

Tropical Timber Market Report

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Top Story

Yunnan/Myanmar border closed to timber

Chinese authorities have announced that, in order to ‘reorganise’ procedures for controlling timber imports passing through Yunnan international border crossings, no timber shipments will be permitted until the beginning of next year.

The Chinese government is deeply concerned about the situation on the Yunnan/Myanmar border and has temporarily suspended timber imports from Myanmar.

See page 14

Report from Central/West Africa

Market prospects hinge on Chinese economy

Prices for the majority of West African timbers have been maintained for some time now but there are some signs of weakness in log prices. Trade with Chinese importers is still at a low level and whilst there are now some reassuring moves by the Chinese government to bring stability to the economy the impact of the current fall in demand will take time to trickle down to the timber trade.

Currently, Chinese traders are trying to reduce landed stocks of log and sawnwood before contemplating new orders.

In August China's overall imports dropped almost 14% and exports slid by 5.5%.

Producers cut back on production once more

For West and Central African exporters trade volumes and prices for okoume and belli have been most affected. Sapele, which has seen firm demand recently, is losing favour and prices are down as importers in China are no longer in the market for this timber.

In response to weak demand millers in West and Central Africa have little choice but to cut back on production but this brings with it severe cash flow issues.

Middle East buyers avoiding stock build up

In the first half of this year demand and prices have held up well in Middle East markets but now there are now some signs of uncertainty on the part of buyers. This has been triggered by reports that some Malaysian shippers are offering very low priced red meranti sawnwood.

Whether this is true or not the impact has been to unsettle the market with buyers becoming confused and holding off from new purchases since they hold sizeable stocks of higher priced imports that may be difficult to dispose at a profit if low priced timbers flow into the market.

As of the beginning of September these rumours had not affected prices for West and Central African hardwoods. Regional shippers received a boost to sales as there have been complaints circulating that some shipments of mixed light hardwoods from Asia to Middle East markets have been below the usual quality.

South African buyers looking for alternative timbers

South African buyers are more active in the market but prices offered are very competitive as buyers are looking for cheaper alternatives to okoume and meranti.

Heavy rains in Cameroon and Central African Republic are currently affecting logging and transport operations and next month rains will begin to affect production in Congo Brazzaville and Gabon

Log Export Prices

| West African logs, FOB | € per m ³ | | |
|---------------------------------|----------------------|------|------|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 230 | 230 | 160 |
| Ayous/Obeche/Wawa | 260 | 260 | 180 |
| Azobe & Ekki | 230 | 230 | 160 |
| Belli | 250↓ | 250↓ | - |
| Bibolo/Dibétou | 150 | 145 | - |
| Iroko | 330 | 290 | 260 |
| Okoume (60% CI, 40% CE, 20% CS) | 220↓ | 220↓ | 160 |
| (China only) | 335 | - | - |
| Moabi | 210 | 305 | 225 |
| Movingui | 160 | 210 | 160 |
| Niove | 250 | 160 | - |
| Okan | 220 | 210 | - |
| Padouk | 345 | 285 | 225 |
| Sapele | 320 | 310↓ | 220↓ |
| Sipo/Utile | - | 340 | 265 |
| Tali | - | 320 | - |

Sawnwood Export Prices

| West African sawnwood, FOB | € per m ³ |
|----------------------------|----------------------|
| Ayous FAS GMS | 410 |
| Bilinga FAS GMS | 500 |
| Okoumé FAS GMS | 370 |
| Merchantable | 225 |
| Std/Btr GMS | 270↓ |
| Sipo FAS GMS | 610 |
| FAS fixed sizes | 610 |
| FAS scantlings | 640 |
| Padouk FAS GMS | 930 |
| FAS scantlings | 980 |
| Strips | 680 |
| Sapele FAS Spanish sizes | 610 |
| FAS scantlings | 620 |
| 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

Ghana Exim Bank to be established soon

The planned Ghana Exim Bank will soon be established according to a Minister of Employment and Labour Relations, Haruna Iddrisu. This was made known at the AGM of the Ghana Employers' Association (GEA).

The Minister of Finance, Seth Terkper, in his 2015 Budget Statement in November 2014, announced the setting up of this bank to help stimulate local businesses, attract investment and boost exports.

The Association of Ghana Industries (AGI) president James Asare-Adjei, welcomed this move saying the AGI has consistently urged the government to encourage local manufacturers as the performance of most timber manufacturers has suffered from low investment due to lack of financing and because of the high interest rates from domestic banks. These issues, along with power supply problems, have crippled domestic manufacturers.

The timber industry hopes the new bank will be pro-industry and will offer competitive credit facilities for the manufacturing sector as this will boost export capacity.

Ghana joins Xiamen investment fair

Dr. Ekwow Spio-Garbrah, the Minister of Trade and Industry, attended the 19th China International Fair for Investment and Trade (CIFIT) in Xiamen, China, along with a delegation of businessmen including representatives of timber companies.

The Minister said the key to Ghana's growth is the active pursuit of an export-led economy as until the country is able to generate foreign exchange through the sale of its natural and value added products, it would not be able to balance its budget.

Consumer inflation moves in the right direction

According to Ghana's Statistical Service, the country's annual consumer price inflation (CPI) fell to 17.3% in August from 17.9% the previous month. The decline in the CPI was the result of a fall in non-food inflation and this was helped by the slight strengthening of the cedi.

Boule Export prices

| | Euro per m ³ |
|----------------------|-------------------------|
| Black Ofram | 313 |
| Black Ofram Kiln dry | 400↓ |
| Niangon | 490↓ |
| Niangon Kiln dry | 520↓ |

Export Rotary Veneer Prices

| Rotary Veneer, FOB | € per m ³ | |
|--------------------|----------------------|-------------|
| | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba | 335 | 400 |
| Chenchen | 330 | 565 |
| Ogea | 470 | 535 |
| Essa | 325 | 530 |
| Ofram | 350 | 406 |

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

Export Sliced Veneer Prices

| Sliced Veneer, FOB | € per sq. m | |
|--------------------|-------------|---------|
| | Face | Backing |
| Afrormosia | 1.19 | 0.91 |
| Asanfina | 1.40 | 0.63 |
| Avodire | 3.00↑ | 0.34 |
| Chenchen | 1.10 | 0.50↓ |
| Mahogany | 2.40↑ | 1.00 |
| Makore | 0.89↓ | 0.60↓ |
| Odum | 1.33 | 1.00 |

Export Plywood Prices

| Plywood, FOB | € per m ³ | | |
|--------------|----------------------|-------|----------|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 482 | 510 | 641 |
| 6mm | 460 | 535 | 615 |
| 9mm | 393 | 460 | 510 |
| 12mm | 351 | 463 | 450 |
| 15mm | 410 | 415 | 374 |
| 18mm | 332 | 362 | 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 | € 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 | 300↑ |
| Dahoma | 448 | 504 |
| Edinam (mixed redwood) | 525 | 625 |
| Emeri | 480 | 580 |
| African mahogany (Ivorenensis) | 650 | 989 |
| Makore | 790 | 874 |
| Niangon | 567 | 615 |
| Odum | 660 | 850↑ |
| Sapele | 642 | 820↑ |
| Wawa 1C & Select | 434 | 479 |

Export Added Value Product Prices

| Parquet flooring 1st grade | FOB € per sq.m | | |
|----------------------------|----------------|------------|---------|
| | 10x60mm | 10x65-75mm | 14x70mm |
| Apa | 12.00↓ | 14.47↓ | 17.00↓ |
| Odum | 7.80↓ | 10.18↓ | 11.00↓ |
| Hyedua | 13.67↓ | 18.22↑ | 17.82↓ |
| Afrormosia | 13.72↓ | 13.93↓ | 17.82↓ |

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

Report from Malaysia

Diversifying the bio-mass sector

Sabah will focus efforts on boosting the biomass industry by continuing development work with the palm oil industrial cluster and through diversifying the sector according to Deputy Chief Minister, Raymond Tan Shu Kiah. Tan said "the potential for generating investments in this sector is huge and this is a great potential for our industry".

It has been estimated that the biomass sector in Sabah could contribute around RM 30 billion (approx. US\$7 billion) to State revenue by 2020.

Reduced forest output inevitable in Sabah

At the recent 'Best of Both Worlds' Conference at the Rainforest Discovery Centre in Sepilok, the Director of Forests said the State Government has accepted that future revenues from forestry would fall as extensive sustainable forest management is practiced extensively. Revenue from forestry in 2014 was just 3% of what it was in 1979.

The Sabah Forestry Department began implementing SFM in 1989 and has now doubled its Totally Protected Areas (TPA) from 800,000 hectares to 1.55 million hectares or about 21% of the area of the State.

To-date the State Government has set aside 3.9 million hectares of the total area of the state as protected or conservation areas.

Promoting sustainability in the domestic market

Industries and consumers at large are increasingly aware of their role in opting for sustainable product alternatives in support of Malaysia's green economy. To capitalize on this the Malaysian Timber Certification Council (MTCC) plans a two-pronged strategy which includes expanding domestic and international demand for certified wood products.

In a press release MTCC CEO, Yong Teng Koon, said “Due to the export-oriented nature of the Malaysian timber industry, MTCS is also a market driven scheme. We believe it is equally important to nurture domestic market demand for sustainable timber.”

Since its implementation in 2001, a total of 4.66 million ha of forest areas and 349 timber companies have been certified under the MTCS. The scheme ensures that timber products manufactured and sold by the certified companies are sourced from MTCS-certified forests.

Malaysia’s timber industry is a major contributor to export earnings, accounting for 17.5 per cent of the total export earnings by the commodity sector in 2014. Last year exports of timber and timber products were the third most important commodity after palm oil and rubber.

As at 1 April 2015, Malaysia exported over 1 million cubic metres of certified tropical timber to 47 international destinations.

To further promote sales MTCC participated in the International Greentech and Eco Products Exhibition and Conference Malaysia (IGEM 2015). IGEM 2015 was the 6th in a series with the aim of positioning Malaysia as a Green Technology Hub for ASEAN Region.

See: <http://www.mtcc.com.my/news-items/sustainable-forestry-vital-for-malysias-green-economy>

Promotion mission to China

Malaysia’s Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas, will head a delegation to China in the middle of September in an effort to boost sales of timber and oil palm products.

