

# Tropical Timber Market Report

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## Top Story

### **Brazil's wood product exports at highest level since 2007**

Despite an uninspiring year, Brazil's 2015 exports of wood products matched that of 2007. In the case of pine plywood 2015 exports were over 1.5 million cu.m or 14% more than in 2014.

Exports of wood products such as particleboard, MDF and OSB, traditionally uncompetitive in international markets, increased significantly

ABIMCI anticipates that Brazilian companies will increasingly turn to export markets this year as there is little prospect of a recovery in domestic demand.

**See page 8**

## Central and West Africa

### Prices remain stable but volumes are small

Producers in West and Central Africa report that international demand is generally dull but, for the small volumes traded, prices are still holding at late 2015 levels. Having said that, small volumes of okoume veneer logs have changed hands at prices previously seen for peeler logs. Producers also report some business in belli and okan log exports but volumes are small.

### Log exporters take comfort from reports of strict forest harvesting in Asia

With Chinese New Year vacations now in full swing, production and shipments from Asian producer countries are almost at a standstill. West and Central Africa log exporters will take some comfort from recent reports of tough enforcement of forest harvesting and resultant lower log availability and rising prices for Asian logs.

Diminished supply should act to sustain current international tropical log prices until there is the much anticipated rise in demand from China.

Overall, African log production and sales remain low and are not expected to improve until buyers for the Chinese market return.

### 2016 export prospects unclear

At this time each year timber producers would be fairly well advanced in planning their annual production and sales forecasts but, although they are optimistic of an eventual market upturn, there is no consensus as to when this could be expected.

What is certain, however, is that the volume of West and Central African logs available for export will decline since Gabon, has banned log exports, Cameroon is now restricting log exports to 'non-premium' species, Congo Brazzaville is strictly enforcing export quotas and reported to be considering changes to forest policies on processing and Democratic Republic of Congo log exports suffer because of high transport costs and from continuing unrest in remote areas.

### To move ahead address conditions that discourage investment in downstream production

Log export restrictions would be fine if there were signs of growing investment in processing but most West and Central African producer countries have some way to go to put in place the conditions that encourage investment in downstream production capacity.

Until this is addressed it will be difficult to see production in many countries move beyond sawnwood, plywood and veneer.

## Log Export Prices

West African logs, FOB	€ per m <sup>3</sup>		
<u>Asian market</u>	LM	B	BC/C
Acajou/	230	230	160
Khaya/N'Gollon	260	260	200
Ayous/Obeche/Wawa	230	230	160
Azobe & Ekki	240	230	-
Belli	180	170	
Bibolo/Dibétou	330	290	260
Iroko	200	200	160
Okoume (60% CI, 40% CE, 20% CS) (China only)	340	310	235
Moabi	210	210	160
Movingui	160	160	-
Niove	210	210	-
Okan	315	290	230
Padouk	305	305	220
Sapele	340	330	265
Sipo/Utile	305	305	-
Tali			

## Sawnwood Export Prices

West African sawnwood, FOB	€ per m <sup>3</sup>
Ayous FAS GMS	410
Bilinga FAS GMS	500
Okoumé FAS GMS	350
Merchantable	225
Std/Btr GMS	270
Sipo FAS GMS	610
FAS fixed sizes	610
FAS scantlings	640
Padouk FAS GMS	1010
FAS scantlings	1000
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

## Ghana

### Manufacturers face tough times ahead

As the timber industry restarted operations after the holidays they learnt from the Ghana Statistical Services that December inflation came in at 17.7%.

Along with increased taxes, higher utility costs and rising fuel costs prospects for a profitable year receded and companies are scrambling to adjust to the worsening situation which is affecting employers, employees and consumers.

Manufacturers also have to deal with yet another challenge – depreciation of the cedi. Since the beginning of business in the New Year the local currency has depreciated by some 3.9% causing many to doubt if they will break-even this year.

Economists anticipate the cost of borrowing could rise to 26% when the Monetary Policy Committee of the Bank of Ghana next meets. Analysts point out that a further

increase in the prime rate could lead to higher inflation in turn leading to higher prices in the domestic market.

The pressure on the cedi stems mainly from fears that the economic trends are still volatile and need to be stabilised quickly. In its latest staff report the IMF said Ghana's economic recovery will depend heavily on addressing the current power crisis. If this is achieved the way forward, according to an economist Kwame Pianim, is expansion of exports.

#### Widening trade deficit with China

The Chinese Ambassador to Ghana, Ms Sun Baohong said the value of trade between Ghana and China in 2015 rose to around US\$6 billion. She also commented on the increased use of Chinese technologies by Ghanaian companies, a trend she hopes will grow as investments from China's US\$60 billion dollar support for African countries begin to flow.

The Ambassador reported that not only did the 2015 China-Ghana increase but there was significant investment by China in engineering projects in Ghana such that of all China's investments in Africa those in Ghana were the highest.

However, despite the growth in Ghana-China trade Ghana recorded a trade deficit in 2015. According to Bank of Ghana exports amounted to around US\$2.4 billion (mainly from oil, gold and agricultural products) while imports cost almost US\$4 billion.

#### Ratify Trade Facilitation Agreement says Chamber of Commerce

The Ghana Port Authority has said revenue from transit trade has been falling as neighbouring countries switch to lower cost ports in the region such as Abidjan, Dakar and Conakry amongst others. Transit shipments via Ghana's ports began to decline when trucking regulations were tightened and the Port Authority saw trans-shipment volumes drop by around half to 500,000 tonnes annually.

The issue of high transaction costs was raised by Mr. Emmanuel Doni-Kwame, a spokesperson for the 'Alliance for Trade Facilitation' under the International Chamber of Commerce (ICC Ghana). The Alliance is urging the government to ratify and implement the recently proposed Trade Facilitation Agreement as this would have a major impact on Ghana's export competitiveness.

For more see:

<http://www.newsghana.com.gh/transit-trade-in-wa-via-ghana-slumps-to-50/>  
and

<http://www.newsghana.com.gh/trade-facilitation-agreement-will-raise-export-revenue/>

#### January prices

Prices for wood products remained unchanged as of 30 January.

#### Bole Export prices

	Euro per m <sup>3</sup>
Black Ofram	400▲
Black Ofram Kiln dry	510▲
Niangon	455▲
Niangon Kiln dry	490▼

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	385▼	433▲
Chenchen	462	555▼
Ogea	487	537▼
Essa	523	561▲
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	0.75
Avodire	1.90	0.34
Chenchen	1.10	0.30
Mahogany	1.30	0.88
Makore	1.80	0.83
Odum	1.33	0.40

#### Export Plywood Prices

Plywood, FOB	€ per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	508	535	615
9mm	393	450	613
12mm	369	463	450
15mm	450	436	400
18mm	347	383	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 <sup>3</sup>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	203	355
Dahoma	485	536
Edinam (mixed redwood)	537	580▼
Emeri	477	554
African mahogany (Ivorenensis)	633	1089
Makore	660	750
Niangon	578	873
Odum	660	775
Sapele	815	833
Wawa 1C & Select	400	443

#### Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	11.64	14.47	17.00
Odum	9.00	10.18	11.00
Hyedua	13.67	18.22	16.30
Afrormosia	13.72	13.93	17.82

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

## Malaysia

### **Ringgit claws back some gains – prospects for further strengthening improve**

The ringgit/US dollar exchange rate strengthened to a three month high on the back of stabilisation in oil prices and as traders welcomed the government's budget realignment. The Malaysian currency advanced against all 10 major currencies in the last week of January especially the Indian rupee and South Korean won.

### **Pace of CoC certification applauded by PEFC**

The Malaysian Timber Certification Council (MTCC) has received an award from PEFC (Programme for the Endorsement for Forest Certification) for the third highest increase in the number of Chain of Custody (CoC) certified companies in 2015.

Yong Teng Koon Chief Executive Officer at MTCC reported that the MTCC registered 59 new CoC certificate holders representing a 21% increase compared to 2014.

In a statement MTCC has indicated it would work to ensure more domestic wood product end-users such construction and building companies, furniture makers as well as manufactures of composite boards and paper have in place systems to secure raw materials from sustainably managed forests.

### **Plantations to be at core of expansion of industry in Sarawak**

The Shanghai Taison Pulp-Making Group is considering establishing a pulp and paper mill in Bintulu, capable of handling as much as two million tons of pulp annually.

When complete the new complex could create over 10,000 job opportunities in the mills and in the plantations which the company intends to establish.

Sarawak's plantation log production is set to rise to around three million cubic metres in five years according to the Sarawak Forestry Department. A Sarawak Timber Industry Development Corporation (STIDC) publication shows that plantation log production was over 530,000cu.m 2013. The STIDC plans to expand its plantations areas to one million hectares by 2020.

Currently wood-based industries in Sarawak are mostly primary processors producing plywood, sawnwood and veneer from natural forest logs but, as natural forest harvesting is scaled back, further expansion of these mills is unlikely. However, as plantation resources become available production of other primary and even secondary products becomes a viable proposition.

### **New Deputy CEO for Malaysian Timber Council**

In a press release the Malaysian Timber Council (MTC) has announced the appointment of Richard Yu as Deputy Chief Executive Officer.

Mr. Yu, a MBA holder from the University of Bath, will be working with Chief Executive Officer Datuk Dr. Abdul Rahim Haji Nik to lead the Council in their efforts to

further develop and promote the Malaysian timber industry.

Mr. Yu was a Senior Director of one of Bank Negara's companies and has acted as advisor on areas corporate finance, strategy and policy development, human resource and talent management, risk management and ethics.

See: <http://mtc.com.my/wp-content/uploads/2016/01/MTC-Appointment-of-Deputy-CEO.pdf>

## Indonesia

### **Wood products at core of export growth plan**

An overall 9% growth in exports is the aim of the Indonesian government for 2016 and greater emphasis will be on non-oil exports. To support export growth the government is improving infrastructure and has begun deregulation to promote investment.

Ani Mulyati, of the Ministry of Trade said textiles and wood products such as furniture and handicrafts will be at the core of export growth in 2016.

