

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.

Contents

Central/West Africa	2
Ghana	2
South Africa	3
Malaysia	4
Indonesia	5
Myanmar	6
India	6
Brazil	9
Peru	10
Japan	11
China	15
Europe	17
North America	20
Currencies and Abbreviations	22
Ocean Freight Index	22
Price Indices	23

Headlines

	<i>Page</i>
Sawnwood versus logs – is sawnwood gaining in China and India?	2
Ghana's new Minister for Lands and Natural Resources	3
Re-grouping of Indonesian timbers proposed	5
Indian importers still hostage to methyl bromide treatment rules	7
Vast areas of inoperative forest concessions in Peru	10
Japan considers law on legal wood use	13
Slowing pace of EU tropical timber imports	17
US plywood anti-dumping investigation continues and duty stays on bedroom furniture from China	21

Top Story

Exports may fall - new regulation introduced in Myanmar

The Myanmar media is reporting a spokesperson from the Ministry of Natural Resources and Environmental Conservation as saying that beginning in May this year only logs purchased in US dollars can be processed for export.

This could lead to decline in exports say local analysts.

See: Page 6

Expressions of Interest invited

The Guyana Forestry Commission has requested ITTO bring to the attention of readers an invitation for expressions of interest in two concession areas in the country.

Further details are available at:

<http://www.forestry.gov.gy/wp-content/uploads/2016/12/Expression-of-Interest-SFEP-Area-1-21-Dec-2016.pdf>

<http://www.forestry.gov.gy/wp-content/uploads/2016/12/Expression-of-Interest-SFEP-Area-2-21-12-2016.pdf>

Central and West Africa

Sawnwood versus logs – is sawnwood gaining in China and India?

As could be expected there were no price changes over the New Year holiday period. Exporters report that EU markets remain dull but that there are hints of a recovery in trade with China.

While prices for most species remain stable there has been considerable weakness in prices for some of the more frequently traded species.

Prices for sapele, for example, are under pressure due, say analysts, to the relatively high stock levels held by importers in Europe. Any new orders are coming in at low price levels. There are suggestions that padouk is also becoming overstocked and that prices could slide if stocks do not move.

Producers report that importers in China and India are requesting increased volumes of large sized sawnwood as well as large flitches and that this does now appear to be a strong new feature in these markets and possibly the beginning of a move away from log imports.

In 2016 imports of sawnwood into India increased as it seems millers are beginning to favor sawnwood over logs to minimise residues during reprocessing. Producers say that importers in China are now showing more interest in okoume sawnwood which should stabilise FOB prices.

The market in South Africa is reported as very firm for okoume sawnwood from Gabon and Congo Brazzaville where suppliers are anticipating better prices.

Crackdown on illegal activities in Cameroon

The major news from the region was of the action by authorities in Cameroon to crack down on the illegal trade in wood products and the failure of companies to adhere to agreed concession plans.

This, according to local reports, has resulted in some 30 companies having their concession agreements revoked and timber stocks seized. It is reported that seized concession are being offered to both existing producers and new entrants.

Producers in Gabon were busy in December registering their residual stocks of bubinga/kevazingo ahead of the introduction of CITES regulation of this species.

Meranti head-to-head with sapele in Netherlands

The competition between SE Asian and African timbers has heated up in the Netherlands where it appears meranti could be approved for government funded projects. Producers in West and Central Africa believe that, if approved, this will impact negatively on Netherlands demand for sapele.

In the Middle East markets there is a continuous battle between SE Asian and African timbers for market share.

Recently meranti did lose ground due to complaints on the quality of light red meranti which analysts say resulted in some buyers switching from merchantable grade to standard and better grade sawnwood. This move gave a slight advantage to African shippers.

Log Export

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	240	240	160
Ayous/Obeche/Wawa	240	240	190
Azobe & Ekki	230	230	160
Belli	240	235	-
Bibolo/Dibétou	180	170	-
Bilinga	220	220	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	210	190	160
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	210	190	-
Padouk	300	280	230
Sapele	290	280	220
Sipo/Utile	310	290	255
Tali	330	320	-

Sawnwood Export Prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	420
Bilinga FAS GMS	515
Okoumé FAS GMS	340
Merchantable	280
Std/Btr GMS	266
Sipo FAS GMS	550
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	860
FAS scantlings	950
Strips	645
Sapele FAS Spanish sizes	515
FAS scantlings	530
Iroko FAS GMS	620
Scantlings	710
Strips	450
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	430

Ghana

Wood tracking system field tested

The Forestry Commission has begun implementing a wood tracking system. The system delivers all relevant data on forest operations in order to track the timber supply chain to the final point of sale.

The system will help curb illegal logging and the sale of illegal timber and will eventually enable the country to issue Forest Law Enforcement Governance and Trade

(FLEGT) licenses under the Voluntary Partnership Agreement (VPA) between Ghana and the EU.

The system is currently being tested in selected forest districts in Western, Brong Ahafo, Ashanti and Eastern regions of the country.

President - businesses will be revived

The new government has been sworn in exactly one month after Ghanaians gave the opposition the mandate to manage the affairs of the country.

During his inaugural speech the new President said Ghanaians should all recognise the danger from the degradation of the environment and work to protect the lakes and rivers, the forests, the lands and the oceans. He said Ghanaians should learn and accept that they do not own the land, but hold it in trust for generations yet unborn and, therefore, have a responsibility to take good care of it.

The full speech can be found at <https://www.youtube.com/watch?v=4n7ZZXcfpWE>

New minister announced

Mr John Peter Amewu, the New Patriotic Party Volta Regional Chairman has been nominated Minister for Lands and Natural Resources.

Business leads express optimism

The President has assured the business community that Ghana is open to business again and that businesses will be revived under his administration. Some of the policy changes planned include a cut in corporate and value added taxes and a reduction in interest rates.

Many business leaders have been encouraged by the expansionary policies of the new administration and are calling on the new administration to implement business-friendly policies to revive the manufacturing sector in Ghana.

Boule Export prices

	Euro per m ³
Black Ofram	380
Black Ofram Kiln dry	450
Niangon	500
Niangon Kiln dry	642

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	346	400
Chenchen	368	539
Ogea	478	604
Essa	501	544
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
Asanfin	3.00	0.57
Avodire	1.20	0.34
Chenchen	1.40	1.20
Mahogany	1.09	0.82
Makore	0.85	0.55
Odum	1.13	0.40

Export Plywood Prices

Plywood, FOB	Euro per m ³		
BB/CC	Ceiba	Ofram	Asanfin
4mm	415	590	641
6mm	477	535	610
9mm	407	474	613
12mm	364	463	480
15mm	393	410	430
18mm	354	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
Asanfin	492	564
Ceiba	297	290
Dahoma	368	380
Edinam (mixed redwood)	450	599
Emeri	465	527
African mahogany (Ivorenensis)	1001	993
Makore	730	714
Niangon	500	1019
Odum	755	821
Sapele	675	809
Wawa 1C & Select	393	454

Note: it is very unusual for AD sawnwood prices to be higher than KD sawnwood of the same species. This, say local analysts, reflects the level demand in different markets.

South Africa

Businesses back to work mid-January

The manufacturing and construction sectors in South Africa stopped work for the Christmas and New Year festivities in mid-December and only resumed business in mid-January. Our analysis of the timber market trends in South Africa will resume at month end.

Warning on structural timber usage

A recent press release from the Institute for Timber Construction South Africa (ITC-SA) has warned South African importers and endusers that timbers used in structural applications must comply with South African regulations.

Builders in South Africa are currently facing a shortage of structural timber which has led to an increase in imports.

The ITC-SA says "National building regulations require that all structural timber comply with SANS 1783, which covers sawn softwood timber and both national and international manufacturers of structural timber supplied to the SA market are expected to be certified by a South African-based ISO 17065-accredited certification body."

Only the South African Technical Auditing Services (SATAS) and the South African Bureau of Standards (SABS) are accredited to certify manufacturers of products in compliance with SANS 1783.

See: <http://itc-sa.org/category/press-releases/>

Turbulent months ahead for the rand

Several analysts and the World Bank are warning of tough times ahead for the rand exchange rate.

The consensus is that 2017 will be especially turbulent due to internal political rivalry as presidential election loom and due to uncertainty as to how US policies will change.

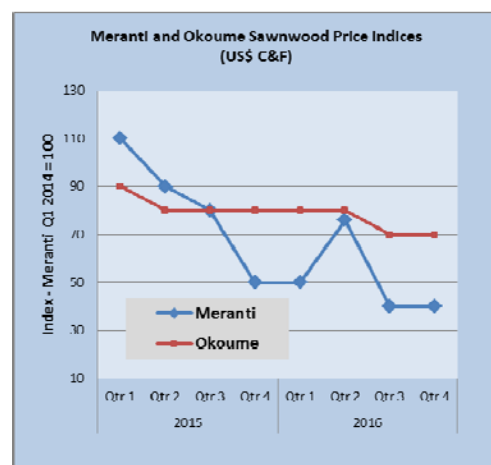
Nomura Market Research in a recent released suggested that the rand could lose between 10-12% against the US dollar in 2017. The World Bank has also issued a warning that the South Africa currency could come under pressure in 2017 but still expects the South African economy to expand by 1.1% in 2017 due to better commodity prices.

Residential activity survey delivers hint of growth

The fourth quarter survey of real estate companies (estate agents) by First National Bank (FNB) confirmed that agents have noticed a slightly pick-up in the residential property market.

FNB produces a residential sector index and in the fourth quarter 2016 its 'Residential Activity Indicator' rose slightly to 5.75, from the previous quarter's 5.59. However this modest rise is only a hint of improvement and a significant further improvement in activity over the coming quarters would be needed to be confident of an improving trend.