This comes as the Malaysia economy has been affected by a currency crisis and political turmoil. The delegation will include representatives from the Malaysian Timber Council (MTC) and the private sector.

The group will visit Furniture China 2015 in Shanghai, one of the largest furniture exhibitions where many Malaysian manufacturers are exhibiting. China is a major export market for Malaysian wood products. Malaysia’s wood product exports to China in 2014 were valued at RM771.4 million.

Renewed commitment to legality verification

The Sarawak Forest Department, Sarawak Forestry Corporation, Sarawak Timber Industry Development Corporation and the private company Harwood Timber Sdn Bhd renewed their commitment to Sarawak’s Timber Legality Verification system by signing the Inter-Agency Standard Operating Procedure for Performance of Forestry Function.

This would enable efficient tracking of log movement along the supply chain to protect the image and reputation of Sarawak timber in the international market.

Sarawak export plywood prices

Plywood traders reported no changes in export prices except for Concrete Panels. The current CP price is US\$550 and UCP US\$630.

Report from Indonesia

Stronger dollar - furniture exports jump

As the US dollar rose above the IDR 14,000 mark furniture exporters cheered. The latest export figures from the Indonesian Furniture and Handicraft and Rattan Association (AMKRI) show a 20% surge in demand for Indonesian furniture and handicrafts in international markets.

Rapid identification to eliminate protected timber exports

The head of Indonesia’s Forest Products Research and Development Centre, Dwi Sudharto, said because global markets demand precise information on timber species used in various wood products, rapid and accurate wood identification tools are invaluable.

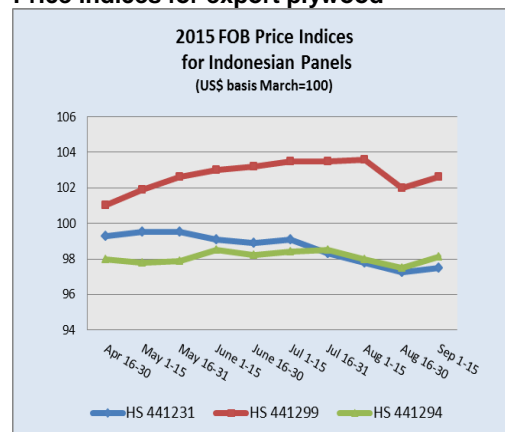
Wood products exported from Indonesia are accompanied by information on species used and auditors for timber legality certification are the first line of defense against illegal timber export.

To strengthen the capacity for quick and accurate identification wood types the Bogor Forest Products Research and Development Centre has an extensive xylarium (a collection of well-curated authenticated wood specimens) extending to over 34,000 specimens of timber species. This collection is said to be the third largest in the world.

Legality verification boosting exports to EU

Data from the Ministry of Foreign Affairs and Ministry of Environment and Forestry show that Indonesian wood product exports in the first half of 2015 to the EU were worth US\$609 million. Exports to Asian countries rose sharply and exports to Oceania totalled US\$687 million followed by US\$202 million to countries in Africa.

Price indices for export plywood



Report from Myanmar

IWPA members get green light to continue trade with Myanmar

The US Treasury Department has extended the license authorising members of the International Wood Products Association to engage in activities necessary and incidental to purchase and importation of wood and wood products from or involving the Myanmar Timber Enterprise (MTE) and/or its affiliates and subsidiaries, up to 31 July 2017.

The MTE was given to understand that this license applies specifically to IWPA members and is not open to non-IWPA members. Interested parties may contact the IWPA at <http://www.iwpawood.org/> for details.

New minimum daily wage resisted by manufacturers

The decision by the government in Myanmar to raise the minimum wage well above levels proposed by manufacturers has resulted in many companies especially Korean and Chinese business threatening to close their operations and relocate.

The authorities have asked for talks to be opened and the Myanmar Trade Unions Federation is demanding that if workers are laid off they should be given legally required compensation. The new minimum wage of K3600/ day became effective 1 September.

Teak sales

The following timber was sold by MTE by tender on 28 and 31 August 2015.

Sawing Grade teak log prices at open tender

| Grade | H. tons | Avg. US\$/ton |
|-------|---------|---------------|
| SG-7 | 703 | \$1079 |

Hardwood log prices

| | Grade | H.tons | Avg. US\$/ton |
|--------------|----------------|--------|---------------|
| Padauk | Assorted | 27 | 1506 |
| Padauk | Domestic | 152 | 1160 |
| Sagawa | Second | 103 | 332 |
| Pyinkado | Second | 547 | 572 |
| Kanyin | First | 926 | 373 |
| Kanyin | Second | 923 | 294 |
| In | Second | 232 | 251 |
| Thingadu | First & Second | 557 | 223 |
| Taung Thayet | First | 151 | 181 |
| Hnaw | Second | 82 | 282 |
| Yemane | | 36 | 230 |

Note-

Padauk- *Ptrocarpus macrocarpus*; Sagawa- *Michelia champaca*; Pyinkado- *Xylia dolabiformis*; Kanyin-*Dipterocarpus* spp; Thingadu- *Parashorea stellata*; In- *Dipterocarpus tuberculatus*; Hnaw- *Adina cordifolia*; Yemane-*Gmelina arborea*.

Log volumes are expressed in hoppus tons (H.tons) and volumes for 'conversions' and sawn teak (including hewn timber) are shown in cubic tons (C.tons).

For sawnwood longs (i.e. long lengths) are 6ft & up; shorts (short lengths) are 3ft to 5.5ft; and ultras (ultra short lengths) are 1ft to 2.5ft.

Form-8 teak and padauk hewn prices

| Product | Grade | C.tons | Avg. US\$/ton |
|--------------|--------|--------|---------------|
| Tamalan Hewn | Market | 81 | 2650 |
| Padauk Hewn | Market | 135 | 2424 |

Tamalan= *Dalbergia oliveri*

Sawing Grade Teak log prices Open Tender Yangon 31 August

| Grade | H. tons | Avg. US\$/ton |
|-------|---------|---------------|
| SG-1 | 26 | 5511 |
| SG-2 | 26 | 5080 |
| SG-3* | 16 | 2740 |
| SG-4 | 82 | 3726 |
| SG-5 | 60 | 2768 |
| SG-6 | 92 | 2098 |
| SG-7 | 66 | 1551 |

*SG-3 logs have girth <5 feet

Teak conversion prices

Conversions sold by MTE during the August open tender attracted the following prices per cubic ton:

Flitches

Longs US\$5147

Shorts US\$4135

Boards

Longs US\$4701

Shorts-US\$2339.

Scantlings

Second Qulaity

Longs US\$1889

Shorts US\$1444-1752

Ultras US\$1218-1408

Third Quality- US\$868-418

Report from India

Furniture manufacturing sector posts strong growth

According to the Central Statistics Office the furniture manufacturing sector reported a 34% growth in output in the early part of the year compared to the same period last year.

India's wood-based furniture retail market is ranked the 14th largest in the world at an estimated at US\$15 billion and is set to expand further.

The Mumbai Wood trade show will open at the Bombay Convention and Exhibition Centre (BCEC) in Goregaon East, Mumbai, on 1 October. This is touted as Western India's premier show for furniture producers and machinery suppliers. It is also becoming an effective business-to-business platform for the industry.

At this show India's leading furniture e-retailers, among them EBay, Fabfurnish, Flipkart, Furlenco, Homelane, Pepperfry, Snapdeal, Stitchwood and Urbanladder, will have an opportunity to interact with furniture makers.

For more see: <http://www.mumbai-wood.com/>

Turning to automation in face of shortage of skilled workers

Attendance data from LIGNA 2015 show a jump in Indian visitors and attendance from Asia was up for the latest event.

The increase in the number of Indian company representatives visiting Ligna is seen by local analysts as an indication of efforts being made by the domestic industry to seek out technological innovations. Skilled furniture makers are now in short supply in India and it is this that is driving interest in automation.

Of particular interest to Indian visitors was technology for production of doors, windows and furniture of solid wood and pre-laminated wood panels such as wood composite panels.

Analysts expect a similar focus during the INDIWOOD fair to be held at Bangaluru (Bangalore) from 25-29 February 2016.

Task force seizes thousands of tonnes of illegally harvested red sanders

More than 13,000 metric tonnes red sanders wood have been seized in Andhra Pradesh as efforts to curb illegal cutting and transportation of red sanders in the state begin to bite. The State has deployed 12 armed mobile teams and there are 19 observation posts with CCTVs cameras.

A special task force has been established to fight red sanders smuggling and an amendment to the Andhra Pradesh Forest Act, 1967 has been proposed. Red sander grows mainly in the Chittoor and Kadapa districts of Andhra Pradesh.

Teak log sizes fall pulling down prices

Overall demand for wood products is reported as subdued and the flow of imports has slowed. In recent teak log shipments many parcels comprise small girth logs and this has driven down prices. The supply of large girth logs has fallen in recent months.

Prices for imported plantation teak, C&F Indian ports

| | US\$ per cu.m C&F |
|--------------------------|----------------------|
| Belize logs | 350-400 |
| Benin logs | 285-775 |
| Benin sawn | 530-872 |
| Brazil logs | 375-724 |
| Brazil squares | 370-680 |
| Cameroon logs | 401-510 |
| Colombia logs | 262-796 |
| Congo logs | 451-710 |
| Costa Rica logs | 320-780 |
| Côte d'Ivoire logs | 277-552 |
| Ecuador squares | 313-858 |
| El-Salvador logs | 345-934 |
| Ghana logs | 255-757 |
| Guatemala logs | 360-655 |
| Guyana logs | 300-450 |
| Kenya logs | 515-600 |
| Laos logs | 300-605 |
| Liberia logs | 265-460 |
| Malaysian teak logs | 323-516 |
| Nicaragua logs | 350-596 |
| Nigeria squares | 367-418 |
| Panama logs | 253-630 |
| PNG logs | 443-575 |
| Sudan logs | 448-521 |
| Tanzania teak, sawn | 307-885 |
| Thailand logs | 511-700 |
| Togo logs | 280-542 |
| Trinidad and Tobago logs | 557-680 |
| Uganda logs | 411-511 |
| Uganda Teak sawn | 680-900 |

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

A new supplier, Angola, delivered teak logs at US\$ 459 to 574 per cubic metre C&F.

