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.

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Headlines

Top Story

Protecting rosewood

By consensus CITES has placed the entire Dalbergia genus of rosewood under trade restrictions. Demand, especially in Asia, has had a devastating impact on available resources in South-East Asia and traffickers are now tapping alternative sources in Africa and Central America.

Some rosewood species can still be logged under the new rules but will require permits issued only if the supply is deemed sustainable.

See: Page 6

Central and West Africa

Now easier for traders to assess market direction

With very few exceptions prices continue stable as producers are matching output closely to demand levels to avoid any build-up of stocks which could put a downward pressure on prices.

Buyers also are playing the market very carefully seeing no advantage in speculative purchases, being content to import to sufficient to satisfy immediate demand. In this way stocks are kept to a minimum.

This trading pattern is very different from the past style of ‘hand-to-mouth’ buying. Today trends can be more accurately assessed from the comprehensive data on construction and consumption available on line which aids purchase planning.

The immediate concern of both producers and importers is currency volatility triggered first by the decision in the UK to exit the EU and as investors move funds seeking safe havens in these uncertain times.

Not all plain sailing in Duty Free Zone

As previously reported, some Indian companies are interested in setting up processing facilities in Gabon’s Duty Free Zone (DFZ) and log producers report preliminary enquiries for long term supplies of okoume peeler logs.

There have been reports of Indian entrepreneurs considering the building production plants in Congo Brazzaville but deciding against this perhaps because, as suggested by analysts, the quality of okoume logs in Congo Brazzaville is an issue.

Downstream mills that are already producing doors, windows and other joinery in the Gabon DFZ are complaining that taxes and the duties levied on goods for export to the CEMAC countries are far too high. Manufacturers are beginning to lobby the authorities for a review.

If intra-regional trade is to grow then there is a need for improved infrastructure, harmonisation of duties and customs entry and exit procedures as well as elimination of costly informal tolls.

Prices flat all round

Overall, producers report no significant change in the market situation as demand remains moderate. Prices of sapelli and sipo, as of mid-October, were weak but despite this there is still no interest from buyers in Europe or China.

However, demand for beli remains firm in the Chinese market. Over the past two weeks there have been reports of an upturn in interest from buyers for the Chinese market.

Importers in India are looking for tali logs but as previously reported, padouk remains out of favour in India and also in Belgium.

Log Export Prices

West African logs, FOB	Euro per m^3		
Asian market	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	300	260
Okoume (60% CL, 30% CE, 20% CS) China only	210	190	160
Moabi	330	300	235
Movingui	210	210	160
Niove	170⬆	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	400⬇
Bilinga	FAS GMS	520
Okoumé	FAS GMS	340
	Merchantable	270
	Std/Btr GMS	290
Sipo	FAS GMS	550⬇
	FAS fixed sizes	560⬇
	FAS scantlings	596
Padouk	FAS GMS	850⬇
	FAS scantlings	930
	Strips	640
Sapele	FAS Spanish sizes	520⬇
	FAS scantlings	540
Iroko	FAS GMS	610⬆
	Scantlings	710⬆
	Strips	440
Khaya	FAS GMS	450
	FAS fixed	460
Moabi	FAS GMS	610
	Scantlings	630
Movingui	FAS GMS	420

Ghana

Tema Port expansion

The Global Construction Review (GCR) has reported that the contact for the expansion of Tema port has been awarded. The work will involve dredging to triple the handling capacity of the port to 3 million TEU (20ft equivalent) containers a year from the current 1 million.

Four new container berths along a 1.4km quay will be constructed and an extensive breakwater will be built says the GCR.

The Tema Port expansion is one of several projects underway in West Africa to provide more efficient trade infrastructure.

The Global Construction Review says on its website “At present the region handles about 7.5 million TEU containers a year in ports that have a combined capacity of about 10 million. It is likely that this will increase to 22 million by 2020."

For the full story see:
http://www.globalconstructionreview.com/news/aecom-chosen-15bn-sch7eme-t7riple-capa7city/

December election – business slows as companies 'wait and see'

The International Monetary Fund (IMF) has reported that Ghana is making progress in its economic management but cautioned that the country will have a turbulent path to economic recovery.

The IMF reports fiscal consolidation remains on track as the government moves to ambitiously trim its overall deficit target from 10.1 per cent in 2014 to 5.2 per cent this year.

While a review conducted by Standard Bank Research suggests the upcoming presidential election is unlikely to cause Ghana to change direction the IMF does see risks ahead. In its Country Report the IMF says a continuation of strong policies and reforms must be sustained if Ghane is to recover quickly.

Producers in Ghana report that production activity is generally quiet and they put this down to concern on the direction in the forthcoming elections.

Analysts write "stakeholders are quietly monitoring the political temperatures of the two main political parties to enable them make informed decisions for the coming year."

See:
http://www.imf.org/en/News/Articles/2016/10/08/AM16-TR100716-Transcript-of-African-Department-Press-Briefing

http://www.imf.org/external/pubs/cat/longres.aspx?sk=44320.0

In related news, the IMF is delivering support to steady the cedi exchange rate and boost manufacturing. Financial analysts say there is an urgent need to stabilse the cedi exchange rate to provide relief to manufacturers who are faced with volatile and high production costs, difficulty in securing foreign exchange for spare parts and equipment.

Boule Export prices

	Euro per m^3
Black Ofram	380
Black Ofram Kiln dry	444
Niangon	499
Niangon Kiln dry	571

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	337	400
Chenchen	416	534
Ogea	478	604
Essa	492	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	410	430
18mm	280	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	323
Dahoma	379	429
Edinam (mixed redwood)	520	599
Emeri	480	529
African mahogany (Ivorensis)	848	993
Makore	730	820
Niangon	500	1002
Odum	755	869
Sapele	680	764
Wawa 1C & Select	363	449

South Africa

Wood trusses dominate market in coastal regions

As a follow-up to the news in our previous report on the truss market, steel trusses are only a major competitor to the traditional wooden truss in inland areas away from the salt laden sea air which corrodes steel trusses. But competition from steel trusses has been a factor in the Gauteng market for a while and it is estimated that some 30% of the trusses used in that area now steel.

Low cost housing is a big market in South Africa but here pole trusses are common utilising plantation eucalyptus. Low cost homes are generally roofed with simple corrugated iron and there is no need for major load bearing trusses.

Some manufacturers have experimented with trusses of sawn eucalyptus but these have not gained acceptance as they are much heavier than pine trusses and eucalyptus is tough to treat against fungal and insect attack.

Demand and stronger rand helps lift US hardwood imports

At present the pine market is very buoyant and pine sawmillers succeeded in getting a 5-7% price increase in early October. This was helped along by the low pine sawn stocks at the mills.

The market for American hardwoods is also robust driven by the high level of shop fitting activity and the fact that the rand has strengthened making imports cheaper.

MTC visits to assess falling meranti imports
Representatives of the Malaysian Timber Council were in South Africa in early October and they expressed disappointment on how the market for Malaysian sawnwood has shrunk from about 130,000 cu.m in 2007 to just 61,000 cu.m annually.

Part of the reason is that there have been some significant company closures such as the recent collapse of Zikiza and there has been a strong performance of steel and aluminum especially in the window market.

Local analysts also point to some negative trading issues with Malaysian suppliers which have disappointed importers such that they have shifted to other species such as okoume where pricing and delivery is more predictable. Another issue that has impacted meranti imports is the move to pine and eucalyptus by door manufacturers.

Shipping disrupted as Hanjin goes down
The interest in sawnwood from SE Asia and even South America has been affected by the insolvency of Hanjin shipping which aggravated delivery problems as containers were shut out.

Shipping problems are also affecting other products from Asia such as plywood from China, but the new domestic plymill at York is now in production so supplies are adequate.

Housing crisis – bold new approaches needed
At a recent national human settlements conference at the Nelson Mandela Metropolitan University in Port Elizabeth Minister of Human Settlements, Lindiwe Sisulu, warned that delivering on promises of good housing must be delivered if further protests are to be avoided. The minister urged academics and housing sector experts to offer options for solving the housing crisis in South Africa.

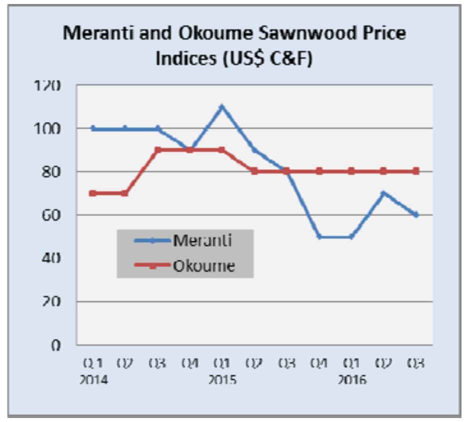
A press release from her ministry says "The inaugural 2016 National Human Settlements Conference represents another step forward in our journey to professionalise and elevate human settlements research, education and practice."

She further said "there is a need for a change of mind set from Housing to Human Settlements which demands a systemic response by all stakeholders in the sector.

The current state of play in South Africa is to ensure processes are in place to support professionalism and that this will be backed up in legislation governing and regulating human settlements practice in the country."

For the press release see: http://www.gov.za/speeches/minister-human-settlements-during-national-human-settlements-conference-2016-6-oct-2016

Sawnood C&F Price Indices



Malaysia

Growth prospects to improve in 2017
The World Bank has slashed its 2016-18 growth forecast for Malaysia due to the weakening global economy. Malaysia's GDP is now forecast to drop to 4.2% in 2016 from 5% last year.

However, the economy is set to rebound next year and accelerate in 2018 as commodity prices are likely to rise and there should be a boost in the export of manufactured products.

In its newly released report "Reducing Vulnerabilities" the Bank said growth across East Asia and Pacific is expected to remain resilient over the next three years.