<http://www.fin24.com/Economy/slight-stir-in-sa-residential-property-market-20170113>



Malaysia

US\$100 billion Malaysia/China trade target

China's Ambassador to Malaysia Dr. Huang Huikang has said he hopes the bilateral trade between Malaysia and China could reach the target of US\$100 billion this year. Between January and November last year the bilateral trade totalled almost US\$85 billion.

China has been Malaysia's largest trade partner for the past seven years. Malaysia is China's sixth largest trading nation in the world. China is now the second largest foreign investor in Malaysia.

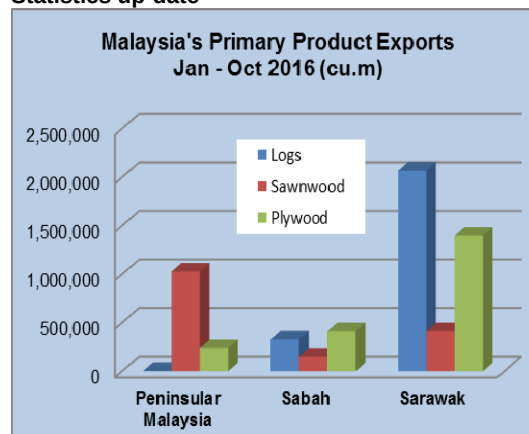
Exports benefit from weakening currency

The Malaysian ringgit has been experiencing continued weakness in international currency markets for some time and observers fear further weakening due to both external and internal issues. The ringgit was at 4.40 to the US dollar in early January and has been testing the lows seen during the 1998 Asian Financial Crisis.

Strong dollar boosts earnings in furniture sector

Malaysian furniture exporters have seen revenues and profit rise over the past few months despite the ongoing labour shortage due to restrictions on the hiring of foreign workers. The strengthening of the US dollar has also given a boost to exporters.

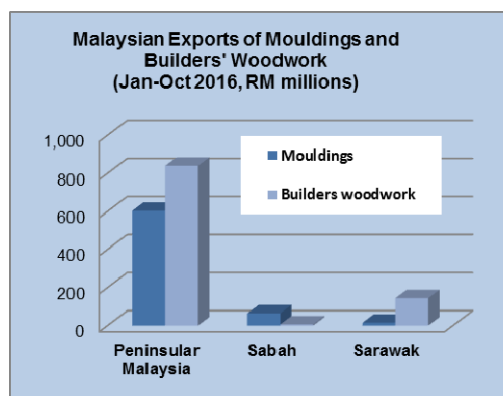
Statistics up-date



Data source: MTIB

Over the eleven months to November 2016, Sarawak produced 6,795,434 cu.m logs. Around 2.5% came from swamp forests with the balance from hill forests. In the same period in 2015, 7,575,387 cu.m of logs were produced.

Production of hill logs in between January and November last year was highest in Sibul (2,848,780 cu.m) with Bintulu producing 1,828,637 cu.m and Miri 1,791,705 cu.m. Meranti was the predominant hill species produced (2,309,561 cu.m), Kapur was second (221,742 cu.m) and third was Keruing (170,810 cu.m).



Data source: MTIB

Wooden furniture exports (RM millions)

Jan-Oct 2016	Peninsular Malaysia	Sabah	Sarawak
Wooden Furniture	6,098	6	38

Data source: MTIB

New MTC Chairperson

In a press release the Malaysian Timber Council (MTC) has announced the appointment of Dato' Gooi Hoe Hin as the new MTC Chairman effective January 1, 2017.

He takes over from Dato' Sri Wee Jeck Seng. Dato' Gooi, who holds a Bachelor of Economics (Hons) from University Malaya, served as the Private Secretary to the former Chief Minister of Penang, the late Tun Dr. Lim Chong Eu, before taking on various posts in the Ministry of Primary Industries (now known as the Ministry of Plantation Industries and Commodities).

During his 25 years of government service, Gooi worked closely with the Ministry of Primary Industries and its Ministers to develop various far reaching commodities related policies which were instrumental in protecting the commodities sectors, particularly palm oil, rubber, timber and timber products and tin.

See:

http://www.mtc.com.my/images/media/359/PR_Appointment_of_New_Chairman_for_MTC.pdf

Indonesia

Re-grouping Indonesian timbers

Work has been conducted at the Indonesian Forest Products Research Center on the basic characteristics of some readily available lesser used timbers which are currently traded as Indonesian mixed tropical hardwoods. It has been suggested that some of these timbers to be deserve to be upgraded and traded individually.

The timbers of interest are mimba (*Azadirachta indica* A.Juss), gopasa (*VITEC cofassus* Reinw. Ex Blume), tembesu (*Fagraea fragrans* Roxb) and penggal buaya wood (*Zantoxylum rhetsum* St. Lag). This research was reported by Dr. Ratih Damayanti, M.Si, a researcher at the Center.

Ratih explained that from a total of 1,060 timbers included in the recent study, 40 could be classified in Class Commercial I, 325 as Commercial II, 53 as Commercial III, 212 as Commercial IV and 205 as Commercial Class V. If this upgrading is adopted it will impact royalty payments and improve government revenue.

For more see: <http://www.forda-mof.org/berita/post/3290>

Furniture success in Saudi Arabian exhibition

Indonesian wood and acrylic furniture products made an impact at the Jeddah International Trade Fair (JITF) 2016, held 20-23 December at the Jeddah International Trade and Exhibition Centre, Saudi Arabia.

Indonesian furniture exports to Saudi Arabia have been increasing steadily and topped US\$4.2 million in 2012 rising to US\$4.3 million in 2013, US\$4.5 million in 2014 and a whopping US\$9.5 million in 2015!

New project to Protect Kalimantan Forests

A partnership programme between the US and Indonesian governments, the Nature Conservancy and the World Wildlife Fund for Nature, Indonesia has approved grants worth US\$3.3 million for local non-governmental organizations to work with forest-dependent communities to conserve tropical forests, protect natural resources and wildlife and improve community livelihoods.

Extent of forest fires fell in 2016

According to Siti Nurbaya Bakar, Minister of Environment and Forestry the number and extent of forest and fires in 2016 fell. Satellite observations over 2016 show the number of 'hot spots' was down over 80% year on year.

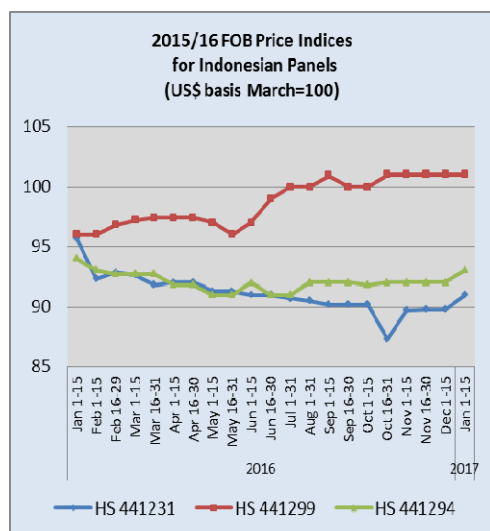
Improve infrastructure – the key to list investment

One issue that continues to hold back Indonesia's growth prospects inadequate infrastructure. In the "World Economic Forum Global Competitiveness Report" Indonesia ranks 62nd out of 140 countries in terms of infrastructure development. While the Indonesian government is well aware of the need to improve this to make the country more attractive to investors there are serious challenges.

A recent article from Indonesia-Investments looks at this issue and says "developing Indonesia's infrastructure is not an easy task. The Archipelago consists of about 17,000 islands which makes it more complex to enhance connectivity and implies there exists a need to focus on maritime infrastructure. Currently, sea transport is more expensive than land transport as the country's sea transport is yet to be developed substantially."

The article continues "decentralisation of power led to the present situation in which local governments sometimes fail to support the central government's infrastructure plans."

For the full article see: <http://www.indonesia-investments.com/business/risks/infrastructure/item381>



Data Source: License Information Unit in <http://silk.depht.go.id/>

Myanmar

Timber exports highest since log export ban

Myanmar's trade deficit reached to US\$3.2 billion for the 9 month period April to December 2016, down slightly from a year earlier.

Exports of wood products, at US\$160 million, were the highest since the log export ban in April 2014. Although this is a small amount compared to exports from Myanmar's neighbours the growth since the log export ban is significant. The major products exported are teak sawnwood and 'mini' decking used for luxury boats.

Sawnwood export classification

The classification of sawnwood qualities and specifications in Myanmar is rather unique. The most common quality is the so-called FEQ (First European Quality).

There are three major groups of sawn timber: Flitches (with a cross-sectional area of 24 square inches and up, excluding heartwood), boards (width 6 inches and wider), scantlings (width 5 inch or below). In addition to sawnwood there are two other main marketable items: outdoor decking and 'mini-decking' for yachts. Because there are restrictions on the maximum size of a flitch that can be exported flitch production is limited.

Boards and scantling are regularly available and the EU and US markets prefer long length boards. FOB prices for these items depend not only quality but also the average width and length.

The price of boards with an average width (8 inch) and length (8 ft) can vary from US\$ 4100 to 4500 /cu.m.

Sample price range for sawn teak

Type of Product	Specification	Price US\$/cu.m
Flitches	24 Square inch and up	4400-4650
Board	Av. width 8 inch Av. length 10 ft.	5000-5250
Board	Av. width 8 inch Av. length 8 ft.	4100-4500
Scantling	Width 4 and 5 inch Av. length 7.5 ft.	3400-3800

Note, Flitch prices vary depending on defect, For boards the colour and area from which the logs were harvested affects the price.

Export volumes may fall when new regulation introduced

The MyanmarTimes has reported that a spokesperson from the Ministry of Natural Resources and Environmental Conservation, U Win Zaw, has said the volume of timber that can be exported is likely to decline beginning May this year.

