

# Tropical Timber Market Report

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

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## Top Story

### **Brexit to impact tropical imports in the short term**

The UK's decision to leave the EU, so-called "Brexit", has created a crisis for the global economy. Brexit will have significant implications on the tropical timber sector. The UK is the largest importer of tropical timber in the EU with around 25% of the total value imported into the EU from tropical countries.

Uncertainty and a slowing of economic growth in the UK and the EU will have an immediate impact on imports of wood products from tropical countries. Longer term, the prospects for tropical timber in the UK and the EU will depend on how quickly the UK and the EU recover from this shock.

**Pages 19**

### **Report mailing**

**Subscribers will be mailed just one ITTO market report in July and in August instead of the usual two.**

**The July and August reports will be mailed at month end.**

## Central and West Africa

### Convergence of factors drives sapele and sipo prices lower

An unexpected 'wobble' in the market has resulted in prices for sapele and sipo sawnwood dipping sharply. The volatility in prices for these two species is the result of a slowdown in purchases for China coinciding with the seasonal downturn in the traditional European markets as the summer vacation period begins.

Another factor for the price weakness is the higher level of sapele and sipo sawnwood production especially in Cameroon, Congo Brazzaville and Central African Republic. Mills in the region increased output to meet growing demand in Europe but now, due to the summer slowdown, production is well above consumption.

Prices for a few other species have drifted down mirroring the summer low demand in EU member states. The downward trend in prices is most apparent for padouk but in this case it is because of slow demand in India.

Some log prices have also followed the downward trend for sawnwood but to a lesser degree and but this is tending to affect only sapele, sipo and iroko. On the other hand prices for okan LM grade logs gained slightly on demand from the Netherlands.

### Chinese importers showing interest in okoume veneers

Producers comment that, despite the usual European vacation slowdown, other markets continue to be firm except the Chinese market for okoume logs. This, say producers, appears to be because of a concerted effort by buyers to drive down prices.

The weaker okoume log prices can also be partly due to Chinese importers showing more interest in okoume veneers from Gabon and Congo Brazzaville rather than logs. This trend will likely accelerate over the coming years.

For timbers other than those where some weakness in prices has been reported, overall demand is firm and production is closely balanced. Over the next few weeks producers will learn whether prices will continue to hold steady as buyers begin to assess purchases for September and shipments for the fourth quarter.

### Is no news good news ?

Still there is no firm news from Gabon on the various government initiatives on kiln drying and the proposed marketing organisation.

The domestic industry has submitted comments and suggestions to the government and hopes kiln drying of export sawnwood which will be used for sea defenses and other applications in water will be excluded.

### B to B timber trade portal now online

One output of a recently concluded ITTO project is a timber trade portal, a tool for business to business contacts in Côte d'Ivoire, Cameroon, Gabon and Republic of Congo.

The directory, with contact details and descriptions of product range can be accessed at: [africantimbercompaniesdirectory.com](http://africantimbercompaniesdirectory.com)

Users are encouraged to check the directory listings and notify ITTO of any changes, corrections or new entries.

### Log Export Prices

West African logs, FOB	Euro per m <sup>3</sup>		
<u>Asian market</u>	LM	B	BC/C
Acajou/Khaya/N'Gollon	240	235	160
Ayous/Obeche/Wawa	260	260	200
Azobe	230	230	160
Beli	230	230	
Bibolo/Dibeou	180	170	
Bilinga	220	220	
Iroko	330	290	260
Okoume (60% CL, 30% CE, 20% CS) China only	200	200	160
Moabi	330	300	235
Movingui	210	210	160
Niove	160	160	
Okan	210	210	
Padouk	315	290	230
Sapele	320	305↓	220
Sipo/Utile	330	310	265
Tali	310	310	

### Sawnwood Export Prices

West African sawnwood, FOB	Euro per m <sup>3</sup>
Ayous FAS GMS	410
Bilinga FAS GMS	520
Okoumé FAS GMS	340↓
Merchantable	225
Std/Btr GMS	290
Sipo FAS GMS	600↓
FAS fixed sizes	600↓
FAS scantlings	610↓
Padouk FAS GMS	910
FAS scantlings	900↓
Strips	650↓
Sapele FAS Spanish sizes	595↓
FAS scantlings	600↓
Iroko FAS GMS	600↓
Scantlings	700
Strips	440
Khaya FAS GMS	450
FAS fixed	460
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	420

## Ghana

### First quarter export contract volumes drop 28%

The total volume of Timber Industry Development Division (TIDD) approved export contracts in the first quarter 2016 was 86,335 cu.m, a drop of 28% when compared to approvals in the final quarter of 2015.

The table below shows that there was a steep fall in approvals for export of primary and secondary products, with only the small volume of tertiary product exports registering growth.

Product Category	2015 Q4 cu.m	2016 Q1 cu.m	% Change
Primary	13,524	8,959	-34
Secondary	105,067	73,948	-30
Tertiary	2,050	3,428	67
Total	120,642	86,335	-28

Source: TIDD

Exports of primary products in the first quarter fell 33% year on year due mainly to a decline in shipments of teak logs/billets (-85%).

Secondary product exports also fell (-30%) to a low of around 74,000 cu.m; while tertiary product exports increased of 67% to 3,428 cu.m.

In the first quarter sawnwood accounted for 64% (55,409 cu.m) of the volume of all approved export contracts while plywood accounted for a further 12% (10,292 cu.m).

Regional West African markets continued to be the major market for plywood, while for tertiary products, such as sliced veneer and kiln dried sawnwood, the main markets were in Europe. Species such as rosewood (air-dried sawnwood) and high lumber density species such as apa, ekki and denya were mainly for the Chinese market.

Mahogany and cedrella sawnwood along with rotary veneer found a ready market in the US. Middle East and Egyptian markets emerged as a major destination for backing grade veneer, with India the main market for teak sawnwood and gmelina logs.

#### Ghana a PEFC member along with Cameroon and Gabon

An early June press release from PEFC welcomed Ghana as a National member. A spokesperson for PEFC said they were delighted to welcome Ghana as our latest PEFC National member, the third in Africa, alongside Cameroon and Gabon.

Emmanuel Amoah Boakye at the Working Group on Forest Certification said "Joining the PEFC Alliance is a vital step towards gaining international recognition for our Ghanaian National Forest Certification System."

When Ghana's scheme gains PEFC endorsement the forestry and timber sectors will be able to demonstrate their sustainable forest management practices and confidently promote exports.

See: <http://www.pefc.org/news-a-media/general-sfm-news/2135->

#### Strategies for sustainable forest management

A workshop aimed at equipping forestry practitioners with the requisite knowledge, tools and skills on certification

recently held in Accra. This brought together forestry practitioners in government organisations, academic and research institutions, civil society organisations and the private sector from the region.

The workshop programme organised by the Africa Forest Forum in collaboration with the Forestry Research Institute of Ghana (FORIG) and the Economic Community of West African States (ECOWAS), was expected to enhance the understanding of participants on the implementation strategies for sustainable forest management.

The Director of FORIG, Dr. Daniel Ofori, said with increasing demand in consumer countries for forest products producers with certified forests operations would find marketing so much easier and could enjoy price premiums.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	380
Black Ofram Kiln dry	444↓
Niangon	489
Niangon Kiln dry	540

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	375	433
Chenchen	490	522
Ogea	478	556
Essa	503	561
Ofram	350	406

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

#### Export Sliced Veneer Prices

Sliced Veneer, FOB	Euro per sq. m	
	Face	Backing
Afrormosia	2.00	0.91
Asanfina	3.00	0.75
Avodire	1.60	0.34
Chenchen	1.40	0.36
Mahogany	1.80	0.72↓
Makore	1.80	0.80
Odum	1.13↓	0.40

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	415	590↑	641
6mm	487	535	610↓
9mm	407	450	613
12mm	369	463	480↑
15mm	400	397	430
18mm	282↓	417	370

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

#### Export Sawnwood Prices

Ghana Sawwood, FOB FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	492	564
Ceiba	297	368
Dahoma	419	455
Edinam (mixed redwood)	537	599
Emeri	480	535
African mahogany (Ivorenensis)	810	970
Makore	710	831
Niangon	610	873
Odum	755	862
Sapele	680	763
Wawa 1C & Select	395	440

#### Export Added Value Product Prices

Parquet flooring 1st grade	FOB Euro per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	9.00	11.33	13.00
Hyedua	13.00	18.22	16.30
Afromosia	13.72	13.93	17.82

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

## Malaysia

### Look beyond traditional markets to expand exports

The Malaysian International Furniture Fair (MIFF) has become a major fixture for the international furniture trade for many years. The 12th MIFF was held recently in Kuala Lumpur and the organiser, UBM Malaysia, said visitors from around 130 countries attended, a good measure of the international appeal of MIFF.

Speaking at the opening, Minister of Plantation Industries and Commodities, Douglas Uggah Embas, urged the furniture industry to develop imaginative export strategies and look beyond the traditional markets so as to whether the current global financial turmoil. He said emerging markets in ASEAN and Asia Pacific have high growth potential.

### Weak demand in major markets dampens Sarawak export performance

The export performance of Sarawak wood products for the first quarter of 2016 weakened by around 2% to RM1.62 billion compared to RM1.65 billion during the same period in 2015. This said the Minister was mainly the result of a slump in global demand.

The decline was most obvious in the main importing countries such as Japan, Taiwan P.o.C, China, Thailand and Middle East countries.

