Tropical Timber Market Report

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Top Story

Indonesia to ship first FLEGT licensed wood products in November

In a press release of 18 August the European Commission announced it is ready to recognise Indonesia's licensing scheme for exports of verified legal timber.

The change, allowing unrestricted entry of Indonesian wood products to EU member states, will come into effect on 15 November making this the earliest date that Indonesia could begin to issue FLEGT licenses.

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Headlines

Our usual twice monthly reporting will resume from 15 September.

Central and West Africa

New buying season begins quietly in Europe

As European companies get back to business after the summer vacation season some notable price changes for major species are beginning to emerge. This, say analysts, is most likely due to re-stocking and fluctuations in demand rather than any underlying strengthening of the market.

Continuing weak demand for padouk in India and Belgium has resulted in falling FOB prices. At the same time demand in Europe for sapelli and sipo was depressed and this is reflected in the decline reported in FOB prices. The volume traded in both timbers generally declines mid-year and if past patterns can be relied upon then demand will pick up in readiness for 4th quarter sales.

Prospects for the construction sector in most European countries have improved in the past year and there is a particular emphasis on the need for new house building in UK.

Uncertain demand prospects especially in the UK

The UK referendum result and its impact, especially on sterling, is making it difficult for producers to anticipate how prices will move during the next few months. Buyers across Europe appear content to wait until post Brexit market trends begin to emerge.

Middle East markets remain firm and prices have now stabilised, the result of improved distribution throughout the region.

Demand from China has been reported as ‘only moderate’. Demand for okoume logs is particularly poor with demand being mainly for higher grades and veneer grade logs. Exports of belli continue but show no signs of returning to previous high levels.

EPA gaining momentum in West Africa

Cameroon (and Ghana, see story below) has after very extended negotiations, recently signed the Economic Partnership Agreement (EPA) with the European Union. This will provide for the dismantling of tariff and other trade barriers and open the markets of all signatories.

In going ahead, Cameroon is alone amongst the other members of Central African Economic and Monetary Community (CEMAC). The EPA has attracted much criticism from domestic analysts who say a flood of EU imports could undermine the emerging manufacturing sector in Cameroon. A similar concern has been raised in Ghana.

New forest code for Gabon

The government in Gabon has published a revised Forest Code. The original code was introduced in 2001 and required companies to share the revenues from timber harvesting with the local communities but the code did not set out procedures for this.

As part of the new code an implementing decree and technical guide provides details on how the sharing of benefits can be achieved. The timber industries in Gabon have not yet formally commented on the new Code.

For more information see:
https://news.mongabay.com/2016/05/gabon-moves-share-forestry-profits-local-forest-communities/

Log Export Prices

West African logs, FOB	Euro per m^3		
<u>Asian market</u>	LM	B	BC/C
Acajou/Khaya/N'Gollon	240	240↑	160
Ayous/Obeche/Wawa	260	260	190↓
Azobe	230	230	160
Beli	235↑	235↑	
Bibolo/Dibeou	190↑	170	
Bilinga	220	220	
Iroko	320↓	300p	260
Okoume (60% CL, 30% CE, 20% CS) China only	210p	190↓	160
Moabi	330	300	235
Movingui	210	210	160
Niove	160	160	
Okan	210	200↓	
Padouk	300↓	280↓	230
Sapele	300↓	290↓	220
Sipo/Utile	320↓	290↓	255↓
Tali	310	310	

Sawnwood Export Prices

West African sawnwood, FOB		Euro per m^3
Ayous	FAS GMS	410
Bilinga	FAS GMS	520
Okoumé	FAS GMS	340
	Merchantable	270↑
	Std/Btr GMS	290
Sipo	FAS GMS	580↓
	FAS fixed sizes	600
	FAS scantlings	580↓
Padouk	FAS GMS	880↓
	FAS scantlings	940↓
	Strips	650
Sapele	FAS Spanish sizes	500↓
	FAS scantlings	560↓
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

Ghana signs controversial EPA with EU

Ghana is now preparing to bring into law the Interim Economic Partnership Agreement (EPA) negotiated with the European Union. The agreement is expected to ensure that local businesses and industries can export more ‘Made in Ghana’ goods to the EU market quota and duty free.

However, manufacturers and service providers in the EU ill enjoy the same benefits for their exports to Ghana. This EPA was first mooted by Ghana’s former President J. A. Kuffour back in 2007.

Countries which sign the EPA will benefit from a euro 6.5 million aid package over a five year period to help cushion the impact of open markets to EU suppliers.

Other West African countries have until 1 October 2016 to sign the EPA So far 13 of the 16 ECOWAS countries have signed with the exception of Nigeria, the Gambia and Mauritania.

In a related development, the Ministry of Trade and Industry has initiated a four-phase strategy to support local companies expand exports to the US. This strategy is part of the US government's trade initiative with sub-Saharan African countries 'African Growth and Opportunities Act (AGOA)'.

Ghana Exim Bank open for business

The Ghana Exim (Export-Import) Bank began operations last year after parliamentary approval of the Ghana Export-Import Bank bill. The new export promotion bank is the result of a merger of three agencies, the Export Trade, Agricultural and Industrial Development Fund the Exim-guaranty Company Ghana Limited and Export Finance Company.

The main aims of the new agency are to support and develop Ghana's international trade capacity and to strengthen the competitiveness of Ghanaian companies in international markets.

In his mid-year review of the 2015 Budget the Finance Minister said the bank is working to help address the challenges faced by domestic companies, especially SMEs, in securing credit.

Exports to regional markets fell in the first quarter

The top export destinations for Ghana's wood products in the first quarter of 2016 were China, India, Vietnam, Germany and Italy which together accounted for just over 68,20,000 cu.m worth euro 38,7 million or 74% and 77% of total first quarter volume and value exports.

In terms of volume China accounted for 33% while India imported 32%. Despite the significant expansion of export to Asian markets trade to regioal markets weakened.

Boule Export prices

	Euro per m^3
Black Ofram	394
Black Ofram Kiln dry	444
Niangon	489
Niangon Kiln dry	560⬇

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300⬇	400⬇
Chenchen	416	522
Ogea	478	556
Essa	485	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	0.57⬇
Avodire	1.60	0.34
Chenchen	1.40	1.20⬆
Mahogany	1.80	0.82⬆
Makore	1.80	0.55⬇
Odum	1.13	0.40

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	590	641
6mm	487	535	610
9mm	407	450	613
12mm	364	463	480
15mm	400	375	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 Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	320⬇
Dahoma	419	455
Edinam (mixed redwood)	520⬇	599
Emeri	480	535
African mahogany (Ivorensis)	810	970
Makore	730⬇	1051
Niangon	610	1002
Odum	755	835
Sapele	680	763
Wawa 1C & Select	380⬇	436

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
Afrormosia	13.72	13.93	17.82

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

Malaysia

India, Malaysia's third largest timber trading partner

The Malaysian Timber Council (MTC) arranged a marketing mission to Chennai and Bangalore, India at the end of August. The delegation was led by MTC Chief Executive Officer, Datuk Dr Abdul Rahim Nik, and included 19 Malaysian timber exporters to India.

India was Malaysia's third largest timber trading partner after Japan and the United States in 2015. The value of wood products imported by India from Malaysia amounted to almost RM1.9 billion in 2015, an increase of 6.3% compared with 2014.

In the press release on the mission the MTC CEO said "India holds huge promise as it is ranked as one of the top three most attractive investment destinations in the world. Its growing middle class and demand for timber as well as timber-based products have prompted MTC to open a regional office in India this year."

When Myanmar introduced the log export ban in 2014 Indian importers began to import more logs and sawnwood from Malaysia.

For more see: http://mtc.com.my/wp-content/uploads/2016/08/Mission-to-India.pdf

In related news, MTC plans to operationalise its office in Bangalore in January next year to help strengthen Malaysia's marketing in India as well as neighbouring countries. The MTC office in India is the fourth after those in the United Kingdom, Dubai and China.

In announcing the new office Malaysia's Plantation Industries and Commodities Minister, Datuk Seri Mah Siew Keong, reported that the MTC office in India will also promote Malaysian wood products in Pakistan, Sri Lanka and Bangladesh.

Boost for Johor furniture exporters

Wooden furniture exporters in Johor, a state in southern Malaysia close to Singapore contributed around 60% to Malaysia's total wooden furniture exports in 2015. In August a 5 year roadmap was launched for the development of Johor's wood furniture industry.

This sets out ways to sustain the furniture manufacturing sector given the challenges in international markets and in addressing the domestic shortage of manpower in the sector. The roadmap also addresses how to maintain and improve the competitiveness of the state's furniture industry.

Deputy Plantation Industries and Commodities Minister, Datuk Datu Nasrun Datu Mansur and Malaysian Timber Industry Board Director-General, Datuk Dr Jalaluddin Harun reported that land is being acquired in Muar for the development of a Muar furniture hub and that nearby Tangkak be developed as a centre for exhibiting wooden furniture manufactured in the state.

Plywood prices

Plywood Traders in Sarawak reported the following export prices:

Floor base FB (11.5mm) US$560-570/cu.m FOB
Standard panels
S Korea (9mm and up) US$380/cu.m FOB
Taiwan P.o.C (9mm and up) US$400/cu.m FOB
Hong Kong US$400 FOB/cu.m
Middle East US$400/cu.m FOB

It has been reported in Japan that Sarawak plywood manufacturers have come together to agree production cuts in plywood specifications for the Japanese market due to weak demand.

Indonesia

Indonesia to ship first FLEGT licensed wood products in November

In a press release on 18 August the European Commission announced it is ready to recognise Indonesia's licensing scheme for exports of verified legal timber.

The press release says "One third (by value) of the EU's tropical timber imports comes from Indonesia and the EU buys 11% of timber products and paper exported from the country.