The news item says "Only timber cut from logs sold by the state-owned Myanmar Timber Enterprise (MTE) which contracts out much of its cutting activity is eligible for export. MTE sells timber monthly through a tender system, with separate tenders in kyat and US dollars."

U Win Zaw announced that beginning May 2017 only logs purchased in US dollars can be processed for export.

<http://www.mmmtimes.com/index.php/business/24446-resource-ministry-plans-reduction-in-export-eligible-timber.html>

December 2016 teak log auction prices

Grade	H.tons	Avg US\$/H.ton
SG-1	-	-
SG-2	20	3,528
SG-4	32.3	2,849
SG-5	50.7	2,049
SG-6	33.0	1,799
SG-7	74.4	1,489

India

Growth set to slow even before impact of demonetisation kicks-in

India's Ministry of Statistics and Programme Implementation has released economic forecasts for 2016-17 suggesting the economy will expand at a slightly slower rate (7.1%) than in the previous fiscal year.

Local analysts were quick to point out that the ministry forecasts are based on data compiled prior to the decision on demonetisation, the impact of this on growth prospects remains very uncertain.

The ministry predicts the agriculture, forestry and fisheries sectors will expand much more than in the previous period but growth in mining is set to decline. Growth in manufacturing and construction is also expected to slow.

See:

http://www.mospi.gov.in/sites/default/files/press_release/nad_prn_6jan17.pdf

Inflation rate trends

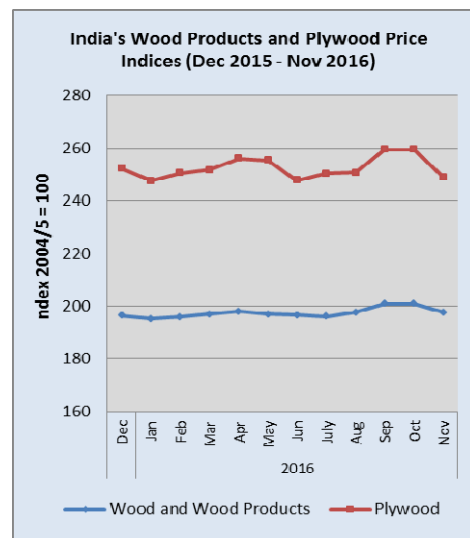
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI). The official Wholesale Price Index (WPI) for All Commodities (Base: 2004-05=100) for November 2016 rose by 0.1% to 183.1 from 182.9 for October.

The annual rate of inflation, based on the monthly WPI, stood at 3.15% (provisional) for the month of November 2016 compared to 3.39% for October.

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

Imported MDF gaining market share

India's e-magazine Ply-Reporter has suggested that it is over-capacity in international production of MDF that is behind the continuing rise in India's MDF imports. Despite adequate domestic capacity and antidumping protection measures low priced imported MDF is gaining market share.

Data from the Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry shows a 14% rise in 2015-16 MDF imports year on year. The question that is being asked is that will domestic manufacturers which have plans to expand MDF capacity be able to compete with imports.

For the full story see:

<http://emagazine.plyreporter.com/01112016/Home.aspx>

Export of rosewood musical instrument parts on hold

With all Dalbergia being subject to CITES regulation Indian manufacturers of rosewood products have had to cease exports until the Forest Department and CITES work out the formalities and procedures to be followed.

Imported teak prices

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
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	434-517
Panama logs	335-475

PNG logs	443-575
Sudan logs	358-556
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

As was the case in November, prices from the new plantation teak log suppliers remain unchanged at: Taiwan P.o.C (US\$,1036 to 2,126 per cu.m C&F) and Honduras (US\$471 to US\$539 per cu.m C&F). Sawn teak from China (US\$855 to 1,118 per cu.m C&F) and from Myanmar, (US\$461-2,895 per cu.m C&F).

Indian importers still hostage to methyl bromide treatment rules

Demand for imported plantation teak logs and sawnwood continues to be good and suppliers have been able to ship larger girth logs in recent months which has given a boost to demand. Timber importers are still hostage to the domestic requirement that shipments be treated with methyl bromide.

Indian plant quarantine rules require that imported timbers are fumigated with methyl bromide at the port of loading and a certificate to that effect accompanies the imported consignment.

However, many countries have banned the use of methyl bromide so cannot comply with Indian phytosanitary requirements. Indian authorities are well aware of the problem but as yet have not suggested an alternative internationally acceptable treatment. When this issue is addressed Indian importers would have access to a wider range of suppliers.

Prices for locally sawn imported timbers

Local analysts report a growing interest in sawn hardwoods from Sarawak.

Sawnwood Ex-mill	Rs. per cu.ft.
Merbau	3200-3500
Balau	1850-1950
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1200-1350
Radiata pine AD	800-900
Whitewood	850-950

Price range depends mainly on length and cross section

Rising international demand for India's teak products drives up sawnwood imports

The steady supply of imported sawn teak from Myanmar and China has held prices in check. Indian exporters of teak products are experiencing increased sales and this has lifted the volumes of sawn teak shipments.

Imported teak sawnwood 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

Sawnwood, (Ex-warehouse) (KD)	Rs.per cu.ft.
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2200-2250
American Walnut	4250-4500
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price variations depend mainly on length and cross section

Finally, plywood manufacturers secure price increase

Plywood manufacturers in Indian have struggled to live with rising production costs but no opportunity to raise prices due to the subdued housing sector.

However, over the past months production costs have risen even higher, mainly due to demonetization say analysts, resulting in an urgent need to raise prices. The impact of demonetisation and the slow introduction of the new Goods and Services tax has created a tough trading environment in the country.

Plywood,	Rs. per sq.ft
Ex-warehouse, (MR Quality)	
4mm	43.60
6mm	57.75
9mm	73.50
12mm	90.00
15mm	120.00
18mm	126.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.22.00	Rs.32.50
6mm	Rs.33.40	Rs.42.00
9mm	Rs.42.00	Rs.51.00
12mm	Rs.51.50	Rs.61.50
15mm	Rs.62.50	Rs.75.00
19mm	Rs.71.20	Rs.84.00
5mm Flexible ply	Rs.44.00	

Brazil

Support for micro, small and medium companies

The Brazilian Development Bank (BNDES) has announced measures to support micro, small and medium size companies (M/SMEs). Among the measures that will be offered beginning this month will be financial support for investment projects and for the purchase of machinery and equipment.

Offers of financing will range between R\$90 million and R\$300 million and repayments can be spread over 5 to 10 years. Moreover, options for the refinancing of overdue balances could be made available.

Other measures were also announced by BNDES such as the launch of an exclusive portal for M and SMEs to facilitate communication and consultation on product development and speedier processing of applications. ABIMCI has said these measures could benefit the wood based industries.

Importance of the wood industry in the national economy

The solid wood industry that includes sectors such as plywood, sawnwood, flooring and other builders woodwork is set to report a slight rise in 2016 employment compared to levels in 2015 according to the General Register of Employed and Unemployed Workers. These sectors account for just under 60% (369,000) of jobs in the Brazilian overall forest sector and, accounted for 9% of the country's total formal employment in 2015.

Throughout 2015 the solid wood industry sectors shed thousands of jobs but according to the 2016 Sectoral Study by ABIMCI employment creation accelerated in 2016.

The survey showed that the solid wood sectors had outperformed the national trend. Although the industry had to deal with currency fluctuation, high inflation, high interest rates, increased production and transaction costs and slow investment the segment closed 2016 on a positive note.

For 2017 the ABIMCI expects that the reforms and cuts in public spending announced by the Federal government could contribute to economic recovery and, consequently, to improve sentiment and investment.

Furniture export figures from Rio Grande do Sul

The negative performance of the furniture industry in 2016 presented by the Furniture Industry Association of Rio Grande do Sul (MOVERGS) was the result of weakness in the domestic as well as international markets.

In September 2016, Brazilian furniture exports totalled US\$51.8 million and in October last year were US\$ 53.5 million, both lower than that of August when the sector registered a small increase, amounting to US\$ 53.6 million.

A slight improvement was recorded in November 2016 when exports reached US\$ 55.2 million. But overall, from January to November 2016 exports totalled US\$548.2 million, a decline of 0.6% compared to the same period of 2015.

Of total exports 23% went to the United States, 14% the United Kingdom, 12% to Argentina, 7% to Uruguay and 6% Peru according to the IEMI - Market Intelligence report based on data from the Ministry of Development, Industry and Foreign Trade (MDIC).

In terms of ranking the main furniture exporting states in Brazil in 2016 were Santa Catarina and Rio Grande do Sul states (35% and 30%, respectively) followed by Paraná in third place with 13.5%, São Paulo, 13%, and Minas Gerais, 5%.

Earnings by furniture cluster fall

The Bento Gonçalves Furniture Industry Union (Sindmóveis) ended 2016 showing major declines in domestic sales, exports and job creation. The aim of the Union, which represents about 300 companies, is to now begin a recovery process through opening new markets in Brazil and abroad.

A preliminary analysis indicates that, year on year, 2016 revenue earned by the Bento Gonçalves furniture cluster fell around 18% between January and October.

Exports between January to October 2016 fell 4.6% year on year and there was an almost 8% decline in the number of employees in the cluster.

Sindmóveis says that among its members some are investing in products for new export markets and looking to modernise production, improve design and test alternative distribution channels such as e-commerce in an effort to resume growth.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	199
Jatoba	111
Massaranduba	115
Miracatiara	117
Angelim Vermelho	111
Mixed redwood and white woods	95

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	902
Jatoba	455
Massaranduba	422
Muiracatiara	426
Angelim Vermelho	377
Mixed red and white	248
Eucalyptus (AD)	215
Pine (AD)	154
Pine (KD)	174

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	581
10mm WBP	448
15mm WBP	400
4mm MR	507
10mm MR	376
15mm MR	349

Prices do not include taxes

Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	251
15mm MDF	335

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1460
Jatoba	932
Massaranduba	742
Muiracatiara	720
Pine (KD)	194

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

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	293
12mm C/CC (WBP)	266
15mm C/CC (WBP)	263
18mm C/CC (WBP)	259

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,546
Jatoba	1,497

Source: STCP Data Bank

Peru**ADEX anticipates exports fell in 2016**

According to Erik Fischer, Chairman of the Committee on Wood and Wood Industry, ADEX, Peru's wood product exports continue to decline. Fischer has estimated that wood product export shipments in 2016 are likely to be around US\$120 million. At this level they would represent a 20% year on year decline (2015, US\$151.7 million).