Malaysia's exports rise
Malaysia's exports rose 1.5% to RM67.58bil in August from a year ago, far removed from the decline forecast by economists.

Malaysia's International Trade and Industry Ministry (MITI) said in a press release that compared to July's exports of RM59.85bil, exports rose 12.9% to RM67.58bil in August driven higher by a strong performance in the Singapore, China and US markets.

2017 Malaysian International Furniture Fair (MIFF)
MIFF 2017 is scheduled for March 8 to 11 and this will be the 23rd MIFF show. MIFF 2016 was a success for domestic and overseas exhibitors with orders topping RM3.7 billion.Already bookings for 2017 are pouring in say the organisers and discussions are underway with a view to offering even greater space for exhibitors.

For more see: http://2017.miff.com.my/

Sarawak log production dips
The latest statistics released by the Sarawak Forest Department show log production for the first eight months totalled 4,970,365 cu m. For the same period last year production was 7% higher at5,345,604 cu.m.

Sarawak Monthly log production (cu m)

	2015	2016
January	561,352	587,549
February	406,958	553,398
March	749,490	797,243
April	709,708	617,672
May	768,794	569,844
June	669,035	606,852
July	754,987	568,926
August	734,282	668,880
Total	5,345,604	4,970,365

Source: Sarawak For. Dept.

Between January and August this year Sarawak exported 1,748,518 cu.m of logs worth RM1,030,227,350. India was the biggest export market taking 913,094 cu.m (worth RM715,346,043) in the same period.

Indonesia was the second biggest export market for Sarawak logs taking 565,072 cu m (worth RM110,617,778). Taiwan P.o.C was third ranked at 125,539 cu.m (RM102,523,384) followed by Vietnam, 80,838 cu.m (RM50,793,852).

Support for SMEs marketing in Europe and Middle East

Malaysia's External Trade Development Corporation's (MATRADE) has reported that a recent mission to London generated potential sales of RM345 million reflecting the strong trade ties between Malaysia and the UK.

The recent event included a wide range of Malaysian manufacturers including some from the building materials sector. During the event in London a Memorandum of Understanding (MoU) between SME International Trade Association (SMITA) and Finpoint Limited was signed aimed at funding assistance for SMEs marketing in the UK, Europe and the Middle East.

For more see: http://www.matrade.gov.my/en/about-matrade/media/press-releases/press-releases-2016/4974-malaysian-companies-strenghten-foothold-in-the-united-kingdom-4-october-2016

Indonesia

New forest management programme launched

A statement released in early October by Siti Nurbaya, the Minister of Environment and Forestry, provides some details of a new initiative to strengthen forest management and at the same time provide opportunities for communities living in forested areas.

A five year Sustainable Community-Based Natural Resource Management and Institutional Development Project is being financially assisted by the World Bank and the Danish International Development Agency.

Integrating forest management and landscape restoration

IUCN and World Resources Institute (WRI) Indonesia recently arranged a workshop to introduce an Indonesian version of a forest landscape restoration manual developed in cooperation with the Ministry of Environment and Forestry.

This, says a press release from IUCN, is a practical guide for forest landscape restoration practitioners seeking to develop programmes and landscape-level strategies.

At the workshop, WRI Indonesia's Director Dr. Nirarta Samadhi and Director of Watershed Management Planning and Evaluation at the Ministry of Environment and Forestry, Ir. Djati Witjaksono Hadi, stressed that there are serious threats to the sustainability of Indonesia's forests and forest communities which create the need for an integrated landscape approach.

For more see: https://www.iucn.org/news/indonesia-forest-landscape-restoration-manual-launched

Indonesia's wood products on show in Czech Republic

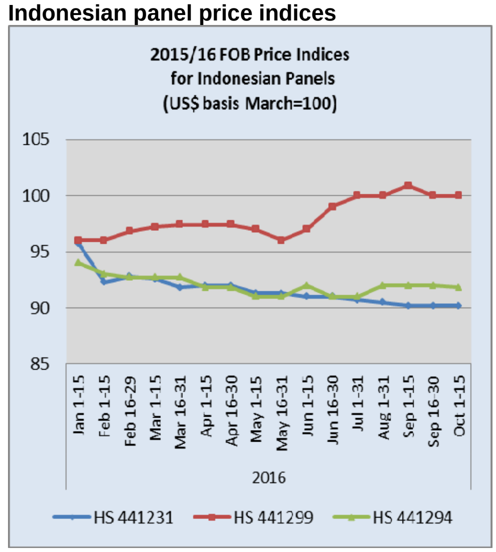
Minister for Regional Development in the Czech Republic, Karla Slechtova, who recently visited Indonesia expressed appreciation for Indonesia's participation in the exhibition ForArch.

ForArch, held at the PVA EXPO PRAGUE Exhibition Centre in late September, brought together over 800 exhibitors 67 of which were foreign.

When visiting Indonesia recently the Czech Minister of Regional Development, Karla Slechtova, said he was delighted to see Indonesia's participation in the exhibition and expects this to lead to fruitful business developments

For more on ForArch see:
http://forarch.cz/file/show?nl_id=20676

Indonesian panel price indices



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

Myanmar

Two tier log pricing creates problems

It has been announced that the Forestry Department will no longer allow the export of wood products if they have been manufactured from the logs sold by the Myanma Timber Enterprise (MTE) in local currency as products from these logs ca only be marketed locally.

After the log export ban in Myanmar the MTE decided to have two different arrangements for its sale of logs. Those for milling to meet domestic demand are priced in Kyat while logs sold to millers for processing into products for export are priced in US$.

The Local Marketing and Milling Department of MTE has already sold a considerable volume of teak and hardwoods logs in local currency. At the same time Export Marketing and Milling Department of MTE continues to sell logs for foreign currency.

As log stocks fell due to the suspension of logging export-oriented mills could not get sufficient logs so began diverting logs purchased in Kyat to export production this caused a considerable conflict.

The MTE has managed to survive financially through income earned from log sales, especially those priced in Kyat, but the decision to stop the export of products milled from logs allocated for domestic demand could hurt the MTE financially.

All rosewoods now CITES listed

At the latest CITES meeting a decision was passed to place an entire genus of plants, Dalbergia, covering over 300 species in Appendix II of the CITES convention meaning only controlled trade in sustainable volumes will be allowed. This is an effort to end the ploy by those trafficking rosewood to pass off illegally sourced species as legitimate.

Myanmar is a major source of rosewood. One of the most sought after species which illegally finds its way onto international markets is Tamalan (Dalbergia spp), this is now listed by CITES.

For more see:
https://cites.org/eng/news/pr/Largest_ever_World_Wildlife_Conference_CoP17_hailed_as_a_game_changer_04102016

https://www.theguardian.com/environment/blog/2016/oct/05/the-seven-big-decisions-made-at-the-cites-global-wildlife-summit

https://www.theguardian.com/environment/2016/sep/29/wildlife-summit-cracks-down-on-illegal-rosewood-trade

India

Timber faces competition in Indian door and window market

Ken Research has published an assessment of the door and window market in India focusing on the opportunities for uPVC products as against traditional wood products.

The market review “India uPVC Doors and Windows Market Outlook to 2020 – Growth in Residential Apartments and Development of Smart Cities to Drive the Future” provides an analysis of various aspects such as the size of the uPVC doors and windows market, segmentation on the basis of type of products, regional distribution, endues sectors and discusses competition in the market.

Ken Research says “The report is useful for industry consultants and analysts, company managers and owners and new players venturing in the market.”

For more see:
https://www.kenresearch.com/productsearch.html?searchKey=India+uPVC+Doors+and+Windows+Market+Outlook+to+2020+-+Growth+in+Residential+Apartments+and+Development+of+Smart+Cities+to+Drive+Future+++&searchbyKey=

Life style expectations drive market for small apartments

Many young couples in India face a tough decision when it comes to home buying, do they commit a large part of the disposable income on a family home or look for something smaller and thereby maintain their life style?

For many young couples small apartments and even studio apartments, basically one living/dining/kitchen room and a bathroom, are becoming more attractive and sell very quickly compared to the traditional 2 or 3 bedroom family home. This trend has implications for home furnishing manufacturers.

Andhra Pradesh eyes timber clusters to attract shippers to local ports

Timber companies close to Kandla Port have developed business clusters around the huge volume of timber which enters India through the port and now the Andhra Pradesh government wants to mimic this success and is drawing up plans to try and attract shippers to use ports in the state.

As a first step to attracting a greater volume of timber imports through Visakhapatnam, Krishnapatnam and other local seaports, State authorities are urging the central government to provide guidelines on the development of processing clusters and to provide authority to the state to permit the development of timber clusters close to ports in Andhra Pradesh.

Strategic development of East Cost gets boost from ADB funding

The Asian Development Bank (ADB) is providing a package of loans and grants to support part of India’s planned East Coast Economic Corridor (ECEC) that, on completion, will create efficient infrastructure for expanded trade links with South and Southeast Asian countries.

The ADB says "The Visakhapatnam-Chennai Industrial Corridor section of the East Coast Economic Corridor, connecting four economic hubs and nine industrial clusters, will mark the first industrial corridor developed along India's coast.

The East Coast Economic Corridor will ultimately extend from Kolkata in West Bengal in the northeast of India to Tuticorin in Tamil Nadu near the southern-most point of the country."