The value of first half 2016 plywood exports, the main wood product exported from Sarawak, fell almost 14% to RM791.5 million. In view of this, said the Minister, the state government was considering measures to support exporters such as strong promotion of the Sarawak Timber Legality Verification System (STLVS) to drive international recognition.

### Sharp drop in Sabah sawnwood exports

The latest data from the Sabah Department of Statistics showed exports of 56,885 cu m of sawnwood in the first four months of the year valued at RM 109,192, 729. Over the same period last year, Sabah exported 77,953 cu m of sawnwood valued at RM 130,824,784.

In the period January to April 2016, Sabah exported 187,180 cu.m of plywood valued at RM 359,208,744 compared to the 192,690 cu.m valued at RM 336,442,072 exported in the same period in 2015.

### Endorsement for Malaysia's latest MC&I for Forest Plantations

A press release from PEFC has reported that the Malaysian Criteria and Indicators (MC&I) for Forest Plantations, as complementary to the Malaysian Timber Certification Scheme (MTCS) which includes the MC&I for Natural Forests has been endorsed.

The endorsement of this second edition of the MC&I for Forest Plantations, which is designed to assess the management practices for, and enable the certification of, forest plantations, follows the re-endorsement of the MTCS in 2014.

PEFC says "These re-endorsements show both the commitment of our members and underlines PEFC's leadership in the continuous improvement of forest certification, we appreciate Malaysia's continued commitment, as well as the contributions of all the stakeholders who have participated in the standards revision and assessment processes."

See:

<http://www.pefc.org/news-a-media/general-sfm-news/2143-german-system-and-malaysian-forest-plantation-standard-achieve-pefc-re-endorsement>

## Indonesia

### Indonesian FLEGT wood products possible by year end

Vincent Guerend, the EU Ambassador in Indonesia has outlined the process through which the European Parliament and the European Council will undertake a process that will ultimately lead to confirmation that Indonesian timber products satisfy the EU's legality standards.

This process must be undertaken before any FLEGT licensed shipments can be made to EU member states.

Guerend said the process started in the middle of June and will continue for around two months. The process is expected to run without problems and it is anticipated that after 90 days of confirmation Indonesian FLEGT timber shipments will begin.

### Past mistakes in forest management costing millions to correct says Vice President

Indonesia's Vice President, Jusuf Kalla, has had harsh words on Indonesia's past forest management saying the forests were exploited in the hope that poverty would be eliminated but only a few prospered and the impact on the environment was so severe that it is costing trillions for forest rehabilitation.

This opinion was voiced during the launch of Environment and Forestry Week in Jakarta. The Vice President said despite there being appropriate regulations forests were recklessly exploited.

The Vice President made the point that this mistake was as much the responsibility of Indonesia as the importing countries which paid scant regard to the impact of heavy harvesting. Indonesia has launched several programmes to restore Indonesian forests such as the 1-million hectare movement, the 1-billion tree programme and efforts on forest rehabilitation.

### Tax amnesty bill adopted

After prolonged debate and consideration Indonesia has adopted a tax amnesty bill that it anticipates could result in billions of off-shore and untaxed dollars coming back to the country.

Many wealthy Indonesians have kept money overseas but now those willing to declare their untaxed savings would be taxed at a rate of between 2-10%, far below the 30% top income tax rate. The Minister of Finance, Bambang Brodjonegoro, has said all money coming back home would give a boost to economic growth and would be channeled to infrastructure developments.

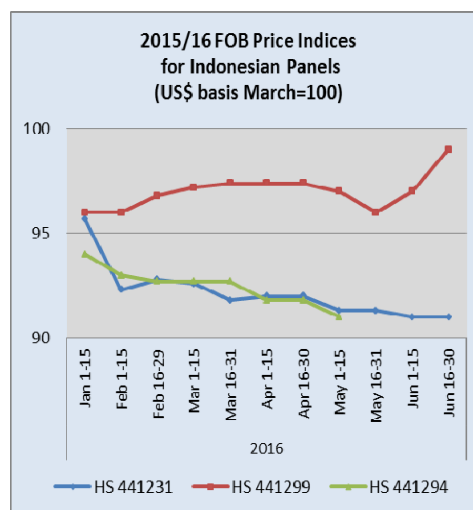
### Indonesian cities growing faster than in neighbouring countries

According to a recent study by the World Bank, Indonesia is undergoing a transformation from a rural to an urban economy. The country's cities are growing faster than in other Asian countries at a rate of 4% per year. The impact of this rapid rate of urbanisation will alter trade patterns for wood products since domestic demand will expand.

The Bank report estimates that by 2025 Indonesia can expect to have almost 70% of its population living in cities. This, says the Bank, could lead to higher economic growth through formal employment and from the better labour productivity that generally results from urbanisation.

The report notes that every 1% growth in urban population correlated with a per capita GDP increase of 13% in India, 10% in China, and 7% in Thailand.

For more see:  
<http://pubdocs.worldbank.org/en/45281465807212968/IDN-URBAN-ENGLISH.pdf>



Data source: License Information Unit in <http://silk.dephut.go.id/>

## Myanmar

### Protecting and rehabilitating remaining natural forest the biggest challenge

The Minister of Natural Resources and Environmental Conservation (MONREC), Ohn Win, has spoken in an interview with 7Day News of Myanmar on the challenges for his administration. The first point made was how to protect the remaining natural forests and secondly, is it possible to rehabilitate degraded forests so as to restore some lost forest cover?

These two challenges, said the Minister, are closely related to ending the illegal timber trade. At the same time as efforts are made on forest protection and restoration parallel efforts must be made to repair and recovery waterways and dams and improve watershed management.

One first step in controlling illegal felling will be regulation of the import and sale of chainsaws. This is intended to counter the growing illegal timber trade, which say many experts, stems from poverty and weak law enforcement.

MONREC plans to undertake a field resource inventory and follow this up with satellite mapping to be repeated at periodic intervals.

### MTE to sell log stocks to sustain domestic production

During the one-year suspension of log extraction the Myanmar Timber Enterprise (MTE) is proposing to sell around 400,000 H.tons of logs.

Of the total, 30,000 H.tons of teak and over 300,000 H.tons of other hardwoods will be sold and priced in US dollars while 9,000 H.tons of teak and around 60,000 H.tons of other hardwoods will be sold and priced in the domestic currency.

**Emphasis to be on raw material processing for export**  
 Commerce Minister, U Than Myint, has said, while foreign trade appears set to resume the generally upward trend of the past five years, efforts will be made to change in the range of imported goods.

Over recent years there has been a surge in imports of construction materials driven by demand for buildings by foreign investors. The Minister said he would now prefer to see the country both producing and importing raw materials to be processed for export.

The Minister said the aim of the government is to focus on boosting agricultural exports and value-added manufactured goods. To make this a reality, he said, it may be necessary to amend some laws and regulations to make exporting easier.

**New FDI for plywood and veneer**

The Myanmar Investment Commission at its first meeting approved 8 investments. One of the successful applicants in timber sector is CO2 Solution Company Limited which proposes production of high quality veneer and plywood.

This approval comes at a time when logging has been suspended across the country so analysts ask where the company will secure raw material if it continues with the investment.

**Local investor face high interest rates**

Domestic companies find it very hard to secure financing and even if they do then interest rates are so much higher than the rates that investors in Myanmar can obtain off-shore.

Myanmar banks apply interest rates in the region of 12% while overseas banks offer much lower rates. The disparity in rates is a handicap for domestic companies.

**Latest teak log auction prices**

Grade	H.tons	Avg US\$/H.ton
SG-2	-	-
SG-4	65	3,500
SG-5	51	2,480
SG-6	-	-
SG-7	-	-

**Inflation rate trends down**

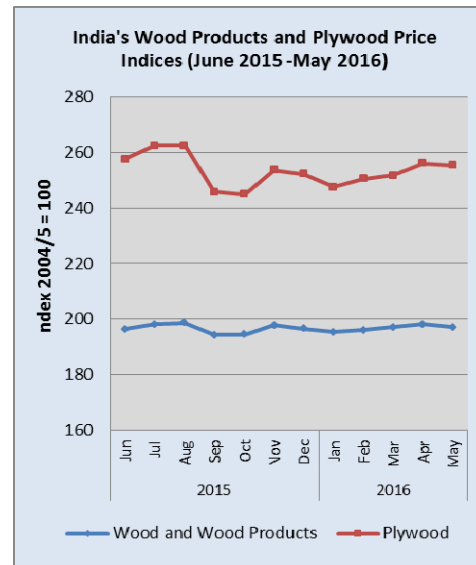
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for May rose to 179.4.0 from 177.0 in April. The year on year annual rate of inflation, based on monthly WPI, stood at 0.79% (provisional) in May 2016 compared to 0.34% in April. Year to May inflation was -2.2%.

For more see: <http://eaindustry.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

**Commercial real estate offers opportunities**

A new study from Cushman and Wakefield points out that it is not only the family housing sector that offers opportunities in India. Commercial real estate in India is said to offer investment opportunities especially in the top tier cities such as Mumbai, Delhi-National Capital Region, Bengaluru and Pune. The study highlights Real Estate Investment Trusts (REITs) as the recommended product.

A real estate investment trust (REIT) is commonly a private sector vehicle attracting investment in income-producing real estate such as office buildings, shopping malls, apartments, hotels, resorts, and warehouses.

