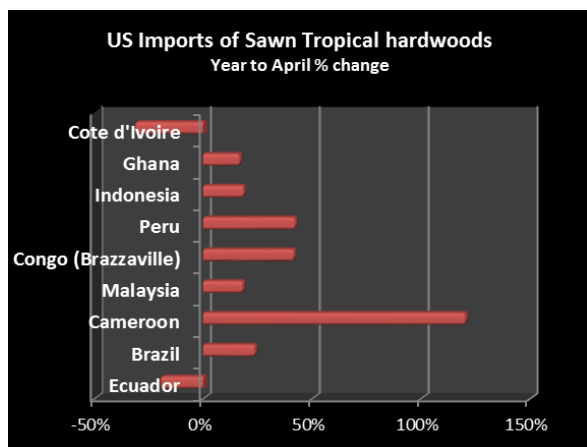
Imports of sapelli, ipe, keruing and mahogany grew in April compared to March imports. Keruing imports were over 2,000 cu.m. with year-to-date imports 17% higher than in April 2014. The US imported 4,863 cu.m. of sapelli, up 10% from March and a 49% increase year-to-date.

Mahogany imports were up in April at 1,246 cu.m., but year-to-date imports were 8% lower than at the same time in 2014.

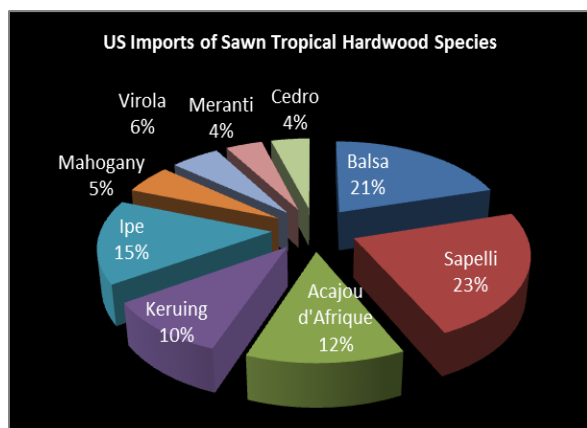
US imports of temperate sawn hardwood increased in April, while tropical sawnwood imports were unchanged from the previous month.

Temperate imports almost doubled to 95,553 cu.m. in April compared to 21,594 cu.m. of tropical imports. Imports of most tropical species actually grew in April, but a decline in balsa sawnwood imports resulted in overall unchanged import volumes.

Year-to-date tropical imports were 20% higher than in April 2014.



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



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

Imports from Cameroon and Malaysia increased significantly in April due to the higher sapelli and keruing imports, respectively. Sapelli sawnwood imports from Cameroon reached 3,635 cu.m. in April, while sapelli imports from Congo (Brazzaville) fell by half to 946 cu.m.

Ipe sawnwood imports from Brazil were up at 2,721 cu.m. in April, but Brazilian shipments of other species (jatoba, virola and other species) declined from the previous month.

Higher Canadian sawnwood imports from Indonesia

March imports of tropical sawn hardwood were revised upward, but in April Canadian imports declined further (-9%) to US\$1.44 million. Year-to-date tropical sawnwood imports were 27% down from April last year.

Sapelli remained the main species imported, but imports fell one third to US\$360,934 in April. March to US\$567,568.

Combined imports of virola, imbuia and balsa fell month-on-month (-40%) and year-to-date (-17%). While not reported separately, country-level data shows the decline was mainly in balsa imports from Ecuador, which fell by almost half from March.

Year-to-date Ecuador and Cameroon remain the largest sources of tropical hardwood imports, followed by Congo (Brazzaville) and Indonesia. Indonesian shipments to Canada increased 27% month-over-month in April and year-to-date shipments are 8% higher than at the same time last year.

IWPA develops training for Lacey Act compliance

The International Wood Products Association, which represents US importers of wood products, is developing a training programme to help companies comply with the Lacey Act.

The US Lacey Act bans trade in endangered or illegally harvested species, including wood. The goal of the training program is to provide buyers and sellers of wood products with the latest information about resources and procedures how to comply with the legislation.

It has sometimes been difficult for companies to comply with the Lacey Act since it was introduced for forest products in 2008. Even a large retailer like Lumber Liquidators is being investigated for trade in illegal wood products.

The association's first training session for Lacey Act compliance will take place this October.

Softwood producers target Indian market

The fast-growing Indian market has caught the attention of softwood producers in North America and Europe. Tropical hardwoods are generally preferred in India, but with tropical supplies tight, especially of teak logs, Indian manufacturers increasingly use temperate hardwoods and even softwoods.