See:
https://www.adb.org/news/adb-approves-funds-build-india-s-first-coastal-industrial-corridor

Inflation rate trends

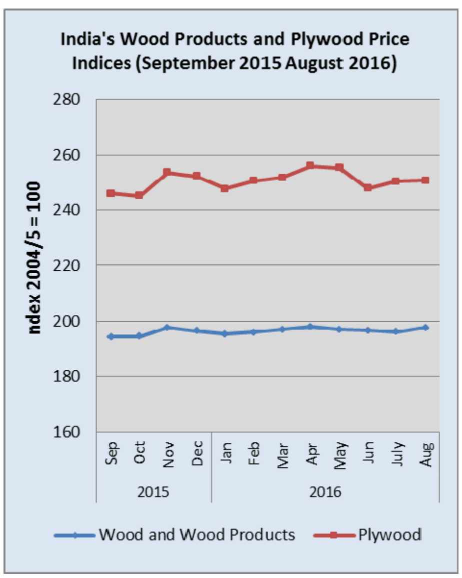
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index (WPI) for All Commodities (Base: 2004-05=100) for August declined by 0.4 percent to 183.1 from 183.9 for July. The annual rate of inflation, based on the monthly WPI, stood at 3.74% (provisional) for the month of August, 2016 (over August, 2015).

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

Plantation teak prices

As domestic teak log auctions were suspended due to the monsoon, demand for imported plantation teak picked up.

	US$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	277-812
Brazil squares	370-556
Cameroon logs	405-616
Colombia logs	258-982
Congo D. R. logs	450-761
Costa Rica logs	250-780
Côte d'Ivoire logs	289-756
Ecuador squares	258-616
El-Salvador logs	320-732
Ghana logs	276-434
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	365-460
Panama logs	335-475
PNG logs	443-575
Sudan logs	317-720
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

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

Prices from the three new plantation teak log suppliers remain unchanged at:Taiwan P.o.C (US$1036 to 2126 per cu.m C and F), China (US$855 to 1118 per cu.m C and F) and Honduras (US$471 to US$539 per cu.m C and F).

Prices for locally sawn imported hardwoods

Sawnwood Ex-mill	Rs per cu.ft
Merbau	2800-3000
Balau	1750-1950
Resak	1350-1550
Kapur	1750-1890
Kempas	1250-1700
Red Meranti	1200-1350
Radiata pine AD	800-900
Whitewood	850-950

Price range depends mainly on length and cross section

Myanmar teak flitches resawn in India

Domestic demand continues to firm but the steady supply of sawn teak from Myanmar has stabilised prices.

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 remains weak.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft^3
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	

Apology

ITTO has been made aware that three news items recently provided by its correspondent and published in the MIS of 1-15 September were taken directly from the 16 August issue of the Indian Plyreporter without permission/attribution.

As ITTO was unaware of this at the time of publication no acknowledgement of the source was mentioned. We offer our sincere apologies to the Editor and Publisher of The Indian Plyreporter whose online publication can be found at http://plyreporter.com/

Brazil

Door manufacturers bet on quality to boost sales

Wooden door manufacturers are having a tough time in the domestic market as activity in the building sector remains very subdued, as it has been since 2012.

To try a boost local sales major domestic manufacturers have been investing in production of higher quality products.

Through the 'Sectoral Quality Program for Wooden Doors for Buildings' (PSQ-PME), developed by the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), entrepreneurs are working to influence consumer preferences towards higher quality doors.

Wooden door manufacturers say the PSQ-PME guarantees the quality as products must meet high technical standards. The PSQ-PME programme aims to promote competitive equality among manufacturers through technical conformity, encourage continuous improvement and high added value branding.

Bureaucracy in importing countries hinder exports

Comex do Brasil, in an October report, says that nearly 32% of exporters surveyed by the Brazilian National Confederation of Industry (CNI) say administrative and customs bureaucracy in overseas markets, along with import duties, are the main obstacles faced when trying to boost exports from Brazil.

The CNI survey says 20% of exporters consider sanitary and phytosanitary measures a major obstacle to be overcome. Other non-tariff barriers, technical standards, rules of origin and import quotas were listed by 17% of exporters.

The impact of shipping costs was stated as a significant issue for the pulp and paper sectors. Exporters reported that wood products face a number of non-tariff barriers in export markets

The main obstacles to access foreign markets identified by the CNI survey were as follows:

Administrative bureaucracy (37%)
Import customs bureaucracy (36%)
Import tariffs (32%)
Sanitary and phytosanitary measures (20%)
Subsidies that undermine competition (17%)
Technical standards (16%)
Rules of origin (13%)

Federal government reports on programmes to boost export

The Ministry of Development Industry and Foreign Trade (MDIC) has an ongoing National Plan for Exports (PNCE) and a programme “Brazil More Productive”. The aim is to boost exports as Brazilian products are under-represented in international trade.

The PNCE programme aims to increase the number of companies operating in foreign markets, to promote the export of goods and services with an emphasis on high added value manufactured goods.

The programme includes three main themes, financing, qualification and management and operates at five levels, raising the awareness of domestic enterprises, improving business intelligence, process and product adaptation and trade promotion and marketing

The “Brazil More Productive” programme is aimed at small and medium companies and the goal is to improve productivity by 20% during the term of the programme.

The pilot phase of this programme started in 2015 and by way of example a furniture manufacturer/exporter has seen significant improvements in productivity with worker output rising over 70% and raw material use in packaging falling over 35%.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	196
Jatoba	108
Massaranduba	113
Miiracatiara	115
Angelim Vermelho	107
Mixed redwood and white woods	92

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	877
Jatoba	438
Massaranduba	405
Muiracatiara	415
Angelim Vermelho	366
Mixed red and white	242
Eucalyptus (AD)	209
Pine (AD)	152
Pine (KD)	171

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	575
10mm WBP	445
15mm WBP	394
4mm MR	507
10mm MR	377
15mm MR	350

Prices do not include taxes
Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	251
15mm MDF	337

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1436
Jatoba	930
Massaranduba	742
Muiracatiara	710
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 m^3
9mm C/CC (WBP)	299
12mm C/CC (WBP)	270
15mm C/CC (WBP)	267
18mm C/CC (WBP)	264

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,567
	Jatoba	1,497

Source: STCP Data Bank

Peru

New Executive Director for SERFOR

The Ministry of Agriculture and Irrigation (Minagri) has accepted the resignation of Fabiola Muñoz from the position of Executive Director of the National Forest and Wildlife Service (SERFOR). Mr. Muñoz was appointed to this post in July 2014. He leaves as it was announced that deforestation rates in Peru have fallen significantly.

The new Executive Director will be John James Leigh Vetter, a forest engineer from the Agrarian University La Molina. Mr Leigh has held posts in several international bodies including the International Tropical Timber Organization (ITTO) and has a wide experience in the sustainable development of forest resources.

ADEX - Extend trade agreements to boost non-traditional sectors

The President of the Association of Exporters (ADEX), Juan Varilias, has emphasized the importance of implementing policies to promote sectors with export potential such as aquaculture, wood and forest products, non-metallic mining and biological resources.

Varilias said to achieve expanded trade with countries with which it has trade agreements it is necessary to review laws on investment promotion.

He further said "The nature of the problems facing non-traditional exports will demand a set of policies aimed at improving the conditions that generate a competitive environment and a policy for active promotion in international markets.

In addition, further investment in transport infrastructure, reform of public institutions responsible for foreign trade and the strengthening incentives for innovation are key."

Recently, ADEX signed an agreement with the China Council for the Promotion of International Trade to jointly generate business and investment opportunities to strengthen development of economic and trade relations between the two countries.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	499-582⬆
Grade 2, Mexican market	426-467
Cumaru 4" thick, 6'-11' length KD	
Central American market	879-925
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	474-531⬆

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	209-244
Spanish Cedar	316-368
Marupa (simarouba)	179-196

Export Veneer Prices

Veneer FOB Callao port	US$ per m^3
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	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

Business sentiment stalls

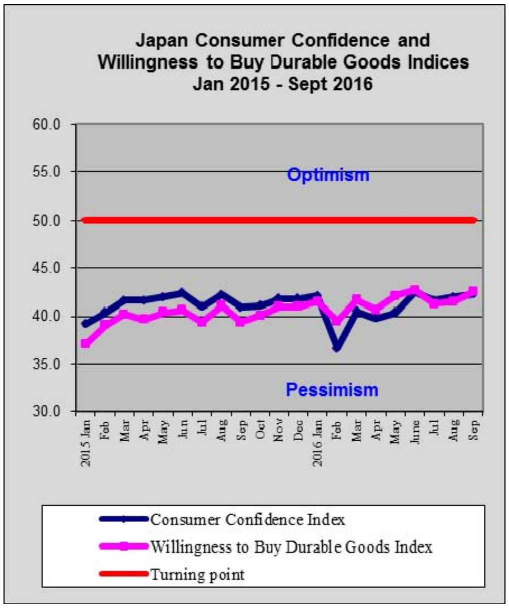
The Bank of Japan's quarterly Tankan survey indicates that, while large enterprises are still investing, they are doing so at levels unchanged from June. The impact of the strong yen and subdued consumer spending are the main factors which have stalled business sentiment.

Analysts anticipate the current mood in companies will be the pattern for the balance of the year, even though on the domestic front the impact of the Kumamoto earhquake was less devastating than first thought for manufacturers with production plants in the area and even as concerns for the direction of the global economy are easing.

Consumer confidence rise beats expectations

The September consumer confidence survey conducted by the Bank of Japan (BoJ) shows confidence continues to improve in sharp contrast to the expected decline.

Among the various components, the index for overall livelihood rose to 42.0 in September from 40.9 in August, the income growth assessment was almost unchanged but the index for employment prospects rose as did the index for willingness to buy durable goods.