The delegated regulation amends the FLEGT Regulation to include Indonesia and its Licensing Information Unit under the list of 'Partner countries and their designated licensing authorities'. It now also includes Indonesian products covered by the FLEGT licensing scheme in the list of 'Timber products to which the FLEGT licensing scheme applies only in relation to the corresponding partner countries'.

The delegated regulation will enter into application on 15 November, making this the earliest date that Indonesia could begin to issue FLEGT licenses. The EU-Indonesia Joint Implementation Committee will announce the date for FLEGT licensing to begin when it meets on 15 September".

See: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.223.01.0001.01.ENG&toc=OJ:L:2016:223:TOC

Merger of main furniture and handicraft industry associations

A new association, the Indonesian Furniture and Handicraft Industries Affiliation (HIMKI) has been inaugurated. HIMKI is a merger of the two associations, AMKRI and Asmindo said HIMKI Chairman, Soenoto.

Since taking office the Indonesian President, who has a background in the furniture sector, has been encouraging a merger of the two associations in order to present a united voice for the industry and to advance the competitiveness of the sector.

Plan for all-out effort to encourage investment in wood processing industries

Airlangga Hartanto, the Indonesian Minister of Industry has said the government has set a target for wood product exports at US$5 billion in five years. Statistics from the Ministry of Industry show that the export value of wood and rattan furniture was US$1.9 billion in 2014 and rose to US$2 billion in 2015.

To help the private sector achieve the five year target he indicated that an all-out effort to encourage investment in the timber, furniture and national craft industries will be made and that there will be a synergy of policies to realise the US$5 billion export figure.

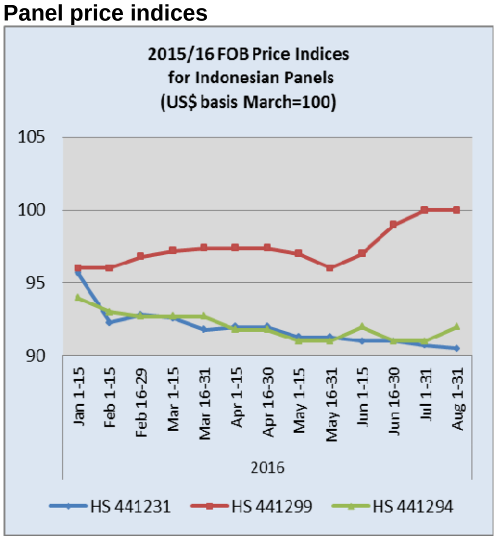
In related news Indonesia-investments.com has offered an analysis of the manufacturing sector in Indonesia and says if it is to contribute more than the current 20% to GDP it needs a big boost. Indonesia's dependence on commodity exports heightens the risks to the economy.

Data from Indonesia's Industry Ministry reported in the analysis show that the domestic industry is growing at a slower pace than Indonesia's overall economy.

Indonesia's new Minister of Industry, Airlangga Hartanto, sid his aim is to boost and strengthen the competitiveness of Indonesia's small and medium-sized industries so that they can compete with imported goods.

For more see: http://www.indonesia-investments.com/news/todays-headlines/manufacturing-industry-indonesia-in-need-of-development/item7070

Panel price indices



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

New approach to monitoring SVLK

The Ministry of Environment and Forestry and the National Accreditation Committee have agreed to jointly monitor the Independent Assessment and Verification Organisation which act as the watchdog for the country's timber legality assurance system (SLVK).

Ministry of Environment and Forestry Director General for Sustainable Forest Management, Ida Bagus Putra Prathama, said this will enhance the commitment and credibility of the Indonesian timber legality verification system.

World Islamic Economic Forum nets agreements worth US$900 million

The recently concluded World Islamic Economic Forum was a success as a range of agreements were reached for investment in a wide range of service and industrial sectors.

This forum brought together government officials, company executives, academics innovators and investors from over 70 countries to explore opportunities for business partnerships in the Muslim World. The theme of the forum was "Decentralising Growth and Empowering Future Businesses"

Indonesia Finance Minister Sri Mulyani Indrawati said in her closing remarks emphasized the crucial role of SMEs in driving economic growth.
See: http://foundation.wief.org/

Myanmar

Powerful quake strikes near Bagan

A powerful earthquake shook central Myanmar on 28 August. The quake struck near the town of Chauk, on the Ayeyarwaddy River just south of Bagan.

The 6.8 magnitude quake killed three and damaged many of the centuries-old Buddhist pagodas around the ancient capital of Bagan and was felt across the country.

Our sympathy goes out to those affected.

Debate continues on harvesting ban

In a workshop held late July the former Director Genaral of the Forestry Department, Dr. Kyaw Tint, explained his latest research on how the Myanmar Selection System (MSS) could be modified in the light of the decision to restrict harvesting.

Dr. Kyaw's conclusion was that a total harvesting ban could create as many problems for the forestry sector as it is intended to address and that sustainable harvesting could be permitted in designated areas under close monitoring.

In a related development U Myo Min, Director of the Forestry Department has been quoted as saying the harvesting contract between the Myanma Timber Enterprise and private logging companies will be cancelled.

It has been stated that MTE will undertake all logging with its own resources when harvesting resumes after the 2016-17 one year logging ban, However, the industry is asking what volumes the MTE will be capable of delivering.

The debate on the proposed total harvesting ban rages on. From the industry's point of view a total ban will mean they are starved of raw materials, may have to curtail production and may have to reduce their workforce.
On the other hand there is an urgent need to get the country back on the track of sustainable and legal harvesting and to eliminate the illegal cross border trade.

Myanmar to encourage private plantations but questions remain on tax relief

The new government in Myanmar is working its way through the legislation and making changes that will impact the timber sector.

In answer to a question in parliament Minister Own Win indicated that in order to increase forest cover the domestic and foreign private sector is being encouraged to invest in plantations. It has been reported that 15 investors have won approval for tree planation development and that some 30,000 ha. have been established.

In related news, the government has indicated that overseas investors will no longer automatically benefit from tax exemption under the new Investment Law. The previous administration allowed tax exemption for five years for a wide variety of sectors. For priority sectors the current law provides for discretion depending on the industry and size of investment.

Duty free imported raw material – old legislation needs to be addressed

With regard to the decision to allow duty free import of timber raw materials an American delegation visited Myanmar to discuss the investment policy and law. The government decided to allow duty free import of raw material which will be reprocessed for export.

The discussions revealed that the Union Taxation Law is still operable and that this imposes a 25% tax on imported logs and wood raw material. The domestic industry is urging the government to address this through amending the old legislation.

Economic policy – a focus on national reconciliation

In a statement explaining the government's economic policy the emphasis was on 'greater fairness' in the allocation of resources among regions and states that would underpin the country's pursuit of national reconciliation. The aim is to achieve national reconciliation through the establishment of a strong market-oriented economic system.

Some of the states and regions that have been neglected in the past such as Kachin and Shan State as well as the Sagaing Region produce jade, gold and minerals while oil and natural gas is found in Rakhine State. However, until now income from these natural resources has been accumulated by central government with just a fraction being returned.

Kachin State Chief Minister U Khat Aung has pointed out that for decades the returns from timber and jade production have not benefitted the state. Natural resource sharing was on the agenda at a recent summit of ethnic organisations held in Kachin and the gathering called for greater debate on resource sharing.

The policy statement also touched on foreign investment reform of state enterprises and support for SMEs. The government policy aims to encourage responsible businesses and create an environment where companies feel secure to invest.

At the same time state enterprises will be made more accountable and transparent. On SMEs the policy framework includes efforts aimed at increasing SME access to financial services and developing a more skilled workforce.

Latest teak log auction prices

Grade	H.tons	Avg US$/H.ton
SG-2	-	-
SG-4	21	3,900
SG-5	32	2,780
SG-6	33	2,250
SG-7	7	1,710

India

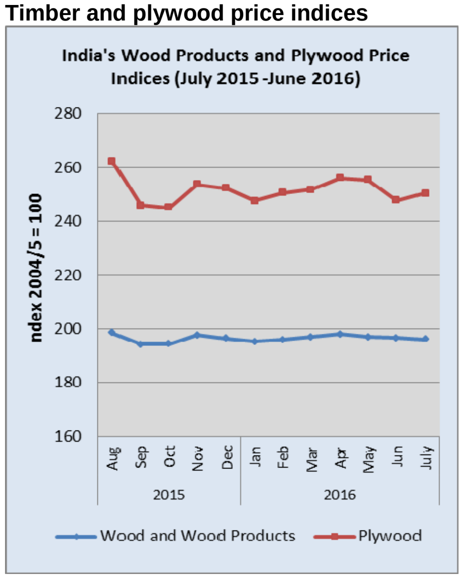
Inflation rate trends down

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

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for July was 183.9 up 1% from 182 in June. The year on year annual rate of inflation, based on monthly WPI, stood at 4.91% (provisional) in July 2016 compared to 1.62% in June.

For more see: http://eaindustry.nic.in/cmonthly.pdf

Timber and plywood price indices



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

Launch of new "Housing Data Project" for the Indian housing industry

The Confederation of Real Estate Developers' Association of India, better known as CREDAI, recently concluded its 16th convention. This year the convention was held in Shanghai under the theme – 'Embracing Change'

The aim was to facilitate the exchange of knowledge and experiences on the global best practices in the industry against the backdrop of the Indian and Chinese economic development prospects.

At the convention, CREDAI launched a new tool for the sector called the “Housing Data Project” this is a maiden attempt at providing data from which to gain a good real-time appreciation of India’s housing sector.

The project will provide details of housing stock, project launches, absorption and the unsold inventory in 12 biggest urban areas in the country. CREDAI & Cushman Wakefield also launched a joint report on ’Embracing Change: Exploring Growth Markets for Indian Housing’. The report traces the major factors at work which determine housing demand and supply in Tier II and Tier III cities.