No change in hardwood prices

Overall supplies of hardwood logs and domestic demand remain in balance.

The dollar/rupee exchange rate fluctuations would normally have resulted in changes in pricing for imported timbers but, so far, millers are absorbing the difference exchange losses as the market is tight.

| 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

Millers of Myanmar teak unable to lift prices

Domestic mills still have Myanmar teak log stocks but there is strong market resistance to price increases for Myanmar teak sawnwood as alternative species are capturing market share.

| 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

| 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 producers having to absorb exchange rate losses

In the plywood market the swings in exchange rates are now an issue. Producers would like to raise prices to offset currency losses but the market is resisting these attempts.

Local analysts had expected to see plywood prices rise but as of mid-September they remain unchanged from a month ago.

Prices for WBP Marine grade plywood from domestic mills

| Plywood, | Rs. per sq.ft |
|----------------------------|---------------|
| Ex-warehouse, (MR Quality) | |
| 4mm | 39.50 |
| 6mm | 52.50 |
| 9mm | 66.50 |
| 12mm | 82.00 |
| 15mm | 109.00 |
| 18mm | 114.50 |

Domestic ex-warehouse prices for locally manufactured MR plywood

| | Rs. per sq.ft | |
|------------------|---------------|----------|
| | Rubberwood | Hardwood |
| 4mm | Rs.20.00 | Rs.29.60 |
| 6mm | Rs.30.30 | Rs.38.00 |
| 9mm | Rs.38.20 | Rs.46.00 |
| 12mm | Rs.45.40 | Rs.55.80 |
| 15mm | Rs.55.80 | RS.68.00 |
| 19mm | RS.64.60 | Rs.76.30 |
| 5mm Flexible ply | Rs.40.00 | |

Report from Brazil

SUDEMA certifies timber to stamp out illegal harvesting

The State government of Paraíba (Northeast region of Brazil) has introduced timber legality certification in the state. This initiative is part of the States forest management strategy aimed at eliminating illegal logging and uncontrolled harvesting of forest resources.

The State forest certification guarantees that marketed timber comes from a legal and well managed production area. The process requires each producer to submit a forest management plan for assessment and approval after which SUDEMA issues the harvesting permit.

As a follow-up SUDEMA conducts regular assessments of operations and if necessary directs adjustments to maintain the certification process.

High level assessment of difficulties faced by forestry sector

The first meeting of the Chamber of Silviculture of the National Congress was held on 9 September to discuss difficulties in the forestry sector such as burdensome bureaucracy. The meeting also addressed the need for development of initiatives that promote forest plantations in the country.

It has been identified that restrictions on the acquisition of land by foreign entities is one of the main reasons why investment in plantations has not progressed as planned.

In Mato Grosso do Sul the state failed to capture significant investments because of this obstacle. Some international forestry companies pulled out of negotiations for investment in the State because of the land ownership issue.

The Chamber of Silviculture is set to address removing bureaucratic obstacles to land acquisition and environmental licensing procedures through re-alignment of state legislation. The Chamber also indicated it would broaden its discussion to encompass biomass production for power generation.

Forestry sector exports beat the trend

According to the Foreign Trade Secretariat (SECEX), the exports and hard currency earnings by the forest sector continues to increase. Between January and July this year forestry sector exports grew 3.2% year on year in value (US\$ 5.9 billion).

While the overall agribusiness trade balance weakened especially for grains and meat products forestry sector export growth remained stable.

To compensate for rapidly declining domestic demand and helped by the depreciation of the real, exports have grown and confidence that international demand will continue to improve has led to investments by timber producers.

Promising furniture export opportunities

Furniture exporters in Santa Catarina State in southern Brazil ship more furniture than from any other state and in the first half of this year the value of furniture exports topped US\$ 102 million or 34% of national furniture exports. The first half figure for exports is up 6.7% on the same period of 2014.

Other major furniture exporting states are Rio Grande do Sul, (US\$ 91.4 million or 30.5% of the national total). However, overall first half furniture exports were down 7% compared to the same period in 2014.

Despite the decline the Institute of Marketing and Industrial Studies (IEMI) forecasts that exporters in Rio Grande do Sul will see an almost 9% increase in furniture exports for 2015.

The Furniture Industry Association of Rio Grande do Sul (MOVERGS) says that first half 2015 exports were atypical. Despite the falling exchange rate, MOVERGS says the furniture industry is not competitive compared to international, especially Chinese, producers as domestic production costs continue to rise. In addition, high transport and port costs and changing domestic policies add to overall export costs.

Domestic Sawnwood Prices

| Brazil sawnwood, domestic (Green ex-mill) | US\$ per m ³ |
|---|-------------------------|
| Ipê | 729 |
| Jatoba | 382 |
| Massaranduba | 340 |
| Muiracatiara | 355 |
| Angelim Vermelho | 317 |
| Mixed red and white | 201 |
| Eucalyptus (AD) | 189 |
| Pine (AD) | 139 |
| Pine (KD) | 153 |

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

| Parica | US\$ per m ³ |
|----------|-------------------------|
| 4mm WBP | 529 |
| 10mm WBP | 427 |
| 15mm WBP | 375 |
| 4mm MR | 484 |
| 10mm MR | 359 |
| 15mm MR | 340 |

Prices do not include taxes

Source: STCP Data Bank

Domestic Log Prices

| Brazilian logs, mill yard, domestic | US\$ per m ³ |
|-------------------------------------|-------------------------|
| Ipê | 149 |
| Jatoba | 84 |
| Massaranduba | 89 |
| Muiracatiara | 93 |
| Angelim Vermelho | 85 |
| Mixed redwood and white woods | 74 |

Source: STCP Data Bank

Prices For Other Panel Products

| Domestic ex-mill Prices | US\$ per m ³ |
|-------------------------|-------------------------|
| 15mm MDP/Particleboard | 233 |
| 15mm MDF | 336 |

Source: STCP Data Bank

Export Sawnwood Prices

| Sawnwood, Belem/Paranagua Ports, FOB | US\$ per m ³ |
|--------------------------------------|-------------------------|
| Ipe | 1380 |
| Jatoba | 978 |
| Massaranduba | 762 |
| Muiracatiara | 736 |
| Pine (KD) | 219 |

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) | 346 |
| 12mm C/CC (WBP) | 320 |
| 15mm C/CC (WBP) | 318 |
| 18mm C/CC (WBP) | 311 |

Source: STCP Data Bank

Export Prices For Added Value Products

| FOB Belem/Paranagua Ports | US\$ per m ³ |
|---------------------------|-------------------------|
| Decking Boards Ipê | 2,452 |
| Jatoba | 1,594 |

Source: STCP Data Bank

Report from Peru

Exchange of experiences with US Forest Service

The United States Forest Service, with the support of the US Agency for International Development, sponsored an internship on Information Management and Strengthening Institutions in the forestry sector for forestry personnel from Peru.

Participants were exposed to recent approaches to managing forest operations, organisational procedures, new technologies to aid management and the role of information transparency in promoting good forestry.

Participants were drawn from Peru's Ministry of Environment (MINAM), the regional government of Ucayali, the National Forest and Wildlife Service (SERFOR) and the Agency for Supervision of Forest Resources and Wildlife (OSINFOR).

Cooperation between Peru and Colombia is strengthened in forestry

In order to strengthen the border integration between Peru and Colombia, the Presidency of the Council of Ministers (PCM) in Peru organised a second national workshop focusing on joint forest and wildlife issues in the border area between the two countries.

During the event in Loreto various issues were addressed especially those within the mandate of the Ministry of Environment (MINAM) such as the Ecological Economic Zoning (EEZ) which is a cross agency issue involving the Land Management division of MINAM and the National Forest and Wildlife Service (SERFOR).

Operations to stamp out illegal logging

Multi-sectoral operations aimed at eliminating illegal harvesting of forest will be strengthened according to Peru's Commissioner for combating illegal logging. The head of the Council of Ministers, César Fourment, made this clear when meeting loggers in Ucayali.

To achieve zero illegal harvesting the administration and technical capacity of the nine regional governments (Amazonas, Ayacucho, La Libertad, Loreto, Madre de Dios, Huanuco, San Martin, Tumbes and Ucayali) will be improved.

Members of the Roundtable for Sustainable Forestry Development in the Ucayali Region and a representative of the Governor of Ucayali agreed to work in concert to solve the problem of illegal logging having identified that corruption is one of the main obstacles to improved supervision and control.

Export Sawwood Prices

| | |
|--|-------------------------|
| Peru Sawwood, FOB Callao Port | US\$ per m ³ |
| 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 Sawwood, FOB Callao Port (cont.) | US\$ per m ³ |
| 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 | 1036-1078 |
| 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 |

| | |
|--|-------------------------|
| Peru Sawwood, FOB Iquitos | US\$ per m ³ |
| 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, Mexican market | 394-444 |

Domestic Sawwood Prices

| | |
|------------------------|-------------------------|
| Peru sawwood, domestic | US\$ per m ³ |
| Mahogany | - |
| Virola | 186-217 |
| Spanish Cedar | 305-364 |
| Marupa (simarouba) | 158-174 |

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, 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 | 389-412 |
| Lupuna plywood B/C 15mm | 421-451 |
| 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)

| | |
|------------------|-------------------------|
| 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 | 1296-138 |
| Cumaru KD, S4S | Swedish market 950-1094 |
| | Asian market 1036-1078 |
| 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 |

Report from Guyana

New marketing initiative by FPDMC

The Forest Products Development and Marketing Council (FPDMC) is currently working with communities and regional groups to help them find markets for their products. This is to support expansion of added value production.

The aim of the Council is to assist timber SMEs and through this create a viable timber sector which, in turn, will raise incomes.

The FPDMC has established a marketing tool available on the FPDMC website to assist local producers identify potential markets both locally and internationally. The FPDMC is working with local communities to steer budding entrepreneurs to new value added product lines as well as helping establish markets for existing products.

Currently there is a housing boom in Guyana and timber companies can benefit from expanded domestic consumption.