For 2017 Fischer anticipates a further 20-30% drop in wood product export values. The highest value for wood product exports was achieved in 2007 when they totaled US\$212 million.

Micro furniture enterprises provided with training

Within the framework of a project aimed at improvement of the productive and commercial management capacities of the micro-enterprises in the province of Coronel Portillo and Padre Abad, Ucayali region, the Instituto Tecnológico de la Producción-ITP (Technological Institute for Production) in cooperation with CITEFORESTAL Pucallpa had, by the end of 2016, trained more than 1,500 furniture makers from 182 companies.

The trainings programme focused on topics such as identification of species, designing, production planning, cost and quality control, wood drying and finishing.

Vast areas of inoperative forest concessions

According to Julio Ugarte, Director of Studies and Research for Policy and Competitiveness at the National Forestry and Wildlife Authority (Serfor), 6,254,183 hectares of forest are the subject of commercial concession agreements. However, he points out that, to-date, some 5 million hectares of these allocated concessions are considered inoperative

According to Alfredo Biasevich, Director of the Committee for the Timber Sector in the National Society of Industries (SNI), between 2002 and 2004 concessions were open to public tendering but many of those granted concessions were small and medium producers which in many cases did not have managerial or financial capacity to operate a concession.

As of November 2016 there were 1,26 million ha. Of forest designated as conservation, reforestation and wildlife management areas.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
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	499-586
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	627-659
Marupa (simarouba) 1", 6-13 length Asian market	479-535

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 m ³
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

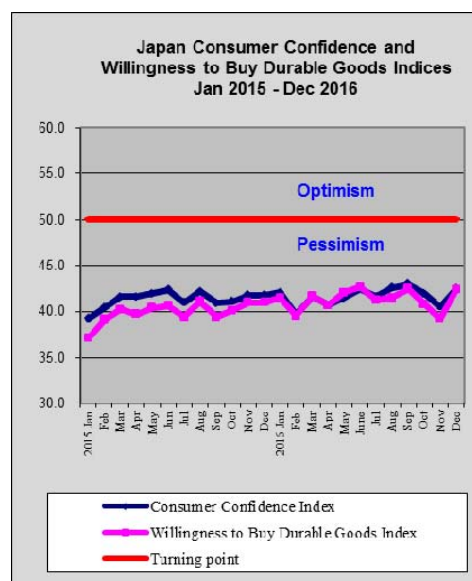
Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S Swedish market	962-1095
Asian market	1058-1098-
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

Consumer confidence at 3 year high

Japan's consumer confidence index rose in December an improvement for the first time in three months. The December index was the highest for more than three years.

Analysts in Japan have offered little explanation for this surge in confidence and, while welcoming the upward trend, the government remains cautious as the change in confidence over a short period may not indicate an overall improvement.



Source: Cabinet Office, Japan

Exports drive third quarter growth

The Japan Center for Economic Research (JCER) recently published the latest forecasts for the Japanese economy by its Chief Forecaster Hitoshi Sasaki under the title "Is the Japanese Economy Shifting to a Higher Gear?"

Against the recent modest improvement in third quarter 2016 data, Sasaki writes "Third-quarter growth was fueled mainly by external demand, as the rise in domestic private-sector demand remained anemic, still not powerful enough to generate a virtuous circle of rising incomes leading to higher expenditure."

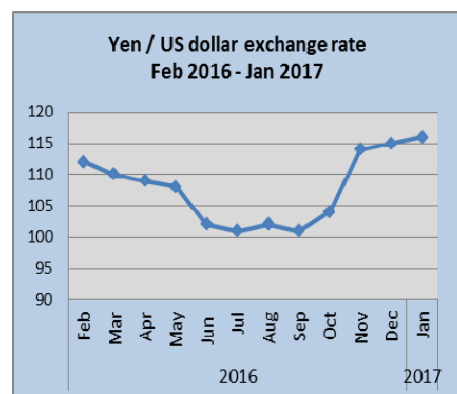
Looking ahead Sasaki says "With emerging economies recovering from their slowdown and as the growth of the global economy gradually picks up, we project the Japanese economy to grow by 0.9% in real terms in fiscal 2016 and again by 0.9% in fiscal 2017, assuming that the Bank of Japan maintains its quantitative and qualitative monetary easing policy and that the government provides substantial stimulus measures."

See: http://www.jcer.or.jp/eng/pdf/sa168_eng.pdf

Weak yen boost growth prospects

The yen /dollar exchange rate as the year began was around yen 118 but the dollar weakened mid-month as the US Federal Reserve seemed to suggest it was uncertain when or even if a further interest rate rise would be.

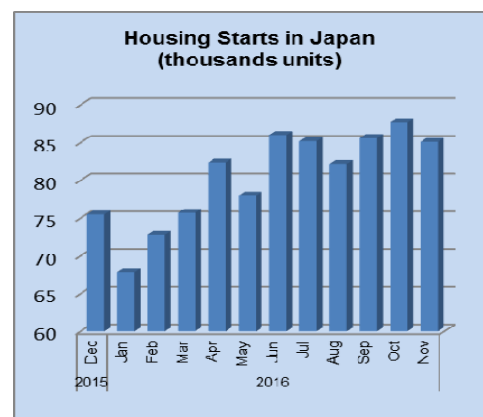
In Tokyo the weaker yen has been welcomed by exporters and the stock market rallied in the early few days of the New Year.



Shortage of affordable family homes - a challenge to young couples

Young couples in Japan face a daunting challenge when it comes to buying their own home. A recent survey has shown that house prices are rising and that the increase is outpacing wage growth. In addition while there are millions of empty homes in Japan there is a shortage of family accommodation in urban areas.

Over the past 12 months money has poured into the apartment construction sector which was attracting buyers looking to secure gains from an investment and because interest rates on loans are at an all-time low.



Data source: Ministry of Land, Infrastructure, Transport and Tourism

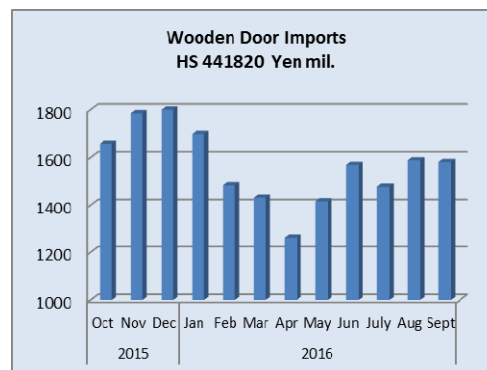
Import round up

Doors

Year on year Japan's September 2016 imports of wooden doors (HS 441820) were almost unchanged but from a month earlier they were down slightly. In the first three

quarters of 2016 wooden door imports were around 2% down on the same period in 2015.

The top four suppliers in order of rank were China, the Philippines, Indonesia and Malaysia. These four accounted for around 95% of Japan's wooden door imports in September 2016.



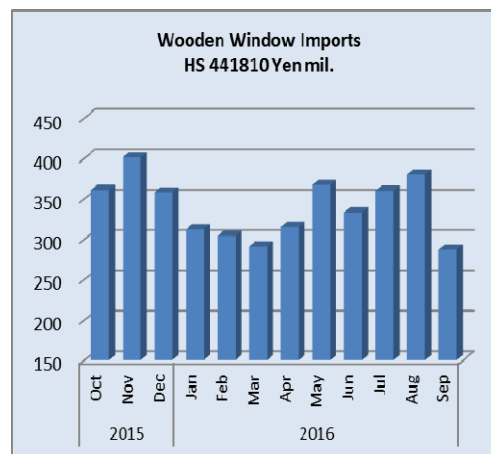
Data source: Ministry of Finance, Japan

Windows

There was a sharp drop in Japan's year on year wooden window imports in September (-19.5) and compared to a month earlier September 2016 imports dropped 24%.

In the first three quarters of 2016 wooden window imports were down around 7% compared to the first three quarters of 2015.

Consistently throughout the year to September shippers in China and the Philippines have dominated Japan's imports of wooden windows. Shipments of wooden windows in September from the top two suppliers accounted for around 80% of imports with another 17% being provided by suppliers in the US.



Data source: Ministry of Finance, Japan

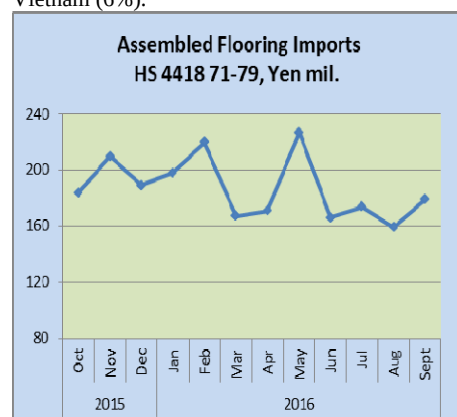
Assembled flooring

Three categories of assembled flooring are included in the data presented below, HS 441871, 72 and 79.

Flooring shipped under HS441872 accounts for the bulk of imports (62%) followed by HS 441879 (37%). Shipments of HS 441871 are very small and come primarily from Thailand.

September wooden flooring imports into Japan rose sharply (26%) compared to September 2015. Month on month imports were also up (12.5%).

