Tropical Timber Market Report

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Top Story

Rise in China's 2015 sawnwood import volumes but import values fall

China's 2015 sawnwood imports totalled 26.08 million cubic metres valued at US$7 billion. There was a year on year increase of 2% in the volume of imports but an 8% decline in value.

Of total sawnwood imports, sawn softwood imports fell 3% to 14.11 million cubic metres. However, the data shows a 7% rise in sawn hardwood imports to 11.97 million cubic metres.

Of total sawn hardwood imports, tropical sawnwood imports were 4.77 million cubic metres valued at US$2.1 billion, up 15% in volume but down 6% in value.

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Headlines

Central and West Africa

Disconnect – global financial weakness but stable demand for timber

Log and lumber prices are unchanged and this must be one of the longest periods of stable prices over the past 12 months. Modest purchases of logs for China continue and there is still ongoing business in sawnwood of selected, high value speciality species for the high end market.

Current demand is however, far from the market recovery that producers anticipated late last year but the level of business is sufficient for producers to hold prices stable in hope of improved sales volumes in the second half of the year.

There are no signs of an improvement in demand for the Chinese market but neither has there been a sharp decline in orders. Analysts point out that the reality is that while financial markets are unstable the housing and construction sectors in many countries continue to advance.

While the housing market in China remains under pressure homes continue to be built and this drives demand for wood products. The sheer size of the housing market in China and the importance of the construction sector for the economy suggests the current steady demand will continue.

Apart from China the Indian government has ambitious plans for its housing sector which will create opportunities for timber exports. For producers in West and Central Africa the overall market situation has not deteriorated and with firm demand in Europe prices are holding firm.

Accelerating tertiary processing in Gabon

Markets in the Middle East countries continue to be active and very price conscious.

There is a steady demand for the lower grades of sawnwood but good business for high quality panel products and joinery quality and decorative species.

It has been learnt that proposals to accelerate tertiary level processing, kiln drying and eventual manufacture of components and furniture parts are being discussed in Gabon. Also mentioned are ideas on stimulating greater regional trade in wood products.

Such a major step forward in processing could be underpinned by incentives such as tax relief on advanced processing equipment and it would be necessary to raise the level of training to create a more highly skilled workforce. This will take time and but could be implemented in cooperation with industry.

New container routes for West Africa

Beginning March this year NileDutch, the container carrier specialised in connections to and from West Africa, upgraded its services from Europe to West Africa.

A statement on its web site says the existing West Europe – West Africa Service, known as WEWA, has been upgraded to weekly . A new service to Dakar and Abidjan provides extra loading ports. This new Europe West Africa service (EUWA) has the following port rotation: Dunkerque–Tilbury–Antwerp–Dunkerque–Le Havre–Montoir –Tanger–Algeciras–Dakar–Abidjan–Dakar–Algeciras–Dunkerque.

Pointe Noire will serve as NileDutch's hub for shipments to and from Douala, Libreville, Bata, Malabo, Boma, Matadi, Cabinda and Soyo.

For the full story see:
https://www.niledutch.com/en/news-media/news/news/niledutch-upgrades-the-europe-west-africa-trade.aspx#.VuDOKfmqqko

In related news it has been reported that Italy-based Grimaldi shipping company will rotate a container service between the Gulf of Mexico and West Africa.

See: http://www.chron.com/business/article/New-shipping-service-from-Houston-to-West-Africa-6834133.php

Protecting West African rosewood

The Secretariat of the Convention on Trade in Endangered Species (CITES) officially has announced the listing of the West African rosewood species Pterocarpus erinaceus in Appendix III of the Convention, meaning that all international trade in the species will be subject to regulation.

See: https://cites.org/sites/default/files/notif/E-Notif-2016-008.pdf

Log Export Prices

West African logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	235	235	160
Ayous/Obeche/Wawa	260	260	200
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	150	145	
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	200	200	160
Moabi	330	235	
Movingui	210	210	160
Niove	160	160	
Okan	210	210	-
Padouk	315	290	230
Sapele	315	315	220
Sipo/Utile	340	330	265
Tali	305	305	

Sawnwood Export Prices

West African sawnwood, FOB		€ per m^3
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	930
	FAS scantlings	1020
	Strips	680
Sapele	FAS Spanish sizes	610
	FAS scantlings	620
Iroko	FAS GMS	625
	Scantlings	700
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	460
Moabi	FAS GMS	610
	Scantlings	630
Movingui	FAS GMS	420

Ghana

Centre aims to make Ghana preferred investment destination in Africa

The Ghana's Mission to the United Nations recently organized an investment forum as part of activities to mark Ghana's 59th independence anniversary.

Ghana's Minister for Private Sector Development, Dr. Abdul Rashid Pelpuo detailed the country's wealth of natural resources including timber, supportive investment laws and socio-economic stability as advantages for potential investors.

Mrs. Mawuena Trebarh, Chief Executive Officer of the Ghana Investment and Promotions Centre (GIPC) said procedures for setting up businesses in Ghana were straight forward.

The Ghana Investment Promotion Centre (GIPC) recorded appreciable levels of Foreign Direct Investment (FDI) inflows in 2015 after 2 years of implementing the new investment law, the GIPC Act, 2013 (Act 865).

Highlights of recorded investments have been published by the GIPC and show that 170 projects had been registered worth an estimated US$2.68 billion in 2015.

The potential for job creation from registered projects in 2015 was 14,948, an increase of 14% year on year.

GIPC says "As part of our strategy for 2016, the GIPC will focus on improving upon its operational efficiency, provide higher level services and roll out the second phase of our "Think Ghana Make it Happen" campaign with the target of propelling Ghana to become the preferred investment destination in Africa."

For more see: http://www.gipcghana.com/

Manufacturing could find a sound footing says industry association

In a related development, an analysis by the Association of Ghana Industries (AGI) on manufacturing activities in the country last year noted the decline in output.

The report said the AGI was confident the sector could get onto a sound footing if the government addresses the high rate of inflation, stabilises the exchange rate and creates conditions for a lowering of interest rates. The basis for sustained expansion of manufacturing rests, says the association, on addressing the severe power shortages currently being experienced.

Risk to regional trade as neighbours try to stablise economies

Ghana has placed a ban on imports of many items from Nigeria, including oil, apparently in response to what is considered the unreasonable move by Nigeria's "Import Prohibition list" which is being used to limit the amount of foreign exchange provided to Nigerian importers. Ghana is Nigeria's regional largest trade partner importing a high proportion of Nigerian oil output.

The moves by each country will weaken regional trade as Ghana and Nigeria are said to account for about 70% of the GDP in the ECOWAS countries.

For more see:
http://venturesafrica.com/here-is-what-ghanas-ban-on-nigerian-goods-means/

Mid-March prices

Prices for wood products remained unchanged as of 30 January.

Boule Export prices

	Euro per m^3
Black Ofram	380
Black Ofram Kiln dry	446
Niangon	475
Niangon Kiln dry	490

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	314	433
Chenchen	462	555
Ogea	474	537
Essa	511	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 .36⬆
Mahogany	3.10	0.92
Makore	1.80	0.80
Odum	1.33	0.40

Export Plywood Prices

Plywood, FOB	€ per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	508	535	615
9mm	407	450	613
12mm	369	463	475⬆
15mm	450	436	400
18mm	353	358⬇	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 m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	203	368
Dahoma	467	504
Edinam (mixed redwood)	537	580
Emeri	477	515
African mahogany (Ivorensis)	633	1025
Makore	660	830
Niangon	687	873
Odum	660	900
Sapele	610	791
Wawa 1C & Select	371⬇	416

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	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

Furniture makers urged - explore markets for solid wood furniture in China

The Minister of Plantation Industries and Commodities, Douglas Uggah Embas, has urged furniture manufacturers to work together and promote Malaysian furniture so that the 2020 target of RM53 billion (approx. US$12.9 billion) export earnings can be achieved.

Malaysia's timber and timber product exports rose by 6.3 per cent to RM21.7 billion (approx. US$ 5.3 billion) in 2015 from RM20.4 billion in 2014.

Chua Chu Chai, Chairman of Export Furniture Exhibition 2016 (EFE), recommended that Malaysian furniture manufacturers should explore markets for solid wood furniture in China as consumers there appreciate solid wood furniture and China's consumption is expected to grow by five to six per cent this year.

Chua was speaking as he promoted the EFE 2016, a four-day exhibition themed 'Fine Furniture World Market'.

Expanding chip and particleboard production

As a sign of growing optimism, a major producer of particleboard and particleboard based products, HeveaBoard, announced plans to invest RM 20 million (approx. US$ 4.9 million) to increase capacity.

HeveaBoard utilises rubberwood residues and has subsidiaries producing downstream Ready-to-Assemble furniture manufacturing and other panel products.

In 2015 Heveaboard exported about 80% of its particleboard production mainly to China, Japan, South Korea, India. Most RTA items are for Japan, Europe, Australia and the United States.

2016 export quota for ramin and gaharu

The Malaysian Timber Industry Board (MTIB) has announced a 10,000 cu.m, 2016 export volume quota for ramin (Gonystylus spp.) products.

The export quota for Karas/Gaharu (Aquilaria spp.) products, including wood chips, wood blocks and essential oils is 150,000 Kg for 2016.

Importing timber under TLAS

The MTIB has announced new import regulations for logs, large square and scantlings as well as plywood. With effect from 1 January 2016, applications for import licenses for logs, large square and scantling and plywood, shall include documentation on source to ensure only legally harvested timber and products enter the country. This regulation is to fulfil the requirements of Malaysia's Timber Legality Assurance System.

Coming down heavy on illegal operators

Sarawak State Forestry Director, Sapuan Ahmad, is on record as saying the department will hit hard those companies found using illegally harvested logs once the one year grace period since the endorsement of a new forest ordinance ends in April 2016.

The Forests Ordinance 2015 includes provision for tough penalties. For example, anyone operating an unregistered sawmill could face a penalty of between RM500,000 and RM10 million and/or imprisonment.

The state has introduced an enhanced tracking system through which timber taken from licensed areas must be certified and royalty stamped at one of the 48 'One-Stop Compliance Centres' (OSCC) across the state.

It is understood that the police force, Marine Department, Malaysian Anti-Corruption Commission (MACC) and Sarawak Forestry Corporation (SFC) will assist track and seize illegal logs.