Export prices

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

| Logs, FOB Georgetown | | US\$ price per m ³ | | |
|----------------------|--|-------------------------------|---------|---------|
| | | Std | Fair | Small |
| Greenheart | | 190-200 | 180 | - |
| Purpleheart | | 250-290 | 220-250 | 200-250 |
| Mora | | 170 | 160 | 150 |

Export Sawnwood Prices

| Sawnwood, FOB Georgetown | | US\$ price. per m ³ | |
|--------------------------|--------------|--------------------------------|---------|
| EU and US markets | | Undressed | Dressed |
| Greenheart | Prime | 1,039 | - |
| | Standard | - | 600-996 |
| | Select | 763-1,484 | - |
| | Sound | - | - |
| | Merchantable | 600 | - |
| Purpleheart | Prime | - | - |
| | Standard | - | 1018 |
| | Select | 750 | - |
| | Sound | 850-1,120 | - |
| | Merchantable | 650 | - |
| Mora | Prime | - | - |
| | Select | 575-679 | - |
| | Sound | - | - |
| | Merchantable | 742 | - |

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 | 450-672 |
| | Utility | 5.5mm | No export |
| | | 12mm | No export |

Report from Japan

Growth prospects undermined by falling exports and weak domestic demand

The Japanese economy contracted in the second quarter of this year (-1.2% annualised). Falling exports, especially to China, will make a second half year recovery very difficult.

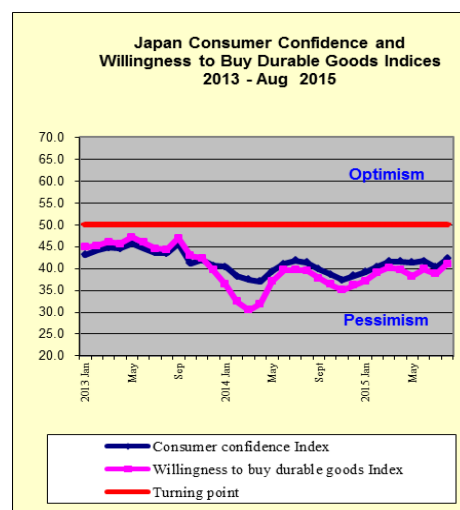
Public spending and slightly better housing starts, the result of changed tax structures has encouraged home owners to demolish and rebuild, were the only bright spots in an otherwise disappointing second quarter.

Domestic demand, the main driver of growth, was subdued in the second quarter and the efforts of the government and Bank of Japan (BoJ) to stimulate inflation have not succeeded as yet.

With prospects for growth in the second half of the year looking dim many in Japan are calling on the BoJ to consider expanded fiscal stimulus. The Economy Minister has expressed fears that weak demand in China will seriously affect Japan and will undermine growth in most Asian economies further affecting Japan's exports.

Robust improvement in consumer confidence index

The BoJ survey of consumer confidence during August covered 8,400 households and response rate was 65.7%.



Data source: Cabinet Office, Japan

The overall Consumer Confidence Index in August rose to 41.7, up 1.4 points from the previous month, a surprisingly robust improvement. The August figures for the various components of the index (Consumer Perception Indices) were as follows:

- Overall livelihood: 40.1 (up 2.0 from July)
- Income growth: 39.9 (up 0.3 from July)
- Employment: 46.3 (up 1.6 from July)
- Willingness to buy durable goods: 40.3 (up 1.5 from July)

The index measuring employment status improved as did the income growth prospect index.

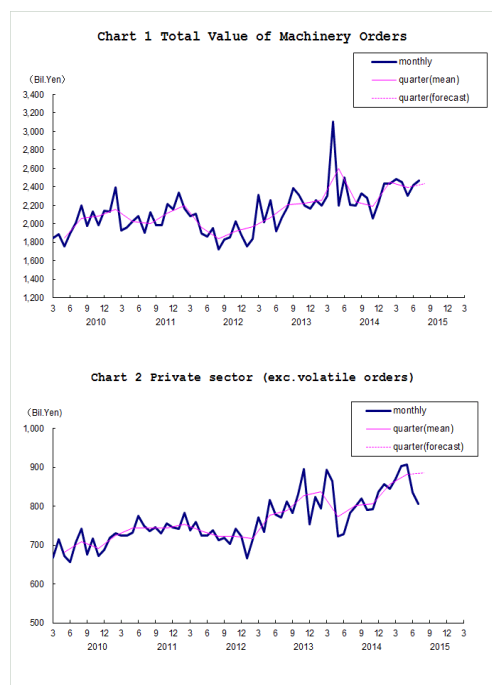
Second consecutive monthly dip in machinery orders

Machinery orders, a primary economic indicator in Japan, fell in July. This was the second consecutive drop raising the prospect that weak business investment will further dampen the chances of sustained economic expansion. August private sector machinery orders were down 3.6% following on from the nearly 8% drop in July

The Cabinet Office cut its assessment of core orders, saying ‘the pickup is seen stalling’ which has driven many analysts, along with Cabinet Ministers, to call for further economic stimulus measures.

For more see:

<http://www.esri.cao.go.jp/en/stat/juchu/1507juchu-e.html>

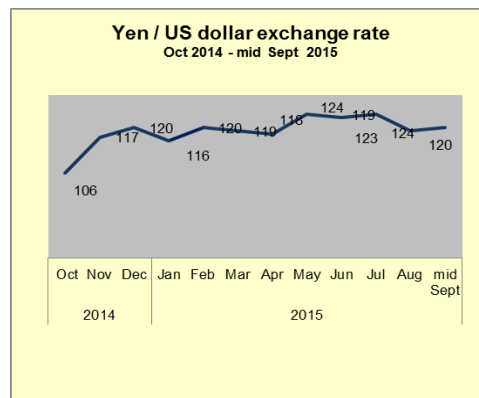


Rising profits of exporters not translating into higher wages

With the yen already trading in the 120-124 range to the US dollar, a 50% drop in just over two years, small sized manufacturing companies that rely on imported raw materials are facing tough times. With inflation stuck close to zero manufacturers selling into the domestic market cannot pass on the rising cost of production.

The rising fortunes of the big exporters due to the weak yen have not translated into higher worker incomes and it is here that Abenomics has run into a wall.

The weaker yen was the key to the early success of government policy but the negative impact on small companies which, after all, employ more works than any other sector has economists and politicians worried.

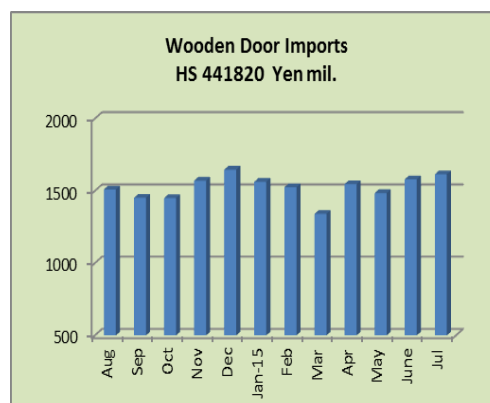


Import round up

Doors

Japan's July 2015 imports of wooden doors rose again climbing just over 2% month on month. The July imports of wooden doors were almost at the record level set in December 2014.

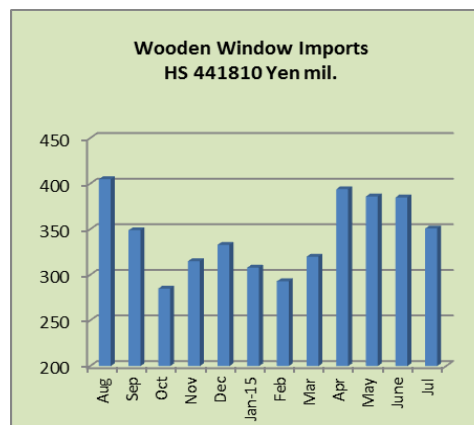
China and Philippines continue as the top wooden door suppliers accounting for just over 75% of Japan's July imports of this product. If imports from Indonesia and Malaysia are included then over 90% of wooden doors are accounted for.



Data source: Ministry of Finance, Japan

Windows

July wooden window imports were down around 9% month on month and down 16% on July 2014.



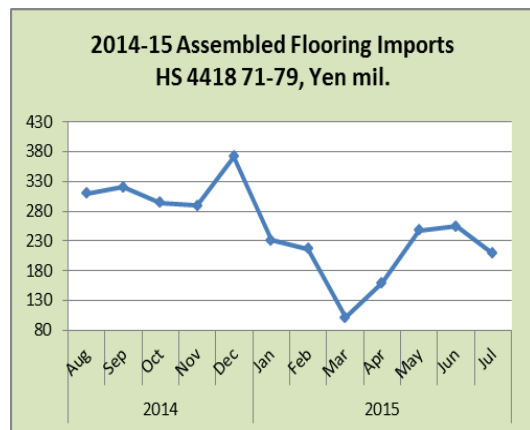
Data source: Ministry of Finance, Japan

China tops the list of suppliers (36% of all wooden window imports) followed by Philippines (30%) and the US (21%). The top three suppliers accounted for over 85% of all wooden window imports in July.

Assembled flooring

July imports of assembled wooden flooring dipped sharply reversing the gains made in June. Month on month, July imports were down 18% and year on year they fell 39%. As in previous months China is the largest supplier of assembled wooden flooring accounting for 57% of July imports.

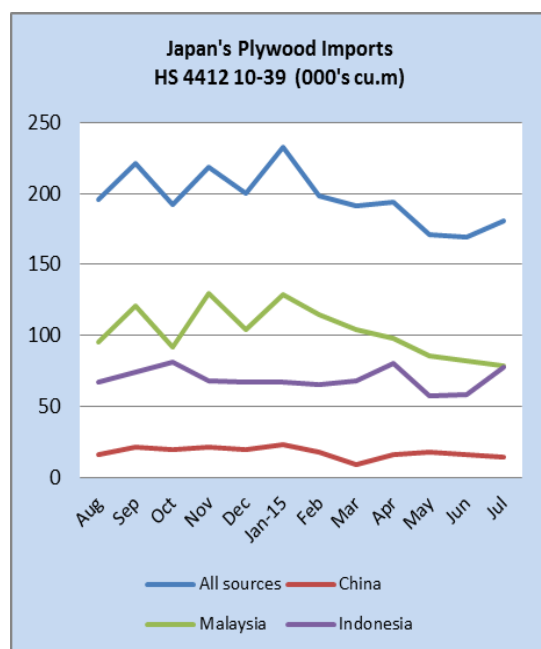
Imports from Vietnam and Malaysia were at around the same level in July with each accounting for around 8% of all assembled wooden flooring imports.