As was the case in August shippers in China dominated Japan's August imports of wooden flooring accounting for 45% of all imports. The other main suppliers were Indonesia (11%) and Vietnam (6%).



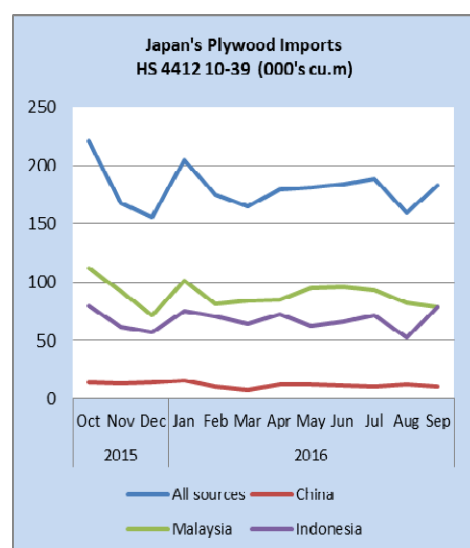
Data source: Ministry of Finance, Japan

Plywood

The figure below depict the combined imports of 4 categories of plywood, HS 441210/31/32 and 39. Two thirds of Japan's plywood imports fall under HS 441231 and within this category Malaysia (54%) and Indonesia (40%) are the main suppliers. The other significant suppliers are China, Taiwan P.o.C and the Philippines.

Shipments of HS 441232 plywood were mainly from Malaysia and Indonesia with some originating in the EU.

With around 98% of Japan's September plywood imports accounted for within the two categories mentioned above the balance is split between HS 441210 (China the only supplier in August) and HS 441239 supplied by mainly China, the Philippines and New Zealand.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports

		China	Malaysia	Indonesia
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
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3

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>

Legal wood use promotion law

A Ministerial ordinance and basic measures for a Legal Wood Use Promotion Law are scheduled to be adopted by the end of this year. The law demands wood related businesses to use legally proven wood products only and requests to confirm legality on any suspicious products and not to handle any risky and doubtful products.

Schedule is to have public comments in January then the ministerial ordinance will be announced officially and come into effect on May 20, 2017.

Wood dealers, general construction company, house building company, contractor including contract company of flooring work are subject to the law. Forest owners and logging companies are not included but log auction market is included. Companies need to register as registered wood dealer and they need to confirm legality of wood products they handle.

Basically wood products are specific procurement articles of the green purchase law. Laminated lumber, plywood, flooring, furniture, wood chip, pellet, pulp and paper are included but fiberboard like MDF and particleboard are not included. There is possibility to include fiberboard in review of items in three years.

As to judgment of legality, notification of harvest is final for domestic timber and imported items from advanced countries are confirmed by authorized documents.

Attached documents are judged by reliability of source of origin and species but in case it is suspicious, inquiry to the sources or voluntary measure such as investigation by the third party are required.

Even if such additional measures are made and found out it is illegal products, it is not subject to penalty but in case one continues selling illegal products as legal products, inspection on the spot and warning are given for wood dealers and if one is registered, registration is cancelled and a name is publicly announced.

If one tries to find out legality of a certain item but does not prove, one can sell for at time being with the condition to keep it separate from legal products.

The Forestry Agency says that it acknowledges that distribution amount of legally proved products is limited yet but it is important to make effort to increase percentage of legally proven products.

For registration, some fee and registration tax of 15,000 yen are needed. Conditions of registration are that one declares to increase of handling legally proven products as management policy, one attaches necessary documents, how one handles measures to prove legality and how one can keep separate of handling legal products and unproven products.

South Sea (tropical) logs

Malaysia is in rainy season now and log production is dropping. Buyers have no option of selecting diameter class and particular species. India buys almost everything to fill up ships so they sometimes buy higher priced Japan sort logs so when the supply gets tight, grade and destination mean nothing.

Log suppliers naturally intend to raise log prices but the Japanese importers are not able to buy after the yen gets weaker more than 10% in one month. However, there are limited number of plywood mills, which use South Sea hardwood logs in Japan.

There are two mills in Niigata and a few more in Hokkaido and the North East so total necessary volume is not very much so the importers are not panicky even in this situation. Sarawak meranti regular offer prices are US\$275-278 per cbm FOB, meranti small are US\$260 and super small are US\$245. They are unchanged from November but future looks higher.

Plywood market

Market prices of imported plywood like concrete forming panel have been continuously declining since beginning of the year then in October, Sarawak suppliers proposed \$20 increase for new orders. With all these factors, market mood changed with dropping inventory so feeling of higher future prices is rapidly prevailing.

After interim book closing finished in September, the importers and wholesalers completed inventory correction.

Since then tight feeling started on some short items and low price offers disappeared in the market. At the same time, supply side was facing approaching rainy season and log prices would go up during rainy season so they decided to increase by \$20 per cbm FOB then the yen's exchange rate has started dropping since late October and the yen depreciated by about 10% in a month.

Some wholesalers have started purchasing structural panels and concrete forming panels little by little so the importers try to procure such items from the suppliers but by higher suppliers' prices and sudden change of yen's rate, they are unable to procure.

Supply of concrete forming panel for coating is not really tight but there is no low offers any more. In short, prices of items, which prices dropped too much, are in correction stage so the mood changed from bearish to bullish.

The importers need to increase the sales prices of new orders in December but the movement has not recovered yet so the prices seem to stay flat or to gradual increase.

Supply of both domestic and imported plywood is getting tight. Since early November, orders from precutting plants increased so tight supply gets tighter. On imported plywood, the suppliers increased the prices by \$20 per cbm in October then the yen has been weakening rapidly in November so future cost is much higher.

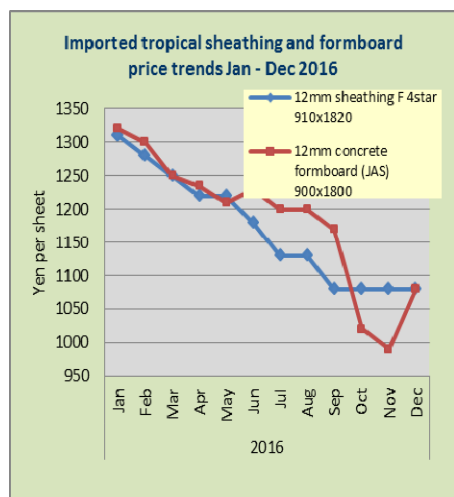
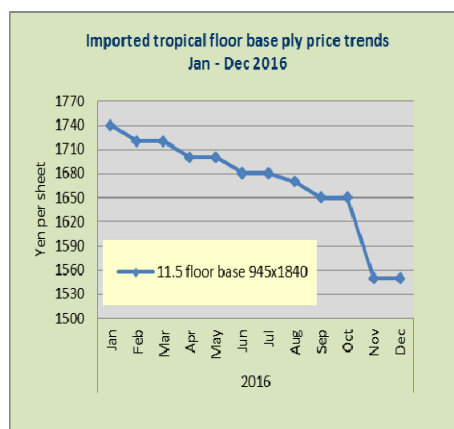
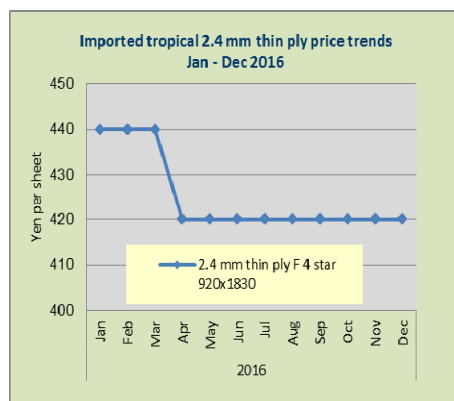
Supply and demand of domestic plywood were balanced until late October by early placement of orders by precutting plants then four weather in September and October delayed construction works so that precutting plants' operations were not so high then since late October weather improved and many construction orders tried to complete by the end of December so the operations got sharply up so tight feeling got stronger particularly on thick panels.

Some precutting plants go out and try to procure from wholesalers since direct purchase does not satisfy their needs.

Meantime, market prices of 12 mm panel of imported plywood had been declining then the importers and wholesalers finished inventory adjustment by the end of September so they quit selling at low prices to tighten the market so extreme low prices were gone from the market.

In middle of October the supply side increased the export prices by \$20 and weak yen progressed in November. These factors are nothing but cost up. At the same time, supplying countries are in rainy season and log supply will get tight and the prices would go higher so further increase of export prices is likely in coming months.

Since there is practically no inventories of concrete forming and structural panel, the importers place orders for necessary items in November as the customers keep placing orders little by little. This will lead the price hike in the market sooner or later.



Toyota Housing absorbs Misawa Homes

Toyota Housing Corporation (Nagoya) announced that Misawa Homes Co., Ltd, (Tokyo) will become subsidiary company.

Toyota Motor Corporation has made capital unification since 2003, Toyota Housing and Misawa Homes jointly procure building materials, purchase of properties, development of rental units and units built for sale and personnel exchange.

Purpose of subsidizing Misawa Homes is to build much closer cooperation with each other to promote business and overcome tougher business environment.

Toyota Housing is the top share holder of Misawa Homes by holding 27.84% share. TOB starting November 28 and acceptance of allocation of new shares to a third party by March 2017 will give 51% share of Misawa Homes with about 20 billion yen.

Misawa Homes will maintain listing at Tokyo and Nagoya stock exchange.

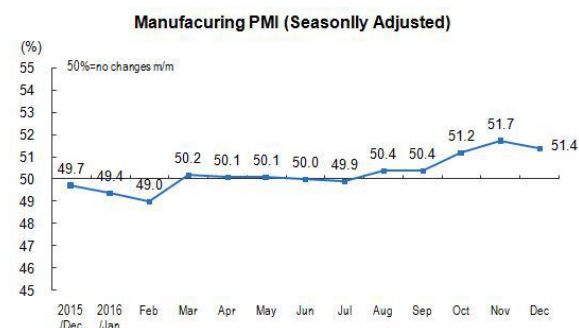
Both companies will develop new techniques and models, work together to reduced cost in materials procurement, production, distribution and systems then work together in real estate development business.