See: http://credai.org/press-releases/credai-16th-natcon--embracing-change-held-in-shanghai-china

ODISHA – export promotion targets China

Odisha, (formerly Orissa) is one of India’s 29 states and is located on the east coast on the Bay of Bengal. The state has abundant natural resources and a large coastline. The government of India has selected the coastal region of Odisha to be developed into one of the Special Economic Regions in the country.

Odisha is rich in forest resources and the state administration is encouraging manufacturers of wood products to export to China. A team from the Odisha Forest Development Corporation (OFDC) plans to visit China in September to promote the export of wood products including sal and asana which is prized wood for carving.

The OFDC launched an online forest products portal which attracted buyers from all over India. OFDC, the state government owned-corporation, earned a record Rs6.85 billion revenue in 2015-16 and posted a net profit of Rs 259.20 million.

New MDF plant for Southern India

Greenply Industries Ltd has announced plans to build a new MDF plant in Chittoor, Andhra Pradesh. The plant would have an annual production capacity of between 30,000 to 36,000 cubic metres and should be operational in fiscal 2018-19.

Currently, Greenply has a MDF unit at Patangarh in Uttarakhand and the company’s share of the domestic market for MDF is said to be around 30%.

Western India actions of domestic teak

The last auctions of the season have been concluded in South Dangs and Surat Forestry Division Depots with considerable interest from buyers anxious to secure stocks to last through the monsoon period.

The quality of logs offered for sale was good say participants which helped drive up prices. Demand was so active that much of the unsold stock from previous auctions was sold. However, just around 7% of the fresh log lots on offer remained unsold as buyers felt the reserve price was too high. The auction in the new sale season is to provide a large quantity of freshly felled teak and hardwoods.

Teak logs	Per cubic foot
A for ship building	Rs.2300-2500
B or sawing	Rs.2100-2250
A Large girth for sawing	Rs. 2000-2050
B Large girth for sawing	Rs.1950-2000
A Long length logs	Rs.1850-1900
B Long length logs	Rs.1500-1600
Short logs Med. Quality	Rs.100-1200
Short logs small girth	Rs. 960-1000

Good quality non-teak hard wood logs, 3 to 4 metres long logs having girths 91cms and up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium fetched prices in the range of Rs.600-800 per c.ft and for medium quality logs from Rs.500-550 per c.ft.

Plantation teak prices

The current pace of deliveries of imported plantation teak match demand levels in the domestic markets and as such there have been no reports of price changes.

	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.

Prices for locally sawn hardwoods

As was the case in July the US dollar/rupee exchange rate stability has allowed importers to maintain price levels.

Sawnwood Ex-mill	Rs. per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1700
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

Price range depends mainly on length and cross section

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 range depends mainly on length and cross section

Prices for imported sawnwood

Demand for imported sawnwood is reportedly flat which is offering no opportunity expanding sales or for price increases.

Sawnwood, (Ex-warehouse) (KD)	Rs. per cu.ft
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

Manufacturers report that domestic demand is sluggish and that prices remain unchanged since last month.

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

Wood product trade surplus grows in first half of 2016

Brazil's wood product trade surplus totalled US$3.3 billion in the first half of 2016, an increase of 12% over the same period of last year. Total revenue from exports of sawnwood, panels, pulp and paper for the first half year amounted to US$3.8 billion up slightly from the same period in 2015.

Exports of wood-based panels in the first half were 443,000 cu.m, compared to 289,000 cu.m in the same period in 2015, a 53% increase. Pulp exports grew to 6.4 million tonnes, a 16% increase over the same period in 2015. Paper exports increased just over 7% to top 1.1 milion tonnes between January and June 2016.

Exports of Brazilian pulp continue to grow, especially to China, which was the main market in the first half of 2016. A noticeable trend has been the effort of the pulp, paper and wood based panel industries to focus on exports as the strategy to partially offset the decline in domestic demand.

Domestic sales of wood-based panels totalled 3.2 million cu.m in the first half, down 4.2% compared to the same period last year. Domestic sales of paper totalled 2.6 million tonnes, being at about the same level as in the first half of 2015.

July export performance

In July 2016, Brazilian exports of wood-based products (except pulp and paper) fell marginally compared to levels in July 2015, from US$237.4 million to US$ 237.0 million.

On the other hand, the value of pine sawnwood exports increased 0.7% year on year from US$27.6 million in 2015 to US$27.8 million in the first half of this year. In terms of volume, exports of pine sawnwood increased 18.5% over the same period, from 124,000 cu.m to 47,000 cu.m.

Similarly, tropical sawnwood exports increased 19.6% in volume, from 27,100 cu.m in July 2015 to 32,400 cu.m in July this year and but the value of exports rose just 9% from US$13.6 million to US$14.8 million, over the same period.

Brazil's pine plywood exports declined in July 2016 (-1%) in comparison with exports in July 2015, from US$34.2 million to US$33.9 million but the volumes shipped jumped almost 27% from 102,900 cu.m to 130,300 cu.m, during the same period.

As for tropical plywood, July 2016 exports increased 31% in volume (from 9,700 cu.m to 12,700 cu.m) and export revenues increased around 9% from US$4.6 million to US$5.0 milion.

It came as a disappointment that July 2016 exports of wooden furniture fell around 6.5% year on year.

Best practices in Brazilian plantation sector explained

The Brazilian Tree Industry (IBA) explained its 'best practices' used in the Brazilian plantation sector during the 23rd session of the FAO Committee on Forestry (COFO).

IBA explained that plantations are being established in 'mosaic' form interspersed between the natural forest so as to create ecological corridors. IBA reported that the adoption of innovative landscape management results in multiple benefits in terms of biodiversity sustainability, regulation of water resources and conservation of natural forests.

IBA also highlighted that for each hectare of industrial tree plantation around 0.7 hectare of natural forests was set aside for conservation.

Satelite images and algorithms to detect deforestation

According to data from a Deforestation Alert System (SAD) in June 2016 deforestation over the entire Amazon exceeded 970 sq. km, a massive increase compared to the same period in 2015. SAD projections are based on analysis of satellite pictures and the use of algorithms to estimate changes in forest cover, The states that the system identified as most affected were Pará, Amazonas and Mato Grosso.

For more see: http://www.vizzuality.com/projects/imazon

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$per m^3
Ipê	189⬆
Jatoba	104⬆
Massaranduba	109⬆
Miiracatiara	112⬆
Angelim Vermelho	103⬆
Mixed redwood and white woods	89⬆

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	869⬆
Jatoba	425⬆
Massaranduba	401⬆
Muiracatiara	409⬆
Angelim Vermelho	358⬆
Mixed red and white	234⬆
Eucalyptus (AD)	207⬆
Pine (AD)	149⬆
Pine (KD)	168⬆

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	570⬆
10mm WBP	443⬆
15mm WBP	391⬆
4mm MR	506⬆
10mm MR	375⬆
15mm MR	348⬆

Prices do not include taxes
Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	250⬆
15mm MDF	336⬆

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m³
Ipe	1412
Jatoba	913
Massaranduba	729
Muiracatiara	707
Pine (KD)	195

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 m³
9mm C/CC (WBP)	305
12mm C/CC (WBP)	276
15mm C/CC (WBP)	274
18mm C/CC (WBP)	270

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Decking Boards	Ipê	2,613
	Jatoba	1,525

Source: STCP Data Bank

Peru

ADEX calls for harnessing wood processing sector to spur economy

The timber sector is a vital part of the Peruvian economy and the Association of Exporters (ADEX) has called on the government to create the right conditions for increased investment in the sector to reverse the decline in exports.

In the first half of this year wood product exports were valued at US$62.3 million an almost 22% decline year on year.

Exports of semi-manufactured products (US$35.6 million) fell by 1%, sawnwood exports fell almost 50% in the first half and veneer and plywood fell by 38% followed by a drop in furniture exports of 44%.

Manufacturers in Peru are experiencing strong domestic demand as the construction sector is booming and it is partly the diversion of output to the domestic market that has impacted exports.

The chairman of Wood and Wood Industry ADEX, Erik Fischer, has said the country has a viable wood processing sector and ample resources that should to be harnessed to spur economic growth.

APEC discusses how best to combat illegal logging

At the 10th Meeting of the Expert Group of the APEC on Illegal Logging and Associated Trade (EGILAT) that was held in Lima from 17 to 18 August the focus was on strengthening the means through which illegal harvesting can be eliminated.

Participants were from Australia, Canada, Chile, South Korea, Philippines, New Zealand, Malaysia, Papua New Guinea, China, Russia, Taiwan P.o.C and the United States. During the meeting Peru hosted a workshop with the theme "Strengthening Forest Control and Marketing Chains in APEC Economies" This addressed the importance of traceability mechanisms and how implementation can be managed as a tool for economic development of SMEs and communities.

EGILAT aims to strengthen political dialogue and is carried out within the framework of the preparatory meetings of the Asia-Pacific Economic Cooperation (APEC).

Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m³
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 m³
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	465-519

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m³
Mahogany	-
Virola	209-244
Spanish Cedar	316-368
Marupa (simarouba)	179-196

Export Veneer Prices

Veneer FOB Callao port	US$ per m³
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 m³
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

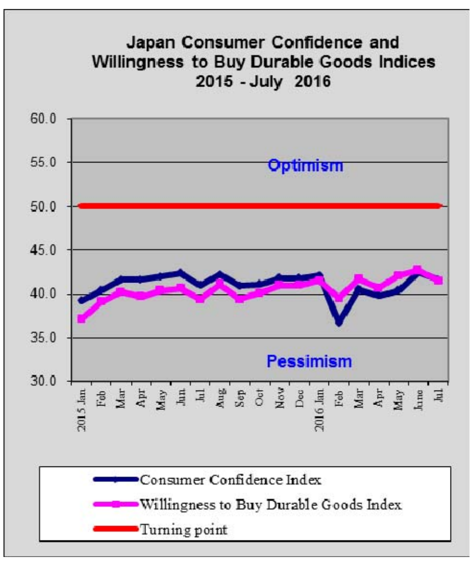
Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1069-1112
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Japan

Confidence slips - government spending to boost growth in the second half of year

Japan's consumer confidence index fell to 41.3 in July from the five month high in June. The consensus amongst analysts was that the figure would rise in July.