Indonesia

Number of accredited SVLK assessors continues to grow

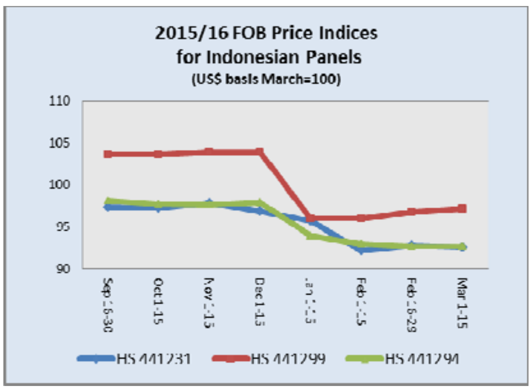
Currently there are 16 independent SFM assessors and 21 timber legality verification companies/bodies accredited by the National Accreditation Committee (KAN). As the numbers of accredited assessors grows so does the credibility of the county's Timber Legality Assurance System.

Claims of circumvention of SVLK

Forest Watch Indonesia, an Independent Forestry Monitoring Network and the Environmental Investigation Agency have released a report entitled 'Loopholes in Legality' which claims unscrupulous traders have exploiting the Ministry of Trade Decree allowing SMEs to export without full SVLK verification. The Decree also removes the requirement that companies register with Indonesia's Forestry Industry Products Exporter Registry (ETPIK).

The report 'Loopholes in Legality' claims SME export declarations are being used by companies that are not members of the Indonesian Furniture and Craft Association (Association of Indonesian Furniture and Handicraft or AMKRI).

For more see:
http://jpik.or.id/shadowy-brokers-exploit-loopholes-in-minister-of-trade-decree-threatening-indonesias-timber-laws-and-aneu-trade-deal/



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

Myanmar

Preparing for VPA negotiations

A Gap Assessment Workshop on Myanmar's Timber Legality Assurance System was conducted by the Myanmar Forest Certification Committee (MFCC) and the EU-FAO-FLEGT Programme on 3 March 2016 in Yangon.

The Secretary of the MFCC, Barber Cho, in addressing the workshop said the assessment was helpful to the VPA negotiation team since members would be better equipped to understand the situation in terms of gaps between the existing TLAS and compliance and between the existing TLAS and VPA-TLAS.

MFCC conducted a further public consultation on SFM and C&I for both natural and plantation forests) on 4th March and managers from the Forestry Department and Extraction Agency Managers from the Myanma Timber Enterprise attended along with representatives from FSC and PEFC. Expectations are high for a policy shift towards forest conservation by the new NLD-led government.

Barter trade in Northwest to be halted by India

The border trade between India and Myanmar has been affected by a decision by Indian authorities to restrict trade facilitation to the formal banking system. Until the change much of the cross border trade was made possible through acceptance of an 'informal' barter system.

Beginning early December 2015 all trade had to be settled through the formal banking system or the Asian Clearing Union, a regional cross-border payment network.

Analysts comment that it will take time for the new regulations to be implemented as the formal banking system in rural Myanmar is not well developed.

In related news, an additional four foreign banks have been granted licenses in Myanmar bringing to 13 the number of international banks in the country. The latest additions are the Bank for Investment and Development of Vietnam, State Bank of India, Sun Commercial Bank (Taiwan P.o.C) and Shinhan Bank (South Korea).

Teak log tender prices 29 February

Grade	H.tons	Avg US$/H.ton
SG-1	9	5,219
SG-2	17	no bids
SG-4	59	3,362
SG-5	73	2,430

India

First cities under 'Smart City Programme' selected

CREDAI has welcomed the selection of the cities for the first round of development as 'smart cities'saying this initiative provides a tremendous opportunity for the real estate sector especially in the affordable home market.

Bhubaneswar, Pune, Ahmedabad, Chennai and Bhopal have been selected as the first batch for the 'Smart City' programme. The New Delhi Municipal Council (NDMC) is also included for the first round of development.

Jaipur, Surat, Kochi, Jabalpur, Visak hapatnam, Solapur, Davanagere, Indore, Coimbatore, Kakinada, Belagavi, Udaipur, Guwahati and Ludhiana are the other cities selected in the first batch. Realtors see business opportunities in all 'Smart City' projects

See:
http://www.credai.org/sites/default/files/Realtor%20see%20big%20opportunity.pdf

The Centre for Science and Environment, quoting the Ministry of Housing and Poverty Alleviation, said there was a shortfall of at least 18.6 million homes in the country and that most were required by those in the so-called economically weaker section (EWS) and low income groups (LIG) in Indian society.

Report on Plywood and laminates market

Daedal Research has produced a report on the Indian plywood and laminates market covering 2015-2019.

In a press release Daedal says "The report assesses the market sizing and growth of the Indian plywood and laminates Industry over the years with detailed analysis.

This report analyses this market segment and major end users the report also discusses key factors driving growth of the industry, major trends and challenges faced by manufacturers of plywood and laminates.

Further, major producers such as Century Plywood, Greenply Plywood, National Plywood and Kitply Plywood are also analysed in the report. "

The executive summary says "Plywood is the most demanded product of this industry followed by laminates. MDF on the other hand is a small segment of the Indian industry. The market could be segmented on the basis of distribution channels where the unorganised market accounts for the major share.

However with changing consumer preferences the market has seen a shift towards the organised segment due to increased demand for good quality and branded products. The share of organised players in the industry is expected to rise further in the years to come. This shift is taking place primarily due to urbanisation and more disposable income. "

For more see:
http://www.slideshare.net/daedal/indian-plywood-and-laminates-and-market-trends-opportunities-20152019-new-report-by-daedal-research

Canadian team promotes BC timbers

A 22 member Canadian delegation including representatives form major companies such as Canfor and West Fraser as well as industry association representatives recently visited Bengaluru and Mysore with a view to expanding the India-Canada timber trade.

Indian importers and specifiers were introduced to certified timber products available from British Columbia such as sawn hemlock, douglas-fir, western red cedar and yellow-cedar. The delegation aimed to promote the use of Canadian timbers for the manufacture of doors and windows, furniture and paneling.

India Wood 2016 deemed a success

This year India Wood was held in Bangaluru (previously known as Bangalore) 26 to 29 February and a wide range of raw materials, finished products and processing equipment was on display.

Analysts note that there was particular interest in technologies for manufacturing plywood, flooring and reconstituted boards. There was also noticeable interest in process technologies for WPC and PVC, doors, windows and furniture.

As living standards improve in India domestic consumption of wood products is increasing. This is opening the way for investment in upgrading processing equipment. Several major Indian manufacturers are preparing to replace labour intensive processes.

Imported plantation teak prices

The supply and demand level for plantation teak remains balanced such that, except for price changes reflecting log dimensions, the market and prices are stable.

	US$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-614
Benin sawn	530-872
Brazil logs	321-665
Brazil squares	370-556
Cameroon logs	405- 616
Colombia logs	426-775
Congo D. R. logs	450-761
Costa Rica logs	320-780
Côte d'Ivoire logs	289-756
Ecuador squares	254-564
El-Salvador logs	399-732
Ghana logs	276-434
Guatemala logs	360-451
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	515
Nicaragua logs	402-505
Nigeria squares	321-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	488-857
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	557-680
Uganda logs	411-576
Uganda Teak sawn	680-900

Variations are based on quality, length and average girth

Prices for locally sawn hardwoods

No price rises have yet been reported but landed costs are rising and an upward adjustment in price is expected if the rupee continues to weaken.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	2100-2250
Balau	1750-1850
Resak	1200-1400
Kapur	1750-1850
Kempas	1200-1300
Red Meranti	1200-1350
Radiata pine AD	750-850
Whitewood	750-850

Price variations depend mainly on length and cross section

Myanmar teak flitches resawn in India

Imports of sawnwood and flitches from Myanmar are helping maintain stocks. Analysts report rising landed costs for certain specifications and this has translated into higher on-selling prices.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-14000
Teak A grade	6500-7500
Teak B grade	5000-5500
Plantation Teak FAS grade	4000-4500

Price variations depend mainly on length and cross section

Prices for imported sawnwood

Some price increases have been reported the result of the depreciation of rupee.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft^3
Beech	1250-1350
Sycamore	1500-1650
Red oak	1500-1650
White Oak	2100-2150
American Walnut	3800-4000
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

Plywood

Landed costs of imported plywood are rising due to the weakening rupee but prices for locally manufactured plywood remain unchanged. It has been reported that plymills in southern India have been on improving the quality of production which has lifted demand for their shuttering plywood.

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

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	

Brazil

Domestic furniture retail sector contracts in 2015

The Institute IEMI- Inteligência de Mercado recently released data on the performance of the domestic furniture market in 2015. This shows there was an almost 12% fall in the value of retail sales compared to 2014.

An indicator for Industry Employment and Productivity produced by IEMI showed that employment in the furniture industry dropped by around 4% in December alone and for 2015 productivity fell.

Brazilian furniture exports in 2015 were worth US$601.6 million, a 12.7% drop compared to 2014. Imports totalled US$734.6 million in 2015, down 12.4% year on year.

Promotion of legal and certified timber in civil construction

The Brazilian 'Programa Madeira é Legal' (Wood is Legal) began 2009 with the aim of promoting the use of legal and certified timber in private and public works in the state of São Paulo.

A recent publication records the six-year history of the initiative and claims that in the past a large volume of timber came from deforested or illegally and unsustainably logged areas and that the state and the city of São Paulo were the largest consumers of tropical timber in the country because of their huge construction sector.

To tackle issue of illegal timber being utilised the programme promoted synergy between and improved transparency in the different segments of the forest sector to promote legal and certified timber in the state of São Paulo. Through this the programme contributed to raising awareness on the importance of procuring timber from verified legal sources.

Increase in timber exports from Brazil to Mexico

Exports of Brazilian wood products to Mexico increased 55%, from US$18 million in 2010 to US$139 million in 2015. Amongst the top four countries exporting timber to Mexico (United States, Chile, China and Brazil), Mexico's imports from Brazil achieved the highest growth rate.

According to the Mexican Association of Timber Importers (IMEXFOR), the country needs to import softwoods and tropical timber such as cedar, mahogany and caobilla.