Nus Nuzulia Ishak, DG for Export Development at the Ministry of Trade, said special attention would be given to developing markets in the Middle East especially Kuwait and Saudi Arabia where Indonesian textiles, furniture and other wood products were appreciated .

### **Head of Peat Restoration Agency appointed**

At the 2015 Climate Change Conference (COP21) President Joko Widodo announced the establishment of a Peatland Restoration Agency charged with restoring fire damaged peatlands. The new agency has been established under Presidential Regulation No. 1 of 2016, dated January 6, 2016.

To launch the new agency Nazir Foead, Conservation Director at the World Wildlife Fund, has been appointed as the head of the new agency.

The agency will prepare an action plan to restore fire damaged peat lands in Riau, Jambi, South Sumatra, Papua and across Kalimantan.

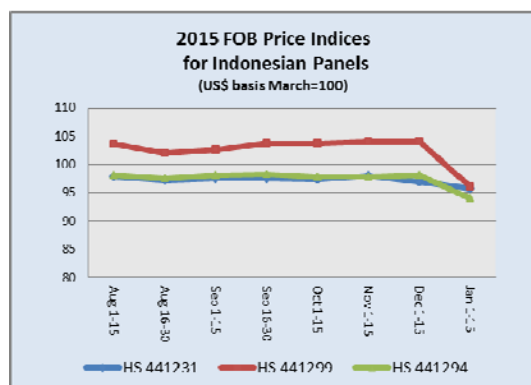
According to the World bank, last year, forest fires in Indonesia resulted in a loss to the economy of around US\$16 billion or about 1.9% of Indonesia's GDP.

### **Interest rate cut**

In a press release it was announced that the Board of Governors of the Bank of Indonesia proposed a lowering of interest rates to 7.25%.

This, said the Bank, was in line with view that there was an opportunity for monetary easing as the macroeconomic indicators remain stable. It is possible that further easing will be introduced after an assessment of the domestic and global economy.

Bank Indonesia Governor, Agus Martowardojo, said that while Indonesia's economy had improved he will carefully watch developments in the Chinese economy to assess impacts on Indonesia since China is one of Indonesia's main trading partners.



## Myanmar

### Commercial tax on timber

The Myanmar government has introduced new tax structures. Under the new law a 25% sales tax will be applied on sawn timber defined as 10 inch by 10 inch and up of both teak and hardwoods. However, it is not clear how the MTE will apply this. In fact, currently the MTE include and collect a sales tax in their selling price.

One analyst said that the commercial tax was to be borne by the buyer but if the MTE tries to collect an additional tax on the sale of timber this will seriously affect the competitiveness of the industry.

### Myanmar national timber plan

At a recent meeting with the Ministries of Forestry and Commerce the private timber sector was invited to advise on the content of the planned Myanmar Timber Industrial Plan which is part of the National Economic Strategy proposed by the Ministries of Forestry and Commerce.

### Investment by China in timber industries

According to the local media the Permanent Secretary of the Ministry of Forestry is set to reject the proposal from the China for setting up of a wood processing zone in the northern border area with the aim of eliminating illegal trading across the border. According to media reports over 100 NGOs and civil society organisations raised concern on the plan.

### Fixed exchange rate for import-export

The Custom Department has announced that the weekly fixed exchange rate would be applied when calculating taxation on items for import and export.

### January teak prices

A total of 142 cubic tons of sawn teak was sold by open tender at the January 2016 auction. Average prices are shown below:

Grade	H. tons	Avg. US\$/ton
SG-1	29	5588
SG-2	26	4009
SG-4	51	3358
SG-5	36	2405

## India

### Inflation rate trends down

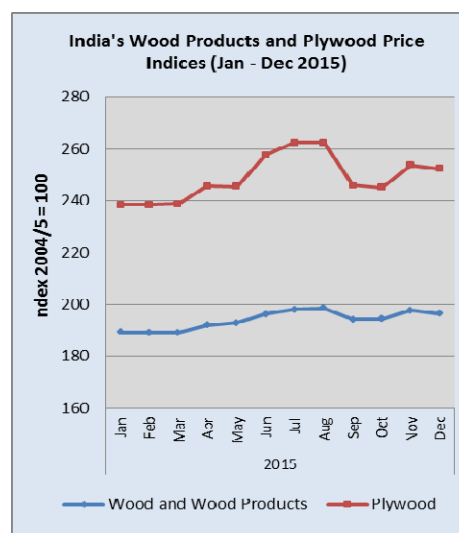
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for all commodities (Base: 2004-05 = 100) for November rose 0.5% to 177.6 from 176.7 in October. The year on year annual rate of inflation, based on monthly WPI, stood at -1.99 (provisional) as of November 2015 compared to -3.81 based on data up to October.

For more see: <http://eaindstry.nic.in/cmonthly.pdf>

### Timber and plywood price indices climb

The OEA also reports wholesale price indices for a variety of wood products. The wholesale price indices for Wood Products and Plywood are shown below.



Data source: Office of the Economic Adviser to the Indian government

### Home sales fall in major Indian cities

Knight Frank India has just released its 2015 half-yearly report on the 2015 India real estate market. This offers a comprehensive view on the residential and office market performance across seven cities for the period between July-December 2015.



The headline is that 2015 ended with the lowest level of housing starts and sales since 2010 however in the office market the picture was quite different as occupancy rates soared to their highest in years.

Home sales in the eight major cities fell 4% in 2015 to come in at the lowest level since 2010 despite interest rate cuts by the Reserve Bank of India which served to bring down mortgage rates. The National Capital Region continued to be the worst performing market. The report notes that in the residential market unsold inventory levels are so high that, at present rates of purchases, it would take more than 2.5 years to sell all.

On house prices the Knight Frank report notes that there was a sharp decline in the pace of price increases from 9% to just 3% over the past 3 years.

For more see:

<http://www.knightfrank.co.in/news/2015-ends-with-the-lowest-new-launches-and-sales-volume-since-2010-for-residential-while-office-market-records-highest-occupancy-at-84.2-07961.aspx>

#### **INDIAWOOD 2016, one of the largest wood technology shows in Asia**

Over 650 domestic and international companies will be exhibiting at INDIAWOOD to be held 25-29 February 2016 at the Bangalore International Exhibition Centre (BIEC).

More than 650 companies offering furniture production technologies, woodworking machinery, tools, fittings, accessories, raw materials and products will be taking part in one of Asia's largest trade fairs for the woodworking and furniture manufacturing sector.

A press release from the organisers says craftsmen, woodworkers and furniture manufacturers; distributors, dealers and manufacturers of hardware and accessories; plywood and particle board manufacturers and traders; manufacturers of wood-based products; architects, interior designers and builders from India and South-East and South Asian countries will participate in INDIAWOOD 2016.

According to a report from INDIAWOOD, production by the Indian furniture manufacturing industry is worth around US\$20 billion annually and the sector employs more than 3 million people in the organised sector alone. INDIAWOOD says the industry has seen an annual growth of around 30% over recent years.

For more see: <http://www.indiawood.com/press-releases.html>

#### **Greater focus on bamboo**

Union Minister, Nitin Gadkari, plans to constitute a bamboo sub-group under Niti Aayog of the Planning Commission.

A recent meeting of senior ministers heard that the domestic market for bamboo is estimated to be worth around US\$10 billion annually and this is set to grow

generating enormous job opportunities along the production chain plantation development to manufacturing. Production of ethanol derived from bamboo for bio-diesel offers other opportunities for investment.

The government is planning schemes to encourage farmers to establish bamboo plantations along national highways and the Road Transport and Highways Ministry has unveiled a plan for 'greening' extending along 100,000 km. of national highways.

K. Bhattacharya, the head of the National Green Highway project said the world market for bamboo products has been estimated at around US\$360 billion with China and Vietnam being the main suppliers. He said India's exports are no higher than those of the Philippines but could be much higher.

The government is resolved to increase production of bamboo to augment wood supplies for housing, furniture, panel products packaging etc. The Indian Plywood Industries Research and Technical Institute (IPIRTI) has begun work developing technologies for production of bamboo products.

IPIRTI has already invested several years of research in development of cost effective, eco-friendly technologies for manufacture of several bamboo based products such as bamboo mat board, veneer composites, corrugated sheets and flooring, including high density flooring that can be used in containers. At present laminated bamboo lumber is being imported and is finding applications in the transport sector especially Indian Railways.

#### **Quality of teak logs results in high auction prices**

Auctions at forest depots in South Dangs were scheduled from 21 December 2015 up to 5 January 2016, but continued till 9 January. More than 12,000 cu.m of teak and other hardwoods were sold.

Teak logs	Per cubic foot
A for sawing	Rs.2400-2500
B or sawing	Rs2250-.2300
A Long length logs	Rs.2100-2200
B Long length logs	Rs 2000-2100
Long length, Medium Quality	Rs 1600-1800
Short Length, Medium Quality	Rs 1250-1550
Short Length, small logs	Rs1000-1200

Variations depend on quality, length and average girth of logs.

Good quality non-teak hardwood logs, 3 to 4 meters long having girths 91cms and up of haldu (*Adina cordifolia*), Laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium* logs fetched prices in the range of Rs.800-900. Prices for medium quality logs were in the range of Rs.300-350 per c.ft.

The quality of logs was reported as good but several lots remained unsold as buyers felt that prices were unduly high.

#### Teak sales in Central Indian forest depots

Deliveries of teak to all depots of Madhya Pradesh have been good. Teak logs from areas recently harvested are mostly of 2 to 5 metre lengths and in girth class 120 cms and below. Observers say the logs available were of good form and the timber was of a golden color with black stripes.

The latest auctions were held at depots in Narmadanagar, Jabalpur, Hoshangabad and Betul divisions. Over 22,000 cubic metres of teak logs were sold. Buyers were mainly from local mills plus merchants from Gujarat and South India. Average prices were higher than the previous auctions and are shown below.