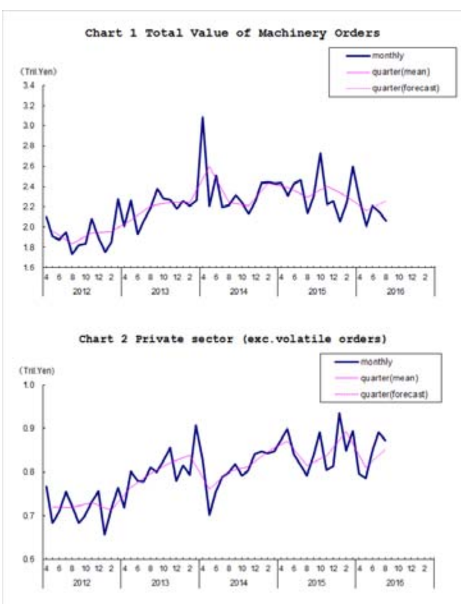


Data source: Cabinet Office, Japan

Machinery orders fall

The total value of machinery orders received by 280 manufacturers operating in Japan fell by 4% in August from the previous month. Private-sector machinery orders, excluding those for ships and for power company machinery, declined by 2.2% in August.

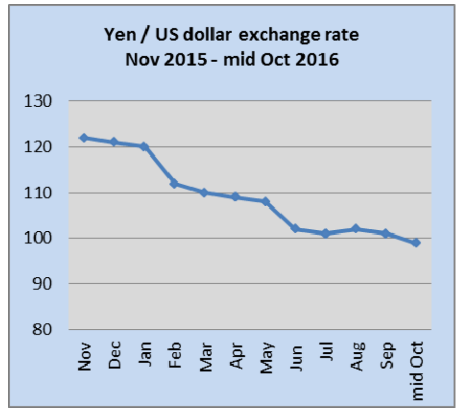
The trend in core machinery orders, a highly volatile data series, is regarded as an indicator of potential capital expenditure over the next six to nine months.



Source: Cabinet Office, Japan

Only US interest rate decision can bring down yen exchange rate

The yen continued to strengthen against the US dollar in early October, a trend that has been apparent all year, despite the decision of the BoJ to adopt negative rates in an effort to stem the yen's rise. The yen has surged more than 15% against the US dollar so far this year.



While the US continues with its loose monetary policy there is little to attract funds into the US dollar. In early October the yen flirted with the 99/dollar level, the strongest it has been all year.

It is widely anticipated that interest rates in the US will rise as early as December which may bring some relief for the beleaguered BoJ.

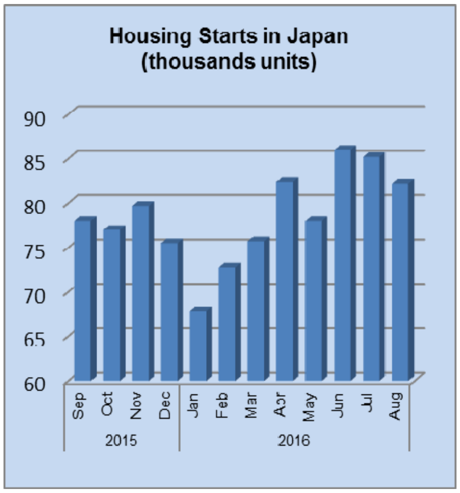
August housing starts up from a year earlier

Japan's Ministry of Land, Infrastructure, Transport and Tourism has reported that housing starts grew for the second straight month in August, despite dropping compared to levels in July, a fall reflecting the holidays taken during the month. However, looking at the data it is clear that the pace of acceleration seen over recent months has slowed.

August 2016 starts were 2.5% higher than in August last year but the performance in August was well below analyst's expectations.

Projecting forward to year end, housing starts could come in at under 1 million. Despite the weak numbers for August orders received by the top builders increased, the first increase in three months.

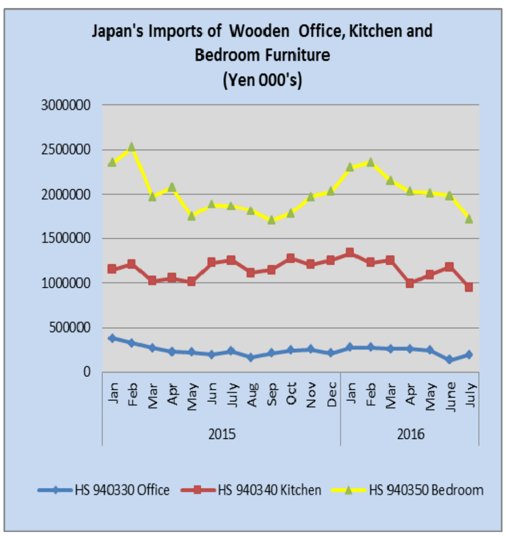
See: http://www.e-stat.go.jp/SG1/estat/ListE.do?lid=000001159965



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

Japan's furniture imports

After a very good start to the year the pace of growth in wooden furniture imports has steadily slowed. From the highs in January this year wooden office furniture imports have fallen almost 7%, wooden kitchen furniture imports are down 29% from January and wooden bedroom furniture imports have dropped 25% from levels in January.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year, imports of wooden office furniture in July were down 16% but compared to the previous month July imports rose over 40%.

The top three suppliers, China, Italy and Poland all saw an increase in sales to Japan in July. Shipments from China were up 19%, those from Italy nearly doubled and shipments from Poland rose 44% compared to a month earlier.

China is the main wooden office furniture supplier to Japan and in July accounted for over 60% of all imports. Imports from Italy accounted for a further 6% and imports from Poland came in at around 4.5%.

Office furniture imports

	Imports July 2016 Unit 1,000 Yen
S. Korea	-
China	125409
Taiwan P.o.C	21538
Hong Kong	-
Vietnam	-
Thailand	285
Singapore	-
Malaysia	1744
Philippines	5838
Indonesia	2595
Sweden	-
Denmark	1153
UK	-
Netherlands	-
Belgium	-
France	-
Germany	3577
Switzerland	-
Portugal	2885
Spain	248
Italy	11758
Finland	-
Poland	8820
Hungary	-
Lithuania	246
Czech Rep.	-
Slovakia	4771
Canada	-
USA	6234
New Zealand	-
Total	197101

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The increasing trend in wooden kitchen furniture imports over the past two months came to an abrupt end in July as, compared to a month earlier imports fell almost 20%. Also, year on year July imports were down 6%.

Kitchen furniture imports

	Imports, July 2016 Unit 1,000 Yen
S. Korea	-
China	133563
Taiwan P.o.C	332
Vietnam	326578
Thailand	14451

Malaysia	16347
Philippines	309785
Indonesia	111129
India	-
Afghanistan	-
Denmark	-
UK	-
France	2768
Germany	17226
Spain	-
Italy	4967
Poland	-
Austria	-
Romania	3062
Slovenia	-
Canada	727
USA	2984
Total	943919

Data source: Ministry of Finance, Japan

Two suppliers Vietnam and Philippines dominate Japan's imports of wooden kitchen furniture accounting for around 67% of all imports of this product and if imports from China and Indonesia are included then over 90% of all wooden kitchen furniture is accounted for.

The year on year downward trend in imports of wood kitchen furniture spills over to month on month data also. In July this year imports from the top supplier, Vietnam, dropped 35% and imports from the Philippines fell 12%.

Amongst the other small suppliers of kitchen furniture to Japan in July this year only Germany stands out having supplied around 2% of Japan's overall wooden kitchen furniture imports.

Bedroom furniture imports (HS 940350)

At 59% of all wooden bedroom furniture imports to Japan in July, China stands out as the main supplier. The second and third ranked suppliers in July were Vietnam (28%) and Thailand (6%).

Year on year wooden bedroom furniture imports in July were down 8% but there was an even sharper fall in month on month imports (-13%).

Compared to June suppliers in Europe accounted a smaller proportion of wooden bedroom furniture imports accounting for 3.9% in July compared to 5% in June.

Bedroom furniture imports

	Imports, June 2016 Unit 1,000 Yen
S. Korea	-
China	1019248
Taiwan P.o.C	18687
Vietnam	473181
Thailand	99354
Malaysia	25140
Philippines	2117
Indonesia	6708
Cambodia	-
Pakistan	-
Sri Lanka	-
Sweden	-
Denmark	3914
UK	-
Netherlands	-
Belgium	-
France	491
Germany	656
Switzerland	-
Spain	-
Italy	32421
Poland	28174
Russia	-
Austria	-
Hungary	905
Romania	-
Turkey	4372
Estonia	-
Latvia	-
Lithuania	2263
Croatia	-
Bosnia/Herzegovina	-
Slovakia	-
Canada	-
USA	561
Mexico	-
Australia	-
Total	1718192

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

South Sea (Tropical) logs

In Sarawak, India is reducing log purchase after FOB prices increased as a result of reduction of log export quota in July by 10%.Sarawak meranti regular prices are US$275-278 per cbm FOB. If the prices go over US$280, Japan is likely to stop buying.

Small meranti prices are US$255 and super small are US$240. Production of kapur and keruing is extremely limited so it is necessary to pay high prices to have the supply.

PNG and Solomon Islands have fair weather and log production is steady. Chinese purchase is slower now so that Japan can buy easier but India is increasing log purchase after reduced log production in Sarawak.

In Japan, softwood plywood demand is very active so that mills are making softwood plywood so South Sea log consumption is reduced.

Earthquake resistant standard remains unchanged

The Ministry of Land, Infrastructure and Transport and the Building Research Institute disclosed direction that the earthquake resistant standard should remain unchanged after they investigated damages of recent Kumamoto earthquake.

Since many buildings were built based on the former standard of 1981 and new standard in 2000 collapsed so it is necessary to reinforce quake resistant measures on already built houses.

By the housing performance labelling system started in 2000, earthquake resistant class is established. Class 3 houses in Masuki town, where damages were heavy, remain almost free of damage but seven houses built after 2000 collapsed but it was found that those had many efficiency in design and execution of works so they did not fully conformed to the standard so the committee feels it is not necessary to revise the standard now.

The Building Standard Act is originally set back in 1950 then new standard is set in 1981 so the Ministry reviewed and revised quake resistant standard every time strong quake occurred. As a result of revision of standard, about 28% of building built by the former standard collapsed, 8.7% by the new standard then only 2.2% by 2000 standard so by tightening the standard, damage declined.