Mexico consumes around 20 million cubic metres of wood annually but local production is less than 7 million cubic metres. Mexico imports about mainly from the United States and Chile and imports account for an estimated 90% of plywood consumption while sawnwood accounts for 50%.

Growth of planted forest sector´s export

Despite the disappointing economic news from Brazil the forest plantation sector had a good year in 2015.

Exports of pulp, wood panels and paper increased due to the depreciation of the Brazilian currency against the American dollar. Revenue from exports in 2015 totalled US$7.8 billion compared to US$ 7.4 billion in 2014.

According to the Brazilian Tree Industry Association (IBA), the sector's trade balance in 2015 was US$6.5 billion, representing an increase of 17% compared to 2014. In 2016, the sector will continue to face the same challenges as in 2015. In January 2016 revenue from pulp, wood panels and paper exports totalled US$646 million, a 9.9% increase over the same period of last year.

In a web announcement Moody's global paper and forest products industry outlook says "the global paper and forest products industry is stable and operating earnings growth for publication producers in Latin America will remain as last year."

The announcement continues to point out that "depreciated currencies will continue to mitigate weak international prices and support local operating margins but that weak economic expansion in Latin America will limit domestic paper demand."

See:
https://www.moodys.com/research/Moodys-Global-paper-and-forest-products-industry-outlook-stable--PR_345249

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	660
Jatoba	329
Massaranduba	299
Muiracatiara	311
Angelim Vermelho	275
Mixed red and white	174
Eucalyptus (AD)	161
Pine (AD)	116
Pine (KD)	131

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	454
10mm WBP	359
15mm WBP	313
4mm MR	407
10mm MR	302
15mm MR	281

Prices do not include taxes
Source: STCP Data Bank

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	136
Jatoba	76
Massaranduba	80
Miiracatiara	83
Angelim Vermelho	76
Mixed redwood and white woods	66

Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	197
15mm MDF	276

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	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^3
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^3
Decking Boards	Ipê	2,608
	Jatoba	1,613

Source: STCP Data Bank

Peru

2015 exports fall 11.5 percent

2015 export data released by the Association of Exporters (ADEX) shows that at US$151.31 million FOB there was an 11.5% decline in wood product exports compared to 2014. Much of the decline, says ADEX, was the result of a drop in sawnwood exports.

The top export products were mouldings, strips and friezes, accounting for around 32% of the total. However, 2015 exports of these items were down almost 3% from a year earlier.

Sawnwood exports came in as the second ranked item in terms of value and accounted for 19% of exports. There was a 40% drop in exports of sawnwood to China in 2015 compared to 2014. Despite purchasing less sawnwood, China remained the main market for wood products from Peru in 2015.

Exports to the Dominican Republic were encouraging in 2015 as was the level of exports to Mexico which was the main market for sawnwood. The export of semi-manufactured wood in 2015 totalled US$70.84 million FOB with China accounting for most at almost 70% of all exports of this category of product.

Exports of veneer and plywood in 2015 were worth US$15.29 million FOB, down almost 9% on 2014. The main export markets were Mexico and the United States but imports by Mexico were down over 7%.

Exports of furniture and parts were valued at US$6.72 million FOB in 2015, falling 14% compared to a year earlier. The US was the main market for Peru's furniture and accounted for over 57% of all wooden furniture exports. The second main market was Italy which accounted for 15% of all furniture exports.

Higher market opportunities for legal timber

In the first week of March an event was held to discuss opportunities for expanding trade in verified legal timber. This event was organised by the National Forest and Wildlife Service (SERFOR), and the Commission for the Promotion of Exports and Tourism (PromPeru). The event had the backing of GIZ under its ProAmbiente Programme.

See: https://www.giz.de/en/worldwide/13376.html

The topics addressed included market opportunities for certified legal products and trade opportunities for underutilised timber species. The meeting was attended by representatives from those public institutions involved in monitoring the chain of custody.

Export Sawnwood Prices

Peru Sawnwood, 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 Sawnwood, FOB Callao Port (cont.)	US$ per m^3
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	859-886 ⬆
Asian market	896-944 ⬆
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

Domestic Sawnwood Prices

Peru sawnwood, 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 m3
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	1033-1069
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

Five years on

March 11, 2016 marked five years to the day since the massive 8.9 magnitude earthquake struck eastern Japan. Five years on recovery work is still on-going but still around 60,000 people are still living in ‘temporary’ housing units the condition of which has deteriorated over the years.

Residents in the stricken area were evacuated because of the damage caused by the quake and tsunami and because of the radioactive contamination due to the nuclear melt down. When surveyed everyone in the housing units said they want to escape the cramped and inconvenient living conditions as soon as possible.

Two factors have been cited for the delays in rehousing the displaced, first a shortage of building materials (hard to comprehend in a country like Japan) and secondly the desire of those who lost everything to rebuild and re-establish the community in which they lived before the disaster.

The government has begun lifting the compulsory evacuation orders for some communities in the former radiation contaminated areas and plans to remove any remaining restrictions in March of next year. However, many evacuees are reluctant to return fearing radiation remains high despite the years of decontamination effort.

To get a sense of the task facing Japan see:

https://www.google.co.jp/search?q=japan+earthquake+and+tsunami&espv=2&biw=1034&bih=619&source=lnms&tbm=isch&sa=X&ved=0ahUKEwjd44SiwLfLAhVCGqYKHfBYBn4Q_AUIBigB#imgrc=mKVJqG2DWnvn9M%3A

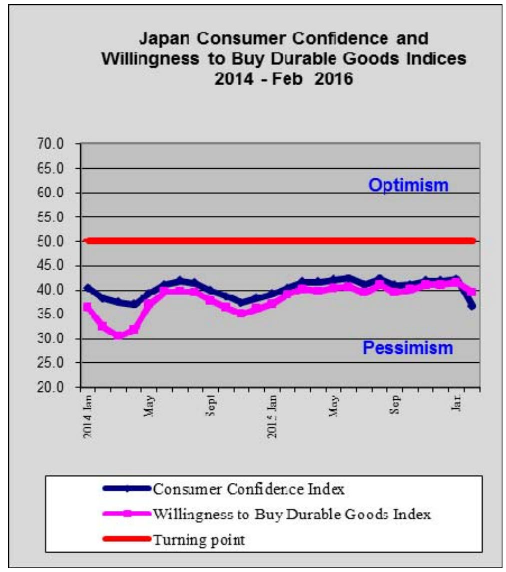
Consumer sentiment stalls

Japan’s consumer confidence index for February fell to a one-year low setting another challenge for the government and the central bank.

The overall index for February was 40.1 (50 marking the transition from pessimism to optimism). This was the sharpest decline for years. The livelihood index dropped from 40.9 to 38.5 while the willingness to buy durable goods, an indicator for manufactured wood product sales, dropped to below 40.

The Cabinet Office statement with the data release said consumer sentiment was stalling and that this prompted a downward revision of forecasts. The Bank of Japan introduced negative interest rates in January in a fresh drive to reflate the economy out of stagnation and help accelerate inflation - now hovering around zero - to its ambitious 2 percent target.

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



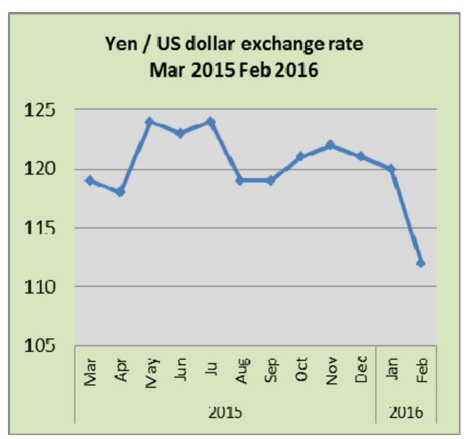
Source: Cabinet Office, Japan

Concern that consumption tax increase could trigger another recession

Japan is set to raise the consumption tax by a further 2% to 10% in April 2017 which, because of the current economic situation in the country, has many politicians worried that an increase could trigger another protracted recession.

However, Bank of Japan (BoJ) Governor, Haruhiko Kuroda, is a stanch advocate of the increase and has said the impact on the economy of the proposed increase is expected to be much less than that seen after the 3% increase in 2014 which sent the Japanese economy into recession. But still, one of the advisers to the Prime Minister has called for a postponement.

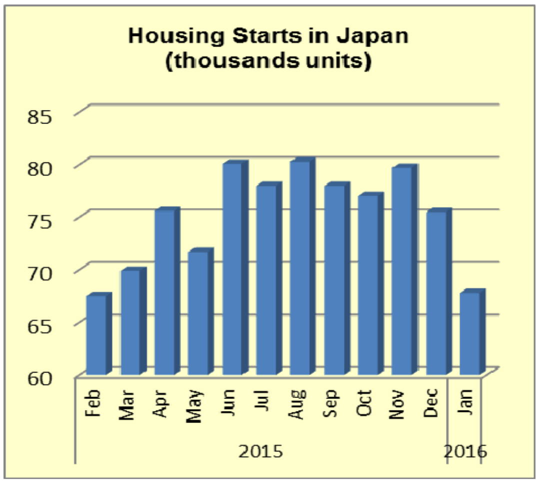
In related news the BoJ Governor has defended the decision to adopt a negative rate policy saying this will take time to have an impact.
The main concern of the BoJ is to maintain the yen/dollar exchange rate at end 2015 levels but the yen has strengthened about 5.5 percent this year despite the negative rate policy.



Housing starts drop in January despite fall in mortgage interest rates

January housing starts were one of the lowest for the past 13 months and only just rose above the dismal performance of the sector in the first two months of 2015.

Construction orders received by the top builders fell sharply (-14%) in January in contrast to the rise seen at the end of 2015. This decline in orders coupled with weakening consumer sentiment does not bode well for the sector which had expected to get a boost from the lower mortgage rates being offered since the Bank of Japan adopted negative interest rates.