Among the various indicators used to compile the overall index willingness to buy durable goods (of significance to the furniture sector) worsened and the employment prospect index also weakened. The impact of the two declines brought down the overall confidence level.



Source: Cabinet Office, Japan

Japan's economy nearly stalled in the second quarter amid falling exports and weak corporate investment, showing the nation is still largely dependent on government stimulus for growth.

Japan's economy grew at an annualised 0.2% in the second quarter of 2016 well below the 2% achieved in the first quarter. Analysts were quick to point out that the number would have been in negative territory were it not for the second quarter rise in public investment.

In early August the government approved a massive stimulus package so government spending should boost growth in the second half of this year. It came as a disappointment to the government that private sector investment continues to decline and exports fell.

Consumer spending makes up roughly 60% of Japan's gross domestic product and boosting spending is a must if the economy is to be turned around but consumers are holding back as they are unsure of prospects and because few see any real prospect of growth in wages. The greatest challenge is to reverse the continuing decline in consumer prices.

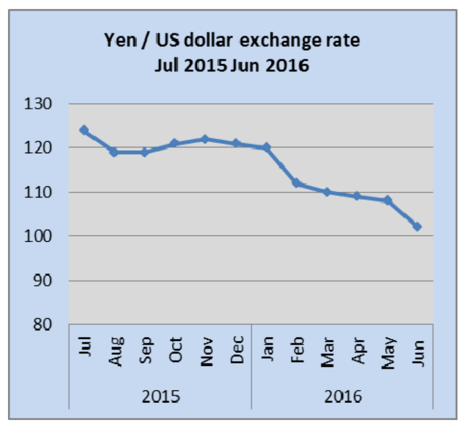
BoJ hints at weakening the yen

Immediately after the result of the UK referendum the yen surged against the US dollar and has remained persistently strong. The strength of the yen has undermined the profitability of exporters and has seriously dented retail sales.

These two factors, especially if the yen dollar rate goes to 95, are behind the current thinking that the Bank of Japan is likely to intervene to weaken the currency.

Up to July this year department store sales dropped by almost 20% year on year and this was despite record high tourist arrivals.

That the BoJ could announce further rate cuts is considered the most likely option as the Bank Governor indicated the negative interest rate approach had not been fully exploited.

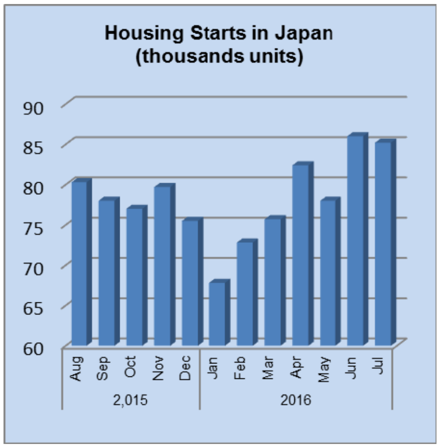


Mortgage refinancing applications at record highs

While the Bank of Japan(BoJ) is criticised for not achieving its inflation target, in one sector action by the Bank has been a success – home loans.

Since the negative-interest-rate policy was adopted at the beginning of the year mortgage rates in Japan have dropped to record lows and the number of applications for mortgage refinancing up to July this year is almost twice that for the same period last year. On top of this applications for home loans have risen over 40%.

Housing starts in Japan increased almost 9% in July compared to levels in July 2015 reversing the year on year decline noted in June. However, in response to the government's regular survey construction companies reported weaker order books



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

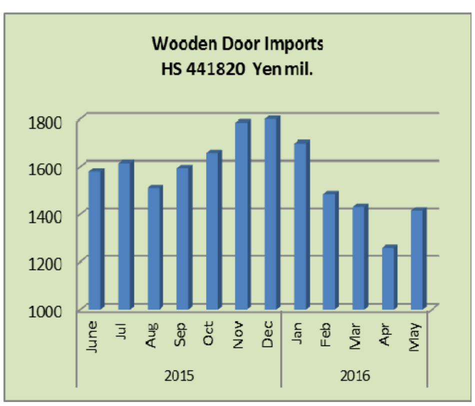
The negative-rate policy was introduced to encourage lending and stimulate growth but on this score it has been less successful. It was anticipated that the savings made by those refinancing their home loans would mean more money in their pockets and increased spending but, so far, there is little evidence of that as retail sales and consumer spending remain weak.

Import round up

Doors

Japan's wooden door imports in April marked a new record low having fallen for 4 consecutive months. However, May 2016 imports rose around 12% from April but year on year May 2016 wooden door imports were some 5% below that in May 2015.

China, Philippines and Indonesia continue as the main suppliers in that order of rank in terms of the value of imports. These 3 countries accounted for over 80% of Japan's wooden door imports in May 2016, with another 7% being shipped from Malaysia.



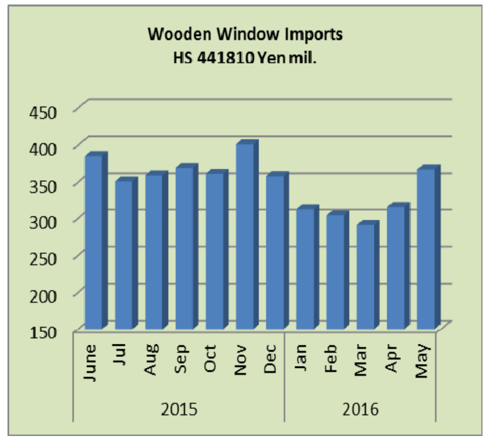
Data source: Ministry of Finance, Japan

Windows

The pattern of Japan's wooden window imports closely mirror that for wooden doors except that there was a slight rise in the value of imports in April and this extended into May 2016.

Year on year May 2016 wooden window imports were down 5% but the increase seen in May this year lifted the value of imports close to the peak seen in November 2015. The value of May 2016 imports of wooden windows were close to 17% higher than in April.

The Philippines, China and the US, in that ranking, were the main suppliers of wooden windows to Japan in May this year and these th ree countries accounted for 83% of all Japan's imports of wooden windows for the month.

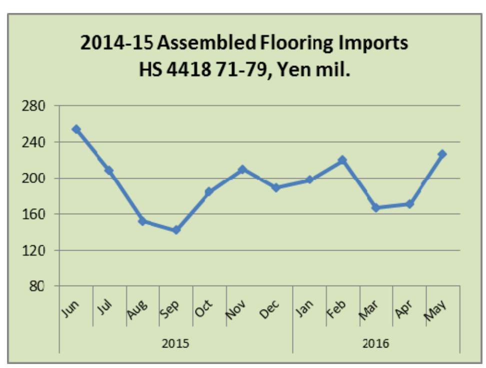


Data source: Ministry of Finance, Japan

Assembled flooring

Assembled flooring imports continue to struggle to regain the highs of early 2015. March 2016 was the low point for assembled flooring imports into Japan but since then there has been a rebound. May 2016 imports were up 33% on the value of April imports. However, year on year, May imports were around 8% down.

Two categories of assembled flooring dominate Japan's imports, HS 441872 and HS 441879. China is the main supplier of the third category (HS 44187) while Indonesia ships both HS 441872 and 79 and is the second ranked supplier followed by Thailand which ships mainly HS 441879.



Data source: Ministry of Finance, Japan

Plywood

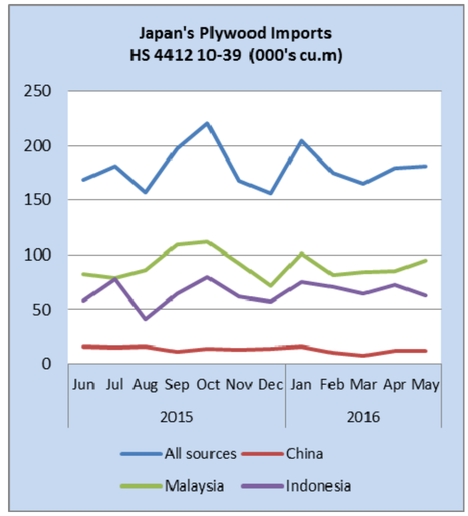
Trends in total plywood imports into Japan over the past 12 months are illustrated below. Malaysia and Indonesia continue to be the main suppliers followed by China. The three main suppliers account for over 90% of monthly plywood imports to Japan.

May 2016 plywood imports were almost 6% higher than in May 2015 and were marginally higher than in April this year. In 2014 and early 2015 monthly plywood imports were almost 70% higer than during 2016. This year imports peaked in January and then fell for two months before the recent increasing trend.

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
	May	12	95	62

Data source: Ministry of Finance, Japan



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

Woodframe model houses for China

The Japan Wood Products Export Promotion Council has made up four model of wood house based on the Chinese wood building standard. They are corresponding to the Chinese needs with exposed use of wood of Japanese species like cedar, cypress and larch to differentiate from 2x4construction. The Association hopes to promote sales of domestic wood products and wood house to China.

The Association has been asking to add Japanese species of cedar, cypress and larch to the Chinese wood structure standard. There are four model plans. M1 type is two stories with floor space of 170-300 square meters and M2 type is two to three stories with floor space of 170– 300 square meters. M1and M2 are both medium grade specifications. J1 type is two stories with floor space of 200-300 square meters and J2 type is two stories with floor space of more than 300 square meters. 1 and J2 are both high grade specification.

They are different from Japanese houses with much higher height of ceiling like 3-4 meters on first floor and 2.4-2.5 meters on the second floor.

The Chinese wood construction standard allows to build up to three stories and the committee is now discussing for higher wood multilayer building and they are interested in wood multilayer buildings in North America and Europe including use of CLT. China has CLT manufacturing plants.