China

Mixed signals from December PMI

China's manufacturing purchasing managers index (PMI) in December 2016 was 51.4, a decline over the previous month, however the index continued to stay in the expansion range and was at its second highest level for 2016.

The housing boom in the second half of 2016 along with government infrastructure projects helped boost prices building and construction materials which helped lift manufacturer's sentiment.



Source: National Bureau of Statistics, China

In terms of enterprise size the PMI of large enterprises was 53.2, down on November; that of medium-sized enterprises was 49.6 a drop below the positive threshold. The index for small-sized enterprises was 47.2 also down on November and still in a contraction mode.

Among the five sub-indices comprising the PMI, the production index and new orders index were higher than the threshold. The supplier delivery time index was at the threshold. The employed person index and main raw materials inventory index were lower than the threshold.

See:

http://www.stats.gov.cn/english/PressRelease/201701/t20170104_1449789.html

Output from forest industries continues to expand

The 3rd national forestry industry conference was recently held in Beijing. Participants were informed that the value of output from the national forest industry sector increased to RMB5.94 trillion in 2015 from RMB409 billion in 2001. It is estimated that the value of output in 2016 exceeded RMB6 trillion.

The value of foreign trade in 2015 was US\$136 billion and it is forecast that this will rise to RMB9 trillion by 2020. The ratio of primary, secondary and tertiary forest industries is expected to change to 27:52:21 over the same period.

Production halted to help lower air pollution levels

Many cities in Northern China have been experiencing severe haze since mid-December, Beijing, Tianjin and Hebei province are particularly badly affected. In response to this air pollution risk many city authorities have announced high level heavy air pollution warnings. Production of wood-based panels has been halted in Hebei, Tianjin and Shandong Provinces.

Oriental Redwood plans US listing

Oriental Redwood, a Taiwanese company, has announced that it is proceeding with plans to list in the US.

Oriental Redwood was established in 1962 in Taiwan P.o.C and has been purchasing furniture in Beijing, Suzhou, Shenzhen and Taishan cities since 1979 for export to the US and Southeast Asia.

Oriental Redwood has built redwood sales outlets in several US cities the largest extending over almost 10,000 square metres. The company anticipates turnover could be RMB2-5 billion within 5 years.

Log sales rise at Zhangjiagang Port

Log sales from Zhangjiagang Port have been rising recently to between 7-10,000 cubic metres daily. The main timbers sold include pometia, okoume, Indian almond, bintangor and mixed parcels from PNG. Pometia sales topped the list.

Port data show that the volume of logs imported from the Solomon Islands increased even as Chinese New Year is approaching soon.

Hemlock-Bamboo CLT - new trend in building materials

It is expected that a bamboo/wood composite, hemlock-Bamboo CLT plywood will see increased market opportunities in the Chinese construction sector where Canadian western hemlock is currently popular.

In mid-2016 the first production line for hemlock-Bamboo CLT plywood was built in Ningbo city of Zhejiang Province by the Institute of China-Canada Low Carbon New Technology Co., Ltd. A hemlock-Bamboo CLT patent has been applied for and the company is promoting the cost-effective advantages of this product.

In December last year two demonstration houses were built with the new CLT plywood. The company says that in the house building sector, this product can compete with most other materials in terms of strength and that considerable savings in construction time are possible.

Nankang furniture exports boosted by improved transport network

Nankang is located in the Western Ganzhou City in Jiangxi Province. Recently the Ganzhou timber inspection zone was upgraded and trade through the zone surged.

Timber imports to Nankang grew more than 200% year on year and furniture exports expanded three times. Now Nankang has become one of the main furniture production bases in Central China.

The rise in exports is partly due to the effort to improve transportation. Since the upgrading of the zone the Ganzhou Railway International Container Center has operates a special weekly service to carry furniture from Nankang to Shenzhen Yantian Port.

Guangzhou Yuzhu International Timber Market Wholesale Prices

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

Slowing pace of EU tropical timber imports

Latest trade data shows that the rising trend in the value of EU imports of tropical wood products that began in the second half of 2014 levelled off in 2016.

The stability in the euro value of tropical wood imports in the second half of 2016 may hide a slight fall in the volume of imports as European currencies weakened on foreign exchange markets during that period (which implies a rise in import prices).

The euro, trading at around US\$1.15 in June 2016, had fallen to only US\$1.05 by the end of the year. Even more pronounced is the fall in the British pound, which was trading at US\$1.50 in June just before the country's vote to leave the EU before declining to a 30-year low of US\$1.29 in early July after the result and which now stands at just US\$1.23.

Nevertheless, the dramatic slowdown in European tropical wood imports forecast for the second half of 2016 in response to currency movements and economic uncertainty in the UK following the Brexit vote failed to materialise. Prospects for the market in 2017 also look reasonably positive.

While the political situation in Europe is still uncertain, the economic recovery is gathering pace, helped by an improving global outlook, low interest rates, a significant fall in the level of unemployment, a weak euro and the end of austerity.

Charts 1 to 3 below show the monthly trend in imports of tropical wood products into the EU up to the end of October 2016 using 12 month rolling totals.

This is calculated for each month as the total import of the previous 12 months. The data removes short-term fluctuations due to seasonal changes in supply and shipping schedules and provides a clear indication of the underlying trade trend.

Chart 1 shows total EU euro import value of all wood products listed in Chapter 44 of the HS codes sourced from tropical countries. Total imports in the 12 months to October 2016 were euro 2.29 billion, slightly above euro 2.26 billion recorded for the 12 months of 2015.

European imports of tropical veneer, plywood, and energy wood continued to rise slowly between January and October 2016. European imports of tropical sawnwood, LVL and logs, which were rising in the first half of 2016, stabilised at the higher level in the second half of the year.

However, imports of tropical decking and mouldings, which increased sharply in 2015, were sliding throughout 2016.

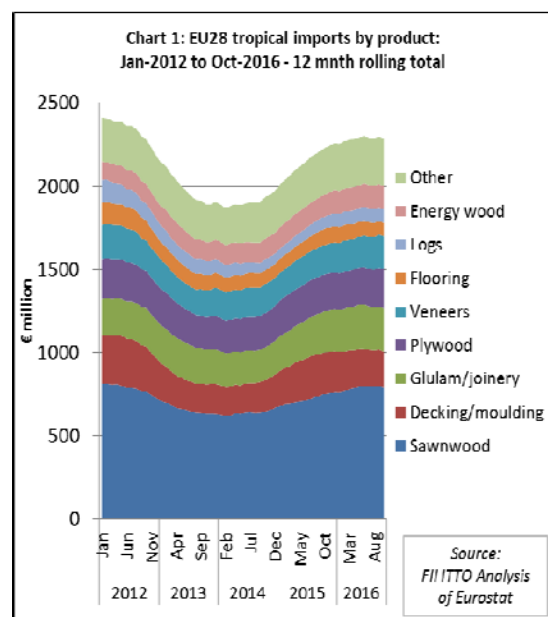


Chart 2 shows how European imports from the major tropical supply countries developed between 2012 and October 2016.

After rapid growth in 2015 and the first quarter of 2016, European imports from Indonesia (dominated by decking, doors, plywood and LVL) stabilised at the higher level between April and October 2016.

Imports from Malaysia (mainly sawnwood, plywood, doors, and LVL) peaked in May 2016 and fell in the months to October. Imports from Brazil (mainly sawnwood and decking) were also sliding in 2017.

However, imports from Cameroon (almost all sawnwood) and Gabon (a mix of sawnwood, veneer and plywood) continued to rise in the year to October.

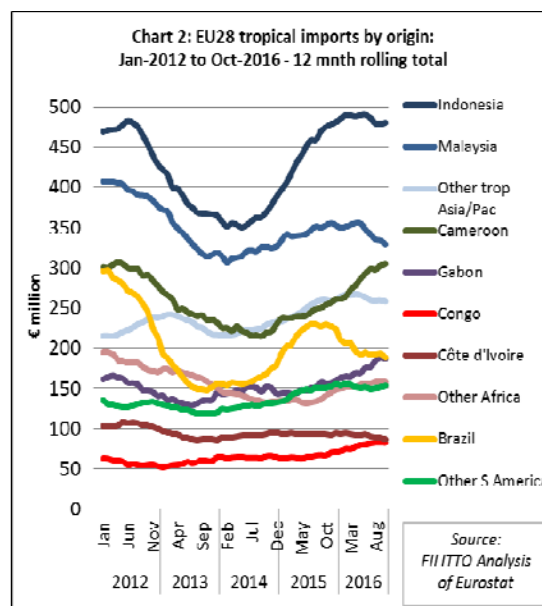


Chart 3 shows the recent trend in tropical wood imports into the main EU consuming countries. The pace of growth in imports into the UK (which takes mainly doors, plywood and sawnwood) was slowing in the early months of 2016.

Contrary to expectations of a sharp downturn, the euro value of UK imports stabilised at the higher level in the months following the Brexit vote in June.