More than half of the wood consumption is in doors, windows, furniture and millwork, where manufacturers have started to substitute hardwoods with softwood species. New Zealand has exported pine logs to India for many years now, but a more recent trend is the import of higher-value sawn softwood.

The US exports southern yellow pine to India, while Germany ships pine and spruce sawnwood. Canada aims to grow its sales of Douglas-fir, western red cedar and hemlock to compete with tropical species in appearance applications.

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.

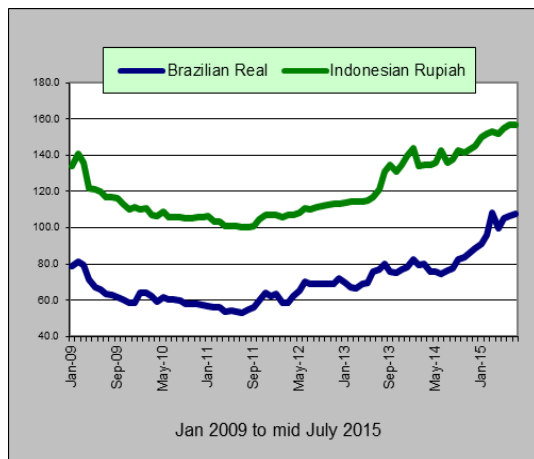
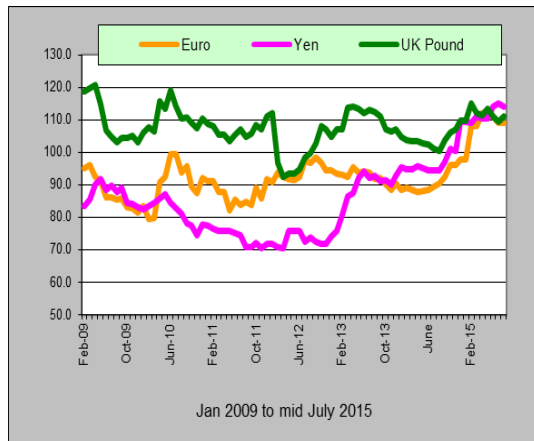
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 10 July 2015

Brazil	Real	3.1608
CFA countries	CFA Franc	586.46
China	Yuan	6.2115
EU	Euro	0.8964
India	Rupee	63.358
Indonesia	Rupiah	13305
Japan	Yen	122.78
Malaysia	Ringgit	3.7922
Peru	New Sol	3.1794
UK	Pound	0.6445
South Korea	Won	1131.20

Exchange rate index (Dec 2003=100)

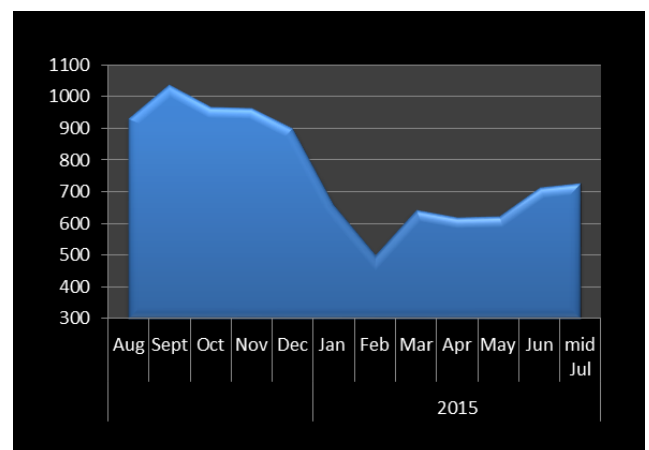


Abbreviations and Equivalences

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
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
Aug 2014 – mid July 2015