4-5 metre length	Rs per Cu.ft
91 cms & up girth	2000-2100
76 to 90 cms girth	1800-1900
61 to 75 cms girth	1700-1800
46 to 60 cms girth	1500-1600
3-4 metre length	
91 cms & up girth	1600-1700
76 to 90 cms girth	1500-1600
61 to 75 cms girth	1400-1500
46 to 60 cms girth	1300-1400
2-3 metre length	
91cms & up girth	1200-1300
76 to 90 cms girth	1100-1200
61 to 75 cms girth	1000-1100
46 to 60 cms girth	900-1000

#### Prices for locally sawn hardwoods

Prices are unchanged from December but prices are expected to change when new shipments arrive.

Sawnwood	Rs
Ex-mill	per cu.ft
Merbau	1600-1750
Balau	1500-1600
Resak	1200-1400
Kapur	1350-1450
Kempas	1200-1300
Red Meranti	1100-1250
Radiata pine AD	625-750
Whitewood	625-750

#### Prices for imported plantation teak, C&F Indian ports

Demand and international shipments are balanced and while FOB prices are unchanged landed costs are rising as the US dollar strengthens against the rupee.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	282-594
Benin sawn	530-872
Brazil logs	370-665
Brazil squares	370-556
Cameroon logs	405-772
Colombia logs	426-775
Congo D. R. logs	451-500
Costa Rica logs	320-780
Côte d'Ivoire logs	418-568
Ecuador squares	318-564
El-Salvador logs	381-732
Ghana logs	352-740
Guatemala logs	360-646
Guyana logs	300-450
Kenya logs	515-600
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Nicaragua logs	402-505
Nigeria squares	286-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	468-520
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	285-590
Trinidad and Tobago logs	557-680
Uganda logs	411-542
Uganda Teak sawn	680-900

Price range depends on quality, lengths and the average girth of the logs

## Myanmar teak logs sawn in India

No price movements have been reported.

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

## Prices for imported sawnwood

Prices in rupee for imported temperate timbers have been rising due to the appreciation of US dollar and are likely to go up further if devaluation of the rupee continues.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1250-1350
Sycamore	1400-1450
Red oak	1500-1650
White Oak	1800-2000
American Walnut	2900-3500
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1650-1850
Douglas Fir	1350-1450

Price variations depend mainly on length and cross section

## 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	

## Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	39.5
6mm	52.5
9mm	66.5
12mm	82
15mm	109
18mm	114.5

## Brazil

### Wood product exports at highest level since 2008

Despite an uninspiring year, Brazil's 2015 exports of wood products matched that of 2007. In the case of pine plywood, exports were over 1.5 million cu.m, or 14% more than in 2014.

Exports of wood products such as particleboard, MDF and OSB, traditionally uncompetitive at the international level, increased significantly as manufacturers were forced to turn to export markets in the face of weak domestic consumption.

A measure of success was achieved with exports especially to the US as the housing market is recovering. Demand in the US was behind the rise in pine sawnwood exports while the gains in plywood exports were driven mainly by rising demand in Europe.

Although wood products export volumes are rising and further gains are projected the competitiveness of Brazilian companies is being affected by record inflation which continues to push up internal costs.

### December export performance

Brazil's December 2015 exports of wood-based products (except pulp and paper) fell 12.4% in value compared to December 2014, from US\$263.1 million to US\$230.6 million.

Pine sawnwood export values increased 27% in December rising from US\$ 21.4 million in 2014 to US\$ 27.2 million in December 2015. In terms of volume, December exports increased 46% year on year over (90,800 cu.m to 132,300 cu.m).

On the other hand, tropical sawnwood exports fell 34% in volume, from 38,000 cu.m in December 2014 to 25,100 cu.m in December 2015. The decline was more pronounced in terms of value where year on year December exports fell 47% from US\$ 22.5 million to US\$ 12 million.

The growth in value of pine plywood exports could not match the success of pine sawnwood and declined 12% in value in December 2015 compared to December 2014 (from US\$43.8 million to US\$38.4 million). But, the volume of pine plywood exports increased 25.5% underlining the weakness in plywood demand at the end of last year.

In contrast to the trends in pine plywood exports, tropical plywood exports increased significantly in volume and in value, from 6,300 cu.m (US\$ 3.4 million) in December 2014 to 135,800 cu.m (US\$43.5 million) in December 2015.

The much hoped for recovery in demand from Argentina has not yet been achieved and as a result wooden furniture exports fell from US\$ 41.5 million in December 2014 to US\$ 37.3 million in December 2015, a 10% drop.



### Brazilian timber industry prospects in 2016

Brazil's timber industry experienced a mixed performance in 2015 as a number of factors affected competitiveness for example; rising production costs, volatility in the US dollar exchange rate, uncertainty due to slowing growth in China and weak domestic demand.

Continuing weak domestic demand and uncertainty over the direction of the economy means that 2016 will be a tough year for manufacturers.

The Brazilian timber flooring sector achieved good results in 2015 due to firm export demand and favourable exchange rates. 2015 solid wood flooring exports increased 18% year on year.

Tropical veneer and plywood producers were expecting increased demand in export markets especially the US but, even though the US dollar appreciated, sales did not match expectations.

ABIMCI anticipates that Brazilian companies will increasingly turn to the export markets this year as there is little prospect of a recovery in the domestic market.

### Weak domestic demand for furniture of concern in Santa Catarina

The combined value of output from the timber and furniture sectors is ranked ninth in the top ten export sectors in the State of Santa Catarina according to the 2015 Annual Trade Balance Report, published by the Federation of Industries of Santa Catarina State (FIESC).

The sectors had combined revenues of over US\$192 million in 2015 and were the only sectors to achieve an increase in exports compared to 2014 however, 2015 was a difficult year which saw overall output fall and unemployment rise.

Product diversification, design, quality and competitive pricing helped keep Santa Catarina furniture makers in the market but despite the good performance the collapse of the domestic market has created serious problems for manufacturers.

### Use of drones to monitor logging

This year unmanned aerial vehicles (UAV) will be deployed by the Brazilian Forest Service (SFB) to monitor logging concessions granted by the federal government.

UAVs have already been used on a trial basis and the idea is that they could replace some of the tasks of technicians in the field speeding up the tracking of timber. Trials suggest using drones it is possible to assess sourcing and movement of 25,000 cubic metres of timber (about 700 loaded trucks), within a few hours.

By the end of 2015 there were more than 875,000 hectares of logging concessions supplying around 1 million cubic metres of raw material annually. The Brazilian Forest Service estimates that by 2022 the area of forest concessions could reach 7 million hectares.

### Inflation and interest rates

Inflation in Brazil stood at 0.96% in December 2015, closing the year at 10.67%, the highest rate in 13 years. The December figure pushed inflation for last year well above the Central Bank target for the year. Interest rates remains at 14.25% and the next meeting of the Monetary Policy Committee (COPOM) of the Central Bank of Brazil held on November 25. The next meeting is scheduled for late January, 2016.

### Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	700▲
Jatoba	348▲
Massaranduba	317▲
Muiracatiara	330▲
Angelim Vermelho	291▲
Mixed red and white	184▲
Eucalyptus (AD)	171▲
Pine (AD)	123▲
Pine (KD)	139▲

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	481▲
10mm WBP	381▲
15mm WBP	332▲
4mm MR	432▲
10mm MR	320▲
15mm MR	298▲

Prices do not include taxes

Source: STCP Data Bank

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	144▲
Jatoba	81▲
Massaranduba	85▲
Muiracatiara	87▲
Angelim Vermelho	80▲
Mixed redwood and white woods	69▲

Source: STCP Data Bank

### Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDP Particleboard	209▲
15mm MDF	292▲

Source: STCP Data Bank

### Export Sawnwood Prices

Sawnwood, Belem/Paranaguá Ports, FOB	US\$ per m <sup>3</sup>
Ipê	1451▲
Jatoba	973▼
Massaranduba	772▼
Muiracatiara	765▼
Pine (KD)	209▼

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 <sup>3</sup>
9mm C/CC (WBP)	323▼
12mm C/CC (WBP)	293▼
15mm C/CC (WBP)	291▼
18mm C/CC (WBP)	288▼

Source: STCP Data Bank

**Export Prices For Added Value Products**

FOB Belem/Paranagua Ports		US\$ per m <sup>3</sup>
Decking Boards	Ipê	2,608▲
	Jatoba	1,613▲

Source: STCP Data Bank

**Peru****Wood product exports hit by falling demand in China**

Data from the Association of Exporters (ADEX) shows that up to November 2015 total exports were down almost 9.5% year on year from US\$154 to US\$139 per cu.m FOB.

Products which featured prominently in November exports were profiled softwoods for strips and friezes which accounted for around 32% of all wood product exports. November exports of profiled timbers fell almost 4% compared to November 2014. Other wood products of significance were sawnwood but exports fell by over 38% mainly because of a decline in purchases by importers in China.

Despite the weakening demand in China it remains the main market for Peru's wood products accounting for about 37% of all wood product exports. A market that holds promise is Mexico. Compared to November 2014 there was a 7% increase in exports to Mexico in November 2015.

Sawnwood exports up to the end of November 2015 were worth US\$45.54 million, a year on year drop of around 24% but for Mexico exports rose by almost 22% compared to the same period in 2014.

Exports of semi-manufactured products were worth US\$64 million for the eleven months to November 2015 with most destined for China which accounted for around 70% of all exports of semi-manufactured wood products. But demand in Denmark has been sustained and expanded 35% year on year.

Peru's exports of veneer and plywood dropped to US\$15 million as of November, a decline of 5% year on year. The main export markets for veneer and plywood were Mexico and the United States but imports of veneer and plywood by Mexico were down almost 2.5%.

Exports of furniture and parts for the year ending November 2015 dropped 17% to US\$5.96 million. The US accounted for 58% of all Peru's furniture exports followed by Italy at 15%.

**Steady acceleration of growth forecast**

Peru's Economy and Finance Minister, Alonso Segura, has said Peru's economy would continue on a recovery track despite economic instability in the region and in international markets.

His overall assessment of economic prospects for the country were echoed by the International Monetary Fund (IMF) which, in its latest assessment, felt that the

steady acceleration in growth will continue despite weak commodity prices which impact Peru's export earnings.