Data source: Ministry of Finance, Japan

Plywood

While total plywood imports picked up in July, shipments to Japan from the main suppliers were mixed. China does not feature prominently in the ranking of Japan's plywood suppliers as the main emphasis is on Indonesia and Malaysia.



Data source: Ministry of Finance, Japan

Plywood imports from Malaysia fell sharply in July (-28%) while imports from Indonesia rose by over 30% to fill the gap. However, despite the improvement in Indonesia's shipments in July 2015 they were down 12% year on year. The good news for Indonesian plywood exporters is that compared to June this year exports to Japan rose just over 33%.

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 |
| | Jun | 15.6 | 82.4 | 58.4 |
| | Jul | 14.5 | 78.6 | 77.5 |

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>

First half 2015 log and lumber exports surge

Log and lumber export for the first half of this year were 10,960 million yen in value, 33.8% more than the same period of last year. High growth continues and the value exceeded ten billion yen in six months.

For Korea, log exports doubled in volume and lumber increased by 50% but the volume is oversupplied so that the shipments are slowing down now. Log shipments to Taiwan are also slowing. Second half export depends on purchase by China.

Log export in value is 4,628 million yen, 46.2% more with the volume of 323,850 cbms, 36.2% more while the lumber export was 1,690 million yen in value, 15.9% more with the volume of 31,158 cbms, 5.3% less. Growth in value depends on sales of higher value species like cypress particularly for Korea.

In log export, China had 191,763 cbms, 37.1% more and Korea had 85,920 cbms, 108.2% more. In lumber shipments, Korea had 4,214 cbms, 51.7% more but China had 13,591 cbms, 0.1% less.

Plywood mills continue production curtailment

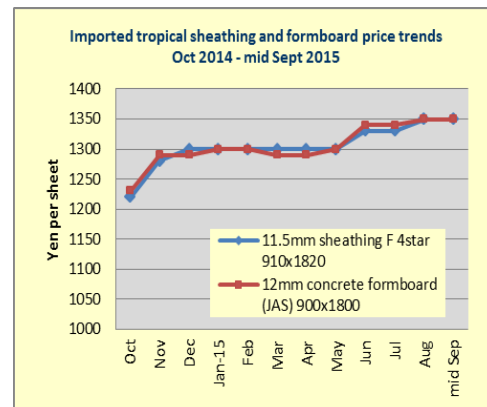
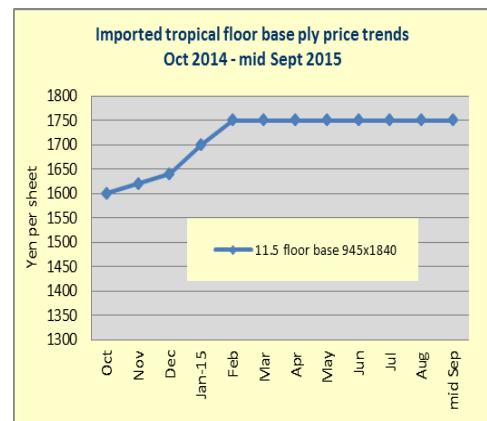
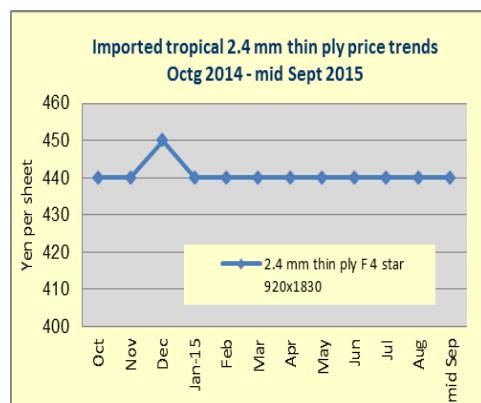
Major plywood manufacturers of softwood plywood will continue production curtailment in September.

July shipment was 252,500 cbms, renewed record high monthly shipment next to last June and the inventories were sharply down to 186,100 cbms, 46,100 cbms less than June inventories so delivery period for new orders are uncertain but the manufacturers think that supply reduction is necessary to tighten the market.

August is vacation month so the production drops while the users are anxiously pushing the mills early deliveries in an anticipation of higher market in tight supply. The manufacturers try to judge if such orders are based on actual demand or speculative purchase. To find out if the demand is real or not, the manufacturers decided to continue production curtailment in September and see what reaction the market shows in September.

Large users like precutting plants suffer some delay of shipment but it is not serious stage yet. July production was 199,500 cbms, 6.4% less than June. That in June 2014 was 230,000 cbms.

Back ground of this action by the manufacturers is long deep market slump since last January through June. The dealers minimized the purchase in down market. In this situation, the only solution is production curtailment and when the inventories decline, the dealers started buying in large volume and recorded high shipment for two straight months.



North American log and lumber imports for the first half of the year

Import of North American logs and lumber decreased for two straight years. Log import for the first six months of this year decrease by nearly 30% from the recent peak of 2013. Total log import for the first six months of this year was 1,281,723 cbms, 26.3% less than the same period of last year.

European lumber imports for the first half of this year

Import of European lumber during January and June this year was 1,144,000 cbms, 19.2% less than the same period of last year due to slower demand. This is the lowest first half import in last five years.

Structural laminated lumber market was inactive so that import of lamina from major sources decreased. However, since last spring, import from Austria, Estonia and Czech increased after whitewood KD stud supply declined and the inventory dropped in Japan.

The demand changed so much compared to the first half of last year when the demand increased before the consumption tax increase since April.

Monthly import during January and June last year was about 250,000 cbms but for first three months this year, monthly import had been less than 200,000 cbms although it increased to 210,000 cbms in April and May.

South Sea (tropical) log and lumber imports for the first half 2015

Imports of logs and lumber for the first half of the year decreased by 15% compared to the same period of last year. Import of logs from major sources of Sabah and Sarawak, Malaysia declined by high FOB prices, weaker yen and depressed market in Japan. See the chart for volume by source.

Total log import was 114,800 cbms, 14.8% less out of which Malaysian logs were 96,100 cbms, 15.8% less. Malaysian supply takes about 85% of South Sea log import so decline of Malaysian supply pulled down total volume. If this low level continues, total year import would be about 230,000 cbms, the lowest ever.

Limited supply in producing regions pushed FOB higher then the yen depreciated since last summer so the yen cost soared. The cost of Sarawak meranti regular was about 10,000 yen up until August last year then it has kept going up and now it is about 13,000 yen per koku.

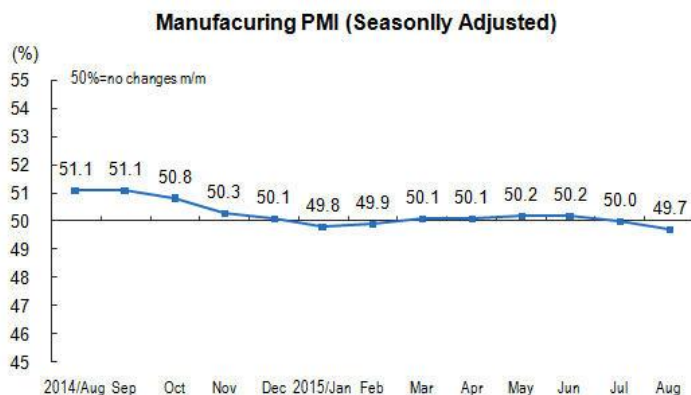
For plywood manufacturers, it is impossible to pass this high cost onto sales prices in depressed market so they seek substituting sources, which is another reason Malaysian log import decreased.

Report from China

Additional fiscal stimulus expected as PMI drops

The National Bureau of Statistics recently released the official purchasing managers index (PMI mainly reflecting the performance of State enterprises) for August which came in at the weakest level since August 2012.

The index was down sharply from July but the drop was widely anticipated. However, this is still a startling figure as this is the first time the official PMI has fallen below 50 in six months.



The National Bureau of Statistics says “among the five sub-indices comprising the PMI, the production index, and supplier delivery time index were still above the negative threshold but the new orders index, employed person index and main raw materials inventory index were below 50.

In response to the weak numbers and the overall decline in economic performance the government is expected to expand its fiscal stimulus efforts during the second half of the year probably with a focus in infrastructure investments.

Analysts are anticipating that growth may fall below 7% in the second half of this year. The August PMI was 49.7 falling below the negative threshold.

See:

http://www.stats.gov.cn/english/PressRelease/201509/t20150906_1240075.html

Trade in timber across Yunnan border suspended

According the Yunnan Import and Export Chamber of Commerce for Timber and Mineral Products between 1 September and 31 December administrative procedures for controlling timber imports in Yunnan will be reorganised and as a result no timber import shipments will be processed through the Yunnan border entry points.

The spate of trade disputes involving timber shipped through Yunnan from Myanmar is the underlying cause for the re-organisation. Many Chinese have been arrested in Myanmar for allegedly breaking Myanmar’s forest and immigration laws. Recently a court in Myanmar sentenced 150 Chinese loggers to 20 years in prison for illegal logging and violating the law.

The Chinese government is deeply concerned about the situation on the border and has temporarily suspended the trade in timber from Myanmar.

New timber shipping channel for the Northeast

According to the government of Dalian city, the construction of the Zhuanghe Imported Timber Trading and Processing Centre will begin operations this year. With the opening of the new facility the northeast region will be serviced by 3 dedicated timber berths. The Port will be able to handle nearly 3 million cubic metres of wood products annually. Construction of all facilities will be completed in March of 2016.

Increase in wooden furniture exports through Suifenhe

Between January and August this year wooden furniture exports through Suifenhe port soared 300% to a value of US\$3.24 million, a record high. This comes at a time when international trade levels have begun to fall.

The main products exported were household furniture including living room, kitchen and bedroom items as well as some home office items. Shipments were made to more than 30 countries.

In order to promote expansion of wooden furniture production and export the Suifenhe Entry-Exit Inspection and Quarantine Bureau has implemented paperless electronic processing of documents and ‘one-stop’ customs clearance which has reduced transaction costs for furniture exporters.

The Suifenhe Entry-Exit Inspection and Quarantine Bureau prides itself on its efficiency in support of trade facilitation and exporters enjoy the benefits of accelerated and efficient export document processing.