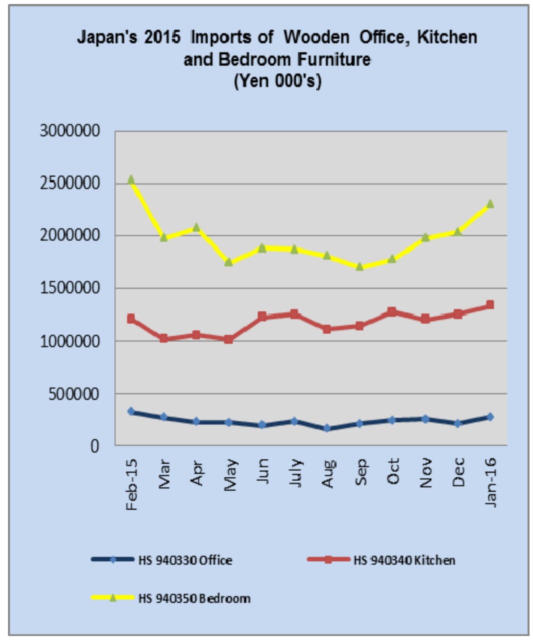


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan's furniture imports

The value of Japan's 2015 imports of wooden office, kitchen and bedroom furniture dipped in the first half of the year and then began to rebound. Bedroom furniture imports showed a strong performance in the last quarter of 2015 and this extended into January 2016.

There was an increase in kitchen furniture imports in the second half of 2015 and, like bedroom furniture, this upward trend continued into January 2016.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year January 2016 office furniture imports were down 27% but were the highest since March 2015.

Office furniture imports

	Imports, Jan 2016 Unit 1,000 Yen
China	178238
Taiwan P.o.C	9080
Malaysia	4180
Indonesia	3847
Denmark	5988
UK	1995
France	1441
Germany	6263
Switzerland	765
Portugal	17589
Italy	14434
Poland	28509
Lithuania	2706
Czech Rep.	237
Slovakia	1645
USA	2317
Total	279234

Data source: Ministry of Finance, Japan

China, Poland and Portugal dominate Japan's office furniture imports accounting for around 80% of all imports of this category of furniture. January 2016 imports from China were down 15% year on year and there was a massive decline in imports from Portugal. On the other hand, imports from Poland were up by a factor of 4 compared to January 2014.

A year earlier imports from Italy lifted the country to the third raked supplier but in 2016 office furniture shipments to Japan were significantly lower.

Kitchen furniture imports (HS 940340)

In contrast to the mixed performance of office furniture shipments to Japan, January 2016 imports of kitchen furniture were up 16% year on year with Vietnam, Philippines and China the top three suppliers accounting for around 80% of all shipments of kitchen furniture.

January 2016 shipment from Vietnam, the top supplier, rose 6% while shipments from the second ranked supplier, Philippines jumped 42%. China was the third ranked supplier in January 2016 and saw shipments rise 24%.

In January 2016 suppliers in SE Asia accounted for 76% of Japan's kitchen furniture imports.

Kitchen furniture imports

	Imports, Jan 2016 Unit 1,000 Yen
S. Korea	241
China	225990
Taiwan P.o.C	304
Vietnam	559941
Thailand	42524
Malaysia	10713
Philippines	278857
Indonesia	124736
India	528
Denmark	1376
France	596
Germany	64609
Italy	15671
Austria	2766
Canada	227
USA	2781
Total	1331860

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Japan's imports of bedroom furniture continue to rise, a trend that began in September 2015. Year on year, January 2016 imports were down 2% but were the highest since February 2015.

The main supplier at 59% of all bedroom furniture imports was China, followed by Vietnam (29%) and Thailand, a distant 3%.

China's January shipments of bedroom furniture were virtually unchanged from a year earlier whereas both Vietnam and Thailand saw shipments fall.

Bedroom furniture imports

	Imports, Jan 2016 Unit 1,000 Yen
China	1357831
Taiwan P.o.C	25628
Vietnam	670515
Thailand	72620
Malaysia	54245
Indonesia	26022
Sweden	1202
Denmark	6216
UK	239
Spain	310
Italy	18694
Poland	40083
Russia	1382
Romania	2204
Lithuania	6819
Bosnia/Herzegovina	323
Slovakia	15406
USA	2283
Australia	384
Total	2302406

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

Degree of self-sufficiency revised again

A degree of self- sufficiency of domestic wood is reviewed and revised. The Forestry Agency disclosed a draft of forest and wood industry basic plan for 2016.

Since the supply in 2015 does not seem to achieve an initial target of 28,000,000 cbms, a target of 2020 is reduced from initial target of 39,000,000 cbms down to 32,000,000 cbms and the target set for 2020 to make a degree of self-sufficiency of 50% is postponed by five years.

The forest and forest industry basic plan is the national basic policy of measures on forestry, which is roughly reviewed in every five years and suggests target of forest conditions and wood use volume five, ten and twenty years in future.

The plan made in July 2011 aimed a degree of self-sufficiency of 50% with target of wood supply of 28,000,000 cbms by 2015 and 39,000,000 cbms by 2020 but the supply in 2014 was 24,000,000 cbms, far from the target although it increased significantly from 18,000,000 cbms in 2009 to 24,000,000 cbms. Therefore, the target is revised based on reality.

Sumitomo Corporation's capital participation in Brazil

Sumitomo Corporation (Tokyo) announced that it decided to make capital participation to the world largest pellet manufacturing company in Brazil. Raw material is waste sugar cane.

Sumitomo has been enlarging biomass businesses and thinks waste sugar cane is the most promising renewable resource, which enlarges source of renewable energy.

The company Sumitomo invests is Cosan Biomassa S.A., a subsidiary company of the largest sugar company, Cosan S.A. Industria e Comercio (San Paulo, Brazil).

Cosan Biomassa is fuel pellet manufacturing company with raw materials of strained lees of sugar cane (pagas) and stalks and leaves left in the field after harvest. It has started the operation in last September.

North American lumber import in 2015

Total lumber import from North America in 2015 was 2,339,457 cbms, 1% less than 2014. This is two straight year's decline from previous year. Although new housing starts in 2015 increased over 2014, import of both North American and European lumber decreased.

Lumber import did not drop as much as logs from North America but compared to recent peak year of 2013, it was 18% drop.

Log import from North America in 2015 decreased by 17% but lumber import dropped only by 1% because SPF lumber increased by 3.1%. SPF lumber takes more than half of lumber import. 99.7% of SPF lumber was from Canada with 1,346,291 cbms, 3.2% more. Next to SPF, hemlock lumber was the second largest from Canada at 291,090 cbms, 11.1% less then Douglas fir was third at 234,660 cbms, 3.6% more.

North American log import in 2015

Log import was 2,565,063 cbms, 17.1% less. This is the lowest since 2010. Drop of log import from Canada was 30.8% with 802,687 cbms. It was the most noticeable change while drop of log import from the U.S.A. was only by 8.8% with 1,762,000 cbms so the share of logs from the U,S.A. was 68.7% from 62.5% in 2014.

The reason of decline of Canadian log import is that Japanese plywood mills had production curtailment program in the second half of last year so the demand of Canadian Douglas fir logs, which is used for long length plywood, sharply decreased. Canadian Douglas fir log volume was 623,000 cbms, 36.5% less.

Total Canadian log import volume of 802,000 cbms was the lowest since 2009 when the housing starts dropped down to 780,000 units after the Lehman shock.

Douglas fir logs from the U.S.A. was 1,693,000 cbms, 8% less. Share of Douglas fir logs from the U.S.A. increased to 66% but strong dollar, weak yen pushed import cost up so import of all the other species from the U.S.A. largely declined.

By species, hemlock import dropped by nearly 10%. Canadian volume was 125,000 cbms, 6.3% less then hemlock from the U.S.A. was only 4,136 cbms, 56.2% less. Yellow cedar (cypress) logs decreased by 45.3% with 9,635 cbms from Canada, 34.7% less and 4,085 cbms from the U.S.A,, 60.5% less. The demand for imported cypress dropped after domestic cypress sill prices declined and took imported
cypress market.

Western red cedar increased by 72%. 2,559 cbms, 34.8% less from the U.S.A. while 7,043 cbms from Canada, 325% more.

European lumber import in 2015

Import of European softwood lumber in 2015 was 2,384 M cbms, 4.6% down from 2014. Although the demand was slow in Japan, European lumber supply exceeded that of from North America of 2,268 M cbms and it kept the top position of softwood lumber import for las tthree years.

The market of structural laminated lumber and small common lumber was in slump reflected by sluggish demand in 2015. Import of main items of lamina and stud failed to increase the volume but the volume did not drop so much compared to 2014.

Lamina import did not drop so much because precutting plants shied away from imported products in fear of market price drop and shifted to use more domestic laminated lumber, which has much shorter delivery period so domestic laminated manufacturers were busy, which supported rather steady import of lamina.

However, export prices of lamina stayed low, particularly on whitewood. Sweden, which is one of major lamina supplying sources, dropped the volume for Japan.

Finland is the largest supply source for Japan with 35% share in total imported volume. The supply of lumber including lamina from Finland is expanding as UPM shifted to concentrate on lumber business

Plywood

Shipment of domestic softwood plywood continues active. Increase of shipment for precutting plants since last fall continues.

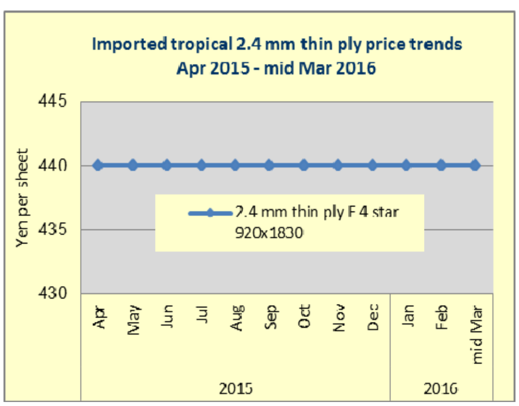
The movement in distributing channel had been rather quiet but in last December, the supply was short and precutting plants looked for the supply in distribution channel so wholesalers got busy and tried to secure the supply.

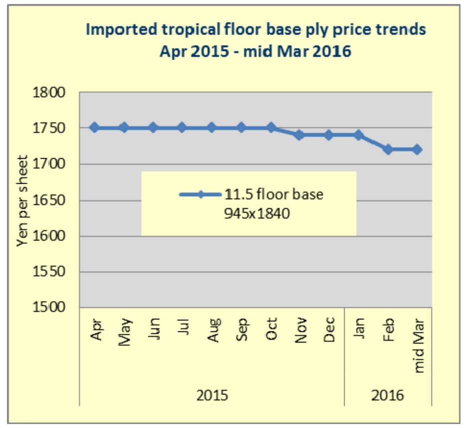
Precutting plants accommodate small production items like 28 mm thick panel, panel with tongue and groove with each other but by last December, such tightness ended. Until last December, delivery time from plywood mills was uncertain but now ordered items are delivered in a month.