IMF analysis suggests that Peru's economic growth will be 3.3% this year higher than rates projected for Chile (2.1%), Colombia (2.7%), Mexico (2.6%) and Brazil (-3.5%).

**Export Sawnwood Prices**

Peru Sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	462-544
Grade 2, Mexican market	413-449
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", 6-13 length Asian market	405-449
Peru Sawnwood, FOB Iquitos	US\$ per m <sup>3</sup>
Spanish Cedar AD Select Mexican market	911-931
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	464-521
Grade 2, Mexican market	361-398
Grade 3, Mexican market	161-176
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	394-444

**Domestic Sawnwood Prices**

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	186-217
Spanish Cedar	305-364
Marupa (simarouba)	158-174

**Export Veneer Prices**

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S	Swedish market 950-1094
	Asian market 1029-1064
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

**Japan****BoJ attempts another adventure – negative interest rates**

Turbulence in stock markets around the world and news that Chinese economic growth rates continue to slide unnerved investors who rushed to the ‘safe-haven’ currency, the yen.

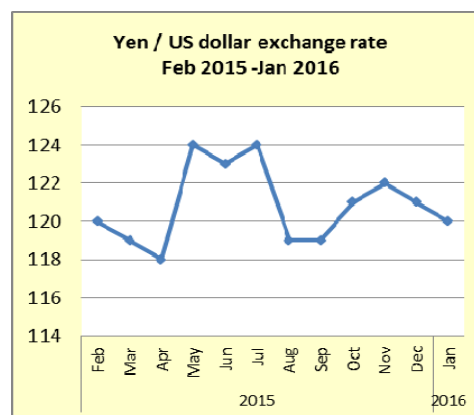
Since the opening of trade in January the yen has risen over 3% against the dollar making it one of the best performing currencies for the year so far. A rising yen and falling prices are not good for exporters but suppliers to Japan welcome the slightly stronger yen hoping that demand for imports will follow.

The government and Bank of Japan (BoJ) was warned by many Japanese analysts that the rapid strengthening of the yen threatens to undermine the gains made in stabilising the economy and there were calls the Bank to act.

Clearly the Bank of Japan got the message as it surprised economists and traders alike by adopting negative interest rates for the first time ever at its 26 January meeting. This unprecedented move came as pressure mounted on the Bank to get the exchange rate and overall economy back on track.

The BoJ will apply a rate of minus 0.1% on money lodged by commercial banks at the BoJ and said further reductions in rates are possible. A negative rate should drive banks to lend more and should result in consumers spending more because if they save the value of saving will fall.

The move by the BoJ had an immediate impact on the yen/dollar exchange rate. Over the past two weeks the yen had strengthened which undermined confidence of exporters. From yen 117 to the dollar on 25 January the rate fell to 121 on 26 January.

**Sales of high priced homes rise but, prices for cheaper homes fall**

House prices in Tokyo and to a lesser extent in other major cities in Japan are rising so fast as to become out of reach of most ordinary buyers and this is driving down overall sales of both new and second hand homes.

Japan's Real Estate Economic Institute (REEI) data illustrates the anomalies in the market. While apartment prices in Tokyo rose over 9% to a five year high last year and the number of people making offers on homes fell by around 10%.

REEI data shows that sales of properties priced at yen 100 million or more rose over 80% while cheaper homes (under yen 50 million) fell by almost 20%.

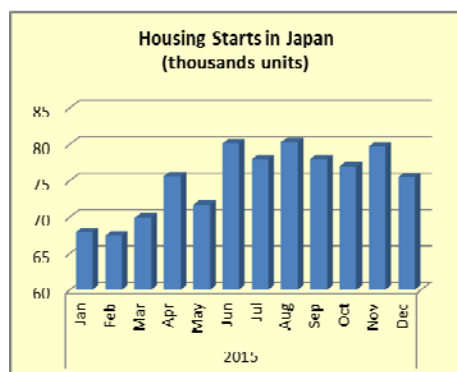
Extremely low interest rates combined with profits from gains in Japan's stock market last year increased the amount of cash available to the wealthier segment of society who turned to the property market as a secure investment. This caused prices to rise beyond the reach of the normal family.

Steep declines in stock values this year has unnerved investors and even though the big banks have cut mortgage interest rates this may not be enough to sustain prices so property developers may be in for tough times.

For house price data see: <http://www.reinet.or.jp/en/>

Ministry of Land, Infrastructure, Transport and Tourism statistics on housing starts show an unexpected decline in December 2015 after the advance made in November.

Year on year December housing starts fell almost 1.5% in sharp contrast to the gain forecast by analysts. For the calendar year 2015 housing starts came in at 901,300 up just 1% compared to the January to December period in 2014. On the bright side, construction companies continue to report healthy order book positions.



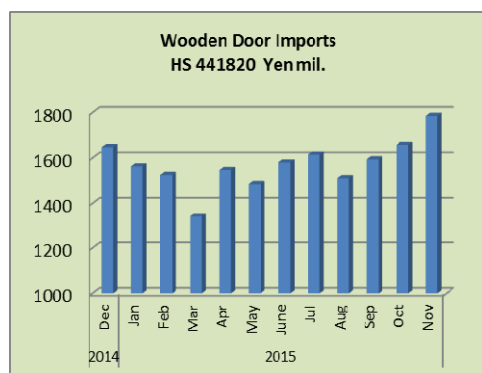
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

## Import round up

### Doors

Year on year November 2015 door imports continued upward by another 14%, marking the fourth monthly gain in 2015. China remains the main wooden door supplier at 64% off total door imports to Japan followed by the Philippines.

Malaysia became the third ranked supplier in November displacing Indonesia. The top three suppliers accounted for around 85% of all wooden door imports in November, a slight drop from October.



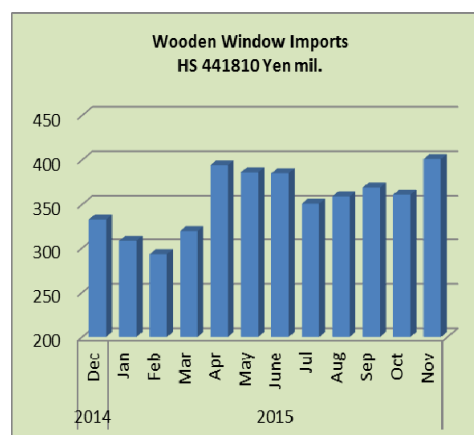
Data source: Ministry of Finance, Japan

### Windows

In November 2015 the top suppliers of wooden windows to Japan were China and the Philippines together accounting for approximately 64% of all wooden window imports. This was a significant drop on the 70% share the two held in October and is explained by shipments of wooden windows from the US to Japan.

China remains the main supplier of wooden windows to Japan at 35% of all wooden window imports. November 2015 imports of wooden windows were the highest for the past twelve months.

Year on year November imports were up 27% the same rise as seen in October.



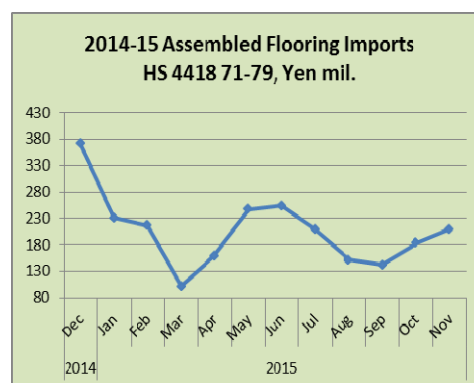
Data source: Ministry of Finance, Japan

### Assembled flooring

Year on year, Japan's November 2015 imports of assembled flooring continued downwards but compared to October then imports in November rose sharply.

As in previous months China alone accounted for the lion's share of imports of this product (69% in November).

Japan's November 2015 imports of assembled flooring were from three main suppliers, Indonesia, Malaysia and Vietnam but all together these three suppliers could only capture just over 7% of Japan's November import requirements.

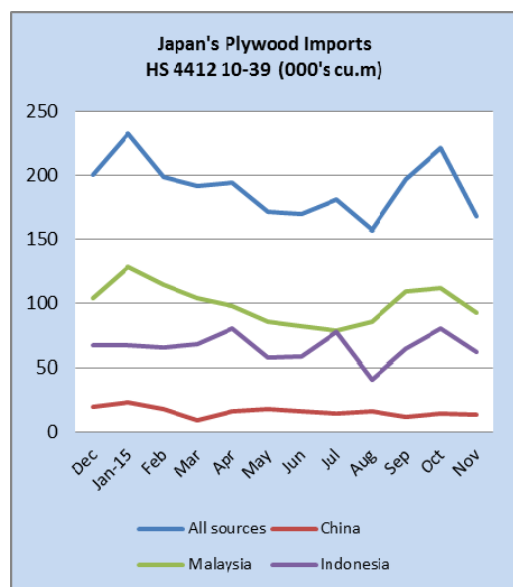


Data source: Ministry of Finance, Japan

### Plywood

The top three supply countries, China, Malaysia and Indonesia account for the bulk (85%) of Japan's plywood imports.

The volume of plywood imports in November 2015 was down 23% year on year. While the level of imports from China stayed flat in November, sharp declines were seen in the volume of imports from Malaysia (-17%) and Indonesia (23%).



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
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9

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>

#### New Olympic National Stadium plan selected

The original plan for the National Stadium for the 2020 Tokyo Olympic Games were withdrawn in last July due to extreme high cost then there are two new proposals. The Ministers Conference selected plan A in late December. The new stadium has theme of 'wood and green' and the roof is hybrid structure with combination of steel and wood.

Wood is laminated lumber made of all domestic officially certified wood. Use of large amount of wood for the Olympic Stadium should trigger building of more wooden structures and common use of certified wood in Japan. The new plan includes traditional Japanese design.

Structural laminated lumber of both cedar E65-F225 and larch E95-F270 are used for the roof.

Materials are medium sized laminated lumber of 120x450 mm with length of less than 6 meters, which can be manufactured by any domestic laminated lumber plants. Total of 1,800 cbms of laminated lumber will be procured. Use of forest certified products is inherited from the London Olympic.