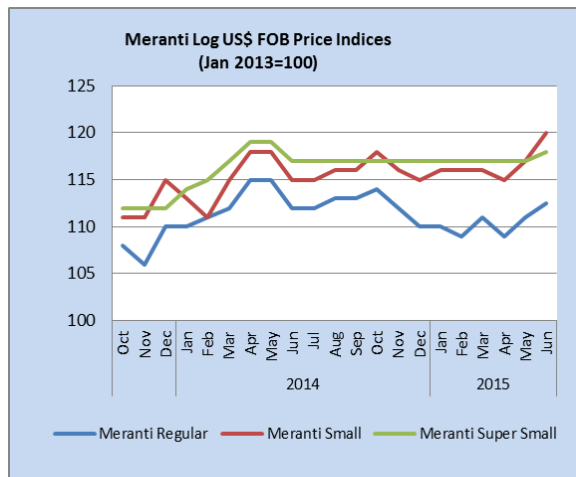


Data source: Open Financial Data Project

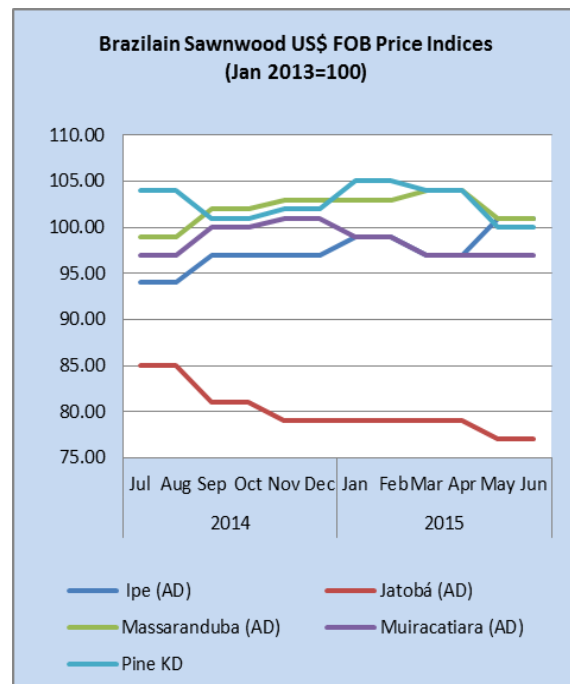
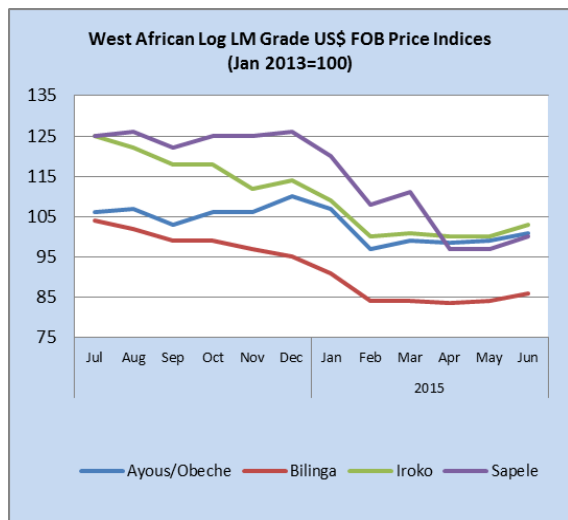
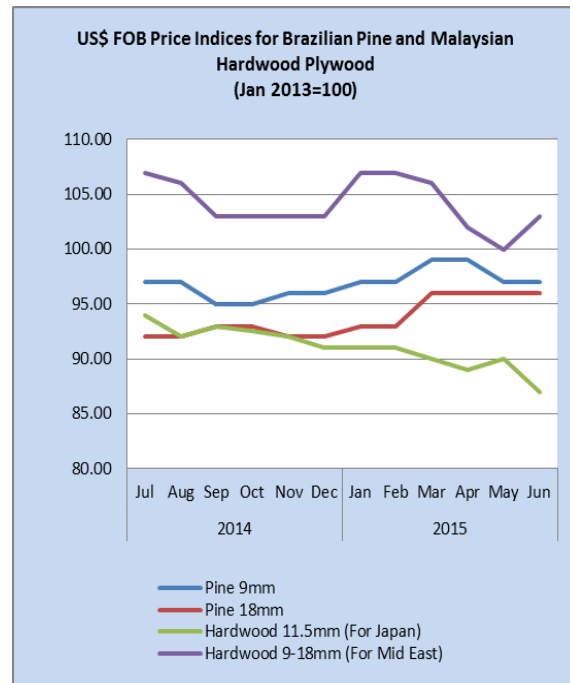
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

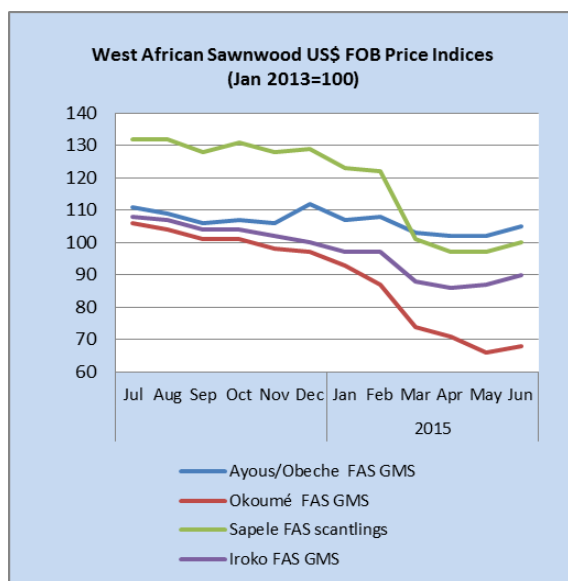
The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

http://www.itto.int/en/mis_registration/