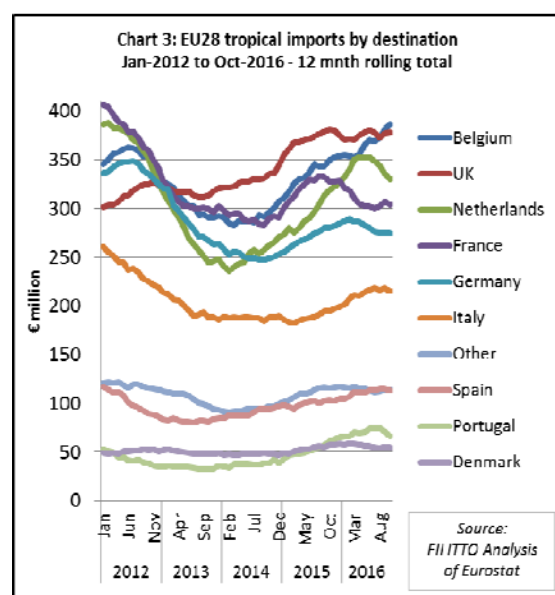
The value of tropical wood imports into Belgium (mainly sawnwood and decking) increased so rapidly in the year to October that the country was on course to overtake the UK as the largest European destination for tropical wood in 2016.

This suggests that the trend towards concentration of Europe's tropical imports in the hands of a few large traders close to main ports continues to intensify - a trend driven partly by logistics and partly by the risk management demands of the EU Timber Regulation.

However, the rise in import value into Belgium between April and October 2016 was mirrored by a sharp decline in imports into Netherlands during the same period, so these trends may simply reflect temporary shifts in internal EU distribution channels between the ports of Rotterdam and Antwerp.

Meanwhile, direct imports of tropical wood into France (mainly sawnwood, decking and veneer) and Germany (mainly decking and sawnwood) were sliding in the opening months of 2016 but stabilised between July and October.

The recovery in tropical wood imports by Italy (mainly sawnwood and veneer), Spain (mainly sawnwood and veneer) and Portugal (mainly sawnwood, logs and chips) in the first half of 2016 lost some momentum in the second half of the year.



Improving economic prospects in Europe

While there are significant downside risks in 2017, particularly with key national elections due to be held in Germany, France and the Netherlands, prospects for the European market seem promising.

Economic surveys show that manufacturing activity and economic sentiment in the EU increased to their highest levels since 2011 in the closing months of last year.

By the end of 2016, unemployment in the 19-nation euro zone had fallen to its lowest point in more than seven years: 9.8% according to Eurostat compared to over 20% a year earlier.

The big question in Europe this year is whether fragile economic growth and unprecedented central-bank stimulus will be overtaken by populist politics which could threaten the future of both the euro and the European single market. But while Europe's political calendar in 2017 certainly creates uncertainty, it might also offer opportunities.

In a recent interview for CNBC, Francesco Garzarelli, co-head of global macro and markets research at Goldman Sachs noted that a potential right-wing president in France could lead to a stronger reform agenda in Europe. "If France were to change gear and become more inclined to move forward into reforming its economy I think that will force the likes of Italy, Portugal, Greece to do the same," Garzarelli said.

In fact, more economic analysts now seem inclined to give Europe the benefit of the doubt and are suggesting that growth will exceed expectations. According to a research team led by Anais Boussie, writing in the Credit Suisse European Economics note on 9 January, "The euro area is set to deliver an upside growth surprise this year. Market expectations for growth are too low, in our view. Growth should strengthen on the back of stronger global trade and a pick-up in construction activity. It should remain supported by consumer spending, for which the fundamentals are improving."

The Credit Suisse team forecast that GDP in the euro-zone will rise by a sturdy 2.0% in 2017, growth that will be underpinned by consumer spending. Instead of being fuelled by things like low oil prices, Credit Suisse reckon consumer spending will grow thanks to improving fundamentals like labour demand.

They also note that "construction investment has contributed positively to growth for the past six quarters, and appears to be accelerating".

Credit Suisse are confident that "the risk of deflation in the euro area has largely disappeared and headline inflation is set to rise sharply in the first half of 2017 as the strong dampening effect from past oil price declines fades away."

They also expect that the European Central Bank will be "dull" (a positive trait after a few too many "interesting" years) – quantitative easing will continue to provide greater liquidity at least until the end of the year while the base interest rate is likely to remain unchanged.

UK economy defies expectations in 2016 but likely to slow in 2017

Outside the euro-zone (but still a member of the EU for at least another 2 years), the UK economy defied expectations in 2016 as Britons decided to keep calm and carry on spending following the Brexit vote. Growth showed surprising resilience in the face of fears of recession with warnings from the Bank of England ahead of the EU referendum proving unfounded.

Indeed, the UK Office for National Statistics said the economy grew by 0.5 per cent between July and September 2016, the three month period after the referendum.

The UK economy remained buoyant in the last quarter of the year. The Markit/CIPS UK Manufacturers Purchasing Managers Index for December rose to 56.1, the strongest reading since June 2014, and up from 53.6 in November.

A reading above 50 indicates expansion in the sector, with the month's figure driven up by orders from home and abroad. The figures put the UK on course to be the fastest growing economy in the G7 group of leading nations in 2016.

However, this resilience is not expected to last. The British pound's plunge in value last year may see growth falter in 2017. Surging prices due to the weaker currency are widely forecast to bring an end to the consumer spending spree that has helped prop-up growth since the EU referendum.

The UK's Office for Budget Responsibility (OBR) estimates the economy will take a hit of almost £60 billion over the coming five years as a result of the Brexit vote. The OBR has slashed UK growth forecasts and is predicting higher borrowing than previously expected.

To boost short term growth, the UK government is pinning its hopes on a big increase in public spending on infrastructure in a package of measures unveiled in August last year worth more than £170 billion and on historically low interest base rate of only 0.25%.

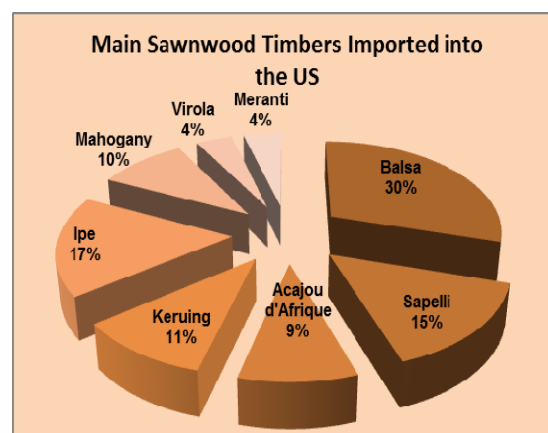
North America

Ipe leading growth in tropical sawnwood imports

US imports of temperate and tropical sawn hardwood grew 11% in November to 70,376 cu.m. The value of sawn hardwood imports increased 4% from the previous month to US\$39 million.

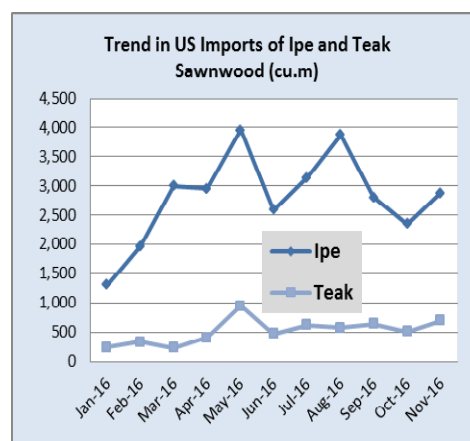
Imports of tropical species were up 9% in November in both volume and value following a brief one-month decline in October.

Tropical sawnwood imports were 20,702 cu.m. in November, worth US\$21.5 million. Compared to the same time in 2015, year-to-date imports of tropical sawnwood were down 11%.



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

Much of the growth in tropical imports (and the October decline) was in imports of ipe sawnwood. Ipe imports grew 23% in November to 2,882 cu.m. Year-to-date imports of ipe were up 3% from November 2015. 2,554 cu.m. of ipe sawnwood were imported from Brazil in November.



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

Imports of jatoba, meranti, cedro, teak, keruing and padauk also recorded month-on-month growth in November. However, Sapelli sawnwood imports continued to decline. Imports were down 8% month-on-month in November.

Imports of acajou also fell by almost one third in November. Year-to-date imports of acajou were significantly lower than at the same time in 2015.

By country, Brazil, Malaysia and Indonesia gained in November due to higher exports of ipe, keruing and meranti to the US. Imports from the major producers in Africa were down in November.

Canadian sapelli imports down in November

Canadian imports of tropical sawnwood were worth US\$1.40 million (US dollars) in November, down 4% from the previous month. Year-to-date Canadian imports were up 16% from November 2016.

Sapelli sawnwood imports fell by one third in November to US\$258,168. Imports of virola, imbuia and balsa (combined) grew from October with balsa imports from Ecuador accounting for approximately half of the growth.

Year-to-date most major exporters of tropical sawnwood to Canada gained over the same time last year, except several African suppliers. Canadian imports from Congo (formerly Brazzaville), Ghana and Congo (formerly Zaire) declined compared to January to November 2015.

US importers prepare to meet CITES rosewood regulations

The parties to the Convention on International Trade in Endangered Species (CITES) have added the entire genus of *Dalbergia* spp. in Appendix II to prevent unsustainable use of all rosewood species.

Beginning January companies that import rosewood products must comply with the new CITES regulations. Companies that utilise rosewood should make sure their suppliers are in compliance with the new regulation.

The only exception is Brazilian rosewood (*Dalbergia nigra*), which is listed in Appendix I as a species threatened with extinction. Also added to Appendix II were the three bubinga species of *Guibourtia demeusei*, *Guibourtia pellegriniana* and *Guibourtia tessmannii*, and kosso (African rosewood, *Pterocarpus erinaceus*).

From January 2, 2017, rosewood imports into the US must be accompanied by CITES permits or certificates issued by the country of export or re-export. This date applies even if the shipment was exported before January 2, but will arrive in the US on or after January 2.

Rosewood is used in musical instruments and high-end furniture. According to the Woodworking Network, China and Vietnam are the main trade and processing hubs for rosewood.