#### Demand projection of imported wood products in 2016

The Timber Supply and Demand Conference of Japan, which is formed by five groups of imported wood products, came up with the projection of demand for 2016.

According to the projection, there will not be any significant change on both import of logs and lumber. Housing starts are expected to exceed over 2015 then they would decline again in 2017 so imports of wood products are likely to decline again in 2017.

Total demand for imported logs and lumber is 9,608,000 cbms, almost the same as 2015. New housing starts in 2016 are estimated about 940,000 units as opposed to 910-920,000 units in 2015, about 2-3 % increase. Rush-in demand before the consumption tax increase to 10% starting April of 2017 seems to be insignificant.

Noticeable change is import of North American logs, which is estimated to increase by 2.6%. It decreased by 15% in 2015 from 2014, which was too much so this seems to be recovering increase. Shifting to domestic species and production curtailment by plywood mills in 2015 resulted in decrease of



### North American logs

New Zealand radiata pine import seems to decline further in 2016 because of high export log prices influenced by Chinese market. Crating lumber demand seems to be shifting to domestic species.

Demand for Russian logs continues shrinking as sawmills cutting Russian logs continue decreasing. Russian lumber volume is stabilizing at about 600,000 cbms.

### Plywood

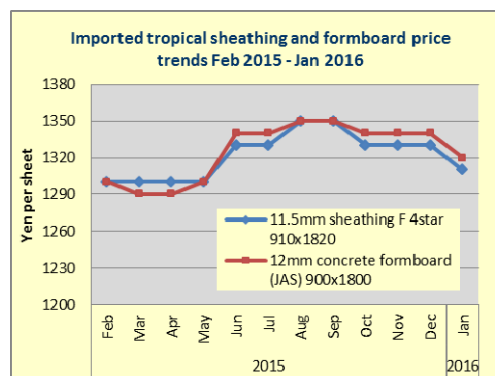
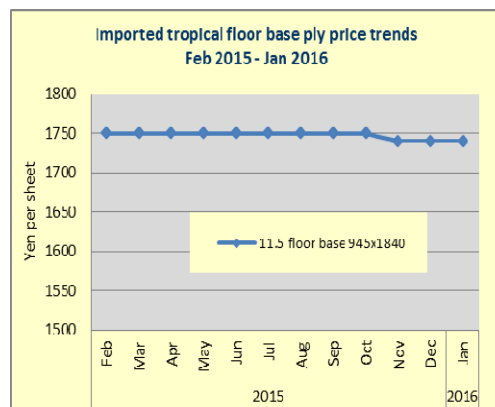
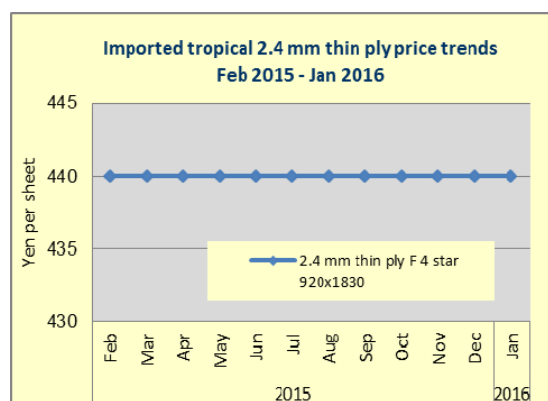
On domestic softwood plywood, the supply tightness continues by demand increase. Since last fall, precutting plants enjoys full operations so that plywood mills also continue a full production.

Delay of deliveries by plywood mills got worse toward December. Therefore, total plywood mills' production in October was 244,100 cbms then November was 232,400 cbms while the shipment in October was 244,100 cbms and November was 243,300 cbms so that the inventories dropped by 10,000 cbms every month and November end inventories were down to 120,000 cbms compared to the peak of last year in May with 261,400 cbms.

Every plywood mills' inventories are down to less than two weeks. In this situation, mills are bullish and increase the sales prices. Present Tokyo market prices are about 890 yen per sheet delivered.

Meantime, imported South Sea hardwood plywood market is weak because of declined demand. The shipment in the market has been dull since last summer. Actually, uncertainty increases month after month.

As a matter of fact, the prices dropped by one notch in last December to move the inventories. Such weaker prices made the market more sluggish and price spread between actual cost and sales prices gets wider for the importers and wholesalers. Problem is nobody knows how much prices should be reduced to move the inventories particularly when the actual demand is down so much.



### Toyama to build a new sawmill

Toyama Co., Ltd. (Miyazaki prefecture) has purchased a property of 198,000 square meters to build a new domestic species sawmill at Shibushi, Kagoshima prefecture. New mill will be completed in middle of 2018. It intends to recapture market share of domestic wood from imported products and at the same time to aim export of lumber.

Toyama has three sawmills in Miyazaki prefecture with state of the art sawmilling machines. Annual log consumption is about 160,000 cbms.

The new mill would have 15% more production with annual log consumption of 100,000 cbms. Once this new lines start up, total log consumption by all the group mills would be about 300,000 cbms.

The president Toyama says that quality of lumber should be upgraded as time goes by so having higher grade and precise delivery period are the priority matter to give satisfaction to the customers. Production items are mainly solid wood housing materials including cedar 2x4 lumber.

Facing declining trend of new housing starts, the company intends to overcome by grabbing market share the imported wood products have then hopes to start lumber export since the mill situates close to the port of Shibushi, which is the top wood exporting port in Japan.

## China

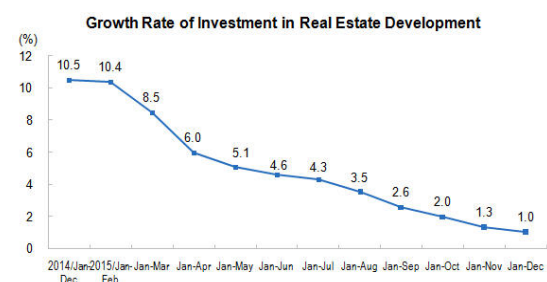
### National real estate developments in 2015

China's National Bureau of Statistics (NBS) has released its assessment of both housing developments and retail sales in 2015.

On housing the press release from the NBS says total investment in real estate was just 1% up on 2014 of which investment in residential buildings was up 0.4% and accounted for 67.3% of all real estate investment.

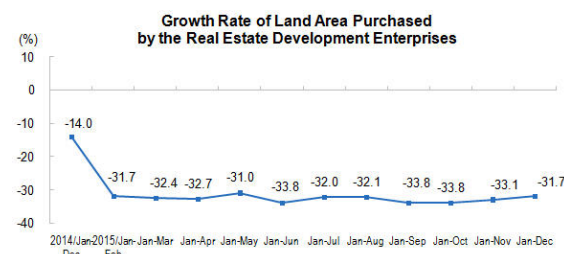
For more see:

[http://www.stats.gov.cn/english/PressRelease/201601/t20160120\\_1307100.html](http://www.stats.gov.cn/english/PressRelease/201601/t20160120_1307100.html)



Source: Bureau of Statistics, China

In terms of land purchased for development the NBS says that in 2015 there was a significant decline in purchases as can be seen from the graph below.



Source: Bureau of Statistics, China

Despite the very subdued housing market the Shanghai Times of 25 January carried a story on rebounding home sales in Shanghai where there was a more than 3% rise in new home sales excluding government subsidised affordable homes.

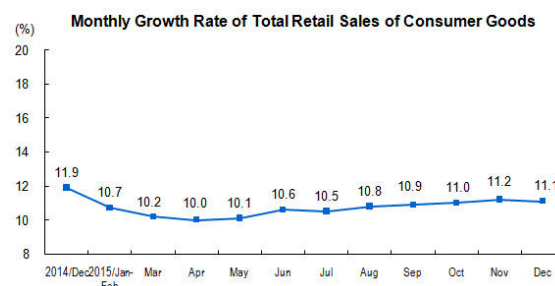
See: <http://www.shanghaidaily.com/business/real-estate/Home-buying-sentiment-rebounds-in-Shanghai/shdaily.shtml>

### Healthy retail sales of consumer goods in 2015

Retail sales of consumer goods in 2015 were up almost 11% year on year according to a data from the NBS. Significantly sales of furniture expanded over 16% compared to a year earlier

For the NBS press release see:

[http://www.stats.gov.cn/english/PressRelease/201601/t20160120\\_1307123.html](http://www.stats.gov.cn/english/PressRelease/201601/t20160120_1307123.html)



Source: Bureau of Statistics, China

### Tax refund for wood-based panel producers

The Ministry of Environmental Protection recently issued a list of products which, because they are considered as environmentally friendly, will get special attention in the revised Environmental Protection Regulation (2015 Edition).

The regulation list products that will benefit from tax refunds and makes it clear that wood-based panel products will be not categorised as 'high pollution and of high environment risk' and as such wood-based panel enterprises will enjoy 70% VAT tax refund.

### Indian red sandalwood back to China's market

Some 604 cubic metres of Indian red sanders were imported into China in November 2015 at an average price of US\$34,888 per cubic metre. Local analysts say that the supply of sandalwood has declined and this has driven up prices even though the boom in demand for sandalwood products has eased recently.

In related news, local analysts forecast a continual rise in redwood prices due to the addition of many more species to the CITES list of endangered species. The additions to CITES is a hot topic of discussion in China's redwood industry as the implications on availability and prices may be severe.

### Falling composite flooring output

It has been reported that composite flooring output has been falling. Year on year there was a drop of 10% in March last year, a 5% fall April followed by drops of 7% in May and 10% in June. The main reasons cited for the decline are:

- Flooring enterprises have reduced their production because of weak domestic demand.
- Consumers have turned away from composite flooring because of concerns that formaldehyde emission may be excessive.
- Solid wood radiant heat flooring is very popular and has captured market share.

Production and sales of solid radiant heat flooring exceeded 25% in the first half of 2015.

### Sharp increase in sawnwood imports through Manzhouli Port

According to statistics from Manzhouli Customs, sawnwood imports through Manzhouli Port soared 20% to 4.98 million cubic metres in 2015, accounting for one fifth of the national imports. Around 90% of imported sawnwood is korean pine, scots pine and larch.