COC acquisition increases among laminated lumber manufacturers

The Japan Laminated Wood Products Association sent out questionnaires to the 88 members to find out how many members have acquired COC certificate by forest certification system by FSC, PEFC and SGEC.

63 companies responded with response rate of 72%.

Three companies have COC certificates by three forest certification systems of FSC, PEFC and SGEC. Three companies have two from FSC and PEFC. Two have certificates from FSC and SGEC. Two have certificates from both PEFC and SGEC. Then 24 companies have certificate by either one of three authorization systems.

Demand for certified wood will increase for the Tokyo Olympic Games in 2020 and construction of public buildings so all the manufacturers are anxious to have the certificate.

South Sea (tropical) logs

Weather in Sarawak, Malaysia is recovering and rainy season seems to be over now but control on illegal harvest continues then the Sarawak government decided to reduce export log volume from 40% to 30% so the log supply from Sarawak will further decline. It looks like weather is nothing to do with log supply now.

Sabah's log production has not increased much even after the weather improved. In this tight supply situation, the log suppliers' bullish attitude has not changed a bit.

When the yen advanced to 102 yen per dollar in late June, log's yen cost would be down but strong FOB prices supported by bullish Indian buyers, such hope of lower log cost faded. Present FOB prices of Sarawak logs for Japan are all firming at about $275 per cbm on meranti regular, $255 on small and $240 on super small.

After Sarawak log prices continue strong and the quality is dropping, other log buying countries like China and India are shifting to other sources like PNG and Solomon Islands much more than before.

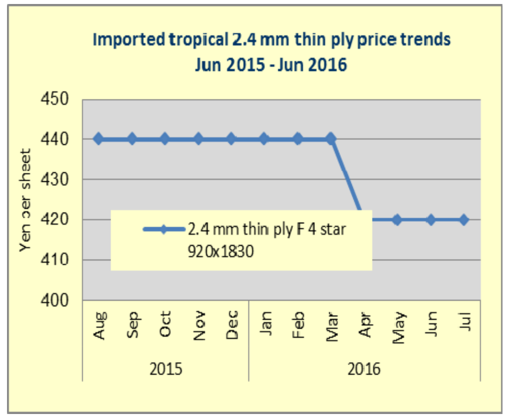
Hida Sangyo markets domestic cedar tables and chairs in Europe

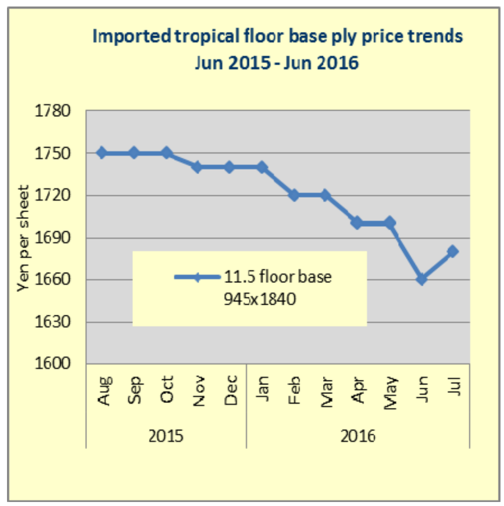
Hida Sangyo Co., Ltd. (Gifu prefecture) plans to market cedar table and chair in Europe. Hida uses compressed straight grain cedar for furniture. It started relationship with Swiss design office of 'Aterior Oi' by introduction of the prefecture office then Atelier Oi introduced Hida Italian furniture manufacturer, Danese.

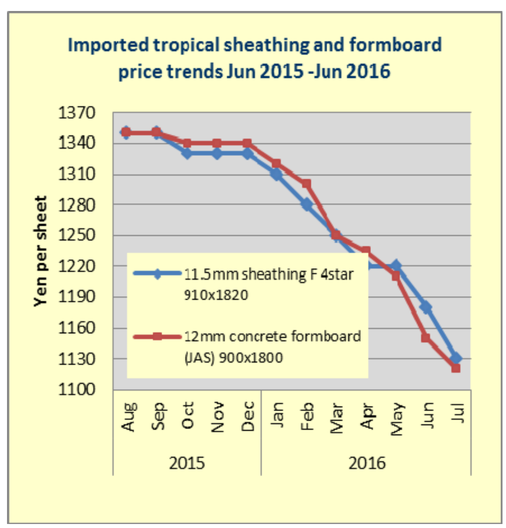
Now Hida will market its products through Danese's shops in Europe. Hida uses brand name of Gifoi. Atelier Oi designs, Hida manufactures and Danese markets with Hida's brand name of Gifoi. Hida has been marketing the products in Taiwan, Hongkong and China but has no shops under direct management and sales amount by overseas sales have been small.

It has own device of making compressed wood so it intends to develop overseas market more. It ties with English architect office and design office in Swiss and sold the products on spot basis in the past. It also participated Italian international furniture fair' Milanosalone' for four straight years.

It is studying if assembly of furniture can be done in Italy. In September, the Chinese sales agent will open showroom in Shanghai and display Hida's products.





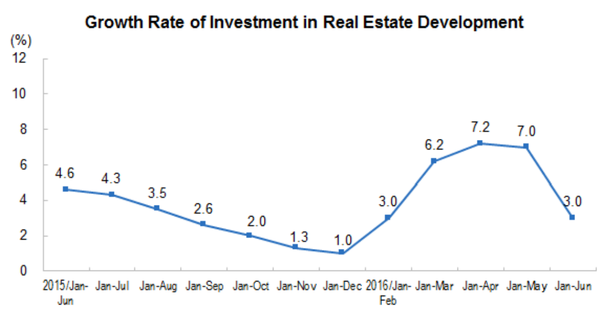


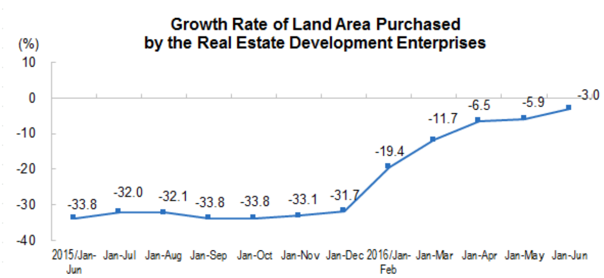
China

Huge rise in investment in commercial buildings

According to the National Bureau of Statistics in the first seven months of 2016 investment in real estate development was up by 5.3% year-on-year representing a slight decline on the first six month performance. Investment in residential building grew 4.5% and sales of commercial buildings grew by almost 40%. However in the first seven months land purchases by real estate development companies fell almost 8%.

See:
http://www.stats.gov.cn/english/PressRelease/201608/t20160812_1387836.html





First half 2016 import update

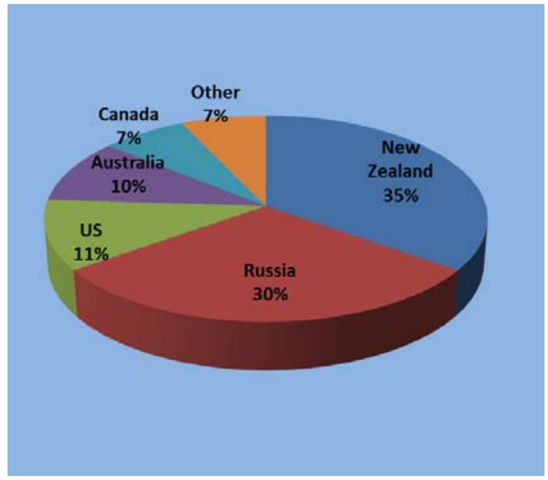
China's log imports totalled 23.91 million cubic metres valued at US$3.97 billion in the first half of 2016, up 3% in volume and down 10% in value over the same period of 2015. The average landed price for imported logs was US$166 per cubic metre, a year on year fall of 13%.

Of the total, softwood log imports amounted to 16.12 million cubic metres, or 67% of all log imports, a year on year increase of 4%. Softwood log imports were mainly from the top 10 countries, namely New Zealand (5.61 million cu.m, down 3%), Russia (4.78 million cu.m, up 6%), the US (1.81 million cu.m, up 12%), Australia (1.56 million cu.m, up 37%), Canada (1.19 million cu.m, down 4%), Ukraine (0.52 million cu.m, up 3%), Japan (0.24 million cu.m, up 35%), France (0.08 million cu.m, up 25%), Belarus(0.08 million cu.m, up 25%), DPRK(0.08 million cu.m, up 25%).

Softwood log imports of these above-mentioned countries make up 99% of all softwood log imports. Softwood log imports from the top 5 countries account for 97% of all log imports

The average price for softwood log imports was about US$120 per cubic metre in the first half of 2016, a year on year decline of 7%.

Main sources of China's softwood log imports in the first half of 2016



Data source: China Customs

Hardwood log imports totalled 7.79 million cubic metres, or 30% of all log imports, a year on year increase of 26% in volume. Hardwood log imports were mainly from PNG (1.77 million cu.m, up 20%), Russia (1.14 million cu.m, up 26%), Solomon Isalnds (1.09 million cu.m, down -7%), Equatorial Guinea (0.54 million cu.m, up 85%), the US (0.34 million cu.m, up 7%), Germany (0.27 million cu.m, up 37%), Mozambique (0.26 million cu.m, down -12%), the Republic of Congo (0.25 million cu.m, up 5%), France (0.25 million cu.m, down -19%) and Cameroon (0.24 million cu.m, down -21%).

Ranked top 10 countries supplying China's hardwood log imports in the first half of 2016

	Hardwood log imports million cu.m	2015-16 %Change
PNG	1.77	20
Russia	1.14	26
Solomn Is.	1.09	-7
Equatorial Guinea	0.54	85
US	0.34	7
Germany	0.27	37
Mozabique	0.26	-12
Republic of Congo	0.25	5
France	0.25	-19
Cameroon	0.24	-21

Data source: China Customs

Tropical log imports rose 8% to about 4.77 million cubic metres, accounting for 20% of all log imports and 61% of all hardwood log imports.