The detailed explanation of the changes and other resources are available from the US Department of the Interior's Fish and Wildlife Service:

<https://www.fws.gov/international/pdf/questions-and-answers-appendix-II-timber-listings-December-2016.pdf>

Anti-dumping investigation continues for plywood from China

The US Department of Commerce will continue to conduct its antidumping and countervailing duty investigations on imports of hardwood plywood from China. A judgment on countervailing duties is due February 13, 2017, and its preliminary antidumping duty determination is expected around April 27, 2017.

All six commissioners on the US International Trade Commission (USITC) voted in the affirmative that “there is a reasonable indication that a United States industry is materially injured by reason of imports of hardwood plywood from China that are allegedly subsidized and sold in the United States at less than fair value”, according to a USITC press release.

Included in the investigation are non-structural hardwood plywood products used in the manufacturing of furniture, cabinetry, wall paneling and similar products.

Not included are structural plywood, products which have a face and back veneer of cork, multilayered wood flooring, plywood which has a shape or design other than a flat panel, and products made entirely from bamboo and adhesives.

Apparent consumption of hardwood plywood in the US in 2015 was US\$2 billion with almost 60% imported, according to the USITC. The largest sources of hardwood plywood imports were China, Indonesia, Russia, Canada and Malaysia.

Six US plywood producers, comprising the Hardwood Plywood Coalition, asked for this third investigation into hardwood plywood products from China. The American Alliance for Hardwood Plywood and the US kitchen cabinet manufacturers oppose the investigation as members are importers, distributors and retailers of hardwood plywood.

The previous Department of Commerce investigation ended with the removal of all anti-dumping and countervailing duties on hardwood plywood from China.

China announced last December that it had launched a complaint at the World Trade Organization over the approach used by the US and the EU to calculate anti-dumping measures against Chinese exports. The complaint includes the use of third country prices when assessing whether Chinese products are sold below market value.

Anti-dumping duty on wooden bedroom furniture from China remains

In a required five-year review process the US International Trade Commission (USITC) decided that revoking the existing anti-dumping duty order on wooden bedroom furniture from China would be likely to lead to continuation or recurrence of material injury of the US industry.

As a result the existing antidumping duty order on imports from China will remain in place. The commission's public report *Wooden Bedroom Furniture from China* will be available by February 15, 2017.

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.

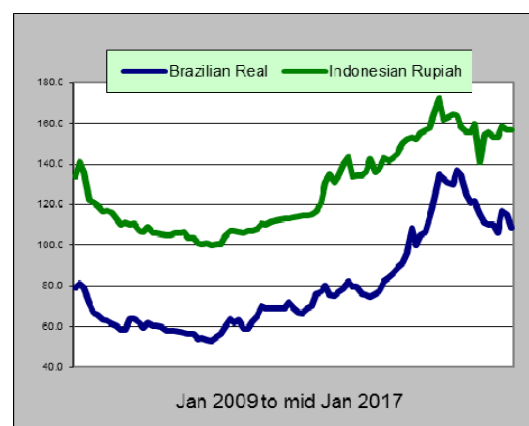
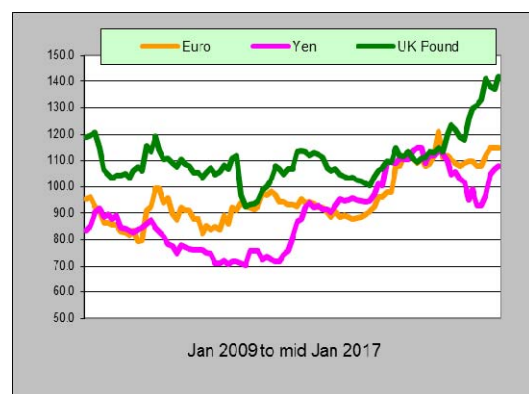
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 9 January 2017

Brazil	Real	3.1967
CFA countries	CFA Franc	623.77
China	Yuan	6.9375
EU	Euro	0.9459
India	Rupee	68.1
Indonesia	Rupiah	13322
Japan	Yen	116.05
Malaysia	Ringgit	4.477
Peru	New Sol	3.3825
UK	Pound	0.8222
South Korea	Won	1203.35

Exchange rate indices (US\$, Dec 2003=100)

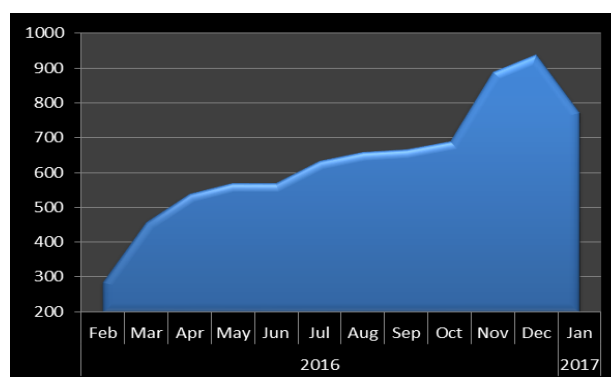


Abbreviations and Equivalences

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
January – mid-January 2017

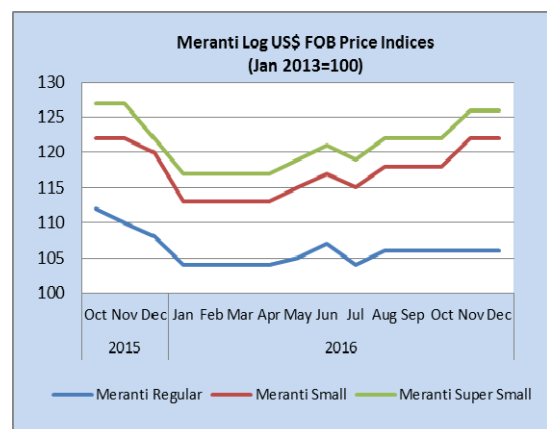


Data source: Open Financial Data Project

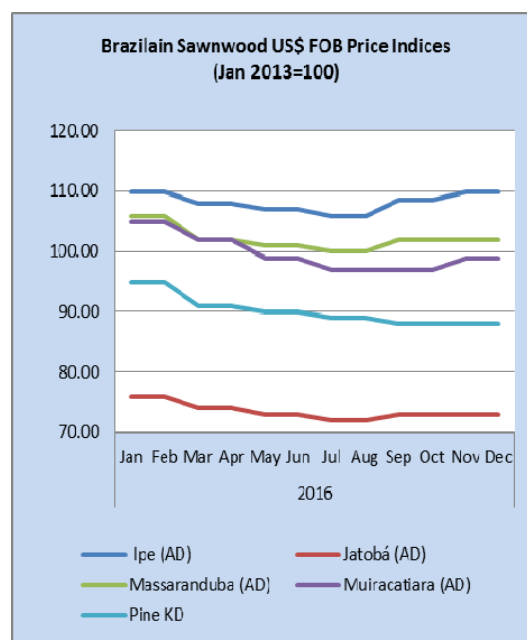
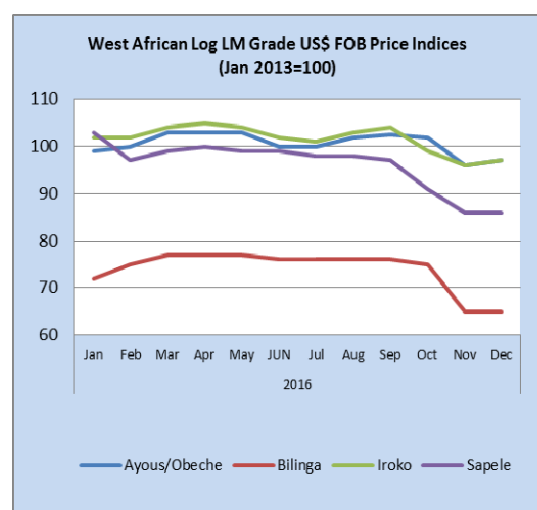
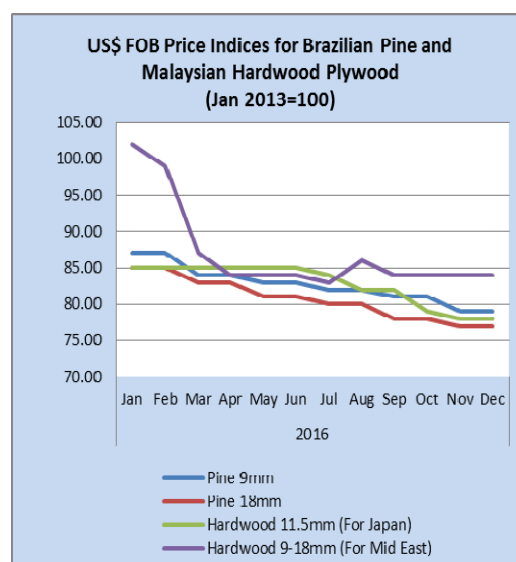
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

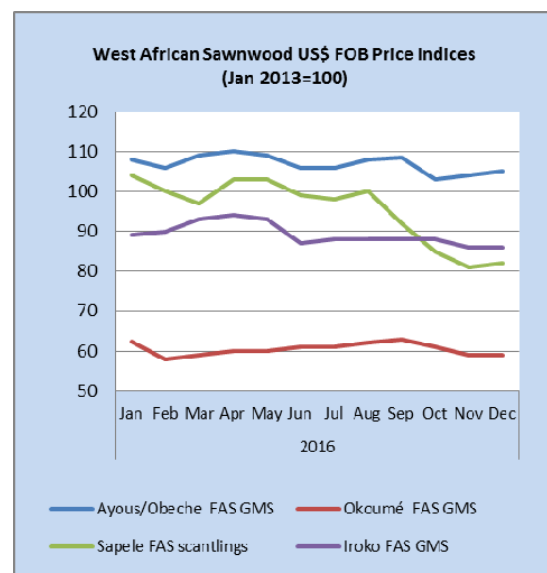
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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