For more see: <http://realty.economictimes.indiatimes.com/news/commercial/reit-eligible-commercial-realty-market-in-india-estimated-at-43-54-billion-rics-cushman-wakefield/52433726>

### Currency markets un-nerved by RBI news

The Indian rupee began a downward slide against the US dollar on news that Reserve Bank of India Governor, Raghuram Rajan, will leave the post in September.

Markets had anticipated he would stay on for a second term. The rupee seems set for a period of volatility until a replacement is named. As of mid-June the rupee was down around 0.75% against the dollar.

The Indian rupee was dealt a further blow on news that Britain will leave the EU. The Rupee fell to 68 to the dollar, its lowest level since February, but recovered slightly.

### Dangs division auction results

Log auctions at North and South Dangs Forest Depots attracted brisk buying.

With Myanmar teak likely to become more difficult to secure domestic mills are actively buying domestic teak. The renewed interest in domestic teak lifted prices for both teak and other hardwoods. Some 4,500 cubic metres of teak and other hardwoods were auctioned.

Teak logs	Per cubic foot
A for sawing	Rs.2500+
B or sawing	Rs2400-.2500
A Long length logs	Rs.2100-2200
B Long length logs	Rs 2000-2100
Long length, Medium Quality	Rs 1800-1900
Short Length, Medium Quality	Rs 1500-1700
Short Length, small logs	Rs1100-1200

Price range depends on quality, length and average girth of logs.

Some ungraded logs were sold at Rs. 900-1,000 per cubic foot. Good quality non-teak hard wood logs, 3 to 4 metres long having girths of 91cms or more of haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium* attracted prices in the range of Rs.800-1,000 per cubic foot while medium quality logs sold for Rs.400-500 per cubic foot.

### Plantation teak prices

The current pace of deliveries matches demand thus C&F prices remain 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

Price range depends on quality, length and average girth of logs.

Plantation teak imports via Kandla Port during fiscal 2015-16 are shown below.

	Cu.m
Benin	39,289
Brazil	33,717
Columbia	2,387
Costa Rica	40,764
Ivory Coast	26,652
Ecuador	63,571
Ghana	40,201
Guatemala	2,198
PNG	6,555
Myanmar	1,629
Nigeria	2,520
Panama	20,650
Sudan	16,771
Tanzania	10,427
Togo	10,872
Uganda	1,289

#### Prices for locally sawn hardwoods

The US dollar/Rupee exchange rate continues to trade in a narrow band allowing importers to maintain past price levels.

Sawnwood	Rs
Ex-mill	per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1350
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

#### Myanmar teak flitches resawn in India

Ex-mill prices for sawn teak remain unchanged.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-15000
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

Overall, prices remain unchanged except for American walnut for which firm demand resulted in an upward pressure on prices.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2100-2150
American Walnut	4000-4400
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

#### Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	41.55
6mm	55.00
9mm	70.00
12mm	86.00
15mm	114.50
18mm	120.00

#### Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.21.00	Rs.31.00
6mm	Rs.31.80	Rs.40.00
9mm	Rs.40.00	Rs.48.50
12mm	Rs.49.00	Rs.58.50
15mm	Rs.59.50	RS.71.50
19mm	Rs.67.80	Rs.80.00
5mm Flexible ply	Rs.42.00	

### Brazil

#### IBA requests strengthening of export policy

The Brazilian Tree Industry Association (Indústria Brasileira de Árvores, IBA) has called for the urgent development of new government initiatives to support Brazilian manufacturers and exporters saying that measures were needed to stimulate the economy and speed the recovery of the forestry and wood processing sectors. This call came at a meeting of private sector entrepreneurs and the Federal Government.



According to IBA, the pulp, paper and wood-based panels sectors are making considerable efforts to increase exports as domestic demand is weak. In addition to an overall policy IBA called for measures making access to credit easier and to speed up infrastructure improvements.

At the meeting with the government, the private sector also stressed the need to stimulate domestic consumption and reduce interest rates.

#### **Association says Bolivia's new import regulations disadvantage furniture exporters**

The Bolivian government has introduced new procedures for imports including wooden furniture. The new law, Supreme Decree No. 2752, comes into force on 1 July 2016.

Bolivia is one of the main export markets for Brazil's wooden furniture and in 2015 wooden furniture manufacturers in Bento Gonçalves exported more than US\$1.5 million to Bolivia.

Export statistics for the five months to May 2016 indicate that exports to Bolivia grew more than 30% compared to the same period in 2015 lifting Bolivia into the top ten export destinations for Bento Gonçalves manufacturers.

The Bento Gonçalves Furniture Industry Union (SINDMOVEIS) has appealed to the Ministry of Development, Industry and Foreign Trade (MDIC) saying this action by Bolivia could seriously affect furniture manufacturers in Bento Gonçalves and in the State of Rio Grande do Sul.

The Bolivian decree imposes various administrative procedures and the prior authorisation of furniture imports which, says SINDMOVEIS is discriminatory. SINDMOVEIS has suggested that the same rules as applied for the Andean community should be extended to the Southern Cone Common Market (MERCOSUR).

#### **May export performance**

In May 2016 the value of Brazil's wood product exports (except pulp and paper) fell 1.6% in compared to May 2015, from US\$231.7 million to US\$228.1 million.

On the other hand, pine sawnwood export values rose just over 10% between May 2015 (US\$25.5 million) and May 2016 (US\$28.1 million). In terms of volume, exports increased 36% over the same period, from 111,900 cu.m to 152,300 cu.m.

Tropical sawnwood exports also increased in May rising 11% in volume, from 29,200 cu.m in May 2015 to 32,500 cu.m in May 2016. But the value of exports increased by just 4% from US\$14.8 million to US\$15.4 million, over the same period.

The plywood export performance was mixed with pine plywood exports falling 3% in value in May 2016 in comparison with May 2015, from US\$35.6 million to US\$34.5 million.

However, the volume of pine plywood exports increased almost 33%, from 99,100 cu.m to 131,700 cu.m, during the same period.

As for tropical plywood, export values and volumes both increased. Export volumes rose 27% from 9,500 cu.m in May 2015 to 12,100 cu.m in May 2016 while the value of exports increased almost 9% from US\$4.6 million to US\$5 million, during the same period.

As has been the general trend over recent months, wooden furniture export values dropped from US\$38.7 million in May 2015 to US\$36.2 million in May 2016, a 6.5% decline.

#### **Mobile application for timber tracking**

The Brazilian Forest Service (SFB) has launched an application for smartphones and tablets that allows timber tracking and concession production. The application utilises available information from Brazil's 2015 Chain of Custody System (CCS).

The CCS captures information on standing trees in approved logging concessions. When any tree is felled within the sustainable forest management regime the forest concessionaire is required to provide information to the CCS. All transport of logs from forest to industry is also registered in the system. At a sawmill sawn output is bundled and each bundle is provided with an identity tag (QR Code) generated by the CCS.

The CCS system can retrieve data on processed logs and produces geographic coordinates for logs and sawnwood.

The SFB says the aim of this application is to provide transparency on forest concessions activities to improve the confidence of timber buyers that the material being offered for sale can be tracked through the system to demonstrate legality. This is important in the domestic and international market where verified legal timber is now demanded.

#### **Domestic Log Prices**

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	168▲
Jatoba	93▲
Massaranduba	97▲
Muiracatiara	100▲
Angelim Vermelho	92▲
Mixed redwood and white woods	79▲

Source: STCP Data Bank

#### **Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	778▲
Jatoba	383▲
Massaranduba	358▲
Muiracatiara	374▲
Angelim Vermelho	328▲
Mixed red and white	208▲
Eucalyptus (AD)	190▲
Pine (AD)	134▲
Pine (KD)	153▲

Source: STCP Data Bank

**Domestic Plywood Prices (excl. taxes)**

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	519▲
10mm WBP	407▲
15mm WBP	354▲
4mm MR	465▲
10mm MR	344▲
15mm MR	318▲

Prices do not include taxes

Source: STCP Data Bank

**Prices For Other Panel Products**

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDParticleboard	230▲
15mm MDF	308▲

Source: STCP Data Bank

**Export Sawwood Prices**

Sawwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipe	1416
Jatoba	925
Massaranduba	737
Muiracatiara	720
Pine (KD)	197

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)	309
12mm C/CC (WBP)	281
15mm C/CC (WBP)	278
18mm C/CC (WBP)	274

Source: STCP Data Bank

**Export Prices For Added Value Products**

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,636
Jatoba	1,538

Source: STCP Data Bank

## Peru

**Minagri lists species for commercialisation**

The Ministry of Agriculture and Irrigation (Minagri) has, through a resolution of the National Forest Service and Wildlife (SERFOR), released an "Official List of Forest Species for Exploitation for Commercial Purposes".

This is in support of improved management and administration of forest resources at the national level and to facilitate monitoring forest inventories and timber movements along the supply chain.

The added advantage of the listing will be that more reliable information will be available for the National Forest Information System used to generate more reliable and extensive data for planning.

**Guidelines on processes for granting of forest concessions**

The Forestry and Wildlife National Service (Serfor), in coordination with the Scientific University of Peru Iquitos,

the Regional Government of Loreto and the College of Engineers of Peru recently concluded a training event aimed at strengthening the capacity of professionals for the development and implementation of forest management plans to ensure the sustainable utilisation of forest resources.