Ranked top 10 countries supplying China's tropical log imports in the first half of 2016

	Hardwood log imports million cu.m	2015-16 %Change
PNG	1.77	20
Solomn Is.	1.09	-7
Equatorial Guinea	0.54	85
Republic of Congo	0.25	5
Cameroon	0.24	-21
Nigeria	0.21	-18
Laos	0.13	2
Ghana	0.09	192
Liberia	0.08	33
Malaysia	0.06	-51

Data source: China Customs

The average prices for imported softwood logs, hardwood logs and tropical logs were US$112, US$262 and US$395 per cubic metre respectively, down -7%, -16% and -11%. However, the prices for softwood log imports from the Democratic People's Republic of Korea and tropical log imports from Liberia rose 5% and 33% respectively.

Sawnwood imports in the first half of 2016

China's sawnwood imports totalled 15.61 million cubic metres valued at US$3.82 billion in the first half of 2016, down 2% and 17% respectively over the same period of 2015. The average landed price for imported sawnwood was US$245 per cubic metre, a year on year drop of 17%.

Of the total, sawn softwood imports amounted to 9.02 million cubic metres, or 58 % of all sawnwood imports, a year on year increase of 24%. Sawn softwood imports were mainly from the top 10 countries, namely Russia (5.40 million cu.m, up 51%), Canada (2.09 million cu.m, down 14%), Finland (0.49 million cu.m, up 80%), Chile (0.34 million cu.m, down 1%), Sweden (0.32 million cu.m, up 33%), New Zealand (0.17 million cu.m, up 14%), Germany (0.06 million cu.m, down 50%), the US (0.03 million cu.m, down 6%), Australia (0.02 million cu.m, up 66%) and Latvia (0.01 million cu.m, down 45%). Sawn softwood imports of these above-mentioned countries make up 99% of all sawn softwood imports, just sawn softwood imports from Russia and Canada make up 83%.

Sawn hardwood imports totaled 6.05 million cubic metres, or 42% of all sawnwood imports, a year on year increase of 11%. Sawn hardwood imports were mainly from the top 10 countries, namely Thailand (1.89 million cu.m, up 31%), the US (1.29 million cu.m, down 7%), Russia (1.17 million cu.m, up 17%), Canada (0.72 million cu.m, up 24%), Vietnam (0.16 million cu.m, up 42%), Gabon (0.14 million cu.m, down 16%), Indonesia (0.131 million cu.m, up 9%), Philippine (0.130 million cu.m, down 16%), Malaysia (0.113 million cu.m, down 15%) and Brazil (0.25 million cu.m, up 90%).

Sawn hardwood imports of these above-mentioned countries make up 89% of all sawn hardwood imports, just sawn hardwood imports from Thailand, the US, Russia and Canada make up 77%.

Tropical sawnwood imports rose 8 % to about 4.77 million cubic metres, accounting for 17% of all sawnwood imports and 40% of all sawn hardwood imports.

Ranked top 10 countries for China's tropical sawnwood imports in the first half of 2016

	Tropical Sawnwood imports million cu.m	2015-16 %Change
Thailand	1.89	31
Gabon	0.142	-16
Indonesia	0.131	9
Phillipines	0.130	-16
Malaysia	0.113	-15
Laos	0.055	-17
Cameroon	0.042	-33
Ecuador	0.031	38
Peru	0.026	0
Cambodia	0.018	8

Data source: China Customs

The average prices for imported sawn softwood, sawn hardwood and tropical sawnwood were US$171, US$346 and US$371 per cubic metre, down -18%, -13% and -17% respectively. However, the prices for sawn hardwood imports from Indonesia rose 6%.

Myanmar no longer a main timber supplier

In the first half of 2016, China's log imports from Myanmar were 9,700 cubic metre valued at US$13.96 million, plummeting 97% in volume and 87% in value. Myanmar ranked 42nd among the various sources for China's hardwood log imports.

China's sawnwood imports from Myanmar were 6600 cubic metre valued at US$3.09 million, plummeting 85% in volume and 89% in value. Myanmar ranked 37th among suppliers of China's sawn hardwood imports.

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

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
Afrormosia	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

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

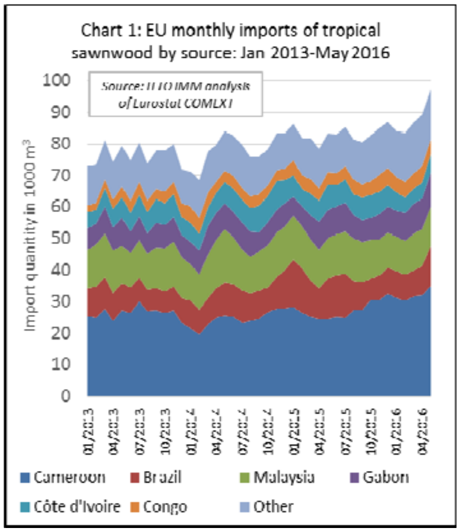
Shanghai Furen Forest Products Market Wholesale Prices

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

Europe

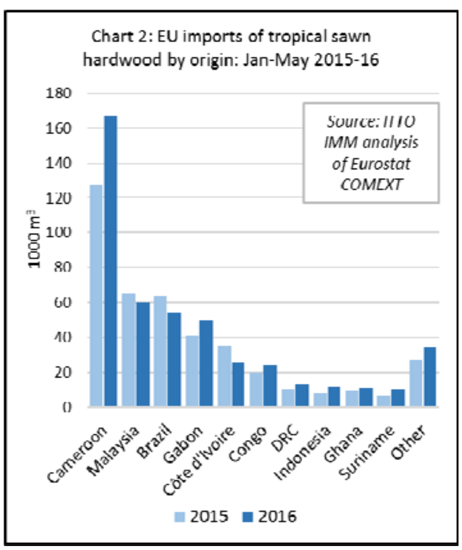
EU imports of tropical sawnwood rise 11%

EU imports of tropical sawnwood have continued to recover slowly in 2016 from the depths of recession in early 2013. There was a particularly significant surge in trade in the second quarter of this year, notably from Cameroon. (Chart 1).

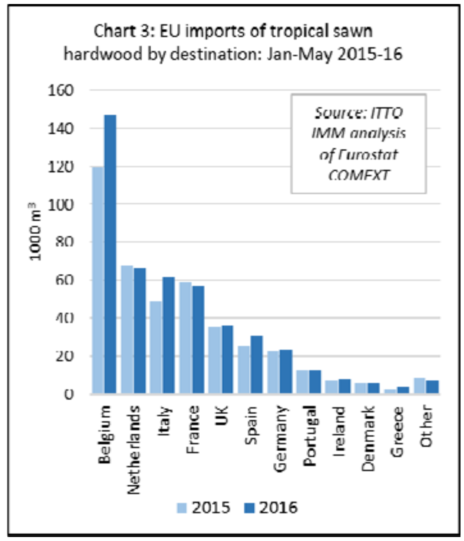


EU imports of tropical sawnwood in the first five months of 2016 were 460,000 cu.m, 11% more than the same period in 2015. There were significant gains in imports from a wide range of countries including Cameroon (+31% to 166,400 cu.m), Gabon (+20% to 50,200 cu.m), Congo (+21 to 24,300 cu.m), DRC (+28% to 13,200 cu.m), Indonesia (+40% to 11,800 cu.m), Ghana (+15% to 10,900 cu.m) and Suriname (+56% to 10,000 cu.m).

These gains offset a decline in imports from Malaysia (-8% to 59,900 cu.m) and Brazil (-16% to 53,600 cu.m). (Chart 2).

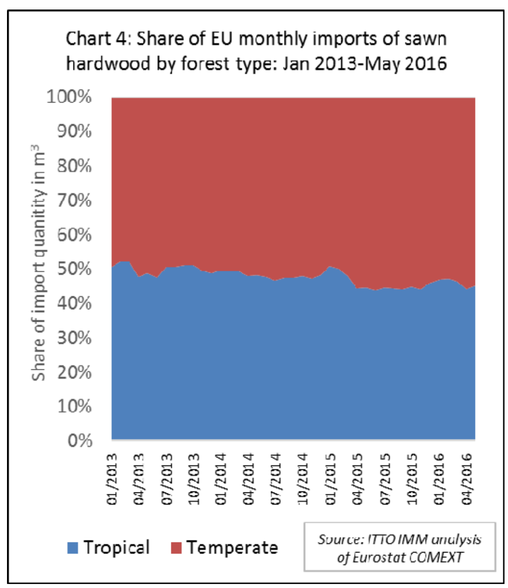


The rise in EU imports of tropical sawnwood in the first five months of 2016 was concentrated in Belgium (+22% to 147,000 cu.m), Italy (+27% to 61,800 cu.m) and Spain (+24% to 31,000 cu.m). Imports into other leading destinations, including Netherlands, France, UK, Germany and Portugal, were very similar to the level in 2015. (Chart 3).



The increasing concentration of EU imports of tropical sawnwood into Belgium, which accounted for 32% of the total in the first five months of 2016 – compared to only 26% for the year in 2014 – is striking.

Companies in Belgium seem to be playing an ever larger role in distributing tropical sawnwood into other parts of the EU – a trend that may be partly driven by EUTR as it discourages smaller EU operators to buy direct and to rely on larger companies with greater resources available to implement bureaucratic due diligence procedures.



A rising share of the tropical timber imported into Italy also seems now to be sold into other parts of the EU as the country's domestic market remains very weak. Some larger Italian importers are known to be distributing tropical hardwoods into northern parts of the EU.

While EU imports of tropical sawnwood have been rising this year, trade in temperate sawn hardwood has risen more rapidly so that the share of tropical wood has continued to slide (Chart 4).