OSB imports fall

According to data from China Customs OSB imports in the first half of 2015 fell 23% to 52 900 cubic metres. The average FOB price for imported OSB dropped 11% to US\$252 per cubic metre.

The main sources China's OSB imports for constructional enduses were the US and Canada.

OSB imports for non-structural end-uses were mainly from Brazil, Romania, Germany and Latvia but the total from these countries fell 30% to 32 900 cubic metres. Imports from Romania however, rose 15% to 23 600 cubic metres while imports from Germany were down 31% to 6 800 cubic metres. The biggest decline was seen on OSB imports from Brazil (down 86%).

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 |

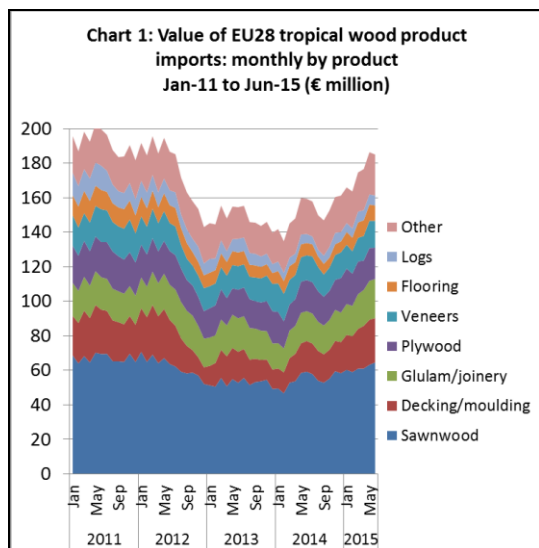
| Logs, all grades | yuan/tonne |
|-------------------------|------------|
| Amoora | 1900-2080 |
| Calophyllum | 2150-2350 |
| Red ganarium | 1300-1400 |
| Gray Canarium | 1100-1200 |
| Red-brown terminalia | 1680-1750 |
| Basswood | 1200-1400 |
| Sureni toona | 1500-1650 |
| Bunya | 1400-1550 |
| Walnut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

Report from Europe

Recovery in EU tropical wood imports

The rising trend in EU tropical wood product imports that began in September 2014 continued into the second quarter of 2015. EU imports of tropical wood products in May 2015 hit €186 million, the highest monthly figure since June 2012 (Chart 1).

Overall in the first 6 months of 2015, the EU imported €1.07 billion of tropical wood products, an increase of 19% compared to the same period the previous year.



Source: FII Ltd analysis of Eurostat

The strong growth in the value of EU imports this year should be set against the background of particularly low levels of import in 2014. The weakness of the euro on currency exchange values also means that the value of imports has risen more rapidly than quantity (since the euro price of imported products tends to be higher).

It is too early to tell whether the recent growth in imports is the beginning of a lasting recovery or driven mainly by stock replenishment as importers take advantage of better availability.

The supply situation for tropical timber in Africa, which was difficult throughout 2014, has improved this year from European buyers' perspective. Although China continues to consume large quantities of African timber, demand in China has eased creating a better balance between supply and demand for European importers.

A positive trend on the consumption side in Europe is continued good construction activity in Germany, Europe's largest economy, and on-going recovery in construction in the Netherlands, UK, Spain and Eastern Europe. European furniture production is also improving, with rising activity in Sweden and UK and strong growth in Poland, Lithuania and several other Eastern European countries.

This, together with continuing stability in Germany's large furniture manufacturing sector, is offsetting historically low levels of furniture production in Italy, Spain and France.

A particularly encouraging sign this year is that the growth in EU imports of tropical wood is occurring despite continuing weakness of the euro-exchange rate which, other things being equal, makes imported products less price competitive in the euro-zone.

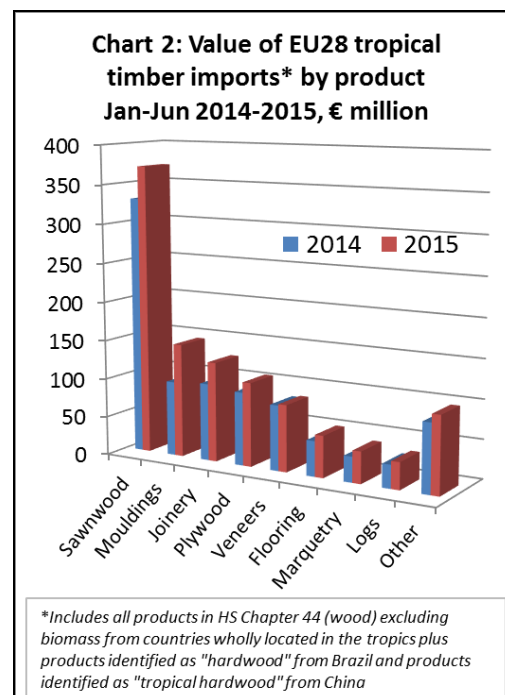
The growth trend has benefitted suppliers irrespective of whether they typically invoice in euros or dollars – hinting that this may be driven more by improving EU consumption than by short-term stock replenishment.

Imports rise across most tropical wood sectors

The growth also extends to a wide range of products and market sectors. EU imports of nearly all tropical product types have increased significantly in the first half of 2015 compared to the same period in 2014 (Chart 2).

EU imports of tropical sawnwood were €371 million in the first half of 2015, 13% more than the same period in 2014. Imports of tropical mouldings (including both decking and interior mouldings) increased 52% to €146 million.

EU tropical plywood imports were 14% greater at €108 million. Imports of tropical joinery products (mostly LVL for window frames) increased 29% to €128 million, while tropical flooring products increased 18% to €53 million.



Source: FII Ltd analysis of Eurostat

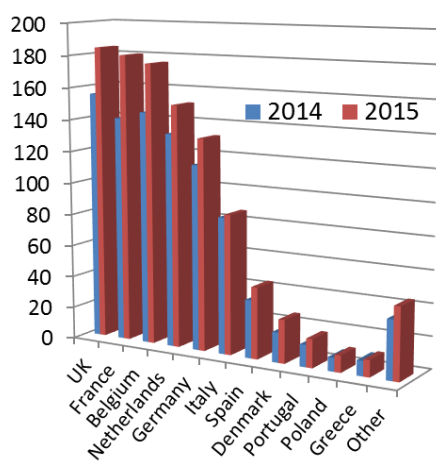
EU tropical log imports jumped 16% to €35 million in the first six months of 2015, the first turnaround after several years of continuous decline.

The first very tentative signs of improvement are also evident in the EU tropical veneer trade. Imports were €86 million in the first half of 2015, 2.2% up compared to the same period in 2014.

Key tropical timber markets are bouncing back

There was significant growth in the euro value of tropical timber imports in nearly all the main EU markets in the first half of 2015 (Chart 3).

Chart 3: Value of tropical timber imports* by EU countries Jan-Jun 2014-2015, € million



*Includes all products in HS Chapter 44 (wood) excluding biomass from countries wholly located in the tropics plus products identified as "hardwood" from Brazil and products identified as "tropical hardwood" from China

Source: FII Ltd analysis of Eurostat

The UK was the largest EU destination for tropical wood products in the first half of 2015, although this position is now threatened as France and Belgium are now bouncing back more rapidly.

UK imports of tropical timber products were valued at €184.4 million in the first half of 2015, 19% more than the same period in 2014. During the same period, imports increased 28% to €180.2 million in France and 21% to €175.8 million in Belgium.

Amongst other western European markets for tropical wood products, only Italy and Sweden have been disappointing this year.

In the first half of 2015, Italy's imports of tropical wood products were €87.1 million, only 2% above the historically low levels recorded in 2014. Imports by Sweden were €10.1 million in the same period, 5% below last year's level.

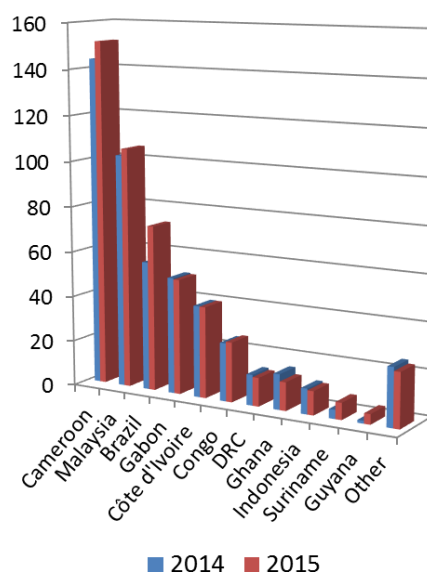
Other western European markets for tropical wood are gaining ground. In the first half of 2015, there was significant growth in imports by the Netherlands (+13% to €151.3 million), Germany (+14% to €132.1 million), Spain (+23% to €44.6 million), Denmark (+44% to €26.9 million), Portugal (+29% to €17.8 million), Greece (+12% to €10.4 million), and Ireland (+42% to €9.4 million).

Imports of tropical wood products into several Eastern European countries also increased in the first half of 2015 notably Poland (+24% to €10.5 million), Romania (+26% to €10.5 million) and the Czech Republic (+72% to €3.8 million).

10% growth in EU tropical sawn hardwood imports

The EU imported 519,000 m3 of tropical sawn hardwood in the first half of 2015, 6% more than the same period in 2014. The rise was broadly based being recorded across a wide range of supply countries (Chart 4).

Chart 4: EU28 tropical sawn imports, Jan-Jun 2014-15, 1000 m3



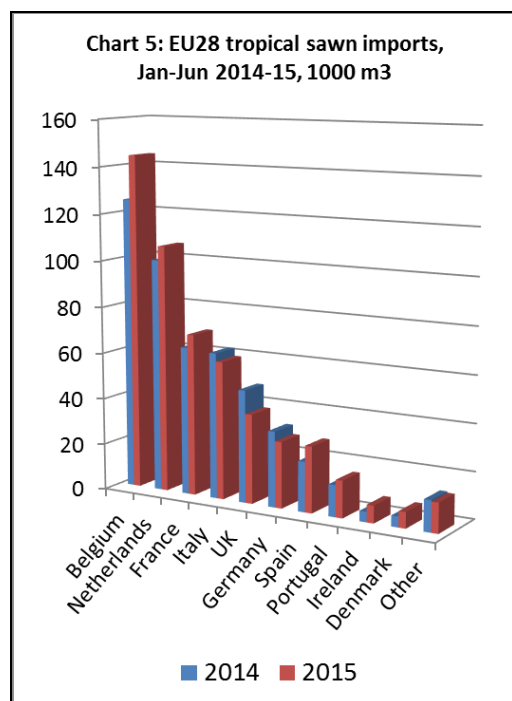
Source: FII Ltd analysis of Eurostat

In the first half of 2015, EU imports of tropical sawn timber increased from Cameroon (+5% to 151,700 m3), Malaysia (+3% to 105,700 m3), Brazil (+29% to 72,900 m3), Republic of the Congo (+3% to 26,300 m3), Suriname (+85% to 7,400 m3) and Guyana (+258% to 4,500 m3). Imports from Gabon (50,700 m3) and Ivory Coast (40,100 m3) were the same as the previous year. However imports declined from DRC (-7% to 12,600 m3) and Ghana (-20% to 12,500 m3).