At this event framework guidelines were developed for the processes of granting of forest concessions through the public bidding processes conducted by The National Forest and Wildlife Service (Serfor).

The Serfor Directorate said these guidelines will contribute to the sustainable management of the country's production forests.

**Export Sawwood Prices**

Peru Sawwood, 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 Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	474-564
Grade 2, Mexican market	426-467
Cumaru 4" thick, 6'-11' length KD	
Central American market	875-917▲
Asian market	919-973
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 Sawwood Prices**

Peru sawwood, 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

Product	US\$ per m <sup>3</sup>
Peru, Domestic Particleboard	282
1.83m x 2.44m x 4mm	230
1.83m x 2.44m x 6mm	204
1.83m x 2.44m x 12mm	

### Export Prices for Added Value Products

Product	US\$ per m <sup>3</sup>
Peru, FOB strips for parquet	1296-138
Cabreuva/estoraque KD12% S4S, Asian market	
Cumaru KD, S4S Swedish market	962-1095
Asian market	1069-1112
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

### Brexit vote shatters economic gains of past 2 years

Two issues are dominating the news in Japan at the moment, the national election scheduled for 10 July and Britain's decision to leave the European Union which, since the referendum result was announced, has dominated the news.

The UK decision to leave the 28 member EU has impacted stock markets around the world but perhaps most hurt is Japan because 'Brexit' has caused the yen to strengthen as money poured into the safe-haven yen. A strong yen undermines the competitiveness of Japanese exporters upon which the economy relies heavily.

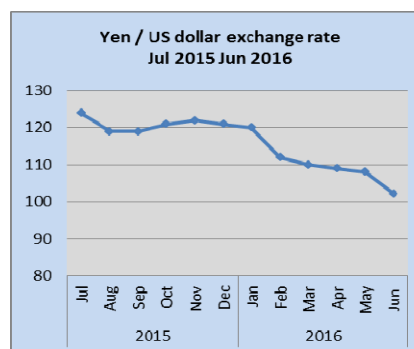
Unfortunately the Bank of Japan is not well positioned to adopt traditional monetary support measures as these have been exhausted already; only unconventional tools remain.

### Yen volatility

In the days after the result of the UK referendum was announced the yen soared in value against the US dollar tipping almost 88 to the dollar at one point. Comments from Japan's Finance Minister and the Bank of Japan Governor that this super strong yen would not be tolerated had the desired effect.

Sensing government intervention money moved out of the yen and the exchange rate settled at around 102 to the dollar. However, even at this rate of exchange exporters are feeling a pinch as most business plans anticipated an average exchange rate for the year of around 105 to the dollar.

The coming months of uncertainty will weigh heavily on the Japanese economy with only importers enjoying a buying spree for the time the yen remains strong.



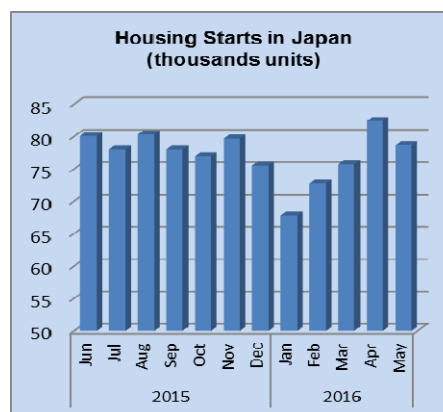
### Chilly election fever

In the face of the current economic crisis neither the ruling LDP nor the opposition has been able to find a campaign message to energise voters and it is possible, say political commentators, that the LDP could secure a majority in the Upper House thus not having to rely on its current coalition partner, New Komeito. If this is the case then the LDP would secure its first overall Upper House majority in almost 30 years.

### Housing starts unexpectedly high

May housing data released by the Ministry of Land, Infrastructure, Transport and Tourism were unexpectedly robust coming in at just over 78,000 units, well up on levels in May 2015. Month on month May starts were down but the April figure was something of an anomaly.

The impact of the Bank of Japan's negative interest rate stance has meant that commercial banks are pushing home loans at give-away interest rates. Apartment prices in the main cities have risen sharply but the impact in the rural communities has been more subdued.

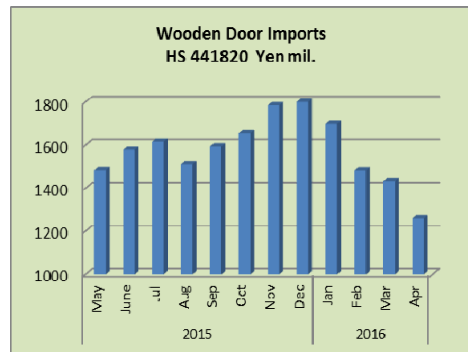


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

## Import round up

### Doors

Japan's wooden door imports in April marked a new record low and continued the downward trend that began in January this year. Year on year wooden door imports were down 18.5% in April and from a month earlier imports dropped 12%.

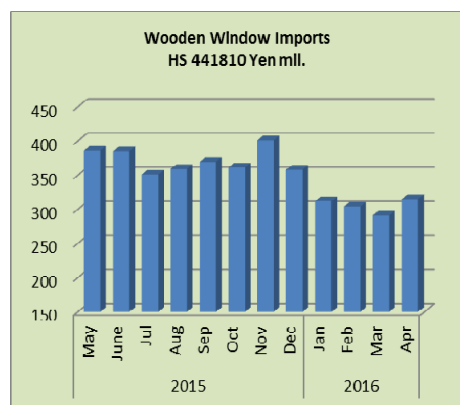


Data source: Ministry of Finance, Japan

### Windows

Japan's wooden window imports rebounded in April rising around 8% on levels in March. However, year on year wooden window imports in April were down 20%.

The top three suppliers remain China, Philippines and the US. Together these accounted for over 85% of April 2016 imports of wooden windows.



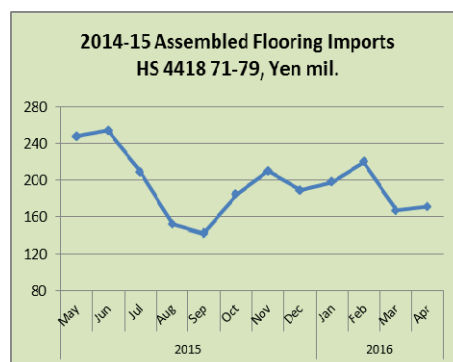
Data source: Ministry of Finance, Japan

Please note the value of March 2016 wooden window imports was incorrect in the previous ITTO report. The figures are included in the graphic above.

### Assembled flooring

Assembled flooring imports have struggled to regain levels in early 2015 and at current levels are about half of the value recorded in the first half of 2015.

Year on year April 2016 imports were up around 12% but compared to March there was only a 2% rise. In the current market conditions in Japan any upward movement is encouraging.



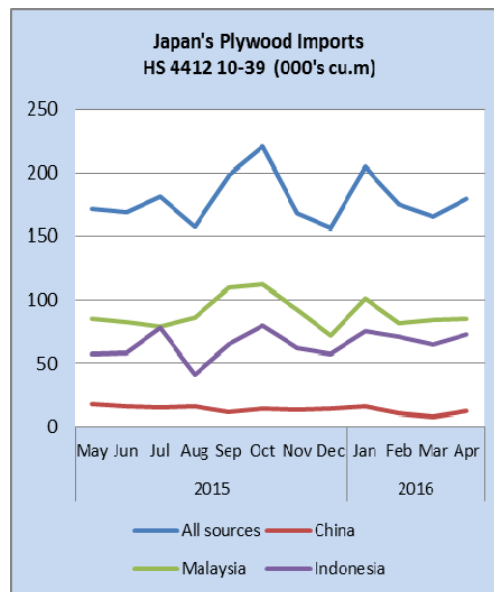
Data source: Ministry of Finance, Japan

### Plywood

Trends in total plywood imports into Japan over the past 12 months are illustrated below. The peaks and troughs in total plywood imports reflect a variety of factors amongst which currency movements loom large.

Malaysia and Indonesia were the main suppliers of plywood to Japan with imports from China trailing at around 25% of those from the top suppliers.

Imports of plywood from Indonesia in April picked up to the second highest over the past 12 months but are still some 10-15% below average monthly volumes from Malaysia.



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
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72

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>

### Forestry White Paper

The 2015 Forestry White Paper submitted to the Diet describes the movement of Japanese forestry, forest industry and wood industry in 2015 with the policy for 2016.

Topics are that degree of wood self-sufficiency was 31.2%, first recovery over 30% after 26 years, use of domestic wood for facilities of the 2020 Tokyo Olympic Games was officially decided Japanese cedar and larch were used for the Japanese pavilion at Milano International Fair in 2015. These indicate possibilities of new wood utilization.

Another new move is that new techniques are adopted for building of hotel with CLT and four stories wood building with two hour fire proof materials.

Regarding wood biomass power generation facilities based on FIT system, economic revitalization of local mountain villages is expected but the issue is to secure stable procurement of fuel. Use of forest residues and thinning in 2013 was 1,120,000 cbms then increased to 1,680,000 cbms in 2014.

Other topics in 2015 are that Japan indicated target of reduction of global warming gas by 26% by 2030 compared to 2013 at COP 21 of Paris agreement in 2015, out of which 2.0% is covered by forest absorption.

Japan achieved target reduction of 3.8% by forest absorption set at the Kyoto Protocol and now it is aiming reduction of 2.7%. To realize such forest absorption, subsidy for thinning harvest is important but Forest Agency's budget for such subsidy has been decreasing year after year so to secure stable revenue, White Paper suggests introduction of Forest Ecotax.