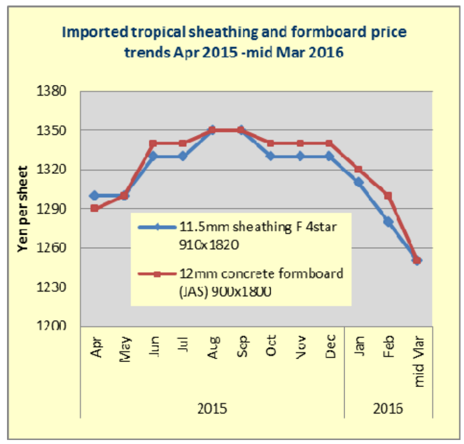
Compared to busy domestic softwood plywood market, imported plywood market continues weak.
The movement of imported plywood slowed down since last August then there were some movements in December by some dumping prices.

Basically, the demand for imported plywood decreased so the dealers buy minimum volume only so they have no intention to buy with higher prices to secure the volume. Actually buyers wait until the prices drop by inventory disposition.

Lower prices stimulate the movement but the volume is limited. The importers are anxious to have more sales before the book closing but pushing sales mean loss. The prices have been edging down little by little.







Russian logs and lumber import in 2015

Decline of softwood log import from Russia continues. Total volume of log import of red pine, larch and whitewood dropped less than 160 M cbms. Since export duty rules on softwood logs started in 2007, sawmills in Japan lost interest on Russian logs and closures have continued and the market for Russian logs is practically gone.

Meantime, Russian lumber has not established solid market. Recovery of the demand in 2015 from drop by the consumption tax hike did not stimulate the demand so the total was less than 2014.

Import of whitewood logs was only four months of the year. Larch is used for plywood and it has steady market but it competes with North American Douglas fir and domestic cedar.

China

Slight rise in 2015 sawnwood imports volumes but prices slip

Data from China Customs shows that there was a slight rise in sawnwood imports in 2015. China's 2015 sawnwood imports totalled 26.08 million cubic metres valued at US$7 billion, a year on year increase of 2% in volume but an 8% decline in value. The average price for imported sawnwood was US$285 per cubic metre, down 10% in 2015.

Of total sawnwood imports, sawn softwood imports fell 3% to 14.11 million cubic metres, accounting for 54% of the national total. The average price for imported sawn softwood was US$196 per cubic metre, down 10% year on year.

However, the data shows a 7% rise in sawn hardwood imports to 11.97 million cubic metres.The average price for imported sawn hardwoods was US$389 per cubic metre, down 12% year on year.

Of total sawn hardwood imports, tropical sawnwood imports were 4.77 million cubic metres valued at US$2.1 billion, up 15% in volume but down 6% in value and accounted for 18% of the national total.

The average price for imported tropical sawnwood was US$432 per cubic metre, a year on year decline of 19%.

China's sawnwood imports in 2015

	2015 Mil. cu.m	% change 2014-15	Value US$ Bil.
Total imports	26.08	2	74
Sawn softwood	14.11	-3	28
All hardwoods	11.97	7	26
of which tropical	4.77	15	21

Data source: China Customs

Russia and Canada main sources of sawnwood

Russia was the main sawnwood supplier to China in 2015 accounting for 36% of the national total. Imports from Russia totalled 9.29 million cubic metres, a year on year increase of 18%. The second ranked supplier of sawnwood was Canada at 5.38 million cubic metres, accounting for 21% of the national total. In 2015 a year on year decline of 19% was recorded for sawnwood imports from Canada.

The decline in average prices for imported sawnwood from Canada (-12%) was larger than that from Russia (-4%).

Top 10 countries shipping sawnwood to China

	2015 imports Mil. cu,m	% change 2014-15
Russia	9.29	18
Canada	5.38	-19
Thailand	3.05	37
US	2.74	-2
Chile	0.68	-20
Finland	0.57	44
Sweden	0.49	12
New Zealand	0.44	19
Gabon	0.34	41
Germany	0.34	-24

Data source: China Customs

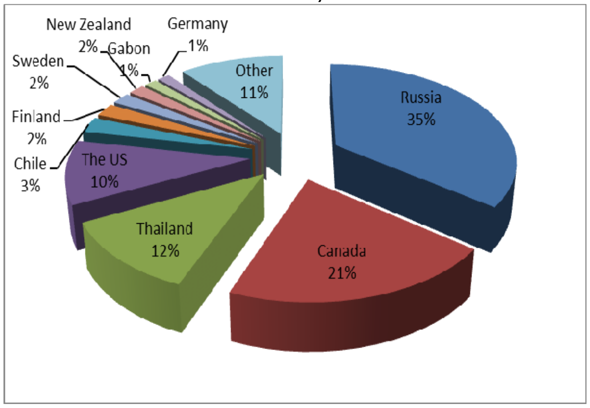
Average sawnwood prices from top 10 suppliers

	Average price US$/cu.m	% change 2014-15
Russia	189	-4
Canada	200	-12
Thailand	338	-26
US	495	-5
Chile	258	-7
Finland	259	-9
Sweden	250	-8
New Zealand	242	-23
Gabon	645	-2
Germany	313	-3

Data source: China Customs

Sawn softwood imports

Main sawn softwood sources, 2015



Data source: China Customs

Average sawn softwood prices, 2015

	Average price US$/cu.m	% change 2014-15
Russia	181	-6
Canada	190	-13
Chile	257	-7
Finland	255	-9
Sweden	246	-8
New Zealand	237	-23
German	259	-2
US	199	-12
Australia	207	-15
Latvia	265	-2

Data source: China Customs

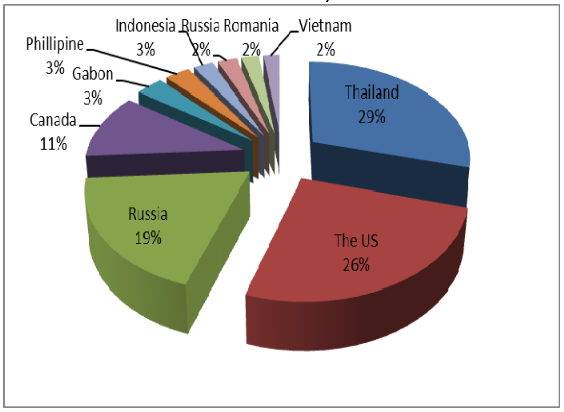
Sawn softwood sources, 2015

	2015 imports Mil. cu.m	% change 2014-15
Russia	7.31	16
Canada	4.26	-20
Chile	0.68	-20
Finland	0.54	48
Sweden	0.44	10
New Zealand	0.44	19
German	0.16	-36
US	0.07	-65
Australia	0.03	-54
Latvia	0.03	-46

Data source: China Customs

Sawn hardwood imports

Main sawn hardwood sources, 2015



Data source: China Customs

Average sawn hardwood prices, 2015

	Average price US$/cu.m	% change 2014-15
Thailand	338	-26
US	502	-7
Russia	220	-1
Canada	235	-9
Gabon	645	-2
Philippines	148	-5
Indonesia	769	-7
Russia	496	-16
Romania	377	-1
Vietnam	380	-21

Data source: China Customs

Sawn hardwood sources, 2015

	2015 imports Mil. cu.m	% change 2014-15
Thailand	3.05	37
US	2.67	2
Russia	1.98	25
Canada	1.12	-14
Gabon	0.34	41
Philippines	0.32	-46
Indonesia	0.25	-12
Russia	0.25	0
Romania	0.22	-2
Vietnam	0.2	2

Data source: China Customs

Thailand the main source of tropical sawnwood

Tropical sawnwood imports in 2015 totalled 4.77 million cubic metres, accounting for 18% of the national total and were valued at US$2.1 billion reflecting a 15% rise in volume but a 6% decline in value.

The average price for imported tropical sawnwood was US$432 per cubic metre, a year on year decline of 19%.

Just 10 countries supplied just over 96% of China's tropical sawnwood requirements in 2015 namely, Thailand (64%), Gabon (7.2%), Philippines (6.6%), Indonesia (5.3%), Malaysia (5.2%), Cameroon (2.6%), Laos (2.2%), Ecuador (1.2%), Peru (1.1%) and Congo Rep. (1.1%).

Top 10 suppliers of sawn tropical hardwood

	2015 imports Mil. cu.m	% change 2014-15
Thailand	3.05	37
Gabon	0.34	41
Philippines	0.32	-46
Indonesia	0.25	-12
Malaysia	0.25	0
Cameroon	0.12	24
Laos	0.11	-27
Ecuador	0.06	123
Peru	0.05	-8
Congo Rep.	0.05	20

Data source: China Customs

Tropical sawnwood imports from Cameroon rose sharply (123%) in 2015 and imports from the Philippines fell dramatically (-47%) over the same period.

Average prices for tropical sawnwood

	2015 US$/cu.m	% Change 2014-15
Thailand	338	-26
Gabon	645	-2
Philippines	148	-5
Indonesia	770	-7
Malaysia	496	-16
Cameroon	679	6
Laos	1240	-26
Ecuador	910	21
Peru	818	1
Congo Rep.	651	13

Data source: China Customs

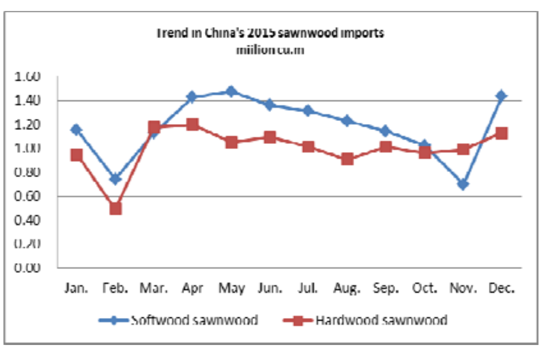
The main entry points for tropical sawnwood imports in 2015 was Guangzhou and Shanghai Ports which accounted for 52% and 15% respectively of all tropical sawnwood imports.