However, regardless of the rules, many wooden buildings built in recent years have deficiency in structural design and actual works, which led to extensive damages so there are apparent reasons of collapse like braces and metal fasteners were missing.

Forestry Agency’s budget request

The Forestry Agency’s supplementary budget for fiscal year 2016 is 102.2 billion yen, 72.6% more than 2015 as a result of addition of restoration budget for Kumamoto earthquake and heavy rain.

Restoration budget for Kumamoto earthquake and localized torrential downpours in Kyushu is 36,496 million yen to restore damaged forest and wood processing facilities and other main budget is 31 billion yen as compared to 22 billion yen in 2015, which is used for subsidy for forest maintenance like thinning and road system.

Budget of 33 billion yen is allocated for preparation of large scale, high efficient wood processing facilities, thinning to make stable supply of raw materials to such facilities and maintenance of logging road system out of which one billion yen is used for manufacturing of CLT then another one billion yen is allocated for CLT related subsidy.

Initial budget request for 2017 is 343.6 billion yen, 17.2% more than 2016. 144.3 billion yen is allocated for thinning and maintenance of road system, 71.7 billion yen for forest conservation and 15 billion yen as subsidy to increase log production and preparation of wood processing facilities.

Subsidy of 15 billion yen is used for introduction of high efficient logging machineries, production facilities for containerised seed bed, production facilities of CLT, wood biomass related facilities like wood chip plant, introduction of wood biomass boilers for which one third or one half of expenses are subsidised.

For development of new demand for wood, 1.5 billion yen is allocated. This is used for establishing application method of CLT, development of fire proof materials, wood use for non-residential buildings, value added lumber products, wood use for engineering works, support to obtain forest certificate.

In this 500 million yen is used for promotion of use of cellulose nanofiber, heat utilization of biomass and stable supply of fuel. 100 million yen is used for providing information prior to start of clean wood law to control illegal harvest coming in May 2017.

Certified wood biomass fuel from Thailand

Wood Pellet Siam Company limited (WPS) in Thailand, which markets rubber wood pellet for fuel has acquired certificate from JIA (Japan Gas Appliances Inspection Association) as wood biomass fuel.

There are more than 750 fuel suppliers with the certificate in Japan but this is the first overseas supplier with the certificate.

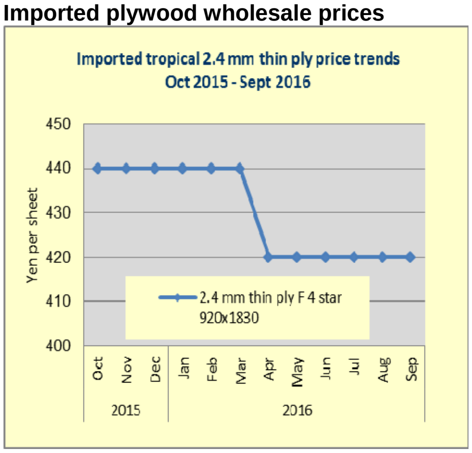
This means that any wood biomass power generator uses WPS pellet is qualified as recyclable energy in FIT system and purchase price of electricity is 24 yen per 1kwh. WPS is a subsidiary of Impact Electron Siam, which invests and develops recyclable energy like solar power generation in the Asia Pacific region.

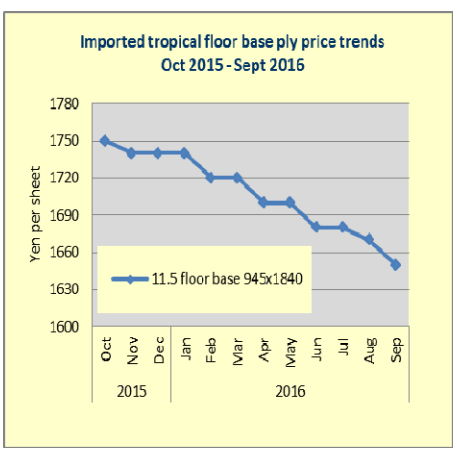
Certified wood pellet is produced by waste of rubber wood by some furniture manufacturing company. Monthly production is 2,500 ton. WSP buys this and export for Japan. Rubber wood tree is aged at about 25 years, which is time to cut down and replant so the government is promoting to replant rubber trees and gives subsidy to farmers.

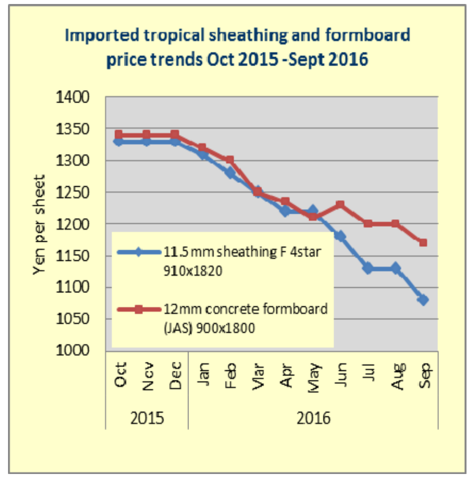
Harvested rubber trees are used for furniture manufacturing but only half of fell trees are recovered for furniture so waste is used as fuel.

WPS plans to build its own wood biomass fuel plant and the first phase will complete in 2017 with the production of 10,000 ton then it will keep expanding the facility in three years and eventual target is 30,000 ton a month.

Imported plywood wholesale prices







China

Growth in manufacturing mainly from state enterprises

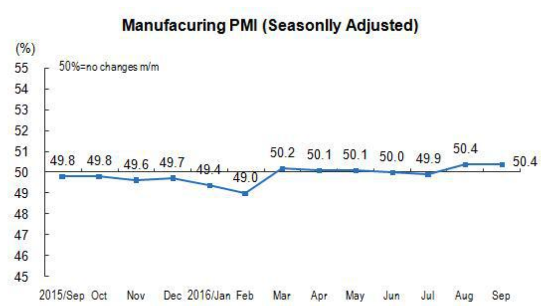
The most recent data for China's manufacturing purchasing managers index (PMI) is that for September. The press release from the National Bureau of Statistics shows that activity in the manufacturing sector expanded at the same rate as in August.

The official Purchasing Managers' Index (PMI) stood at 50.4 in September, the same as in August. A reading above 50.0 signals expansion.

The PMI for large-sized enterprises (mostly state enterprises) was 52.6 and continues to be higher than the negative threshold; that of medium-sized enterprises was 48.2, a drop from August levels while the PMI for small-sized enterprises also fell.

Among the five sub-indices comprising the PMI, the production index and new orders indices were higher than the negative threshold.

The employed person index, main raw materials inventory index, and supplier delivery time index were also lower than the threshold.



Source: National Bureau of Statistics, China

The most encouraging news is perhaps that export orders increased in September and output rose slightly.

Analysts suggest that the movement of the PMI over the past few months signals stable growth but a growing dependence on government spending. On the downside the housing market is overheated and debt levels are rising fast.

See:
http://www.stats.gov.cn/english/PressRelease/201610/t20161009_1407562.html

Timber industry alliance established

It has been reported that a 'Timber Industry Chain Alliance' within the China National Forest Product Industry Association has been jointly launched by the Zhangjiagang Wood Industry Association in Jiangsu Province and the Linyi Wood Industry Association in Shandong Province.

The aim of establishing the new grouping is to promote and strengthen local wood industry associations to support communication and exchange, cooperation in the field of wood products industry among alliance members and to try and achieve an 'ecosystem circle' for China's timber industry.

Through this effort it is hoped that there can be a healthy development of the timber industry through efficient collaboration, specialization and optimal allocation of timber resources.

Russian sawnwood domination in China's imports

According to China Customs data, in the first eight months of 2016 China's sawnwood imports rose 21% to 21.11 million cubic metres of which 42% of imports were from Russia. Other main suppliers were Canada (mainly spruce-pine-fir) and Thailand which supplied mainly sawn rubberwood.

Chinese company opens home furnishing shopping mall in Ghana

The first large scale home furnishing shopping mall (SaveMore) founded by a Chinese company has opened in Ghana's capital Accra. The mall extends over 3,000 square metres and marks a new era for Chinese enterprises as they seek a share of the home furnishing market in Ghana. At present, there are more than 700 Chinese enterprises operating in Ghana.

Shipping costs rise

It has been reported that the bankruptcy of the Hanjin shipping line has thrown ports and retailers around the world into confusion. Recently written notices were received from shipping companies and agents that the prices for ocean shipping from North America to Asia will increase as of 1 November 2016.

The price for a 40 foot container will increase by at least US$100 from West Coast / East coast to Asia, at least US$150 from USA inland to Asia and timber importers will face rising costs.

Log prices rise in Zhangjiagang market

Prices for imported logs from Papua New Guinea landing at the Zhangjiagang timber market have risen to between RMB80 to RMB220 per cubic metre. The price for Terminalia log has increased to RMB200 per cu.m. The costs of imported logs has increased by between 5% to 8% in RMB terms and will translate into higher consumer prices.

Quality and safety demonstration facility for exported wood products

A national quality and safety demonstration facility for wood products destined for export will be created in Fusong County of Jinlin Province.

The aim is to support export enterprises, promote sustainable wood product exports and improve the quality of exported wood products through incentives and preferential policies.

Efforts will be made to enhance customs clearance, inspection and supervision, the introduction of technology, brand building, testing services, information and consulting. A special effort will be directed to stimulate innovation and productivity in small and medium enterprises.

There are eight major wood product manufacturing enterprises in Fusong County with an annual turnover of RMB5 million. Yearly wood product exports are around US$170 million for the Japanese, South Korean, ASEAN, US, Russian, South American and Australian markets.

Liuzhou City the main production area of blockboard

According to Liuzhou Forestry Bureau the annual production of blockboard in Liuzhou City is about 2 million cubic metres accounting for 40% of the total in Guangxi Zhuang Autonomous Region.