### Revision of Forestry law

At the session of the Diet, law to revise a part of Forestry law was approved on May 13 then on May 24, basic plan of new Forest and Forestry was approved at the Cabinet meeting. Basic plan shows direction of policies on forest and forestry for next five years and a part of Forest Law is revised to perform policies concretely and they will start in April 2017.

By the new Forestry law, there is difference of degree of wood self-sufficiency by 50% by 2020, which is postponed by five years with new target of 51% by 2025. To achieve the target, one of the issues is stable supply of logs.

Preferable measure is that organizations of wood industry collect logs or log markets collect logs from log suppliers and steadily deliver logs to lumber and plywood mills. Another system is that lumber and plywood mills participate log harvest and supply logs by themselves.

In those, law to support mills' subjective log procurement is revision of part of special treatment law regarding stable supply of wood.

Revision is that log supply plans beyond individual prefecture can be approved by the Minister of Agriculture, Fisheries and Forestry so that mills are able to collect logs from much wider areas and that wood biomass users can be added to business plan.

The plan says it is desirable that lumber and plywood mills get into forest management and to promote this idea, forest boundaries by each owner should be clearly clarified.

For this purpose, each local cities and villages maintain account book of forest owners and publicize. This prevents increasing forest properties, which are ownerless or unknown who owns it.

Also the new plan states wood utilization is based on cascade use and unused wood and thinning should be used for wood biomass power generation, which should prevent using A class and B class logs suitable for lumber and plywood manufacturing as fuel.

#### **Mutual approval of SGEC and PEFC**

SGEC, Japanese forest certification system run by the Sustainable Green Ecosystem Council has been working to reach mutual approval with the international authorization system, PEFC then on June 3, official agreement is made.

Ones with either SGEC or PEFC certificate are allowed to use both logo marks after necessary examination. From now on, SGEC and PEFC activities in Japan are managed by the SGEC and it will make contract to use logo marks and public notice of COC certification.

The largest change for ones, which have SGEC certificate is COC certificate fee. It has been only 10,000 yen a year for SGEC members but now it will be the same as PEFC.

For ones, which sales are over 50 billion yen, annual fee will be 400,000 yen, same as PEFC's annual fee from present 10,000 yen. Another change for ones with SGEC certificate is it is necessary to have contract to use logo marks.

SGEC's logo marks can be used without any contract but now contract needs to be made with SGEC to have license number so that each logo has the number. Application of the contract will start in July.

Also PEFC certified wood cannot have SGEC logo on imported wood but ones with PEFC COC certificate, which wish to handle domestic wood with SGEC logo mark, contract to use logo can be made with SGEC's examination at the time of renewal. Ones, which wish to use PEFC logo when domestic wood is exported, another contract to use PEFC logo has to be made after regular examination.

#### **Wood biomass statistics start**

The Forestry Agency will newly start wood biomass energy utilization survey. This is to investigate actual utilization of wood biomass through users of wood biomass fuel like wood chip, wood pellet, sawdust and firewood for power generation and boiler.

This will be official statistics of demand for wood biomass fuel. Since there are increasing number of users of wood biomass recently, this survey would tell actual demand of wood biomass used for power generation, co-gen boiler and combined use of biomass with coal for FIT and RPS system.

This is the first official survey and will be used by the Forestry Agency as a part of information the Forestry Agency makes up every year of wood demand statistics and forestry basic planning.

This is statistics based on the statistical law with the Minister of Internal Affairs' approval and the survey will be made periodically and be publicized to grasp actual condition of use of domestic wood biomass.

The first survey will be made through owners of power generator and boiler as of December of 2015 to find out operational condition, amount of fuel use by type of fuel based on bone dry ton and whether it is co-gen or not.

The questionnaires are sent by mail or E-mail through local government offices. Collected data will be disclosed once in this summer then the final will be disclosed in December 2016.

Wood and building materials manufacturers have been tackling utilization of biomass such as waste wood for power generation and heat for many years then biomass power generation plants mushrooms after FIT system started, which increases demand for biomass sharply.

This helps disposal of low grade logs and wood chip manufacturers but meantime, existing industry like wood fiberboard manufacturers suffer shortage of raw materials with higher prices so there are strong demand to find out actual demand of biomass fuel by the area. As to import biomass fuel, it is revealed by the trade statistics made by the Minister of Finance.

#### **Ministry assists house builders for overseas development**

The Ministry of Land, Infrastructure and Transport starts new business of supporting house builders' overseas development. It backs up introduction of Japanese house building technique, equipment and materials and technical proposals of housing projects.

It plans to give subsidy of one half of expenses the Japanese house builders' dealing on offers on building technique, building materials and equipment. It has been analyzing housing and construction condition in ASEAN and Asian countries so it offers cooperation to prepare building standard law in each country and helps supply houses. It will invite house builders and contractors publicly after it disclose the business plan.

#### **Plywood**

Domestic softwood plywood supply continues tight particularly on thick panel. In late March, the movement started weakening then in early April, Akita plywood had fire and one plant burned down so that the supply got tight. In middle of April, Kumamoto area had strong earthquake and local plywood mills are busy to deal with local demand. With all these factors, speculative movement started all over Japan. Not only large precutting plants but local small precutting plants got busy since last May.

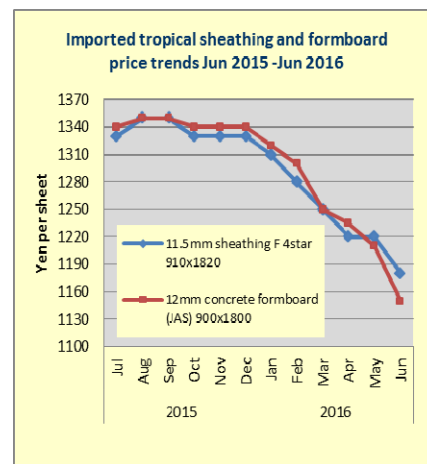
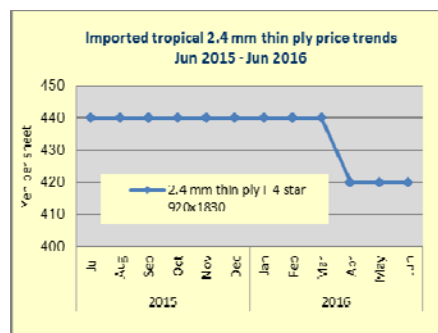
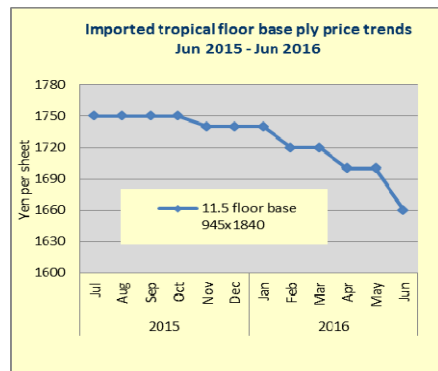
Rise of actual demand and speculative demand exceeded the supply, which results in shortage of supply on some items like thick panel.

Operation of precutting plants is expected to get busier so the demand seems to increase all over Japan. Thus, some manufacturers are asking higher prices since June, 10 yen per sheet up on 12 mm and 20 yen up on thick panel.

Softwood plywood production in April was 237,000 cbms, 6.5% less than March. Monthly average production during January and April 2016 is 237,700 cbms as compared to 215,700 cbms for the same period of last year. Meantime, April shipment was 247,000 cbms, 17.6% more than April last year and 3.7% more than March. The inventories were 122,800 cbms, 10,000 cbms less than March.

Imported plywood market has hit the bottom but there is very little change in the movement. In Tokyo market, some items are short in supply.

By March, the importers and wholesalers have disposed on the inventories considerably so the overall inventories are down now. The arrivals appear to stay low so once the demand picks up, sharp rebound of prices is likely to happen. The movement is expected to improve in June.



## China

### Government stimulus still the main driver of growth

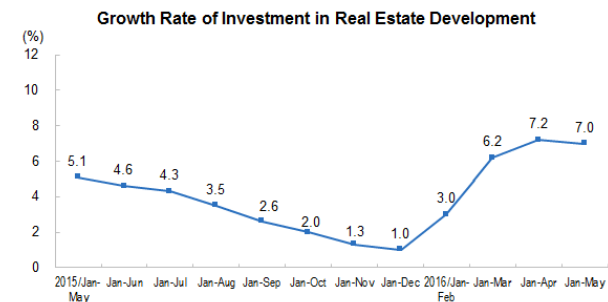
May data on house prices and retail sales, two indicators of economic trends, have been released by China's National Bureau of Statistics (NBS) and both show that the economic stimulus measures being undertaken by the government are still driving the economy in the right direction even though there has been some cooling in the rate of growth.

See:

[http://www.stats.gov.cn/english/PressRelease/201606/t20160622\\_1369871.html](http://www.stats.gov.cn/english/PressRelease/201606/t20160622_1369871.html)

The modest recovery in China's housing market in the first five months of this year has supported the economy but the pace of house price increases has started to slow.

NBS statistics show, compared to a month earlier, May house prices in 70 medium and large-sized cities declined in 4, increased in 60 and were flat in the others. Year on year house prices fell in 18 cities and rose in 50.