Monthly change in China's sawnwood imports

China's timber importers cut back on sawnwood shipments set for arrival in February due to the long break to celebrate Chinese New Year. Immediately after the holidays imports resumed as will be seen in the graphic below.

There was a steady rise in imports of both sawn saoftwoods and hardwoods until mid-year after which import levels fell consistently as landed inventories were reduced. The fall in softwood imports was much steeper than that for sawn hardwood imports. It will be seen that sawn hardwood imports reversed direction inSeptember and rose every month through to year end.

China's sawnwood imports were at the highest in April mainly because of large shipments of softwood sawnwood. At its lowest point sawn softwood imports dropped to about 1.69 million cubic metres.



Data source: China Customs

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
yuan per tonne		
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

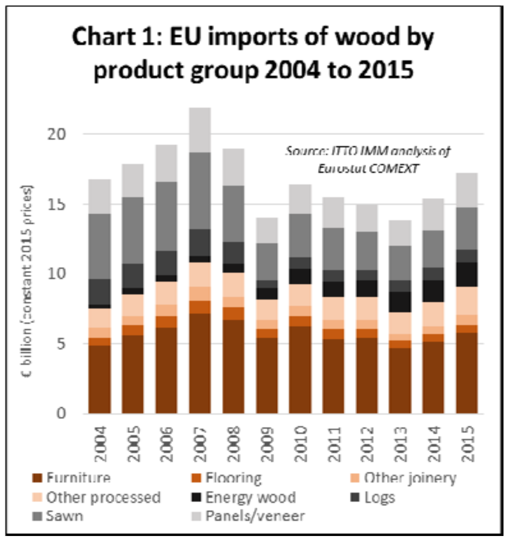
Logs, All grades	yuan/tonne
Sapelli	2800-3800
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2490-2850
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-5800
Acajou de africa	3000-3500
Ovengkol	3850-4300
Pao rosa	5900-6600
Merbau	3500-5800
Luan	1600-2400
Kapur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

EU wood imports rise to highest level since financial crises

The total value of EU imports of wood products was euro17.20 billion in 2015, 12% more than in 2014. This followed an increase of 10% to euro15.3 billion in 2014. In 2015 EU import value was at the highest level since 2008 just before the global financial crises (Chart 1).



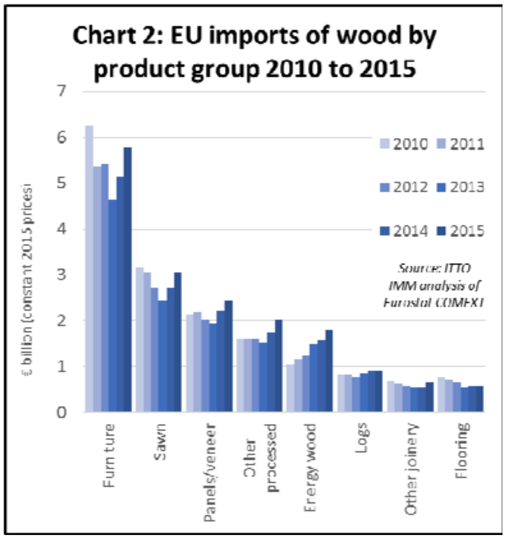
The surge in the euro value of imports in 2015 was partly owing to the weakness of the euro which on average was valued around 20% less against the dollar in 2015 compared to 2014. This meant that euro import prices for most products from the Americas and Asia increased. Import volumes also increased across most wood product groups in 2015 but to a lesser extent than euro value.

The euro value of imports increased across all wood product groups in both 2014 and 2015 (Chart 2). Imports of wood furniture, which had been declining to 2013, rebounded 10% in 2014 and 13% in 2015 to reach euro5.78 billion.

Imports of sawn wood rebounded from a low in 2013, rising 10% in 2014 and 12% in 2015 to reach euro3.04.

Similarly imports of panels (mainly plywood) increased 13% in 2014 and 11% in 2015 to reach euro2.44 billion. The long term rise in imports of energy wood continued in 2015 to reach an all-time high of euro900 million. Imports of other joinery products (mainly doors and LVL for window frames) were flat in 2014 but increased 22% to euro658 million in 2015.

Imports of wood flooring increased 5% in both 2014 and 2015 to reach euro595 million. Imports of other processed products increased 14% in 2014 and a further 17% in 2015 to euro2.02 billion.

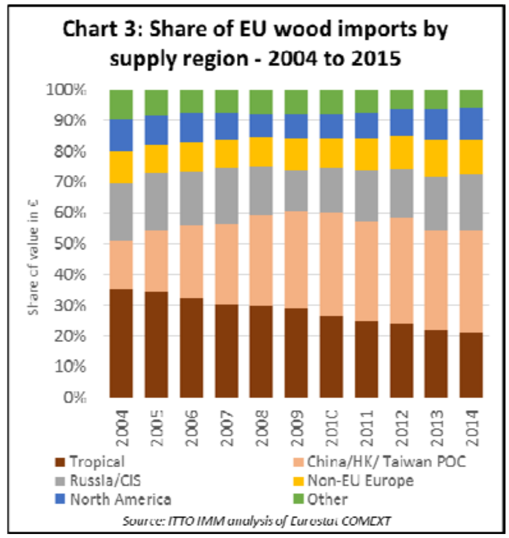


Total imports of wood products from tropical countries increased 15% from euro3.28 billion in 2014 to euro3.78 billion in 2015. This followed a 6% increase between 2013 and 2014. In terms of share of overall EU imports, 2015 was notable for registering the first reversal in the fortunes of tropical countries in the last decade.

The share of tropical countries in total EU wood product import value fell continuously from 35% in 2004 to a low of 21.4% in 2014, before rebounding slightly to 22.0% in 2015.

Tropical countries lost share initially to China in the period 2009 to 2010, and then to North American, Russian and non-EU European countries in the period 2011 to 2014.

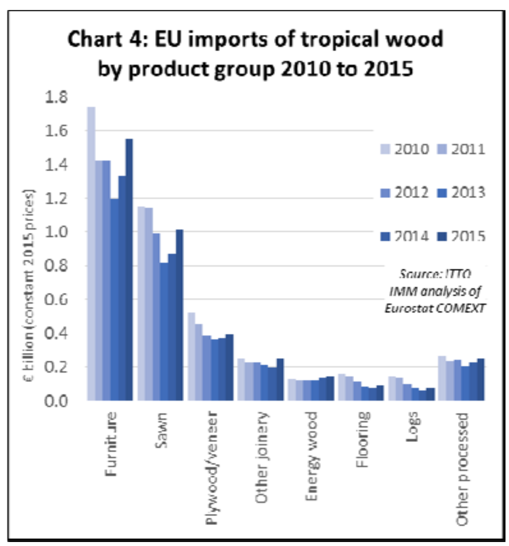
However in 2015, tropical countries regained a little share in import value mainly at the expense of Russia and non-EU European countries. China's share in EU imports remained stable at 32.7% in both 2014 and 2015 (Chart 3).



The recovery in EU imports of tropical wood products in 2014 and 2015 was particularly pronounced for furniture and sawn wood, although there were more minor gains for all other product groups (Chart 4).

EU imports of wood furniture from tropical countries increased 11% to euro1.33 billion in 2014 and by a further 16% to euro1.55 billion in 2015.

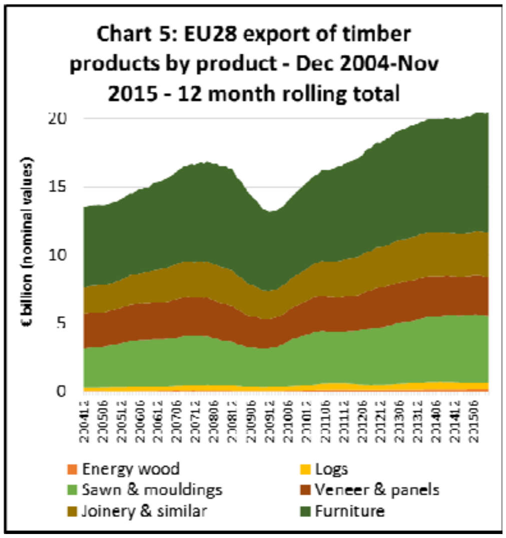
Imports of sawn wood from tropical countries increased 7% to euro0.87 billion in 2014 and by a further 16% to euro1.02 billion in 2015. Imports of plywood and veneer from tropical countries increased more slowly, by 1.4% to 371 million in 2014 and by 6% to euro394 million in 2015.



The long-term shift in EU tropical wood imports away from primary and secondary wood products in favour of tertiary products continued in 2014 and 2015. The value of tertiary processed tropical wood products imported by the EU increased from 55% of total import value in 2013 to 57% in 2015.

Rising EU trade surplus in wood products

The relative weakness of EU currencies, combined with a strong focus on reducing costs and improving efficiency in the European wood sector and the slow growth of domestic consumption, contributed to a sharp rise in EU exports of wood products to non-EU countries between 2009 and 2015 (Chart 5).



In 2015, the value of EU exports of wood products were running at their highest ever level at over euro20 billion. In 2015, the EU had a euro3 billion trade surplus in wood products which compares to a euro3 billion deficit before the financial crises. EU export growth has been concentrated in sawn wood, joinery (notably flooring and glulam products) and wood furniture.

Although around 30% of EU wood product exports consistently go to neighbouring European countries (mainly Switzerland and Norway), since the global financial crises there has been a significant in rise in exports to Africa, the Middle East and China alongside traditional markets in North America and the CIS.

For wood exporters selling into the EU, the weakness of the euro and sharp rise in the EU's wood trade surplus imply intense competition from domestically harvested timber and manufactured wood products. Due to the wide diversity of wood manufacturing activities in the EU, this is true of nearly all wood sectors.

Even in those wood sectors where European manufacturers have traditionally been weak and more dependent on imports, such as in supply of durable goods for outdoor use and in appearance grade wood, new innovative products are taking share from external suppliers.

Key innovations include a wide range of new surface finishes to enhance the appearance and performance of panel products, and thermal and chemical modification processes to enhance the durability of domestic wood species.

At the same time, with traditional markets growing only slowly, EU wood manufacturers are developing new products designed to extend the range of wood into new sectors traditionally dominated by other materials, notably steel and concrete.