By the end of 2015, there were 1,580 timber processing enterprises whose output was around RMB20 billion.

The latest forest inventory in the region shows a stocking volume of 70 million cubic metres. In 2015 the annual harvest was around 1.5 million cubic metres in Liuzhou City and it is forecast that for this year the harvest will exceed 2 million cubic metres. The blockboard utilises fir and poplar veneers and is generally faced with okoume.

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	9000-1000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	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

Tropical suppliers squeezed out of the European flooring market

Tropical suppliers to Europe's wood flooring sector are being squeezed out as domestic production in the region is rising again, oak is becoming increasingly dominant, and competition from laminated flooring and other non-wood materials is mounting.

The European Federation of the Parquet Industry (FEP) reports that European wood flooring production (not including laminate flooring) was 78.0 million m2 in 2015, 3.6% more than in 2014.

This included gains of 2.6% to 64.0 million m2 in the 17 countries covered by FEP and 3.6% to 14.6 million m2 in other EU countries that are not members of FEP. Despite gains every year since 2009, production is still 20% down on the peak of 98.3 million m2 in 2007. (Chart 1).

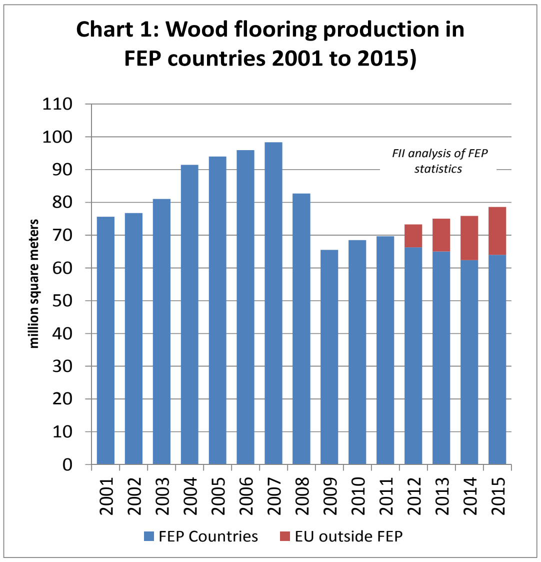


Chart 1: Wood flooring production in FEP countries 2001 to 2015)

Amongst FEP member countries, significant production gains were made in Sweden (+15%), Spain (+10%), and Italy (+4%) during 2015. Production declined in Poland and Germany and was flat in Austria, France, and Romania. (Chart 2).

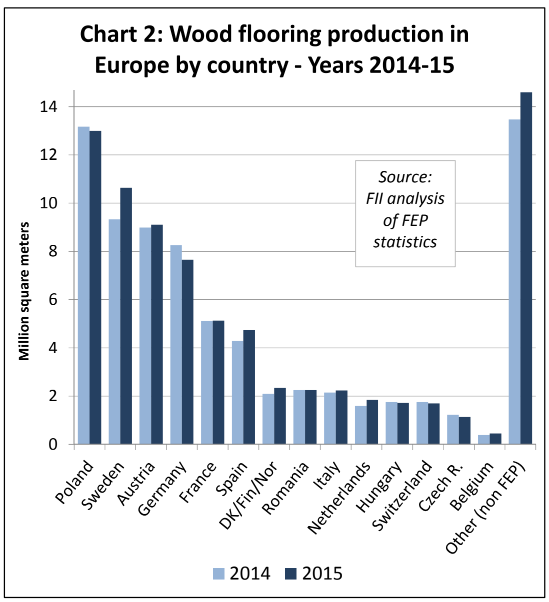


Chart 2: Wood flooring production in Europe by country - Years 2014-15

Oak-faced flooring accounted for 78% of all wood flooring manufactured in Europe in 2015, up from 60% in 2008. The major loser has been tropical hardwood, which has seen its share of wood flooring produced in Europe fall from 14.7% in 2008 to only 4.5% in 2015.

In 2015, ash was the second most widely used species for facing wood floors (5.6%), followed by beech (3.8%) and walnut (1.4%). All other species accounted for less than 1% (Chart 3).

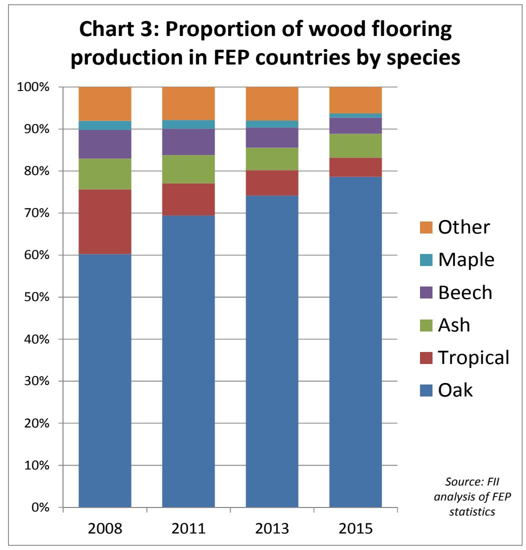


Chart 3: Proportion of wood flooring production in FEP countries by species

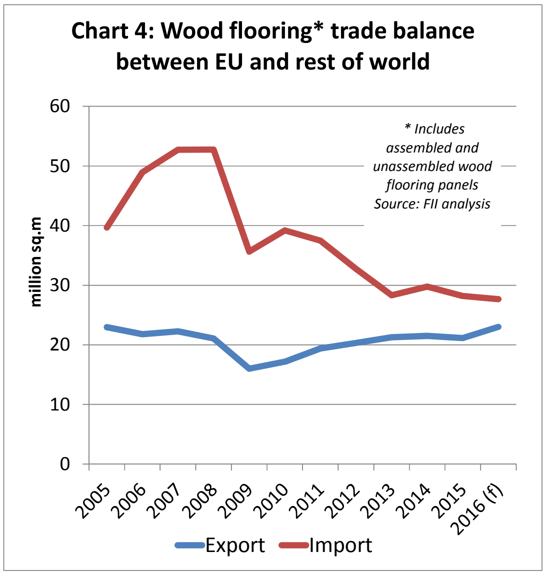
In 2015, multilayer parquet floors accounted for 84% of wood floors manufactured in Europe, the majority comprising three-layer parquet (roughly 70 % of total market volume). Solid wood flooring accounted for only 14% of production.

The rise in European production in 2015 was stimulated by an increase in domestic consumption. For the first time since the onset of the global financial crisis, southern European markets for hardwood flooring, particularly Spain, gained momentum in 2015 and this trend continued in the first half of 2016.

The rise in European production in 2015 was partly at the expense of imports which lost market share during the year.

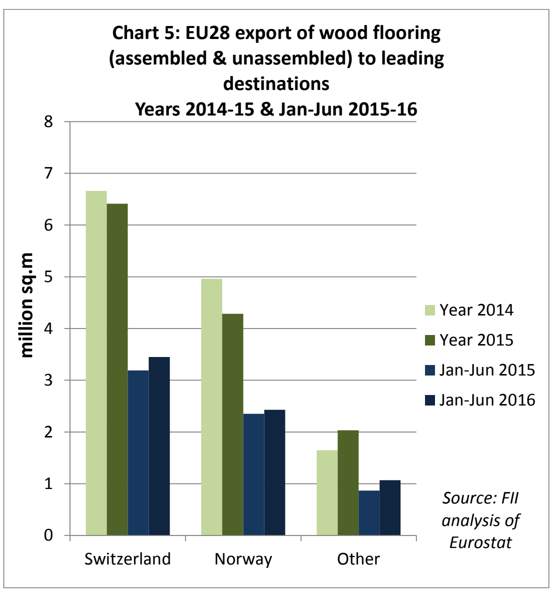
The EU’s large trade deficit in EU wood flooring that opened up before the financial crises, driven by the housing bubble and a flood of product from China, has narrowed sharply in recent years.

In 2015, EU wood flooring imports from non-EU countries fell 5.4% to 28.17 million m2. Meanwhile EU exports to non-EU countries fell only slightly in 2015 and are rising again in 2016 (Chart 4).



Chinese wood flooring losing share in Europe
Imports of wood flooring from China, by far the EU's largest single external supplier of this commodity, suffered a set-back in the EU market in 2015 falling 7.4% to 17.3 million m2, the lowest level since 2005.

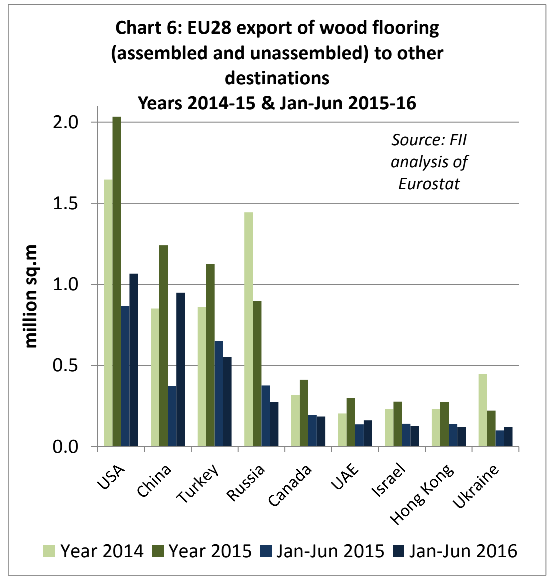
The downward trend has continued this year, with a further 9% fall to 7.9 million m2 in the first 6 months of 2016. (Chart 5).



To some extent the decline in EU imports of wood flooring from China in 2016 has been offset by rising imports from other countries. However, all the gains made in the EU market in 2016 have been by temperate countries and no tropical country has benefited from China's loss of market share.