On the recipients' side, in the first half of 2015, imports of tropical sawn hardwood increased into Belgium (+15% to 144,500 m3), the Netherlands (+6% to 106,500 m3), France (+9% to 69,700 m3), Spain (+32% to 28,400 m3), Portugal (+17% to 15,900 m3), Ireland (+68% to 7,500 m3) and Denmark (+50% to 6,900 m3).

However imports declined in the first half of 2015 into Italy (-5% to 59,400 m3), the UK (-21% to 38,500 m3) and Germany (-12% to 28,500 m3) (Chart 5). Imports into Italy and Germany picked up a little in the second quarter of 2015 after a slow start to the year.

In contrast, imports by the UK were good in the first quarter of 2015 but slowed dramatically in the second quarter.



Source: FII Ltd analysis of Eurostat

Turnaround in tropical log imports

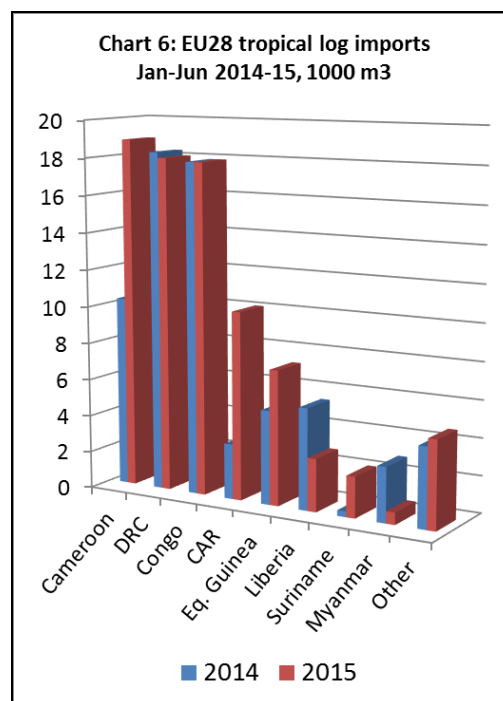
After roughly ten years of almost uninterrupted decline, EU tropical log imports increased 22% to 82,679 m3 in the first half of 2015. Much of this growth was due to an 84% increase in imports from Cameroon to 18,912 m3.

The scale of the increase is partly due to the particularly low level of imports from Cameroon in the first half of 2014 when trade was seriously disrupted by logistical problems at Douala port.

There was also a surge in imports in the first half of 2015 from the Central African Republic (+241% to 10,152 m3) and Suriname (+621% to 2212 m3).

In the first half of 2015, EU tropical log imports from the DRC (18,016 m3) and Republic of Congo (17,883 m3) were nearly stable compared to the previous year. Imports from Liberia were down 48% at 2851 m3 in the first half of 2015, with nearly all this volume arriving in the first three months of the year.

Although Myanmar implemented a log export ban from 31 March 2014, Eurostat statistics indicate the EU imported 649 m3 of logs from the country in the first 6 months of 2015, 78% less than the same period in 2014 (Chart 6).



Source: FII Ltd analysis of Eurostat

Sharp rise in imports of decking and mouldings

EU imports of “continuously shaped” wood (HS code 4409), which includes both decking products and interior decorative products like moulded skirting and beading, were 123,436 m3 in the first half of 2015, up 22% compared to the same period in 2014.

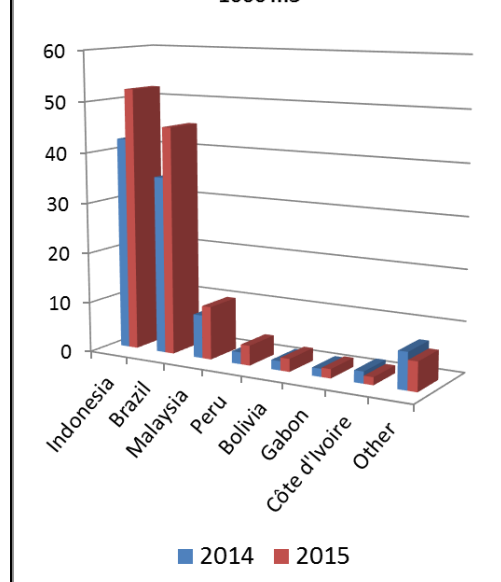
This increase was primarily attributable to much higher deliveries from the two main suppliers, Indonesia and Brazil (Chart 7). Imports from Indonesia increased 24% to 52,187 m3. Indonesia has profited from the better demand in the Netherlands and Germany, traditionally major markets for Indonesian decking.

Meanwhile EU imports from Brazil were up 28% at 45,142 m3, with a particularly significant increase in imports by Belgium and France. Imports of Brazilian decking were constrained last year after a Greenpeace campaign raising concerns about the legitimacy of documentation to demonstrate legal origin of Brazilian tropical timbers.

This encouraged suspension of sales of Brazilian decking products by several large European merchants and blockage of shipments while Belgium’s Environment Ministry undertook EUTR-related investigations.

These subsequently confirmed the legality of the shipments which were cleared for entry. The trade data confirms that EU imports of Brazilian decking products were flowing more freely during the first half of 2015.

Chart 7: EU28 tropical decking & moulding import, Jan-Jun 2014-15, 1000 m3



Source: FII Ltd analysis of Eurostat

Drilling down into due diligence

The Global Timber Forum (GTF) has published an international Supplier and Consumer Due Diligence Analysis which assesses how well companies understand the concept of “due diligence” as it is defined in the EU Timber Regulation (EUTR), and to assess how far they have been able to put it into practice.

Under report author George White, a team of interviewers issued a questionnaire to 27 EU ‘operator’ importers, which have to undertake due diligence illegality risk assessment of all suppliers under the EUTR. They also quizzed 15 supplier companies (all in tropical countries), which today face a mass of due diligence documentation and inquiries from customers EU-wide.

Critically, they focused on small to medium sized enterprises, which not only comprise a large part of the timber sector, but may find due diligence more of a burden as they have fewer resources to devote to it.

Among aspects the questions probed were:

- whether companies properly understood what was expected of them in terms of due diligence
- how much time, money and people they devoted to it
- whether they used external due diligence support and guidance
- how EU companies viewed the performance of Competent Authorities, responsible for monitoring and policing the EUTR in each EU country

Key conclusions included that most companies had a good understanding of their due diligence obligations, but the knowledge of some was seriously deficient. The report also ranks due diligence understanding and performance of EU company participants by country.

The GTF found that bigger businesses generally had more comprehensive due diligence policies, but smaller companies can also perform well. Those that used external support also had more robust systems and, interestingly, supplier country companies tended to put relatively more money and time into due diligence than their EU customers.

This last conclusion may go some way to explaining why, as implied by the recent revival in EU imports, European buyers now seem sufficiently confident of the legality assurances provided by suppliers to increase purchases of tropical timber products.

The report is available from the GTF website at:

<http://gtf-info.com/uploads/documents/gtf-supplier-and-consumer-due-diligence-analysis.pdf>

Report from North America

Virola sawnwood imports rise

Total US sawn hardwood imports fell 56% from May to June, but tropical sawnwood imports declined by only 3%.

Canada is the US’ largest sawn hardwood supplier and its shipments grew in June. On the other hand, imports from Brazil and Germany, the second and third-largest suppliers, fell 56% and 40%, respectively.

The US imported 21,823 cu.m. of tropical sawnwood in June, an 18% increase in year-to-date imports from the same time last year. Balsa imports from Ecuador grew in June, but year-to-date imports of balsa remain below 2014 levels.

Imports from Brazil were almost unchanged from the previous month. Ipe sawnwood imports from Brazil were slightly down from May, but virola imports increased. Year-to-date imports from Brazil were up one third from June 2014.

Sapelli and acajou d’Afrique imports from Cameroon fell in June. However, year-to-date total sawnwood imports from Cameroon were twice as high as in June last year.

Malaysia showed a similar month over month decline due to lower keruing shipments, but year-to-date imports from Malaysia remain 25% higher than in June 2014.

By species; balsa (3,971 cu.m.) and sapelli (3,825 cu.m.) were the main imports in June followed by ipe sawnwood (2,801 cu.m.). Mahogany sawnwood imports were unchanged from May at 1,966 cu.m but virola imports more than doubled in June to 1,067 cu.m.

Higher Canadian imports from Brazil

The value of Canadian imports of tropical sawnwood increased by one third month-over-month to US\$2.04 million in June. Year-to-date imports remain below 2014 levels (-30%).

The import growth in June was mainly in sapelli, red meranti and other, unspecified species. Balsa sawnwood imports declined from May remained the most significant species (by value) imported into Canada.

Sawn hardwood imports from Brazil increased in June to US\$386,425. Imports from Congo (formerly Brazzaville) were US\$291,815, up 53% year-to-date from June 2014.

Indonesia supplied US\$192,868 worth of sawnwood to Canada in June. Year-to-date imports from Indonesia were almost unchanged from June last year.

Tropical sawnwood imports from smaller supplier increased in June. Much of the increase was in imports from Mexico and Thailand.

American hardwood exports to Middle East up 42% - further promotion planned

The American Hardwood Export Council (AHEC) and the National Hardwood Lumber Association (NHLA) will host seminars in Amman and Dubai in September.

The seminars target wood importers, manufacturers and end users and aim to promote the understanding of American hardwood properties, grades and potential applications.