Since 2008 sawnwood imports have increased over 300%, from 1.20 million cubic meters in 2008 to 4.98 million cubic meters in 2015. Now around 50% of timber imports via Manzhouli Port is sawnwood which is slowly overtaking log imports.

The main reasons for sharp increase in sawnwood imports through Manzhouli is that the Russian government is encouraging sawnwood exports and has imposed punitive export tariffs on logs and because commercial logging has been stopped in China's Northeast and Inner Mongolia regions.

### A good start for Caofeidian Port

At the beginning of this year two vessels with more than 44,000 cubic metres of timber from Canada berthed at Caofeidian Port. The main species shipped were hemlock, douglas fir and spruce all destined for Hebei, Tianjin and Beijing.

The Caofeidian local government has plans to build a large timber processing and distribution base in Northern China and it is expected that more than 1 million cubic metres of logs will be handled annually by the Port.

### Guangzhou Yuzhu International Timber Market Wholesale Prices

Logs		yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500
Logs		yuan/cu.m
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
<b>yuan per tonne</b>		
Cocobolo	All grades	27000-40000

### Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7000
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	8600-9500
Lauan	special grade	4300-4500
Kapur	special grade	5000-6000
Teak	special grade	14000-20000

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8000-10000
White oak	FAS	7500-13000
Red oak	FAS	6000-8000
Finnish pine	Grade a	2600-2900

Sawnwood		yuan/cu.m
Maple	Grade A	9000-9500
Beech	Special Grade	5200
Ash	no knot	5700-6300
Basswood	no knot	2800-3300
Oak	no knot	5300-5700
Scots pine	no knot	2100

### Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	13-18
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

## Zhangjiagang Timber Market Wholesale Prices

Logs, all grades	yuan/tonne
Sapelli	2800-3800
Kevazingo	8000-32000
Padouk de africa	2400-3100
okoume	1400-1800
Okan	2490-2850
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-5800
Acajou de africa	3000-3500
Ovengkol	3850-4300
Pao rosa	5900-6600
Logs, all grades	yuan/tonne
Merbau	3500-5800
Lauan	1600-2400
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850

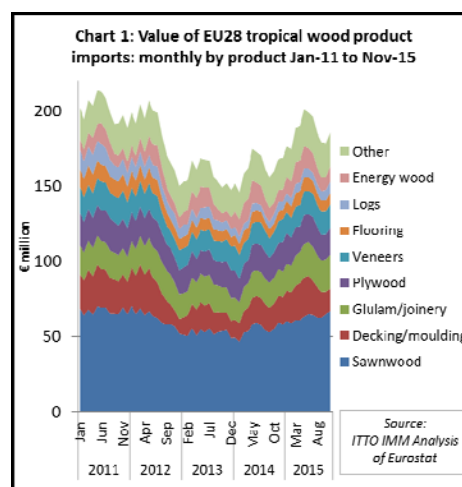
Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

## Europe

### Healthy growth in EU tropical wood imports during 2015

European imports of tropical timber showed healthy growth between January and November of last year, with total value rising 15% to euro 2.059bn (2014: euro 1.788bn).

The first quarter of 2015 was particularly strong, with an increase of 20.5% over the still relatively weak first three months of 2014. After a dip in summer 2015, imports picked up again between September and November last year (Chart 1).

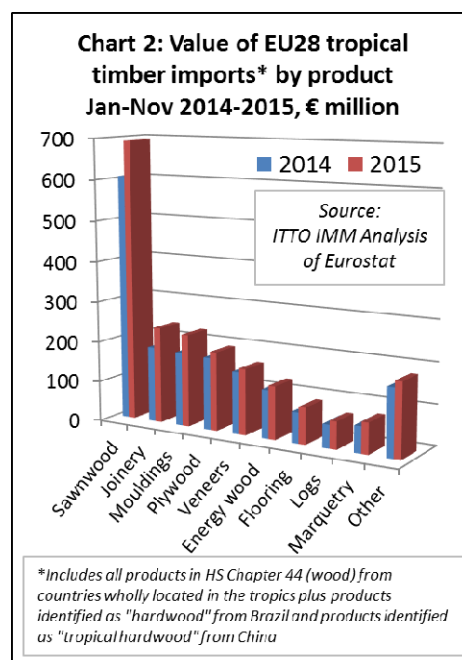


Source: Forest Industries Intelligence analysis of Eurostat

### Sharp increase in EU imports of tropical LVL, mouldings and flooring

European imports of all major tropical wood products increased in the first eleven months of 2015. There was particularly strong growth in the value of EU imports of tropical joinery products (mainly LVL) which increased 27.2% to euro 237.2 million, together with mouldings/decking which increased 25.3% to euro 228.1 million.

There was also good recovery in the value of sawn wood imports, which were up 14.3% at euro 692.3 million.



Source: Forest Industries Intelligence analysis of Eurostat

After many years of consistent decline, there was even a minor rebound in EU imports of tropical logs, up 18% from a small base to euro 67.4 million. A similar increase (+18.7% to euro 89.7 million) was recorded in imports of tropical wood flooring.

However imports of tropical plywood (+9% to euro 194m), veneers (+6% to euro 162m) and energy wood (+9% to euro 130m) only increased by single-figure percentages in each case (Chart 2).

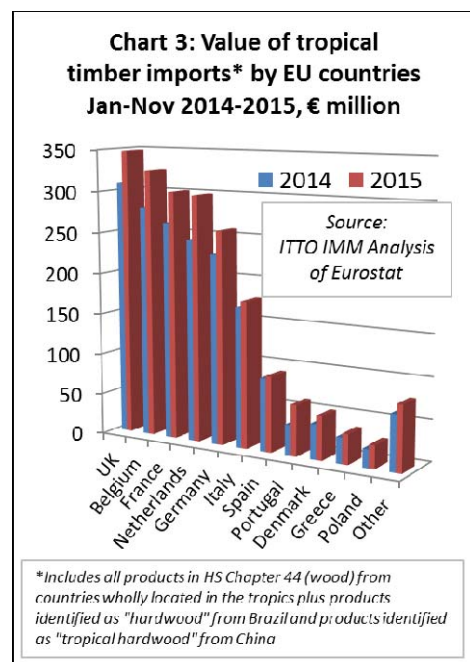
### Broader-based recovery in the EU tropical wood imports

While the growth that occurred in EU tropical wood product imports during 2014 was due mainly to rising consumption in the UK, the 2015 recovery was much more broadly based.

In the first eleven months of 2015, there was double-digit growth in tropical wood import value into Belgium (+16% to euro 325m), Denmark (+25% to euro 53m), France (+14% to euro 301m), Germany (+12% to euro 258m), the Netherlands (+22% to euro 298m) and the UK (+12% to euro 348m).

Among crisis-ridden southern European countries, Portugal fared very well, with a sharp 67.7% increase in imports to euro 62m during the first 11 months of 2015.

The rise in imports into Italy (+4% to euro 177m) and Spain (+4% to euro 92m) was more moderate but heading in the right direction. Even Greece recovered ground last year with import growth of 16% to euro 36m (Chart 3).



Source: Forest Industries Intelligence analysis of Eurostat

The rise in the euro value of EU imports is partly due to exchange rate movements. The average euro/US\$ exchange rate was 1.11 in 2015 compared to 1.32 in 2014 implying that inflated prices for many imported wood products last year.

However closer analysis shows significant growth in the volume as well as value of tropical wood imports in most product sectors.

### EU tropical sawn imports exceed 1 million cu.m in 2015

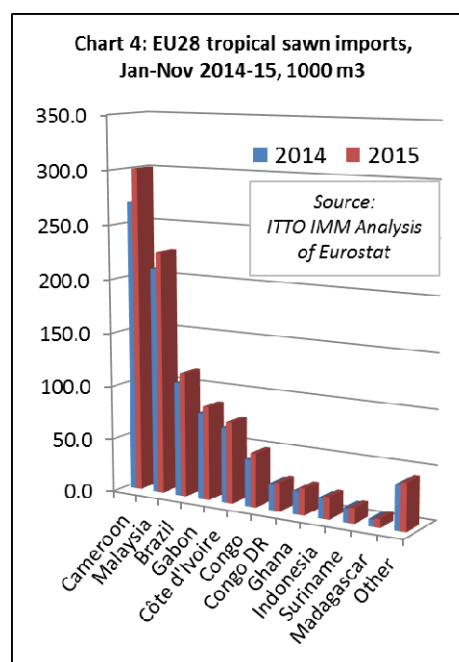
EU imports of tropical sawn wood in the first 11 months of 2015 were 992,000 cu.m, 9% more than the same period the previous year. It's therefore almost certain that EU imports for the full year will exceed 1 million cu.m for the first time since 2012.

While an encouraging landmark, this is still well down on levels prevailing before the crises when annual imports exceeded 2 million per year.

Cameroon, from which the EU imported 300,800 cu.m in the first eleven months of last year, an increase by 11%, cemented its leading position as the EU's most important supplier of tropical sawn wood.

The four next largest suppliers all registered lower growth rates than Cameroon: imports increased by 7% from Malaysia to 225,700 cu.m, by 9% from Brazil to 115,700 cu.m, by 8% from Gabon to 87,200 cu.m, and by 8% from Ivory Coast to 75,800 cu.m.

However there was an above average in imports from several smaller suppliers including Congo (+15% to 50,200 cu.m), Ghana (+14% to 24,700 cu.m) and Indonesia (+12% to 20,400 cu.m) (Chart 4).