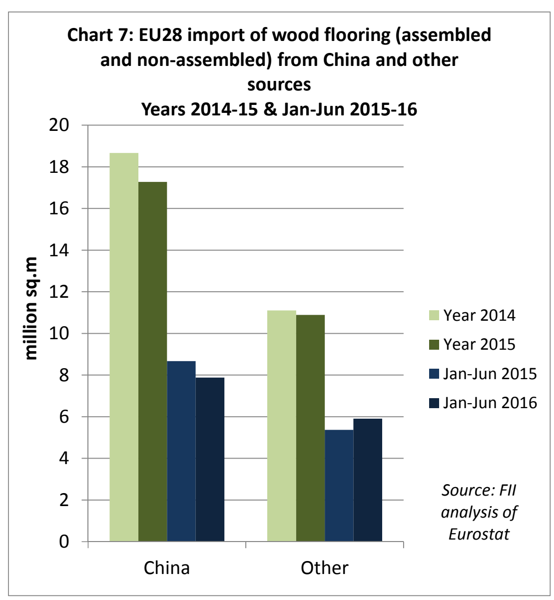
In the first half of 2016, EU imports of wood flooring were significantly higher than the same period in 2015 from Ukraine (+50% to 1.98 million m2), Switzerland (+40% to 0.69 million m2), and Bosnia (+26% to 0.58 million m2).

Imports declined from Indonesia (-8% to 0.69 million m2), Malaysia (-19% to 0.52 million m2), Brazil (-13% to 0.32 million m2) and Vietnam (-33% to 0.18 million m2). (Chart 6).



The destination for wood flooring imports into the EU is also changing in 2016. Imports into the UK, the largest destination for Chinese flooring products, declined 9% to 2.7 million m2 in the first six months of 2016.

Wood flooring imports have also weakened into the Netherlands, Sweden and France this year. However there has been a sharp increase in imports into Poland, the main destination for Ukrainian flooring products (Chart 7).



Wood flooring faces stiff competition in the European market from laminates and non-wood materials.

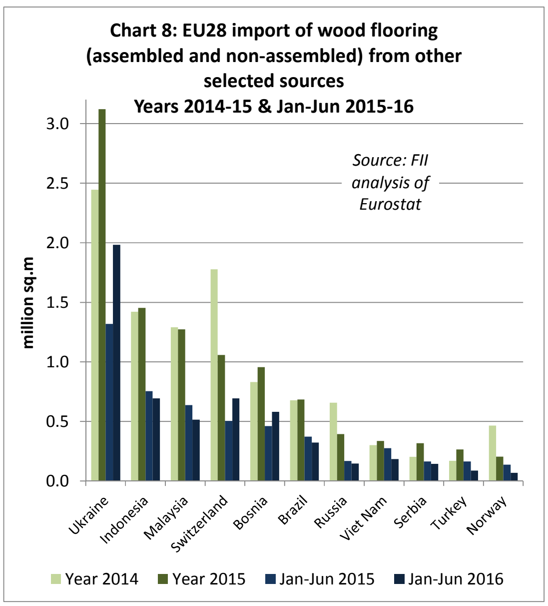
According to FEP "it is becoming increasingly difficult for consumers to differentiate parquet from competitive flooring alternatives with a wood look surface." Members of the European Producers of Laminate Flooring (EPLF) association sold 452 million sq.m of laminate flooring in 2015, around 333 million sq.m of which was in Europe, over four times the volume of wood-faced flooring consumed in the region.

Competition from non-wood materials is also intense and varies between countries. For example, the challenge comes particularly from luxury vinyl tiles (LVT) in Germany and from ceramic tiles in Italy.

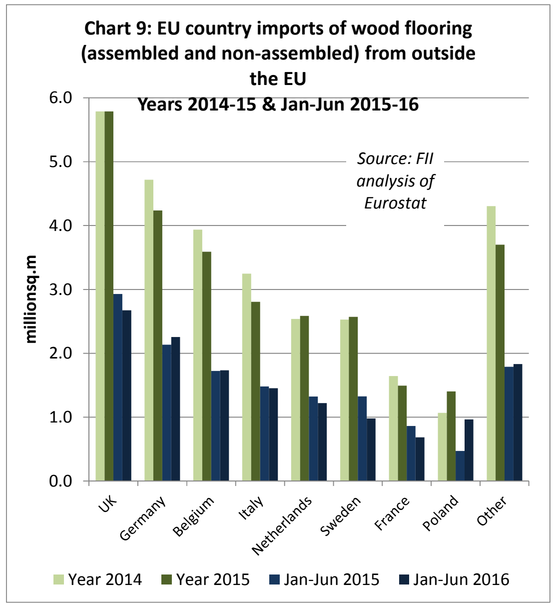
EU wood flooring exports rising again

After five years of continuous growth between 2009 and 2014, EU wood flooring exports declined slightly in 2015, by 1.7% to 21.1 million sq.m. However, growth resumed in the first six months of 2016 and exports rose by 9% to 11.2 million sq.m.

The downward trend in exports to Switzerland and Norway in 2015 was reversed in the first six months of 2016 (Chart 8).



After making significant gains in 2015, EU wood flooring exports continued to increase rapidly to the USA (+23%) and China (+154%) in the first six months of 2016. However, some of the gains made by EU wood flooring products in the Turkish and Canadian markets in 2015 were lost during the first half of 2016. Exports also declined to Russia during the same period. (Chart 9).



In summarising their latest market statement, published in June 2016, FEP were reasonably positive about future prospects for Europe's wood flooring sector. They noted that "after several years of hardship for the European Parquet Producers and the overall negative developments in both consumption and production, the sky has cleared somewhat.

EU economic indicators point towards a continuation of a slightly positive trend and the generally encouraging reports received from a majority of FEP member countries fuel the hope for better times ahead".

These observations clearly apply to the domestic industry as current trade trends suggest that opportunities both for imports of finished flooring, and for tropical materials to supply European manufacturers may be narrowing.

However, FEP also make some observations which suggest some potential for imported materials. FEP observed that "from previous detailed marketing surveys conducted by FEP, we know that parquet has a very high desirability coefficient. It is sustainable, made from a renewable raw material and should be valued as a long-term investment". Furthermore, FEP expressed concern about "the raw material supply situation (especially for oak)".

For tropical suppliers, the combination of restricted local availability of oak, and the strong focus on demonstrating sustainability through commitment to FSC labelling and FLEGT licensing, offers potential to open up new opportunities in this market – although this would require significant commitment to market development in a very crowded and competitive sector.

North America

Ipe sawnwood imports remain high

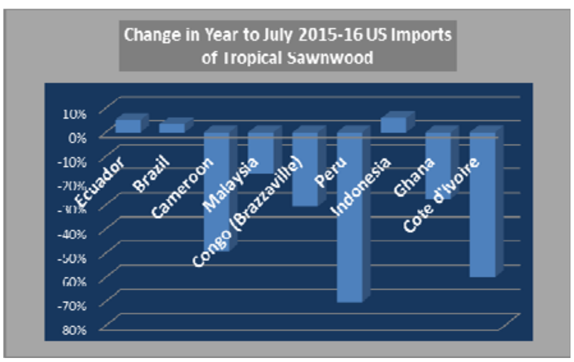
US imports of temperate and tropical sawn hardwood grew 10% in August to 95,532 cu.m. Tropical sawnwood imports accounted for 21,143 cu.m. or 22% of total hardwood imports in August.

Tropical imports declined 5% from July, but the value of tropical sawnwood imported grew 3% in August to US$24.9 million. Year-to-date tropical imports were down 15% compared to August 2015.

The month on month decline was mainly in imports of balsa and acajou d'Afrique. Balsa imports fell 24% to 3,897 cu.m. in August, while acajou d'Afrique decreased by one third from July to 1,204 cu.m.

Imports of ipe sawnwood remained strong and led US imports by value. Ipe imports were 3,874 cu.m. in August, worth US$8.1 million.

Mahogany sawnwood imports grew 35% in August to 2,889 cu.m. Guatemala increased mahogany exports to the US market in recent months. At 1,402 cu.m., imports from Guatemala accounted for half of all mahogany imported in August.



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

Teak imports from Myanmar increased to 255 cu.m. in August. US wood imports from Myanmar are possible under a license issued by the US Treasury Department and through the state-owned Myanma Timber Enterprise. About 45% of the world's non-plantation teak grows in Myanmar.

US July Imports by Species

	Volume cu.m	% Change Year to July
Balsa	34,657	5%
Sapelli	18,977	-39%
Acajou d'Afrique	13,076	-30%
Keruing	14,559	-11%
Ipe	22,793	-4%
Mahogany	13,426	9%
Virola	5,378	-22%
Meranti	5,447	-16%
Cedro	5,819	-12%
Jatoba	1,731	-40%
Teak	3,820	-20%
Iroko	416	-16%
Padauk	950	249%
Aningre	135	-71%
Other tropical	14,671	-26%

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

Canadian tropical hardwood imports up 19% in August

The value of Canadian imports of tropical sawnwood increased for the second consecutive month in August. The value of tropical imports was US$2.4 million, up 19% from July. Year-to-August imports were 19% higher than in August 2015.

Myanmar was the third-largest source of Canadian tropical hardwood imports in August after Cameroon and Ecuador. Sawn hardwood imports were worth US$177,769, up 27% from July. Canada eased its economic sanctions against Myanmar in 2012 and reinstated General Preferential Tariff (GPT) and Least Developed Country Tariff (LDCT) status for Myanmar in 2015.

Canadian Imports of most species grew in August with the exception of mahogany. Virola, imbuia and balsa imports (combined) accounted for just under US$0.5 million, up 25% from July.

Sapelli sawnwood imports were worth US$324,393 in August, up 1% year-to-August from the same time last year.

LEED legal wood credit criticised by NGOs

Earlier this year the US Green Building Council (USGBC) announced an Alternative Compliance Path credit for its green building rating system 'Leadership in Energy and Environmental Design' (LEED). The purpose of the credit is to prevent the use of illegal wood in buildings by promoting verified legal wood.