In the first 5 months of 2016, EU imports of sawn hardwood increased sharply from Ukraine (+25% to 170,100 cu.m), the USA (+10% to 146,300 cu.m) and Russia (+16% to 56,552 cu.m). This is a reflection of the strong and increasing dependence on oak in the European hardwood sector and is also due to policy and exchange rate effects.

In the last two years, the euro has strengthened by 50% against the Ukrainian hryvnia and by 40% against the Russian rouble. The Ukraine also banned log exports from November 2015, encouraging a switch to trade in sawnwood.

STTC Conference focuses on public procurement policy

The theme of the European Sustainable Tropical Timber Coalition (STTC) Conference held in Rotterdam in June and co-organised by the Dutch Ministry of Infrastructure and Environment (MIE) was "Real impact through timber purchasing policies".

As such it was less concerned with generic marketing efforts to expand the European market for tropical timber than with incentivizing sustainable forest management in supplier countries by "creating market demand for certified responsibly sourced tropical timber".

The STTC, which launched in 2013, was founded and is funded by Dutch government-backed IDH, the Sustainable Trade Initiative. The primary objective of STTC is to boost certified timber's European tropical market share to 50% over 2013 levels by 2020.

Among the STTC's latest developments is a €2 million funding programme, managed by the European Timber Trade Federation (ETTF), to support businesses, federations and local authorities implementing sustainable timber procurement policies. It is also increasing communications activities, with the Rotterdam Conference among the outcomes.

For more see http://www.europeansttc.com/23-june-2016-conference/

Chatham House meeting takes stock of FLEGT

Chatham House, the UK-based think tank, hosted the annual "Illegal logging Update" meeting in London in June, a two-day event with participants from a range of producer and consumer countries in both tropical and temperate regions – mainly government, NGOs, academics, consultants, trade association and corporate representatives.

The meeting featured a panel discussion on "next steps for FLEGT" which considered the implications of the recently published independent evaluation of the EU FLEGT Action Plan.

The panel comprised Alhassan Attah (FLEGT facilitator, Guyana), Rob Busink (Ministry of Economic Affairs, the Netherlands), Julia Falconer (DFID, UK), Harrison Karnwea (Forestry Development Authority, Liberia), Philippe Mayaux (European Commission) and Putera Parthama (Ministry of Environment and Forestry, Indonesia).

The Panel discussion highlighted and reinforced key findings of the FLEGT evaluation. There was agreement that the EU FLEGT initiative remains relevant and is playing a positive role to improve forest governance in targeted countries.

There was praise for the role it is playing to promote transparency and multi-stakeholder engagement in the forest sector. The success of these aspects of FLEGT is indicated by their being replicated in other sectors in some VPA countries such as Liberia.

The discussion also confirmed other key findings of the evaluation – that FLEGT activity needs to be better targeted and monitored, to adapt to significant changes in the political and economic environment – such as the rising importance of domestic markets in the tropics and other emerging markets, to improve engagement with and relevance to the private sector, and to focus on better communication and extending the network of those involved.

The panel was questioned directly on the continuing relevance of the FLEGT plan now that the EU plays a less significant role in the global wood trade. The panel broadly agreed that the EU market remains significant, even if timber volumes have declined the EU still takes a large share from many tropical countries, particularly in Africa.

The EU is more likely to import higher value products – such as furniture – than other destinations. The panel also emphasised that even as the EU's direct role in tropical trade is diminishing, the EU can set a positive example for sustainable consumption and make a significant contribution to policy innovation. It was emphasised that FLEGT is more than just a trade initiative, bringing together actors which benefit many in different ways.

The panel was also asked whether lack of FLEGT licenses, 13 years on from the launch of the plan, is a problem. The panel acknowledged that the initial plan may have been too ambitious and that there was a failure to anticipate the time required to embed the changes in systems and capacity across entire countries and sectors in order to develop FLEGT.

However, it was also noted that significant experience has been gained in dealing with this complexity and licensing is close to being achieved in some VPA countries. Concerted efforts are now required to improve market incentives for licensing and to engage more widely with the private sector.

Update on VPA Progress

The Chatham House meeting heard reports on progress in VPA negotiations around the world from EU officials and government representatives from several VPA countries. VPA implementation and negotiations are moving ahead in 17 countries, and considerable progress is being made in Indonesia, Ghana, Guyana, Liberia, and Vietnam.

Progress has slowed in other countries, where issues related to resources for Timber Legality Assurance Systems (TLAS) and communication need to be addressed.

Putera Parthama of Indonesia's Ministry of Environment and Forestry, reported that the country is on course to become the first to finalize the VPA process and start producing FLEGT-licensed timber. Even before official EU recognition of licensing, Indonesia's SVLK ensured that 98% of timber exported in 2015 was legally sourced.

A highly integrated data management system, independent forest monitoring and input from NGOs have all strengthened the legality process and boosted progress with the implementation of the VPA.

There has also been a strong focus on Indonesia's domestic market, for example through introduction of a green public procurement policy to ensure timber supplied domestically is SVLK-certified.

Chris Beeko of Ghana Forestry Commission and Obed Owusu-Addai of Civic Response said that the VPA process has significantly improved law enforcement, forest governance and trade mechanisms in Ghana; moreover, a wood tracking system (WTS) has been implemented. Engagement with civil society has benefited the VPA process, although the lack of funding for participants is an issue.

Broader participation in the implementation of the WTS would be welcome. More capacity and resources are needed to address compliance gaps among SMEs in the forest sector.

More details, including full summary report and copies of all presentations, are available at the Chatham House website:

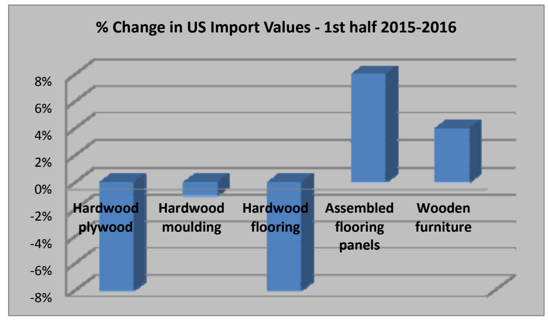
http://www.illegal-logging.info/content/26th-illegal-logging-update-and-stakeholder-consultation-meeting

North America

US wood product imports update

US imports of most tropical sawnwood and processed wood products in the first half of 2016 were lower than in the same period last year.

This is despite higher housing starts and increased consumer spending compared to 2015. The exceptions to the downward import trend were imports of wooden furniture and assembled flooring panels (engineered wood floors).



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

Decline in ipe and sapelli sawnwood imports

The import volume of sawn temperate and tropical hardwood fell by one third in June to 86,178 cu.m. However, the value of imports increased 2% to US$44.8 million because of higher tropical imports.

Imports of temperate species declined in June, while tropical sawn hardwood imports volumes grew 18% from May to 23,297 cu.m. The value of tropical imports was US$23.9 million and accounted for 53% of all US sawn hardwood imports in June, up from 49% in May.

Despite the overall growth in tropical imports, ipe and sapelli imports declined in June. Ipe sawnwood imports were 2,589 cu.m., down 35% from May. Sapelli imports decreased 13% from the previous month to 2,379 cu.m. Year-to-date sapelli imports were down over 40% from June 2015. Imports of jatoba and teak also declined in June.

Balsa sawnwood imports increased 14% to 5,283 cu.m. Acajou d'Afrique and keruing imports grew significantly from May, but year-to-date imports remain below last year's levels.

Among the main suppliers of tropical sawnwood to the US market only Ecuador and Indonesia shipped more year-to-date than in June 2015.

Imports from the Democratic Republic of the Congo/Kinshasa jumped to 1,178 cu.m. in June, up from a monthly few hundred cubic metres earlier this year.

More hardwood plywood from China, Indonesia and Malaysia in June

Hardwood plywood imports grew 4% in June to 279,542 cu.m. but year-to-date imports were lower than in June 2015. The value of plywood imported in June declined 3% to US$155 million.

The reason for higher volumes yet lower value imports in June was increased shipments from China. Imports from China grew 8% from the previous month to 169,806 cu.m., while the value of imports decreased 5%.

Plywood imports from China remained below 2015 levels in June, both in volume and value.

Hardwood plywood imports from Indonesia recovered after a brief decline in May. June imports from Indonesia were 24,486 cu.m., up 12% and worth US$15.4 million. Plywood imports from Malaysia tripled to ,805 cu.m. from the previous month, while imports from other major plywood suppliers decreased in June.

Moulding imports from Brazil down

The US imported US$14.5 million worth of hardwood moulding in June, down 9% from May. Year-to-date imports were slightly lower (-1%) than in June 2015.

The month-on-month decline was chiefly in moulding imports from Brazil. Brazil's shipments fell by 24% to US$2.9 million. Imports from China and Malaysia were up in June. Malaysian moulding shipments to the US were worth US$1.2 million in June, up 12% year-to-date from the same time last year.

Thailand increases engineered flooring exports to US

Hardwood flooring and assembled flooring panel imports increased in June to US$4.2 million and US$16.9 million, respectively. Year-to-date imports of assembled flooring panels (engineered wood flooring) grew 8% from June 2015, but hardwood floor imports were down compared to the same time last year.

Indonesia and China were the largest sources of hardwood flooring imports in June at just over US$1 million each. Despite a jump in imports from Indonesia in June, year-to-date Indonesian shipments were down 15% from June 2015. Hardwood flooring imports from China increased 24% year-to-date.

In assembled flooring panels, China and Thailand grew their shipments to the US market compared to the same time in 2015. China remains the main source of imports at US$9.9 million in June.

Imports from Thailand are relatively small (US$323,408 in June), but year-to-date imports increased 76% from June 2015.

Wooden furniture imports unchanged in June

Wooden furniture imports were unchanged in June US$1.44 billion. Year-to-date imports were up 4% from June 2015.