If house prices continue to ease the government may try on boost home sales in places where sales have been below average or turn to other drivers to boost the economy. Prospects for new home building dampened in the first five months of this year as investment in real estate development increased only slightly and was down year on year.

### Moving from an export driven economy

Retail sales now contribute significantly to China's economic growth reflecting government policy to shift from an export-driven. From January to May retail sales of consumer goods in urban areas was up by 10.1% year-on-year and that in rural areas up by 10.9% year-on-year.

Online sales in the first five months rose almost 28% year on year with much of this coming from sales to rural households.

See:

[http://www.stats.gov.cn/english/PressRelease/201606/t20160613\\_1366870.html](http://www.stats.gov.cn/english/PressRelease/201606/t20160613_1366870.html)

### Rise in plywood output in Guangdong

According to local analysts plywood output in Guangdong Province increased by around 30% to 1.38 million cubic metres between January and May 2016. Plywood output grew by over 20% to 254,300 cubic metres in May alone. Analysts attribute this rapid expansion to efforts by the government to stimulate sales of the huge housing stock.

At present, the average price for 2.4m×1.20m×15mm plywood is RMB60-85 per sheet at the Guangxi market and RMB75-103 per sheet for 12mm panels.

### Rise in rubberwood imports

According to data from China Timber and Wood Products Distribution Association, rubberwood imports started to rise in 2005. At that time the proportion of rubberwood to other hardwood imports stood at around 19%. This had jumped to over 30% by 2015. China's rubberwood imports from Thailand in 2015 were 3.05 million cubic metres, a year on year increase of 37%.

### Labour shortage hits manufacturers

The labour pool in China continues to decline and labour-intensive wood product manufacturers are finding it hard to secure workers. As long ago as 2012 the government had alerted labour intensive industries in China that the pool of young workers was declining rapidly and would continue to do so.

Currently it is difficult for Guangdong furniture factories to recruit workers even when offering RMB 4,000 to RMB 5,000 per month. When surveyed, workers said that as they have achieved a stable way of life they can now pay more attention to working conditions, welfare and of course wages.

### Container traffic trial at Hengyang Port

A trial handling of container traffic is set to be undertaken at Hengyang Port. Until now this river port did not handle containers. The port of Hengyang is located in southern Central China midway down the Yangtze River.

The first container routes will be Hengyang to Shanghai. The port facilities have been expanded at a cost of around RMB130 million and container handling capacity has been created.

The Hengyang-Shanghai route is the first natural waterway container route from Hengyang city to the Yangze River Delta region. Vessels will depart from Songmu harbour district to Changsha, Yueyang, Wuhan, Jiujiang, Anqing, Nanjing cities, arriving at Shanghai Port after 10 days.

### Changzhou flooring makers target rural market

According to sources in Changzhou city, the main export markets for wooden flooring from the city are the US, Russia and Canada. The value of Changzhou flooring exports to these three countries was USD180 million in 2015 with over 30% destined for the US market.

However, the volume of flooring exports from Changzhou has been declining in recent years as flooring enterprises turn to the domestic markets and sell with the internet. Manufacturers in Changzhou have found a buoyant market in rural China for their flooring and e-sales topped RMB1.5 billion in 2015 with significant sales recorded in Henglin Town.

The Henglin Town administration is striving to create public awareness of 'green' home furnishing and wants to establish an integrated platform for sales, inspection, testing and manufacturing cluster innovation.

### New timber quarantine treatment facility opens

It has been reported that the first phase of the national timber quarantine treatment zone in Yancheng City, Jiangsu province has come into operation. This facility is the first with a fully enclosed wood fumigation pesticide treatment plant. The facility has an annual handling capacity of 3 million cubic metres of timber. Now imported timber from around the world can be shipped and treated at Dafeng Port making it the largest timber processing and trade distribution centre in China's Eastern Region.

### 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	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
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	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

## Europe

### Far-reaching implications of Brexit decision

The UK's decision to leave the EU – so-called “Brexit” – by a narrow majority of 52% to 48% in a referendum on 23 June is already being felt in currency markets and stock exchanges around the world. The short term economic effects are already evident – a slowdown in growth, certainly in the UK which might even dip back into recession, and also in the wider EU economy.

The UK plays an important role in the EU. Whether it is the share in total population, total GDP or FDI, Britain ranks in the top three countries and Brexit has significant implications for the whole continent. The UK is also the EU's largest importer of timber from tropical countries by a significant margin.

The political impact of the referendum result has been profound in the UK, leading to the immediate resignation of the UK Prime Minister while both the party of government and official opposition has descended into turmoil and a rancorous debate over what should come next.

The survival of the UK as a political entity is itself threatened as the nationalist First Minister of Scotland, which voted overwhelmingly to remain in the EU, is now seeking a new referendum on leaving the UK so that an independent Scotland may be free to remain as part of the EU.

Divisions have emerged within the EU between those Member States and EU institutions that believe the UK

should initiate the so-called “Article 50” procedures (set out in the EU’s 2007 Lisbon Treaty) for withdrawal within a matter of days to avoid prolonging uncertainty, and those prepared to give the UK breathing space to allow a newly appointed government to work through the implications and plan for an orderly departure.

#### **Speculation about when, or if, the UK will leave the EU**

There is still speculation that the UK may never actually leave the EU. An on-line petition has been signed by more than 2.5 million people calling for a re-run of the referendum on grounds that less than 60% voted to leave and turnout was less than 75%.

The legal basis for this petition is dubious since the terms agreed for the referendum in advance were that the decision required a simple majority of those voting and not a super-majority of the voting population as a whole.

A more convincing legal argument is that, as the UK is constituted as a parliamentary democracy, MPs must still vote to implement the referendum result which, from a legal perspective, is only “advisory”. A majority of MPs may yet vote against the parliamentary motion to repeal the 1972 European Communities Act, by which it voted to take the UK into the EU, and thereby prevent the UK leaving.

At this stage, the latter scenario seems unlikely. It would be highly divisive and likely to create even deeper political conflict and prolong the uncertainty. The statements issued so far by both the UK government and jointly by the leaders of the EU Member States, assume that the UK will now act on the referendum result and leave the EU within the two-year timeframe required once the Article 50 procedure is initiated - a move now widely expected sometime between September and November this year.

It is possible the situation will change – negotiations with the EU might prove too difficult, or the economy might slide to such an extent, or the divisions between the various constituent parts of the UK become so great - that British MPs vote to try to halt the process at some stage.

In that event of course, it’s unlikely that the rest of the EU would be sympathetic to back-tracking, and the UK’s political and financial position would almost certainly be weakened within the trading block.

#### **Uncertainty leads to sharp economic downturn**

In economic terms, the overwhelming issue is uncertainty. There are already signs that this is leading UK businesses and external investors to delay decisions until there is greater clarity and there is some settling in volatility of currencies and share-prices.

For timber importers in the UK, weakening of pound sterling to a 30-year low against the US dollar, and a 30% fall in the share value of the largest UK house builders following the referendum – are certain to result in a big decrease in buying. Whether this is short term or long term depends heavily on the progress of the challenging

political processes now underway and the extent to which the wider economy is able to ride the storm.

A key issue for the longer term is the eventual terms of any trade deal between the EU and the UK. Once the UK initiates Article 50, there would be a two-year window in which the country will maintain unfettered market access to the EU as it negotiated an exit. After that, the terms of trade will be set in a new agreement.

The UK will be pushing for the best possible deal with the EU and one which is almost certainly unrealisable. The UK is likely to ask for continued participation in the EU free market without allowing free movement of EU citizens into the UK – an issue which proved highly divisive in the referendum campaign.

The UK also wants to contribute significantly less to the EU budget but to continue to participate in development of technical standards and certain other decision making bodies.

The EU has already issued a joint statement to the effect that the UK will not be able to cherry-pick only those aspects of the free market that they like, nor to have continued access without allowing freedom of movement and without paying the full costs of membership.

What is certain is that the starting positions for negotiation are a long way apart and it will be extremely challenging to reach a mutually acceptable agreement. In fact, many EU officials and Member States are calling for the EU to impose tough conditions on UK trade with the EU to discourage leave campaigns in other EU Member States.

The UK has some points of leverage, for example with certain German exporting industries that sell a large proportion of product into the UK, but hardly seems to be negotiating from a position of strength.

#### **A likely decline in bilateral trade between the EU and UK**

It seems likely that there will be greater obstacles to UK trade with the rest of the EU in the future and that the value of bilateral flows will decrease. This will hurt the UK economy more than the EU - UK’s total exports to the EU are currently equivalent to 13% of UK GDP while the same figure for the EU is just 3%.

The imbalance could become even more pronounced when it is considered that there is likely be a reorientation of inward investment away from the UK to other European countries as it loses its status as a gateway to the single market.

There is particular concern in the UK about potential for relocation of European financial firms with offices in London - the financial sector is about 8% of Britain's GDP and the departure of these firms would make a considerable dent in the nation’s tax receipts and overall consumption and spending.

The expected decline in UK-EU trade will have less to do with tariffs – which for WTO members are relatively low across many product groups – including timber – than on other factors such as the potential for diverging product standards and a decline in cross-border business integration and investment.

#### **Immigration controls could further slow UK growth**

Anticipated tighter controls on immigration into the UK are also expected to negatively affect the national economy, reducing access and increasing costs of labour, both skilled and unskilled.