For example, EU production of cross-laminated timber – a product which can successfully compete with steel and concrete in high-density urban construction – increased from 100,000 m3 in 2005 to 700,000 m3 in 2015.

Legality verification and certification in EU wood supply

Just how much of the wood traded internationally derives from legal and sustainable sources is a question frequently asked by both timber buyers and policy-makers in the EU.

The question has become particularly relevant now that the EU Timber Regulation obliges all importers to demonstrate that there is a negligible risk of any illegal wood entering their supply chains. Unfortunately there is not a simple answer to this question.

One issue is how to define terms like "negligible risk" and "sustainably" sourced. There are large areas of forest around the world where there is very little risk of illegal harvest and that would be considered "sustainable" against most measures, but are not independently verified or certified. This is particularly true of forests owned and managed by communities or private non-industrial forest owners.

Another issue is that certification systems do not measure the volume of trade in certified products. Typically they only monitor the area of certified forest and the numbers of chain of custody certificates issued.

Nevertheless, efforts have being made to overcome these problems. In 2012, Forest Industries Intelligence (FII) Ltd, a UK-based company, devised a procedure to estimate "level of exposure to 3rd party verified/certified wood". This formed part of a project joint funded by the UK Department for International Development (DFID), the EU Timber Trade Action Plan, and European Timber Trade Federation (ETTF).

That 2012 assessment has now been updated by the ITTO Independent Market Monitoring (IMM) Project which is monitoring the market impact of the FLEGT Voluntary Partnership Agreements (VPAs).

The 'level of exposure' is a rough measure to identify gaps in forest coverage of independent certification and legality verification systems. It is based on the percentage area of certified or legally verified commercial forest area in each individual supplier country.

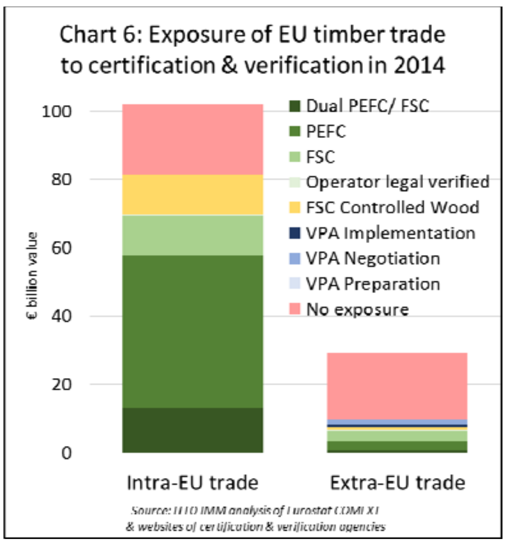
For example, if 40% of its forest area is known to be independently certified or legally verified, the level of exposure of a country's wood production and exports is also assumed to be 40%.

The certified/verified forest areas are calculated by comparing data from the various certification and verification systems with UN FAO figures for areas of productive forest land.

‘Level of exposure’ data can be broken down by verification system, including FSC, PEFC, or operator-based systems of legality verification (such as SGS TLTV, Smartwood VLO, or OLB). For this assessment, wood from countries covered by FSC-endorsed National Controlled Wood Risk Assessment is also considered ‘3rd party verified’.

To avoid double counting, areas dual certified to FSC and PEFC are accounted separately. Adjustments are also made for a few countries, such as Brazil and the USA, where there is a big difference in the level of certification in hardwood and softwood forests.

The new assessment indicates that in 2014, around 80% of internal EU trade in timber products (including all wood, wood furniture, pulp and paper) was “exposed” to some form of certification or legality verification. This is simply due to the fact that a very large proportion of forest area within the EU is either certified or assessed to be low risk of illegal harvest in an FSC national controlled wood assessment (Chart 6).



Limited access to certification for wood imported from outside EU

In contrast to intra-EU trade, level of exposure to some form of certification or legality verification of all EU timber products imports from outside the EU was only around 25% in 2014. While low, this figure is heading in the right direction, rising from 19% in 2007.

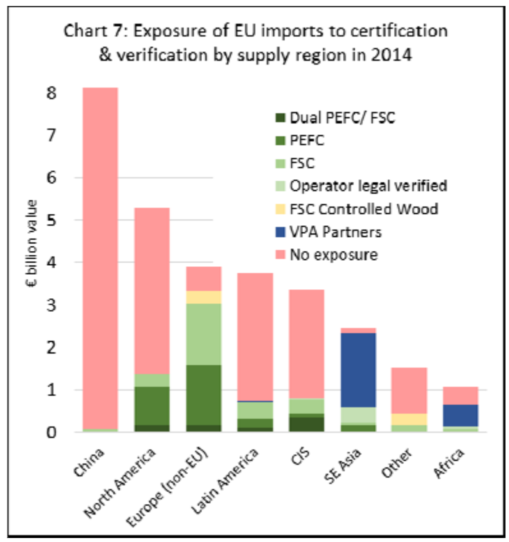
The assessment also indicates that if all timber from the 17 countries that are now engaged in FLEGT VPAs had been licensed in 2014, the level of exposure to legally verified timber in EU external trade would have been 8% higher, at 33%.

The increase due to VPA countries excludes areas already certified or legally verified in these countries (notably by SVLK in Indonesia, PEFC/MTCS in Malaysia and FSC in Central Africa) which are already included in the 25% figure.

Obviously that leaves a large proportion of imports which are unlikely to be from third party certified or legally verified sources. Chart 7 shows that China dominates amongst EU-supplying countries with low exposure to verified timber. China's level of exposure to certification is set to increase significantly.

The 2014 data does not include figures for the China Forest Certification System (CFCS) which was endorsed by PEFC in February 2014 but had yet to register any PEFC-certified forest at the end of that year.

By the end of 2015, 5.6 million hectares were registered as PEFC certified in China and more recent reports from the China State Forestry Administration indicate that around 10 million hectares of forest are now certified – although most of that area is natural protection forest and China’s large area of production plantation forest is still largely uncertified.



North America is identified as another region with “low exposure” to legality verification and certification. Most commercial forest land in Canada is certified. In contrast, the U.S. has a large area of private non-industrial forest land which is not certified. The US government also has a long-standing policy commitment not to pursue certification of federal forest lands.

Latin America is assessed to have relatively low level of exposure to certification and verification. However this figure is severely distorted by reliance on forest area to calculate the index.

The Amazonian rain forest is, of course, huge and only a tiny proportion is certified. But this area only contributes a relatively small volume of timber to international trade.

Most of wood product imported into the EU from Brazil now constitutes softwood or eucalyptus from plantations outside the tropical zone, many of which are certified. Therefore the index probably underestimates the real level of exposure of Latin American wood products in trade.

While the VPA process captures only a relatively small proportion of total EU imports of timber and timber products, it is very significant amongst tropical supplying countries in South East Asia and Africa.

If all timber products imported by the EU from VPA countries were FLEGT licensed, the level of exposure to verified timber from Southeast Asia would rise from 25% to 95% and from Africa from 11% to 60%.

North America

Lower sawn hardwood imports at start of 2016

US imports of all sawn hardwood fell one third from December 2015 to January 2016. 53,221 cu.m. of sawn hardwood were imported in January worth US$33 million. Tropical sawnwood imports declined 30% in January to 14,524 cu.m. Tropical sawnwood accounted for 27% of all sawn hardwood imports in January, compared to 23% in 2015 for the entire year.

The only tropical species to gain significantly in January was keruing. Keruing imports recovered from low volumes last December and reached 1,699 cu.m. in January.

Imports of meranti sawnwood increased to 876 cu.m., but imports of all other major species declined in January.

Balsa imports were down 29% (3,686 cu.m.). Sapelli posted the smallest decline from the previous month at 2,328 cu.m. (-7%).

Imports from Brazil fell by one third the previous month due to lower US imports of ipe and jatoba in January.

Cameroon's shipments to the US grew 17% month-on-month. Sapelli imports from Cameroon increased to1,026 cu.m. despite an overall decline in sapelli imports in January. Acajou d'Afrique imports from Cameroon were also slightly up from December at 753 cu.m.

Sawnwood imports from Malaysia more than tripled in January, but December imports had been exceptionally low. In January the US imported a total of 1,806 cu.m. from Malaysia, including 1,336 cu.m. of keruing.

Sources of Sawn Hardwoods	Jan 2016 cu.m	% Change on Dec 2015
Ecuador	3,686	-27%
Brazil	2,078	-33%
Cameroon	1,954	17%
Malaysia	1,806	236%
Congo (Brazzaville.)	905	-60%
Peru	34	-82%
Indonesia	894	-22%
Ghana	504	-13%
Cote d'Ivoire	386	-16%

Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistic

Tropical imports from all other major suppliers were down in January, both compared to the previous month and to January 2015.

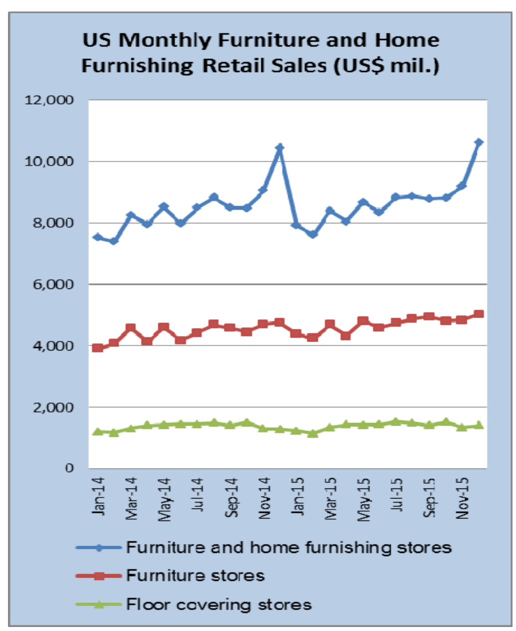
Canadian imports of tropical sawnwood up

Canadian imports of tropical sawnwood were worth US$1.78 million in January, up one third from December. January imports were the highest since November 2014.

The largest month-over-month growth was in imports of mahogany and balsa. Sapelli remained the leading import at US$487,174, up 12% from December. Mahogany imports were worth US$62,693 in December, but at such relatively small volumes imports vary considerably month-over-month.

Imports from Canada's largest supplier Cameroon increased 70% month-over-month to US$735,985. Imports from Ecuador also grew due to higher balsa imports. Indonesia's shipments to Canada tripled from December to US$138,924.