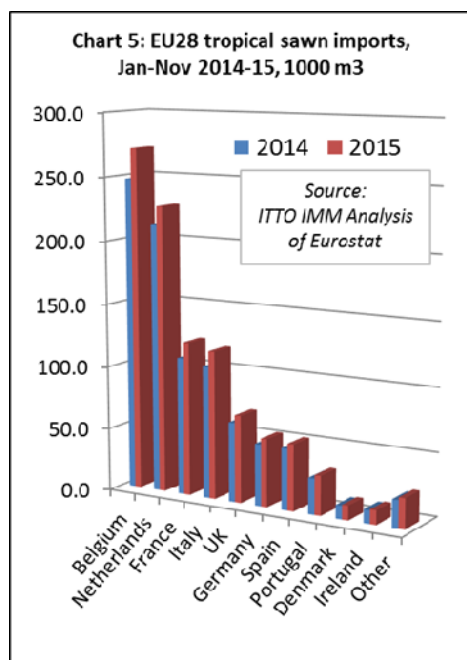


Source: Forest Industries Intelligence analysis of Eurostat

### Consistent growth in tropical sawn imports across the EU

All the largest EU markets imported more tropical sawn wood in the first eleven months of 2015 compared to the previous year. Growth rates were quite evenly spread, ranging between +7% and +12% (Chart 5).





Source: Forest Industries Intelligence analysis of Eurostat

Belgium was the largest single importer of tropical sawn wood in 2015, with volume rising 10% in the first 11 months of the year to 271,000 cu.m. Much of this volume is destined for neighbouring EU countries rather than consumed in Belgium. Imports into the Netherlands were also on the rise last year, up 7% to 227,400 cu.m.

This is a reflection both of increased domestic construction activity in the Netherlands and of the country's important role as an entry-point for hardwoods distributed throughout the continent.

There was 12% growth in imports by France and Italy, to 122,300 cu.m and 117,400 cu.m respectively, particularly encouraging as these countries have been very slow to recover from the market downturn.

Meanwhile the positive trend in imports by the UK and Germany continued, with a 10% increase in each case to 69,400 cu.m and 53,900 cu.m respectively. Imports into Spain and Portugal, too, experienced healthy growth rates: Spain's imports rose by 9% to 52,800 cu.m and Portugal's by 10% to 31,300 cu.m.

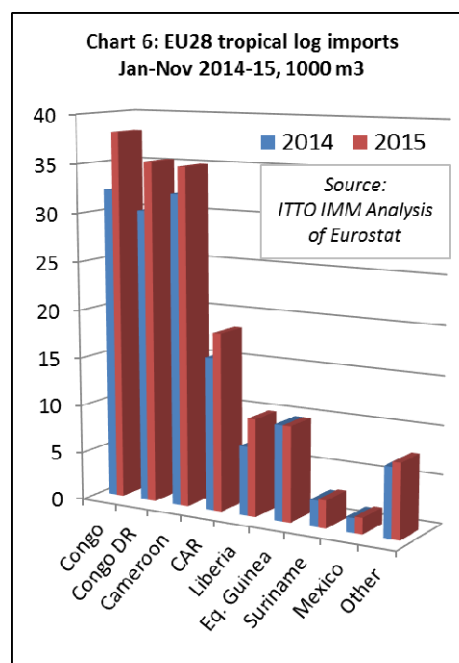
#### Log imports on the way up again

European imports of tropical logs gained ground in the first eleven months of last year, rising 14% to 158,954 cu.m.

Imports were almost exclusively sourced from African countries although Suriname is now established as a small but consistent supplier of logs to the EU, particularly of denser and FSC-certified wood for sea defence works and similar heavy-duty applications.

EU imports of tropical logs increased sharply from Congo (up 18% to 38,136 cu.m), Democratic Republic of the Congo (up 17% to 35,277 cu.m), Cameroon (up 9% to 34,936 cu.m), and Central African Republic (up 16% to 18,471 cu.m).

There was also a resumption in log imports from Liberia, which jumped 41% to 10,094 cu.m in the first 11 months of last year (Chart 6).



Source: Forest Industries Intelligence analysis of Eurostat

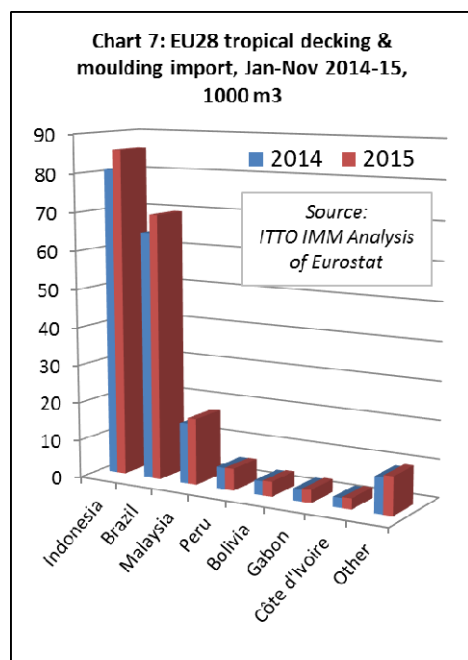
Much of the growth in EU imports of tropical logs was concentrated in Belgium and Portugal, the second and third most important EU importers after France, which at 63,943 cu.m only imported 1% more than in 2014. Belgium imported 28,979 cu.m between January and November 2015, more than twice as much as the year before (+122.6%).

Portugal shows a similar trend: at 28,226 cu.m the country imported 57.9% more than in 2014. And Italy, too, boosted its import volume by 49% to 15,583 cu.m.

#### Imports of decking/moulding rise rising prices

EU imports of "continuously shaped" wood (HS code 4409), which includes both decking products and interior decorative products like moulded skirting and beading, increased 7% to 199,000 cu.m in 2015.

EU imports of tropical decking and moulding products increased from all the leading suppliers including Indonesia (+6% to 85,800 cu.m), Brazil, (+7% to 69,600 cu.m) and Malaysia (+10% to 17,500 cu.m) (Chart 7).



Source: Forest Industries Intelligence analysis of Eurostat

The 7% rise in the volume of EU imports of tropical moulding/decking in the first 11 months of 2015 is considerably less than the 25% gain in import value. This is because most is sourced from South-East Asia and Brazil where suppliers invoice in US\$ dollars (in contrast to African suppliers who generally invoice in euros).

It is also clear that the steep fall in container freight rates experienced during the course of 2015 was insufficient to offset the rise in US dollar-based prices. Nevertheless it is encouraging that European import volume showed some growth despite rising prices.

#### EU recovery “at a moderate pace and amid risks”

It remains unclear whether these encouraging signs will turn into a lasting growth trend. The German IFO Institute’s most recent Eurozone Economic Outlook suggests that European economic recovery is likely to continue “at a moderate pace and amid risks”.

IFO estimates that real GDP in the euro-zone was 1.5% in 2015 and that growth will continue by 0.4% in both the first and second quarter of 2016. Private consumption is identified as the main driver behind the upturn stimulated by a renewed drop in oil prices.

There is also expected to be a significant stimulus from fiscal and social policy, particularly in Germany, not least due to far higher government expenditure on consumption and transfers related to the influx of refugees. Construction investment is also expected to grow sharply in Germany over the forecasting period.

According to IFO, main risks facing the European economy are unrest in the Middle East, which could yet lead to a surge in oil prices.

Moreover, the structural transformation of the Chinese economy involves risks for Europe as well, as it could lead to capital outflows from the emerging countries. “This, in turn, may cause strong financial market turbulence or even exchange rate crises”, risks to which the euro-zone has proven particularly vulnerable.

## North America

### Growth in tropical sawnwood imports from Brazil

US imports of all sawn hardwood fell 31% between October and November 2015. October import volumes were very high at over 100,000 cu.m but in November fell back to 72,063 cu.m. This month on month drop was mainly in temperate hardwoods but tropical hardwood imports also declined by 16% to 18,023 cu.m. However, Year-to-date tropical imports were 11% higher than in November 2014.

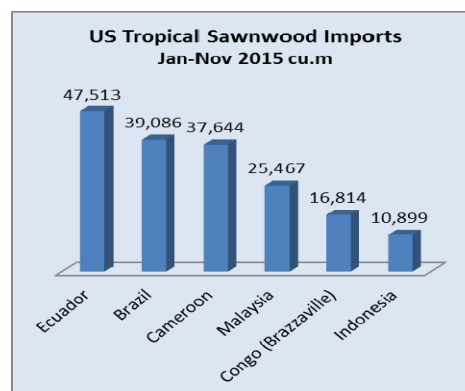
While overall imports of tropical timbers declined in November ipe sawnwood imports were up 3% to 1,413 cu.m.

Year-to-date imports of sapelli, mahogany, acajou d’Afrique and keruing were significantly up despite a month-over-month decline in November. Balsa was the only major species for which a year-to-date decline in imports was registered. Ipe imports dropped 5%) compared to the same time last year.

As reported from Brazil, US imports of Brazilian hardwoods have increased and were up 45% in November compared to the previous month. The growth was mainly in jatoba, and virola.

Tropical sawnwood imports from most other suppliers were down in November. Malaysian shipments to the US fell by almost half, but year-to-date imports remain higher than last year.

The US imported 1,039 cu.m. of keruing sawnwood in November. Ecuador, Peru, Ghana and Cote d’Ivoire exported less sawnwood as of November 2015 compared to a year earlier.



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

### Main species of tropical sawn hardwood imported into the US

	Jan-Nov cu.m	%Change year on year
<b>Africa</b>		
Sapelli	38,882	11%
Acajou d'Afrique	23,644	24%
Iroko	682	95%
Padauk	551	1%
Aningre	569	135%
<b>SE Asia</b>		
Keruing	20,930	19%
Meranti	9,077	17%
Teak	6,108	29%
<b>Latin America</b>		
Balsa	48,131	-5%
Ipe	29,983	16%
Mahogany	18,951	23%
Virola	8,207	-13%
Cedro	8,219	-12%
Jatoba	3,581	26%

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

### Canadian tropical sawnwood imports unchanged in November

Canadian imports of tropical sawnwood recovered in November after declining from a month earlier. Imports were worth US\$1.27 million in November. Year-to-date imports were one third lower than in November 2014.

Some of this decline can be attributed to the weaker Canadian dollar. Imports of sapelli increased 49% in November (US\$445,248) and imports of virola, imbuia and balsa (combined) were worth US\$243,874.

Meranti was an exception to the year-to-date decline in Canadian imports as imports expanded 48% compared to November 2014, although volumes were small compared to US imports. Cameroon remained Canada's largest supplier of tropical sawnwood in November at US\$248,122.