There is a strong consensus in the UK construction sector that Britain's departure from the EU will hit housebuilders' workforces hard and further slow activity in this sector. The fear of serious economic dislocation in this sector is highlighted by surveys just before the referendum which showed that over 85% of UK construction and real estate companies were in favour of remaining part of the EU.

While the UK economy is expected to be particularly badly affected by Brexit, the wider EU economy is also expected to suffer. Trade is the most direct channel through which a Brexit would hit the rest of the EU. Looking at bilateral trade, Ireland and the Netherlands, followed by Belgium seem to be the most exposed Eurozone countries to a Brexit.

A report by Germany's IFO Institute suggests that Brexit may have a dampening effect on the EU's largest economy, even before it happens. The report notes that German economic growth has been robust and was heading towards a real upswing this year.

However, that upswing is now expected to be less pronounced, due to the uncertainties many companies feel: "projects that have anything to do with Great Britain will be put on ice - they will wait before realising projects, before they decide to recruit new employees, before they carry out new investment projects".

In another sign of the impact of Brexit on the wider EU economy, company share values in both Italy and Spain fell even further than in the UK in the immediate aftermath of the referendum. These declines were fed less by concern about the direct effects of Brexit on trade flows than by concern about the political implications – particularly the potential for "populist exit contagion" in a number of other EU countries where nationalist anti-EU sentiment has been on the rise in recent years.

#### **Brexit likely to slow tropical imports in the short term**

From the perspective of the tropical wood sector, Brexit will have significant implications. The UK is now by far the largest importer of tropical timber in the EU.

If all timber-based products are included (primary raw materials, secondary processed products and tertiary products like furniture), in 2015 the UK accounted for around 25% of the total value imported into the EU from

tropical countries. This compares to 15% imported into France, the second largest EU market for tropical timber.

UK import value of tropical timber products increased by 32% from Euro 720 million in 2011 to Euro 960 million in 2015. This is in contrast to other leading EU markets for which, during the same period, tropical timber imports were either flat (Belgium) or declining (all others).

The expected economic slowdown in the UK on the back of the uncertainty after the referendum result is therefore likely to have a disproportionately large impact on the EU's imports of timber products from tropical countries.

A large part of the recent growth in UK imports of timber products from these countries has been in the form of furniture from Vietnam, Indonesia and Malaysia – a trade now likely to slow in the short to medium term.

Longer term, the prospects for tropical timber products in the UK and the EU will be partly dependent on the speed of underlying economic adjustment and partly on the terms of trade agreed.

If UK recovery is relatively swift, there may be longer term advantages for tropical timber producers (and other non-EU timber product suppliers into the UK) if the new arrangements lead to introduction of tariffs or otherwise impede trade in timber products between the UK and continental Europe's large and dominant wood product manufacturing sector..

#### **Uncertain policy implications**

There are also uncertain policy implications for the timber sector associated with Brexit. UK technical standards for the vast majority of building products are now set at EU level under the terms of the EU Construction Products Regulation.

This situation won't change any time soon, particularly as even after the UK has left the EU, UK manufacturers selling any product into the EU will have to continue to abide by EU standards. However, the UK's exit from the EU would open the door to gradual divergence of UK and EU standards for construction and other products.

The same could be said of regulatory requirements like the EU Timber Regulation (EUTR), although again it's unlikely that there will be any significant change in the terms of this regulation in the UK in the foreseeable future.

The UK in both the public and private sector has been a leading player amongst EU countries to develop measures such as the EUTR, provide political and technical support for FLEGT and promote responsible timber procurement policies. There's no reason to expect Brexit to lead to a reduction in this level of commitment, nor a reduction in co-operation between EU and UK agencies seeking to address these issues.

## North America

### Fourth consecutive decline in hardwood plywood imports

US hardwood plywood imports were down 1% in April, the fourth consecutive month-on-month decline. A total of 211,096 cu.m. were imported in April, worth US\$122.1 million. Year-to-date import volumes remain slightly higher (+1%) than in April 2015, but the value of year-to-date plywood imports decreased 7% compared to 015.

#### US hardwood plywood imports (cu.m)

	Jan-16	Feb-16	Mar-16	Apr-16	% change Yr-on-Yr
Total	268,282	259,065	234,473	211,096	-10%
China	159,586	157,064	112,275	101,187	-10%
Indonesia	36,701	30,640	37,325	23,380	-37%
Ecuador	4,563	5,354	5,386	6,679	24%
Canada	15,327	19,293	15,649	17,539	12%
Russia	23,874	23,849	32,763	33,170	1%
Malaysia	3,780	5,883	9,020	5,265	-42%
Other	24,451	16,982	22,055	23,876	8%

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

Lower plywood imports from China and Indonesia were largely responsible for lower April figures. Imports from China were 101,187 cu.m. in April, down 10% from March while imports from Indonesia fell by 37% month-on-month to 23,380 cu.m.

Malaysian shipment plunged by over 40% from March to 5,265 cu.m. Year-to-date plywood imports from Malaysia were down 21%.

Plywood imports from Russia, Canada and Ecuador gained in April as did imports from Uruguay (5,413 cu.m.), Guatemala (3,537 cu.m.) and Brazil (2,356 cu.m.).

### Higher moulding imports

US hardwood moulding imports grew 7% in April to US\$14.8 million. Year-to-date imports were 3% higher than in April 2015.

All major suppliers increased shipment to the US market in April led by Brazil (US\$3.9 million) and China (US\$3.5 million). The greatest monthly increase was in imports from Malaysia (US\$1.9 million).

Year-to-date imports were also up, except for imports from China, which were down 13% compared to April 2015.

### Decline in wood flooring imports

After two consecutive months of growth, US wood flooring imports declined in April from the previous month. Hardwood flooring imports dropped 5% to US\$2.5 million. Imports of assembled flooring panels were US\$10.2 million, down 2% from March. Both were down 11% in year-to-date imports compared to April 2015.

However, hardwood flooring imports from Indonesia increased in April to US\$889,707, but year-to-date imports remain below 2015 levels. Only China showed slightly higher year-to-date imports (+1%) from April 2015. Brazil, usually a minor hardwood flooring supplier to the US market, increased shipments to US\$154,148 in April.

Overall declines were similar for assembled flooring panels, except for Indonesia and Thailand which posted significant gains in year-to-date imports compared to the same time last year.

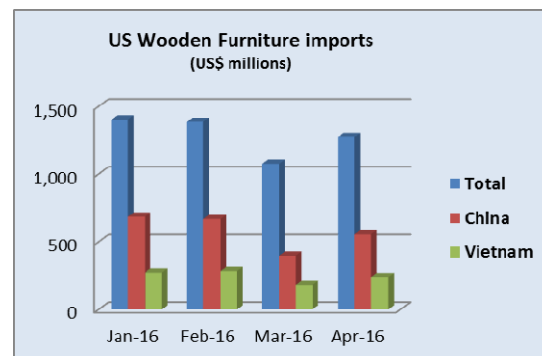
Year-to-date imports from Thailand doubled from April 2015, while imports from Indonesia were up 12%.

China remains the largest supplier of assembled wood flooring panels, but year-to-date imports were down by almost one third from April last year.

### Recovery in wooden furniture imports in April

Following a significant drop in wooden furniture imports in March, US imports largely recovered in April. Wooden furniture imports were worth US\$1.27 billion in April, up 5% year-to-date.

Much of the month-over-month growth was in imports from China (US\$555.1 million, +40%) and Vietnam (US\$239.7 million, +33%). Mexican shipments were slightly up in April, while imports from Canada, Malaysia and Indonesia declined.



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

Wooden furniture imports from India decreased 23% to US\$18.4 million in April, but year-to-date were up 17%.

Imports of all types of wooden furniture grew in April. Imports of upholstered furniture increased the most, followed by 'other' furniture and kitchen furniture.

### Federal Reserve leaves interest rates unchanged

Unemployment declined by 0.3 percentage points to 4.7% in May, according to US Bureau of Labor Statistics. The International Monetary Fund (IMF) predicts 2.2% economic growth for the US this year, down from last year's 2.4%. Unemployment is predicted to remain below 5%.

The IMF cited low productivity growth, income insecurity and poverty as chief challenges to stronger economic growth. The IMF assessment of the US economy was completed before the Brexit referendum in the UK. Some analysts expect lower US GDP growth in the second half of 2016 as a result of the Brexit vote.

The US Federal Reserve has kept interest rates at between 0.25% and 0.5% in June. The Reserve Chair Janet Yellen said the job market and the possibility of UK's exit from the EU were factors in the decision. A rate raise is still possible at the next Federal Reserve meeting end of July or more likely in September.

US consumers expect a slower pace of economic growth in the year ahead, according to the University of Michigan Index of Consumer Sentiment. Consumers were a bit less optimistic in late June but consumer spending is predicted to remain relatively high. Over the past 18 months the consumer sentiment index has been quite stable with a positive trend, despite more volatile GDP growth rates.

#### **Growth in wood product manufacturing but decline in furniture retail sales**

Economic activity in the manufacturing sector expanded in May for the third consecutive month, according to the Institute for Supply Management. In April wood product manufacturers reported the strongest growth of all manufacturing industries.

The wood products industry led the manufacturing sector in terms of production growth and new orders for export. The furniture industry reported a decline in May, according to the institute's survey.

New furniture orders in the first quarter of 2016 were slightly less than the first quarter in 2015, according to latest Smith Leonhard survey of residential furniture manufacturers and distributors. Furniture shipments were up in the first quarter, but the latest retail figures from the Census Bureau show a decline in furniture store sales from March to April.