The Sierra Club, Greenpeace, and other environmental groups have proposed an alternative approach for the credit, which would use FSC product certification. They claim that the credit designed by the USGBC would simply legitimise what they consider to be weak forestry certifications.

LEED is the most widely used green building certification system in North America. Worldwide there are nearly 75,000 commercial projects participating in LEED, according to the USGBC.

US may impose duties on sawn softwood from Canada

The Softwood Lumber Agreement between Canada and the US expired in October 2015 and the one-year period of tariff-free trade passed without a new agreement. The previous agreement limited Canadian access to the US market through a combination of export taxes and volume quotas, thus providing stability for the Canadian industry.

The US sawmilling industry, represented by the US Lumber Coalition, indicated it will initiate trade cases against imports from Canada now that the one-year litigation standstill period has passed. Preliminary countervailing duties for Canadian exporters could start as early as spring 2017.

Canadian and US negotiators continue to work towards an agreement. The US election in November and a generally protectionist climate contribute to the difficulty of reaching a new trade agreement.

Producers in British Columbia have worked on reducing their reliance on the US market by expanding exports to Asia, including India and Southeast Asia. Large Canadian companies have purchased sawmills in the US in the last decade to lessen the impact of potential duties on Canadian sawn softwood.

US builders to increase softwood imports from Chile

The National Association of Home Builders (NAHB) seeks to maintain a dependable and affordable supply of sawn softwood, even if the US imposes duties on Canadian imports. Since US domestic production does not meet demand, the NAHB hopes higher imports from other countries such as Chile will provide a steady supply of timber for home construction.

US home builders participated in meetings with sawn softwood producers in Chile, trade organizations and government officials in September. The meetings in Chile were intended to establish trade contacts and reduce barriers to increasing Chilean timber exports to the US.

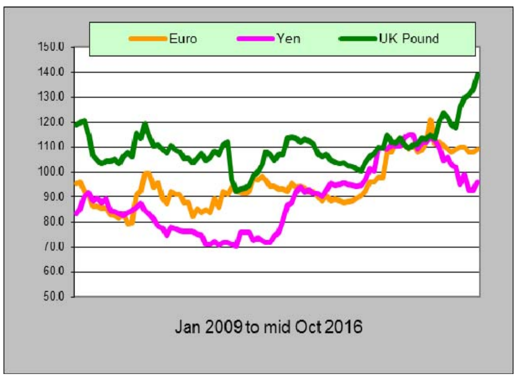
Canada's share in the US sawn softwood market was an average 28% in the last three years. Chile's market share is just over 1%.

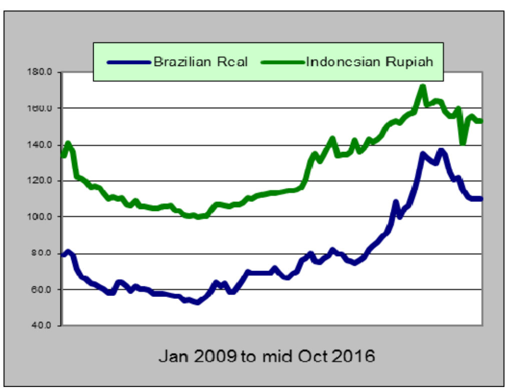
US Dollar Exchange Rates

As of 10 October 2016

Brazil	Real	3.2212
CFA countries	CFA Franc	588.83
China	Yuan	6.7052
EU	Euro	0.8977
India	Rupee	66.4929
Indonesia	Rupiah	12966
Japan	Yen	103.61
Malaysia	Ringgit	4.1284
Peru	New Sol	3.392
UK	Pound	0.8089
South Korea	Won	1108.64

Exchange rate indices (Dec 2003=100)



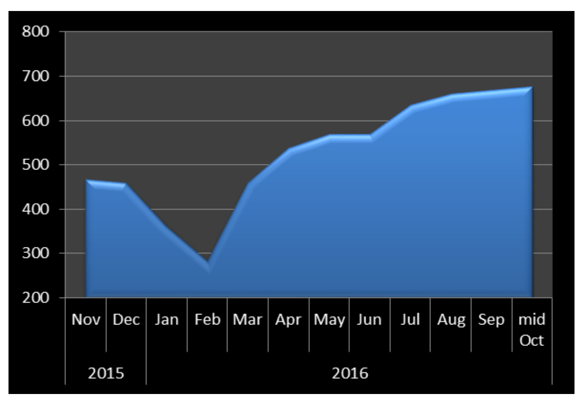


Abbreviations and Equivalences

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
November 2015 – mid October 2016

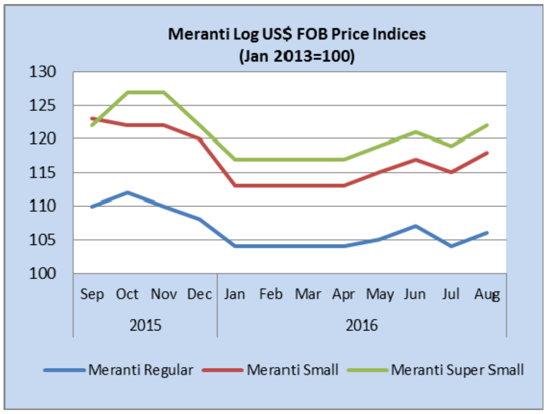


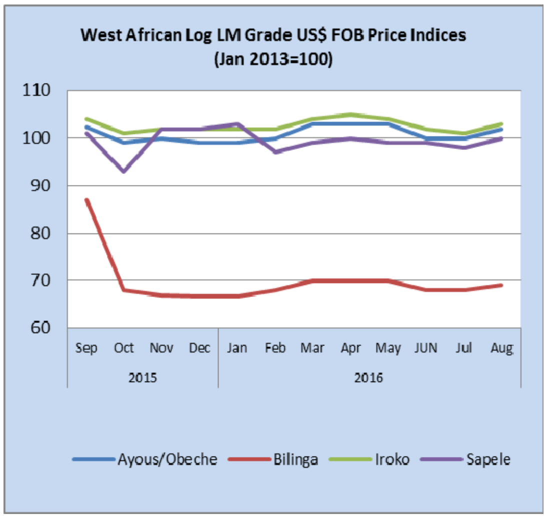
Data source: Open Financial Data Project

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

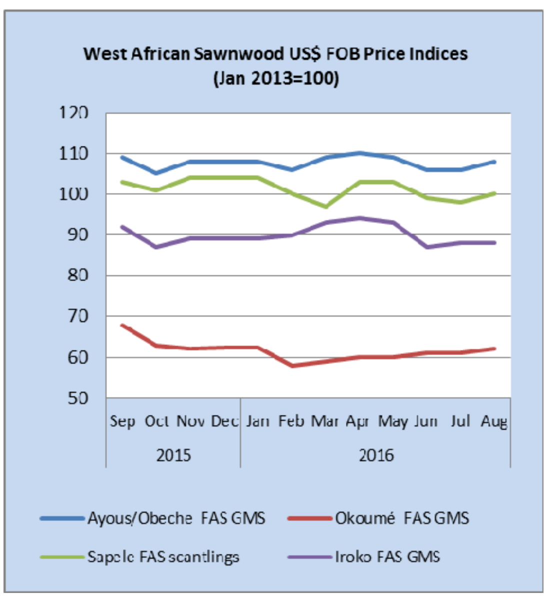
Price indices for selected products

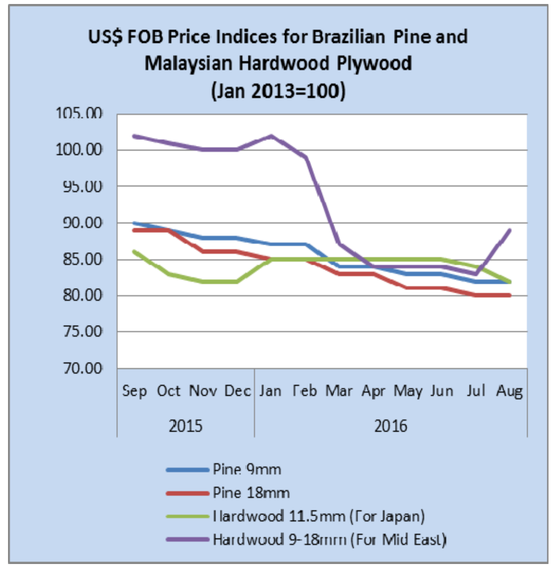
The following indices are based on US dollar FOB prices.

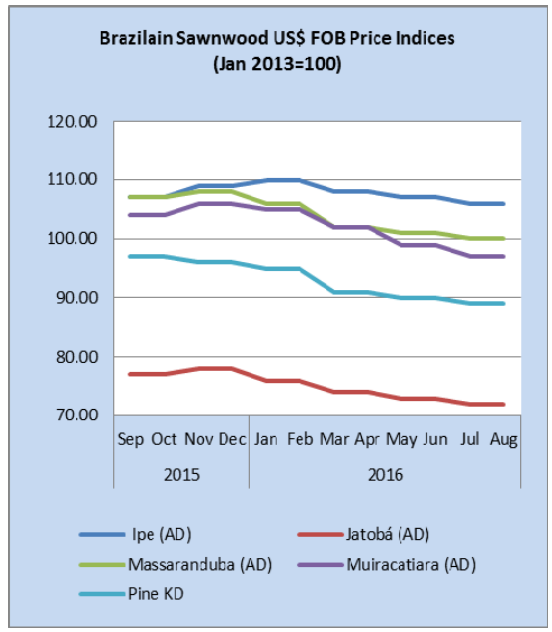




Note: Sarawak logs for the Japanese market







Note: Jatobá is mainly for the Chinese market.

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