Furniture imports from China were unchanged month-over-month, but imports from Vietnam and declined 3% in June. Malaysia, Mexico and India increased shipment to the US in June.Imports from most countries were up in the first half of 2016, except for Malaysia (-2%) and Indonesia (-4%).

Imports of bedroom furniture and wood furniture for other uses increased in June, while office furniture, upholstered and non-upholstered seating declined. Kitchen furniture imports were unchanged from the previous month.

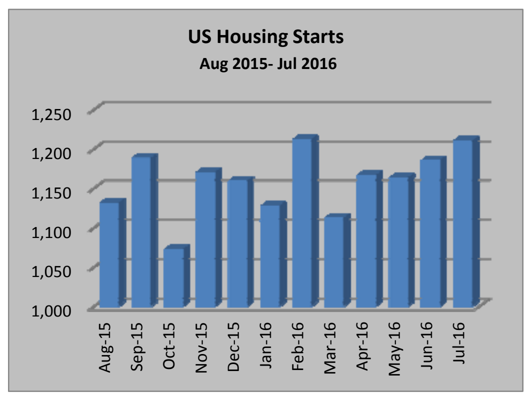
GPD growth up in second quarter

US GDP increased at an annual rate of 1.2% in the second quarter of 2016, according to the first estimate released by the Bureau of Economic Analysis. In the first quarter, GDP increased 0.8% based on the final revised estimate.

The increase in GDP growth in the second quarter was mainly due to higher personal consumption and lower imports. Non-residential and residential construction investment declined in the second quarter.The unemployment rate was unchanged at 4.9% in July, according to the US Bureau of Labor Statistics.

Housing starts continue to climb

Housing starts rose 2.1% in July to a seasonally adjusted annual rate of 1.21 million units, according to data released by the US Department of Housing and Urban Development and the Commerce Department. This is the highest level of residential construction since February. Multifamily housing increased 5% in July, while single-family construction was only slightly up (0.5%).



Source: US Census Bureau

Single-family home builders are cautiously optimistic about market conditions, according to the National Home Builder Association. Shortages of building lots, skilled workers and affordability issues continue to affect the housing sector.

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

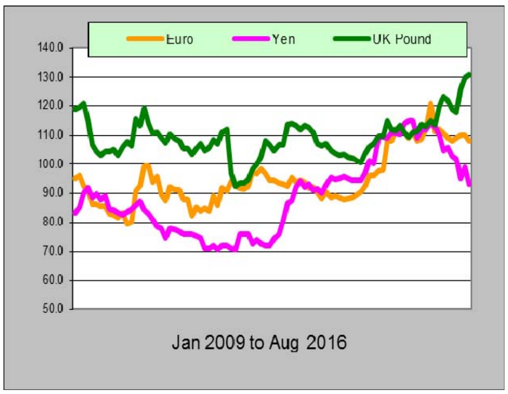
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

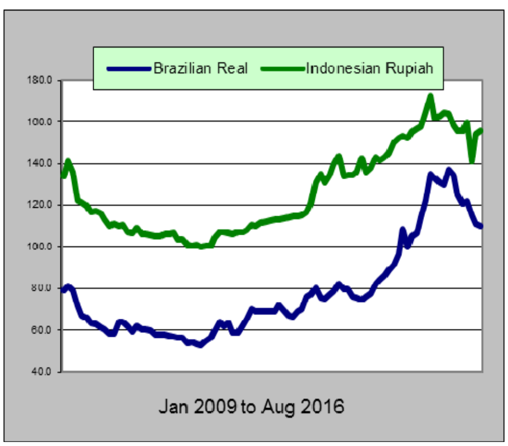
US Dollar Exchange Rates

As of 25 August 2016

Brazil	Real	3.2342
CFA countries	CFA Franc	581.01
China	Yuan	6.6543
EU	Euro	0.8861
India	Rupee	67.016
Indonesia	Rupiah	13260
Japan	Yen	100.53
Malaysia	Ringgit	4.0206
Peru	New Sol	3.3495
UK	Pound	0.7544
South Korea	Won	1115.82

Exchange rate indices (Dec 2003=100)



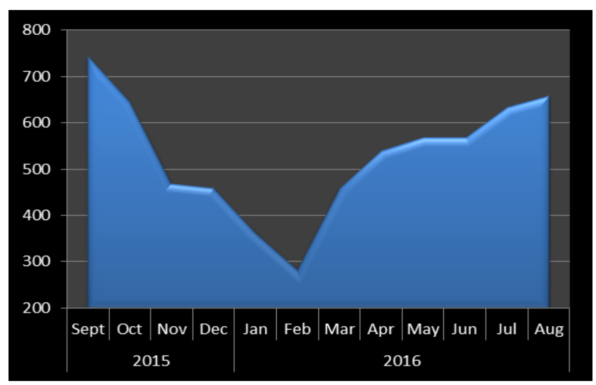


Abbreviations and Equivalences

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
September 2015 – August 2016

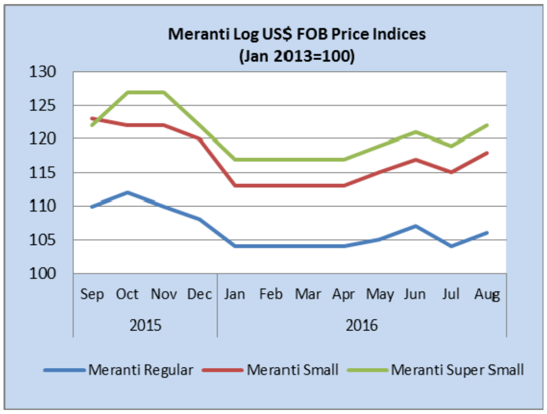


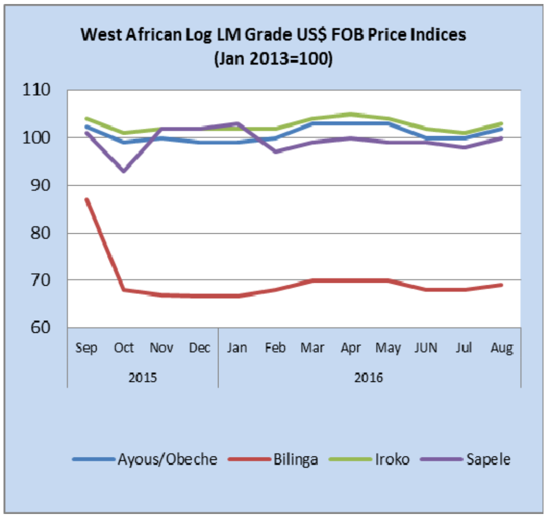
Data source: Open Financial Data Project

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

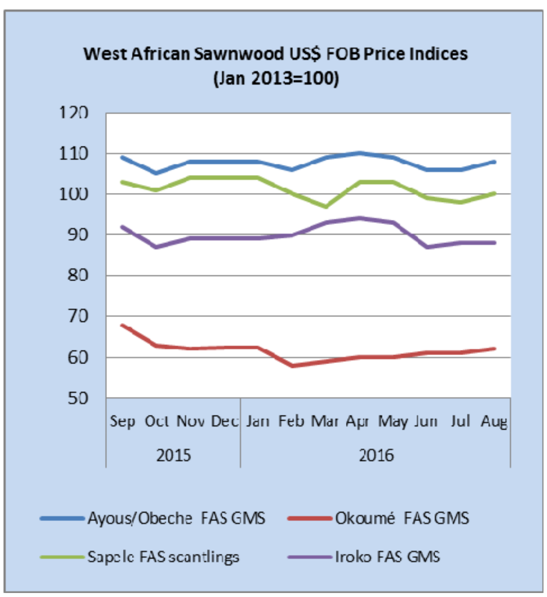
Price indices for selected products

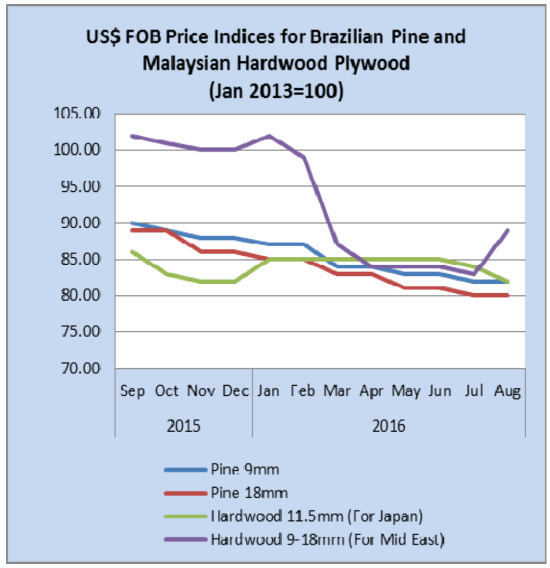
The following indices are based on US dollar FOB prices.

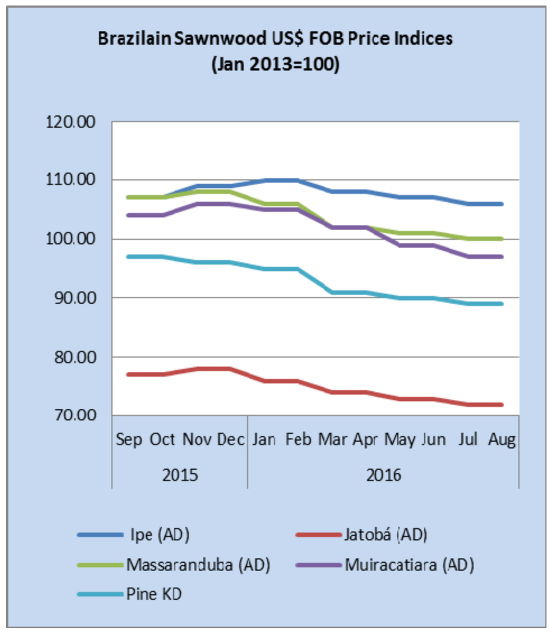




Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.

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