#### **Housing starts flat but builders' confidence up**

Housing starts were at a seasonally adjusted annual rate of 1,164,000 in May, almost unchanged from April. Starts were 10% above the May 2015 rate, according to US Census Bureau data.

Housing starts increased in the West and South but declined in the Midwest and Northeast. Single-family housing starts were up 0.3% in May, while multi-family construction declined to 396,000.

The number of building permits in May were at a seasonally adjusted rate of 1,138,000, up 0.7% from April but below May 2015 levels. Despite overall housing starts being flat from April, home builders are positive about the market. Builder.

Confidence in the market for newly constructed single-family homes rose two points in June to a level of 60 on

the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). This is the highest reading since January 2016.

#### **North American Leaders' Summit in Canada**

Canada hosts the North American Leaders' Summit end of June where the leaders of Canada, Mexico and the US will discuss key priorities to create a more integrated and sustainable North American economy. In view of the Brexit vote the leaders are expected to emphasize the importance of free trade in the North American market.

Canada will rescind visa restrictions on Mexican travelers that were imposed in 2009. Both countries plan to work more closely against what they perceive as US protectionist measures. Canada and Mexico will also sign a memorandum of understanding on ways to engage indigenous people as partners in resource development.

#### **Canadian domestic market still affected by low oil prices**

Canadian businesses are positive about future sales growth, especially US demand, according to the latest Bank of Canada Business Outlook Survey. Domestic demand is more sluggish because of lower oil prices.

Companies tied to the energy sector are curtailing spending on investments.

Canadian housing starts were slightly down in May from the previous month at a seasonally adjusted annual rate. Multi-family starts decreased, while the smaller single-family home market grew.

**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.

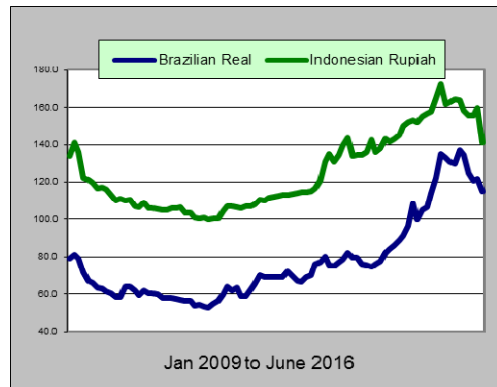
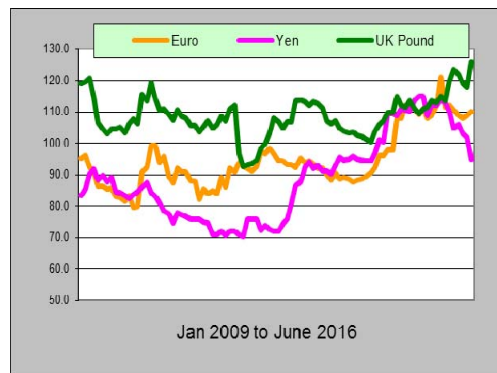
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## US Dollar Exchange Rates

As of 24 June 2016

Brazil	Real	3.785
CFA countries	CFA Franc	592.39
China	Yuan	6.6128
EU	Euro	0.8996
India	Rupee	67.885
Indonesia	Rupiah	13426
Japan	Yen	102.20
Malaysia	Ringgit	4.092
Peru	New Sol	3.3125
UK	Pound	0.7312
South Korea	Won	1171.95

### Exchange rate indices (Dec 2003=100)

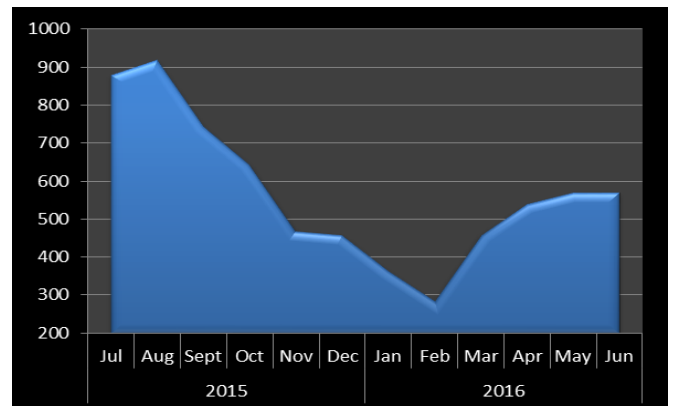


## Abbreviations and Equivalences

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 June 2015 – June 2016

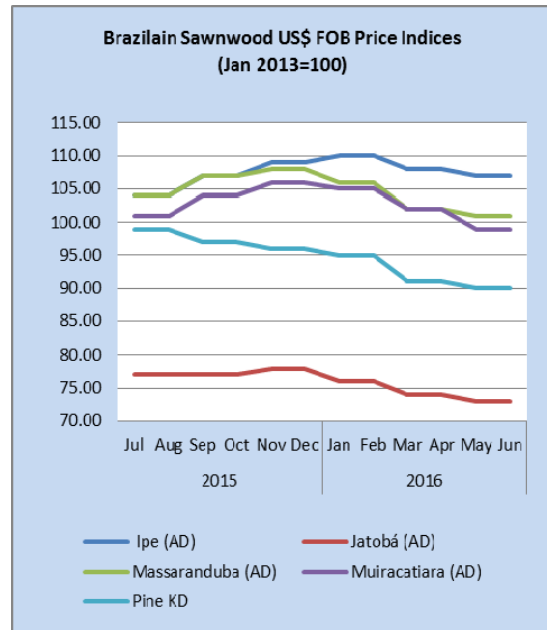
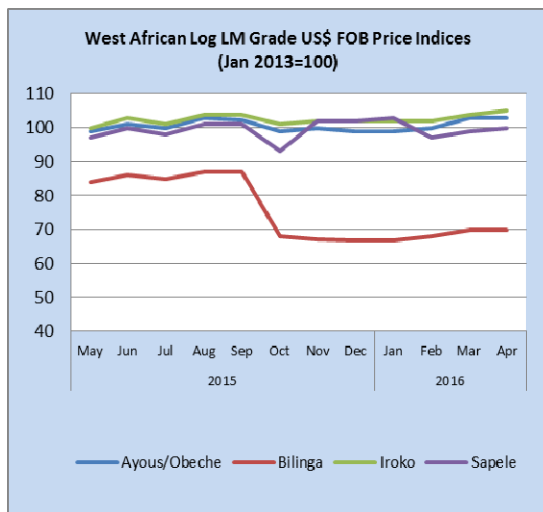
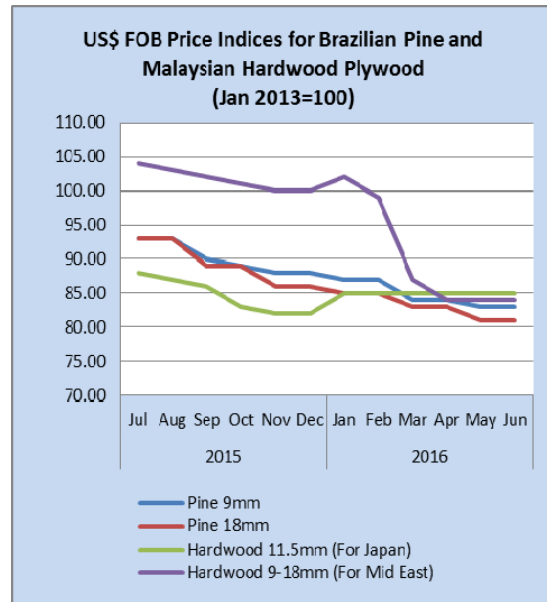
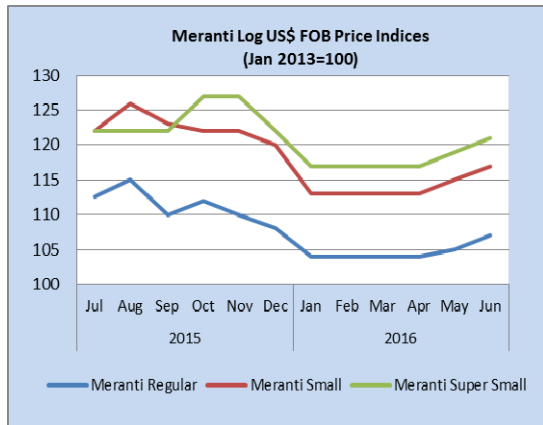


Data source: Open Financial Data Project

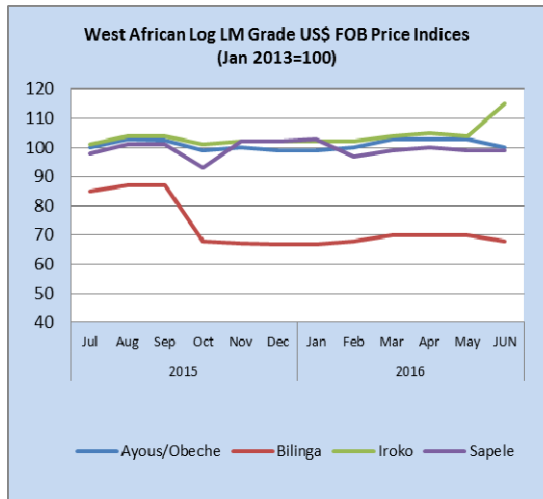
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**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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