The seminars are free, and the Jordanian Furniture Exporters Association has partnered with AHEC for the seminar in Amman.

Demand for US hardwoods in the Middle East has continued to grow in recent years. US exports of sawn hardwood to its four largest markets in the region – United Arab Emirate, Saudi Arabia, Jordan and Qatar – were 35,084 cu.m. in 2014, up 22% from 2013.

Year-to-date exports in 2015 to the four countries were 42% higher than last year. By comparison, total year-to-date US exports of sawn hardwood declined 10% from 2014 to 2015, making the Middle East one of the fastest growing markets for US hardwood exporters.

Much of the Middle East's growing demand for hardwoods is for interiors of new buildings and in furniture manufacturing. Renovation of existing buildings is a growing market for American hardwood products.

Transformation of temperate forests due to climate change

Many areas of temperate forest will likely change substantially due to climate change and a combination of disturbances and stress factors. This is the conclusion of a study by the US Forest Service and US Geological Survey published in the scientific journal *Science* (Temperate forest health in an era of emerging mega disturbance).

Wildfires, severe droughts and warmer temperatures in particular increase tree stress and forest mortality. Some temperate forests in the US could convert to grassland or shrub land within the next decades.

The potential for timber production will be reduced or lost, while important ecosystem services such as watershed protection and carbon storage will be compromised. The study recommends further research to identify vulnerable forests in the US and assist forest managers in transitioning to new ecosystem states.

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.

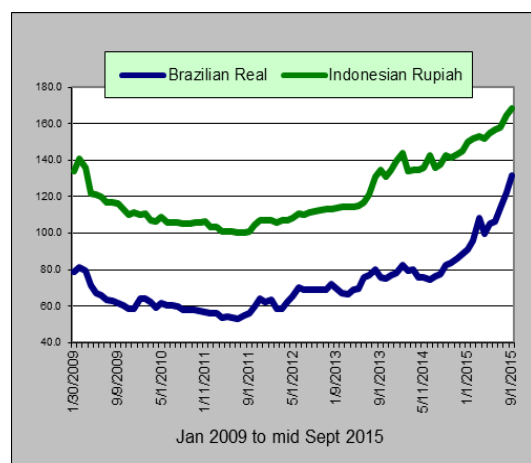
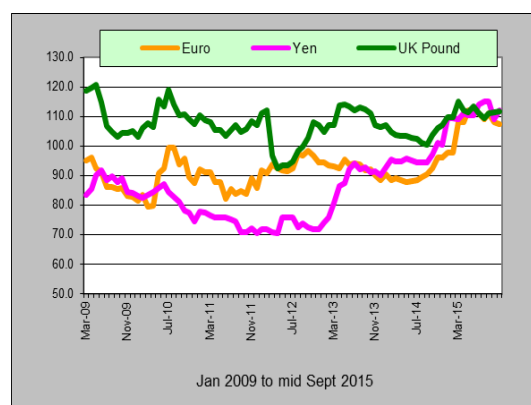
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 10th September 2015

| | | |
|---------------|-----------|---------|
| Brazil | Real | 3.8708 |
| CFA countries | CFA Franc | 582.14 |
| China | Yuan | 6.3734 |
| EU | Euro | 0.8820 |
| India | Rupee | 66.241 |
| Indonesia | Rupiah | 14319 |
| Japan | Yen | 120.59 |
| Malaysia | Ringgit | 4.3046 |
| Peru | New Sol | 3.2147 |
| UK | Pound | 0.6481 |
| South Korea | Won | 1182.69 |

Exchange rate indices (Dec 2003=100)

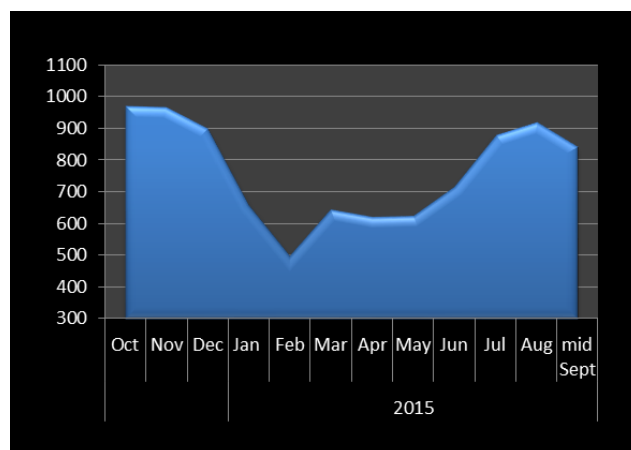


Abbreviations and Equivalences

| | |
|------------|---|
| 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 Strand Board |
| PHND | Pin hole no defect |
| QS | Qualite Superieure |
| SQ,SSQ | Sawmill Quality, Select Sawmill Quality |

Ocean Freight Index

Baltic Supramax Index
Sept 2014 – mid Sept. 2015

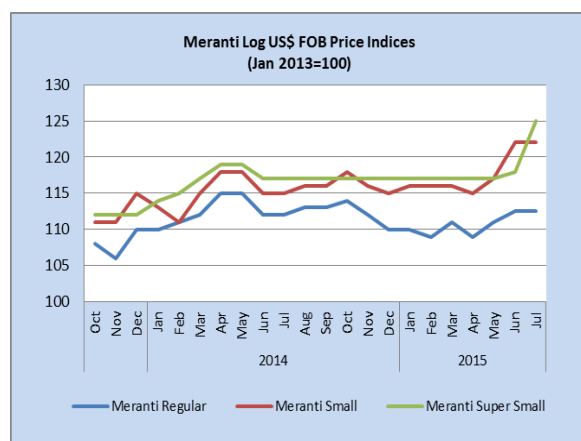


Data source: Open Financial Data Project

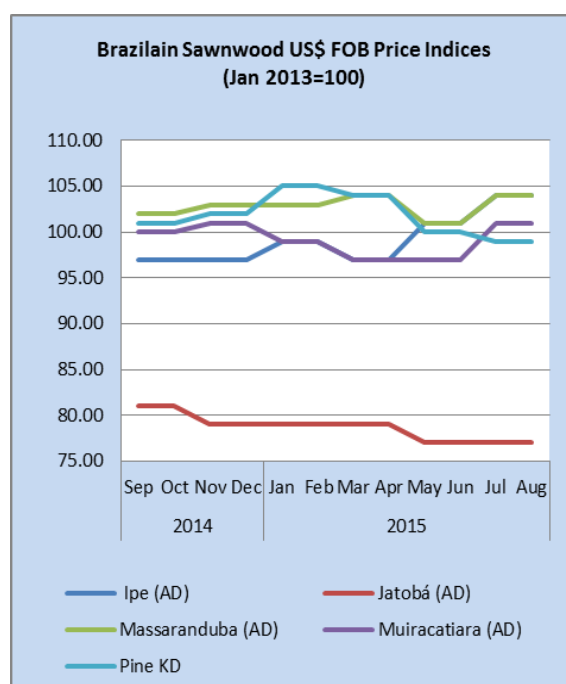
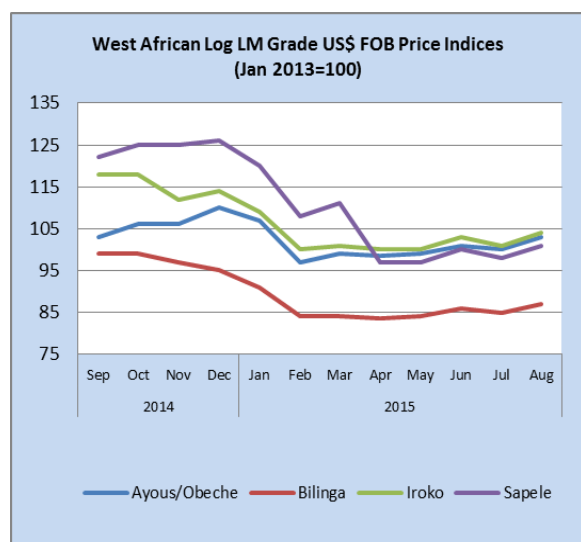
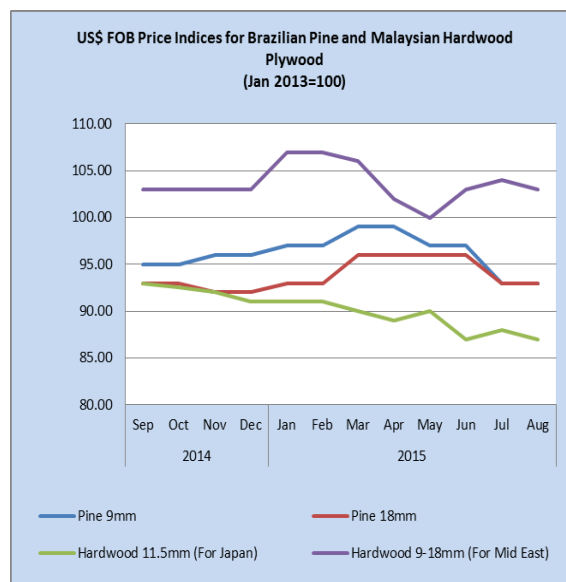
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

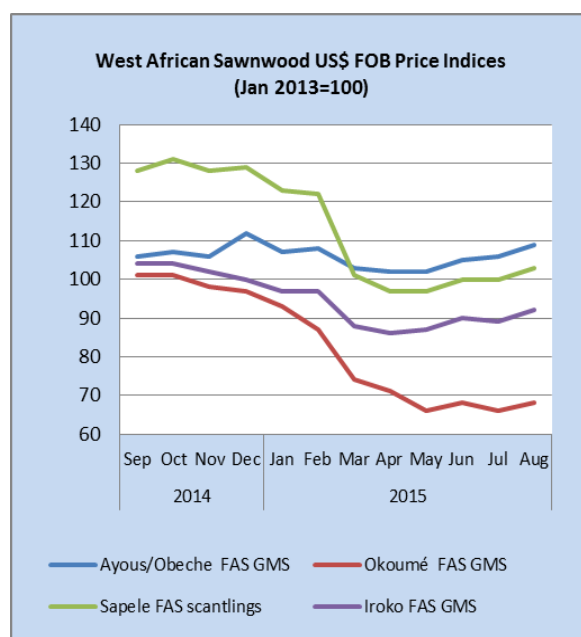
The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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