2015 a good year for furniture manufacturers and retailers



Source: Census Bureau

2015 ended with a 4% increase in new furniture orders over 2014, according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors. Just over half of the companies surveyed reported higher orders in 2015 compared to the previous year. Growth in furniture orders slowed from 2014 when orders were up 7% from 2013.

Furniture shipments were up 6% in 2015 from 2014. Almost two thirds of companies reported higher shipments in 2015.

Inventory levels at distributors and manufacturers were slightly up in December compared to the previous month, but 7% higher than in December 2014. It appears inventory built earlier in the year remained higher because orders declined towards the end of 2015.

Retail sales at furniture stores in the US increased 4% in December from the previous month, according to US Census Bureau estimates. Furniture sales were 6% higher than in December 2014.
Advance estimates for retail sales at furniture and home furnishing stores for January 2016 indicate sales were only slightly up (+1.6%) from January last year.

2015 was overall a good year for furniture manufacturers and retailers, despite a slowdown in growth at the end of the year. Wooden furniture imports grew 11% in 2015 from the previous year.
2016 will likely not be a year of strong growth according to Smith Leonhard. Consumer confidence declined February. The housing market continues to recover, but rising home prices may slow sales.

US siding market outlook

Demand for siding is forecast to rise 5.6% per year to 2019, according to a Freedonia market research report published in January 2016 (study # 3374). Total demand for siding in 2019 is estimated at $10.7 billion. The forecast is based on an expected strong rebound in housing starts.
Much of the demand growth will be in non-wood materials.

Brick and stucco are most popular in the US South and West where the strongest growth in new residential construction is expected. Vinyl has the largest share in the siding market at just under 25%, but its market share has fallen in recent years. Wood is forecast to have a market share of just over 10% by 2019.

New Canada-US Softwood Lumber Agreement expected

A new deal is being negotiated for sawn softwood exports from Canada to the US market, after the 2006 Softwood Lumber Agreement expired last October. The US president and Canadian prime minister announced at a recent meeting in Washington DC that negotiations would significantly advance in the next 100 days.

Without an agreement US companies can file trade cases after October 2016 against imports from Canada.

Many Canadian exporters would prefer a renewal of the previous agreement, which included an escalating export tax based on sawnwood prices. However, the weak Canadian dollar has made Canadian softwood more competitive in the US, and US sawmills would like to see greater barriers to trade in the new agreement.

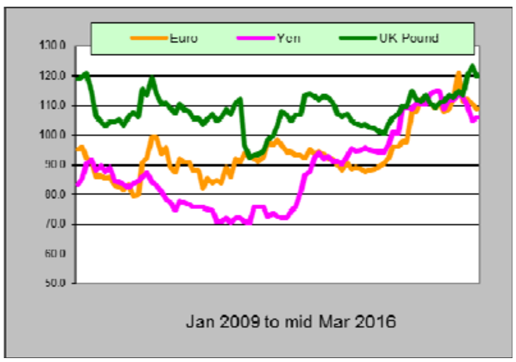
Other changes in business conditions since the 2006 agreement include a lower share of Canadian sawnwood in the US market, reduced timber supply in Canada and the purchase of US mills by Canadian producers.

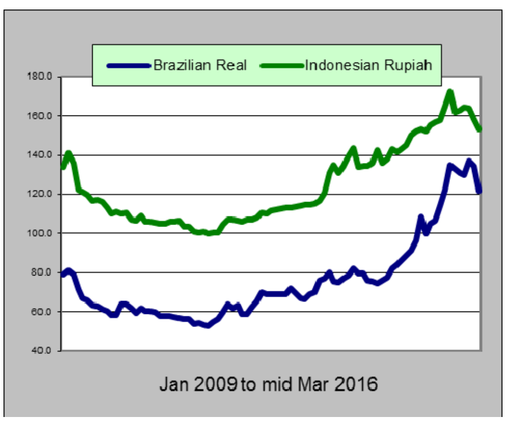
US Dollar Exchange Rates

As of 10 March 2016

Brazil	Real	3.5827
CFA countries	CFA Franc	591.49
China	Yuan	6.4961
EU	Euro	0.8968
India	Rupee	66.9363
Indonesia	Rupiah	13000
Japan	Yen	113.84
Malaysia	Ringgit	4.0791
Peru	New Sol	3.4429
UK	Pound	0.6953
South Korea	Won	1188.10

Exchange rate indices (Dec 2003=100)



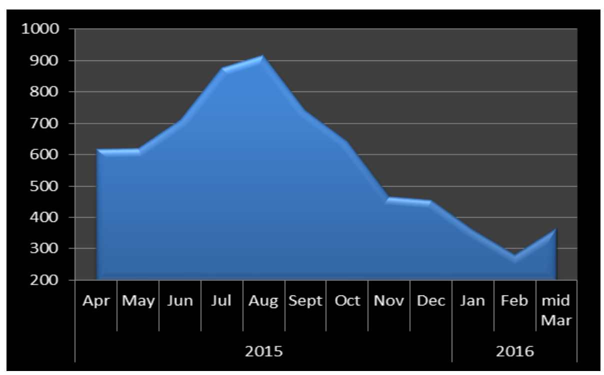


Abbreviations and Equivalences

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

Ocean Freight Index

Baltic Supramax Index
April 2015 – mid March 2016

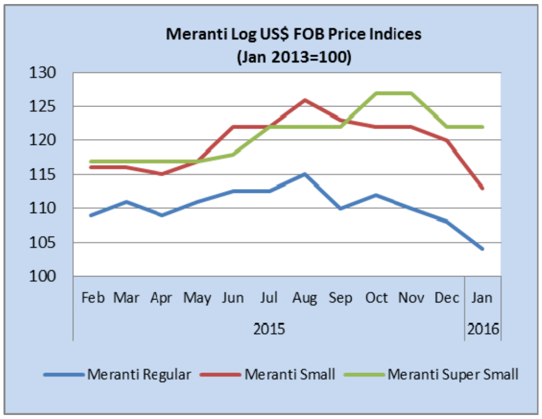


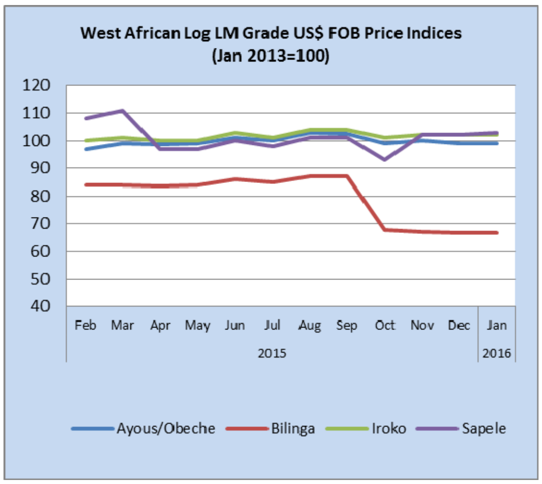
Data source: Open Financial Data Project

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

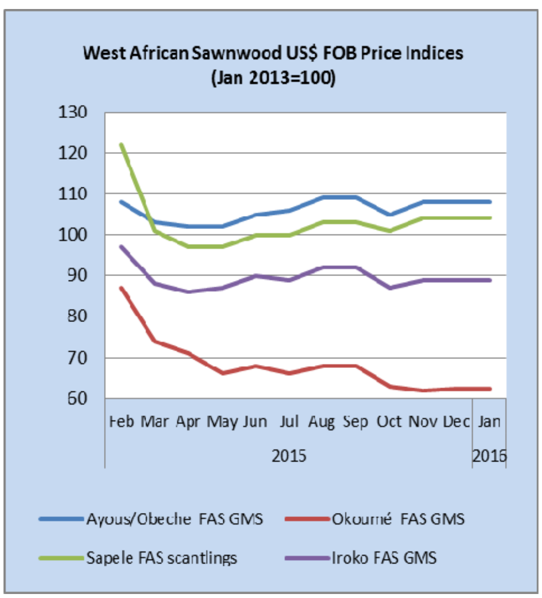
Price indices for selected products

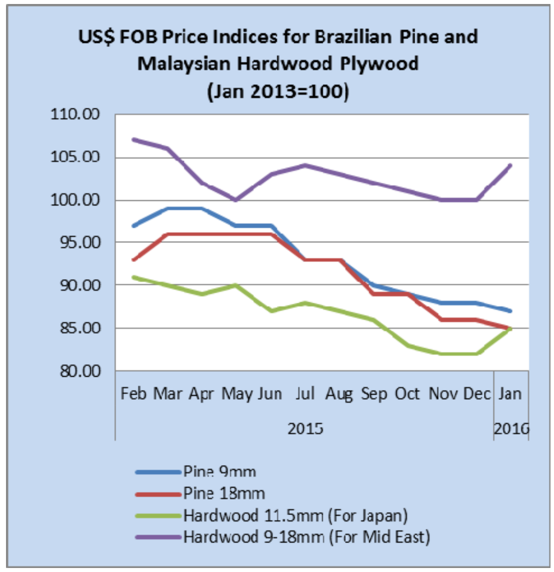
The following indices are based on US dollar FOB prices.

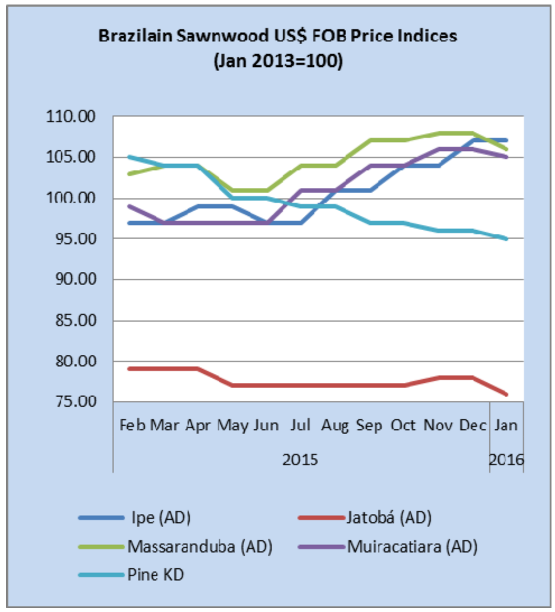




Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.

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