### US cabinet market outlook

Demand for cabinets is forecast to rise 6.3% per year to 2019, according to a Freedonia market research report published in January 2016. The value of the cabinet market in 2019 is estimated at US\$17.3 billion.

The majority of the market is expected to be in the residential kitchen and bathroom segments. This is also where the strongest growth is expected due to improving economic conditions.

The report suggests hardwoods will increasingly be used in cabinets for shelving, storage racks in kitchens and other similar features. A second trend will be in the market for cabinets that conceal appliances such as fridges and dishwashers.

The strongest demand driver will be new housing, followed by remodeling where cabinets in kitchens and bathrooms are usually replaced. Stronger growth in single-family home construction in the next four years will boost demand.

Larger kitchens and multiple bathrooms in single-family houses use significantly more cabinets than multi-family housing units, which gained a higher share in the housing market in recent years.

### Canada looking for new markets for low grade sawn softwood

The decline in Canada's sawnwood exports to China has sent sawmills looking for alternative export markets. Possible candidates to make up for the weak market outlook in China are South Korea, Japan, India and possibly other Asian markets according to the business magazine 'Business in Vancouver'.

Canadian sawmills are looking to diversify to other markets despite strengthening US demand and a lower Canadian timber supply. The Softwood Lumber Agreement between Canada and the US expired last October and it is unclear whether it will be renewed under similar terms this year.

It is possible that the US industry will challenge the terms because of the weak Canadian dollar. The introduction of some form of protectionist measure is a possibility in any new agreement especially if Canadian mills expand their market share in the US.

### California forests severely stressed by drought

A study published in Proceedings of the National Academy of Sciences found trees covering over 100 million acres in Southern California had lost more than 30% of their canopy water content since 2011 and were severely stressed. Canopy water loss also makes the trees more flammable.

In May, the US Forest Service estimated more than 12 million trees in California had died. Many more trees are severely stressed and are likely to die. The study data is used for fire prevention measures in high-risk areas.

The researchers hope the forest industry will use the data to avoid cutting trees in stressed forests during a drought since it can dry up the forest even more.

**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.

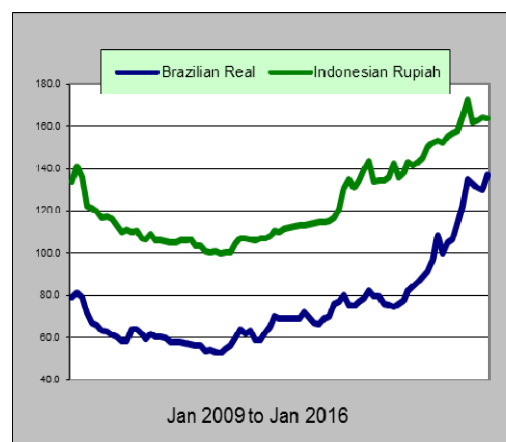
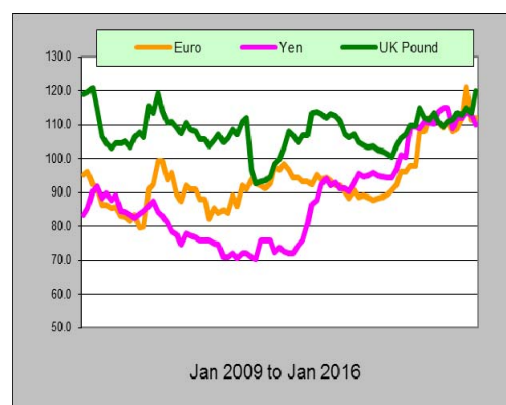
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## US Dollar Exchange Rates

As of 25 January 2016

Brazil	Real	4.029
CFA countries	CFA Franc	605.35
China	Yuan	6.5713
EU	Euro	0.9209
India	Rupee	66.946
Indonesia	Rupiah	13907
Japan	Yen	117.65
Malaysia	Ringgit	4.3998
Peru	New Sol	3.4264
UK	Pound	0.6922
South Korea	Won	1210.33

Exchange rate indices (Dec 2003=100)

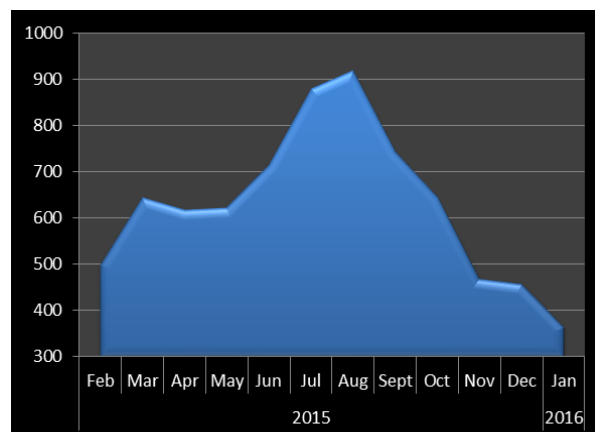


## Abbreviations and Equivalences

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  
Feb 2015 – Jan 2016

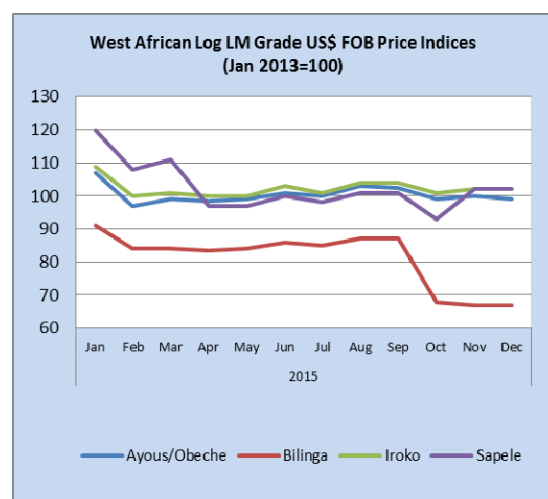
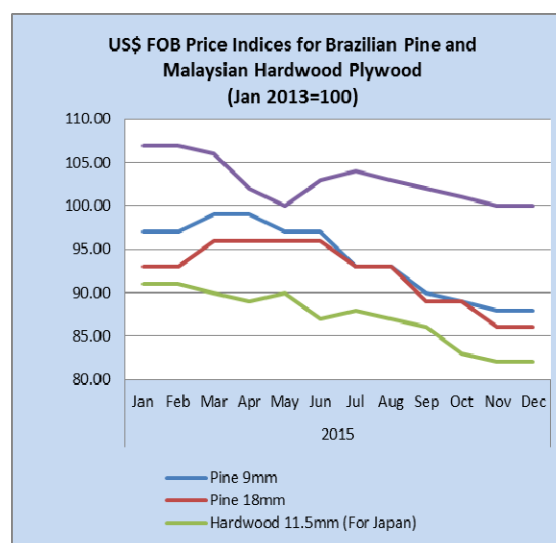
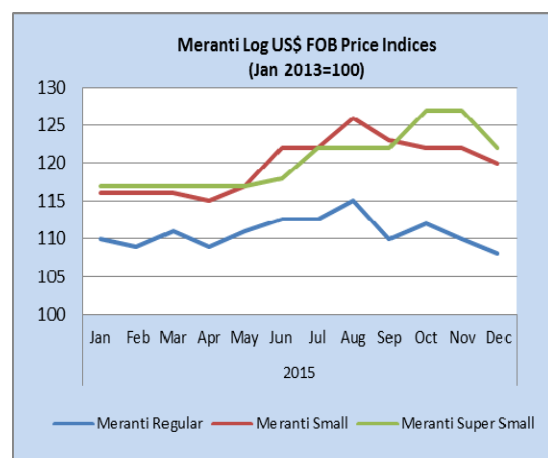


Data source: Open Financial Data Project

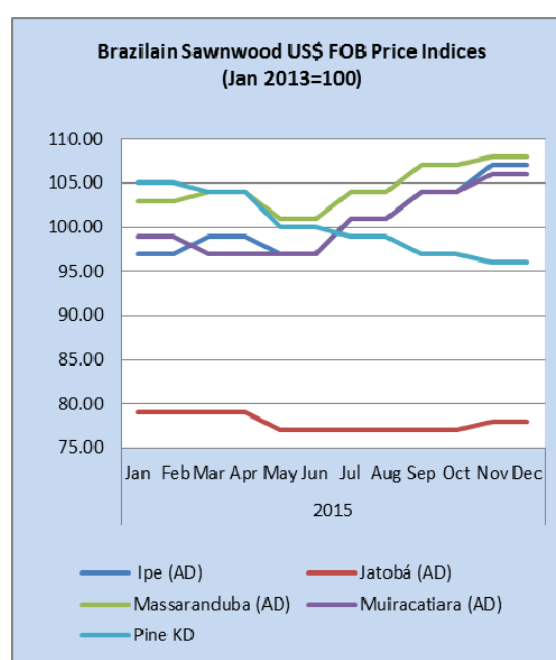
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

## Price indices for selected products

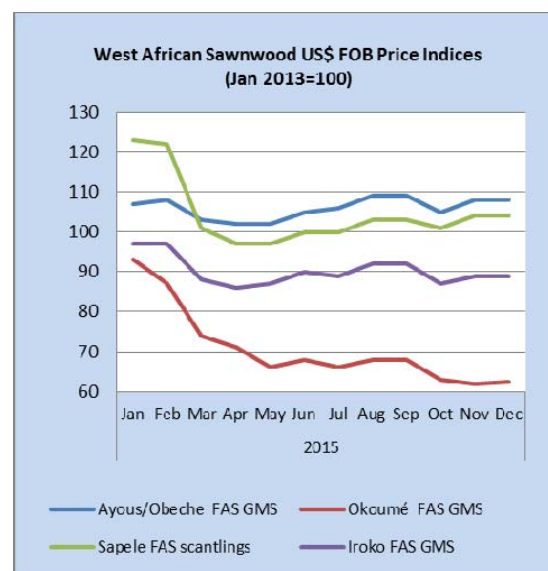
The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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