Tropical Timber Market Report

Volume 21 Number 2, 16th – 31st January 2017

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Headlines

Top Story

US furniture imports at highest level since beginning of US recession but plywood imports continue down

Wooden furniture imports increased 8% in November 2016, the highest level since the recession. Imports of all types of furniture increased with the strongest monthly growth in being in wooden bedroom furniture.

but

Hardwood plywood imports declined for the fifth consecutive month in November. Most countries shipped less plywood to the US with the exception of Canada and Russia.

See: Page 20

Central and West Africa

Western markets are quiet but Asian demand is lively
Producers report that all European markets are quiet and any purchases are only for replacement of stocks and tend to be for only the faster moving timbers. The weak demand in Europe has resulted in some price weakness for species which are most susceptible to even small shifts in demand.

Some of the larger European buyers are reportedly overstocked with sapele and padouk and are therefore holding off on imports. This is adding to the slight slackening in prices being offered by importers. Padouk prices are generally volatile and price movements tend to be wider than for most other timbers. Demand for okan has fallen once again mainly because buyers in Netherlands have switched to buying azobe.

On the brighter side, Asian markets are reported as busy, though India importers are on the side-lines at present and, like importers in Europe, are not interested in padouk.

Importers in China are said to be actively buying which has lifted the price for okoume, especially peeler logs for face veneer. Chinese mills generally use cheaper species for plywood core veneers and okoume for face and back veneers.

In both China and India there is continued interest in larger sized sawn flitches for sliced veneers and for flooring and this has helped slow the slide in FOB prices for padouk and okan in spite of the poor demand in Europe.

Bubunga issue becomes more complicated
The issue of exports of kevazingo/bubinga, which is now subject to CITES regulation, continues. It has been reported that the governments in Gabon and Congo Brazzaville have not yet ratified the latest CITES decisions and controversy continues on shipments of old stocks of sawn kevazingo.

There are reports that the government in Gabon has shifted it stance on the export of kevazingo sawnwood produced before the CITES rules were changed. Previously the government said stocks could be exported but now it seems this will not be allowed.

Market size works against downstream production
The Gabon government continues to press timber companies to invest in added value processing such as furniture.

However, local timber companies point out that the domestic market is too small to support large scale furniture manufacturing and the high taxes levied on exports even to neighbouring EMAC countries (Economic Community of Central African States) discourages investment in downstream processing.

The recently appointed Minister of Forestry in Congo Brazzaville is also seeking to push companies into downstream and furniture manufacture, but here again it is a question if market size and high taxes and costly long distance transportation to potential markets.

Penalised concessionaires appeal
The timber businesses closed down by government of Cameroon for breaches of their forest managemnet plans are appealing and hope to be re-instated on assurances of future compliance.

Log Export

West African logs	FOB Euro per cu.m		
Asian market	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	820⬇
FAS scantlings	920⬇
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

Private sector welcomes creation of Business Ministry

The new government in Ghana has indicated it will create a Ministry of Business Development to strengthen and accelerate private sector growth.

In a press release the Association of Ghana Industries (AGI) said this initiative is a positive move which the AGI has advocated for many years. The AGI says “the creation of an independent Ministry to lead and drive private sector business in Ghana is timely”

The AGI press release says the success of this new Ministry hinges largely on the role and contribution of the private sector.

The private sector hopes that the new Ministry will prioritise its interventions towards business growth with a focus on the manufacturing sub-sector as the seed-bed of industry and an engine of growth in the economy.

The AGI will meet with the Minister designate in the coming days to contribute to the definition of its agenda and roadmap for delivering on its objectives. The Association of Ghana Industries (AGI) however cautions government on the need to align and harmonise operations of all institutions responsible for private sector growth in order to avoid duplication of efforts and to ensure the efficient use of resources.

The AGI emphasised that current private sector institutions themselves have a wealth of information and expertise and it is important for the new ministry to coordinate all these resources.

See:
http://agighana.org/uploaded_files/document/2dae8ab5a0e5e918bfea8d31d6b1ebd3.pdf

In a related development, the Minister designate for Trade and Industry Alan Kyerematen, has said local manufacturers could soon benefit from a government stimulus package aimed at helping them become more competitive. One focus of attention will be on access to credit for SMEs.

Boule Export prices

	Euro per m³
Black Ofram	380
Black Ofram Kiln dry	510⬆
Niangon	500
Niangon Kiln dry	560⬇

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300⬇	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

Note, veneer prices are now reported in cubic metres

Sliced face veneer	FOB Euro/cu.m
Arormosia	-
Asanfina	878
Avodire	-
Chenchen	998
Mahogany	970
Makore	1,034
Odum	-

Export Plywood Prices

Plywood, FOB	Euro per m³		
BB/CC	Ceiba	Ofram	Asanfina
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 m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	320⬆
Dahoma	395⬆	380
Edinam (mixed redwood)	520⬆	599
Emeri	465	527
African mahogany (Ivorensis)	1001	993
Makore	730	714
Niangon	600⬆	1019
Odum	755	821
Sapele	765	809
Wawa 1C & Select	380⬇	410⬇

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

Mills back to work

South African companies are all back at work after the seasonal holidays and the market is slowly stirring. Some mills only started work during the third week of January which means there will be some delay until production comes out of the kilns. However this is not an immediate problem as there is no shortage of stock.

Even if stocks of some specifications fall there are readily available products in Zimbabwe where millers are anxious to find export markets as domestic consumption has collapsed. In addition, there are sources in Swaziland that can be tapped to fill stock shortages.

As usual after the year-end holidays, consumer consumption dropped because consumers tended to take on a lot of debt over Christmas and in the New Year they direct what little is available to reducing debt and paying for essentials such expenses associated with the beginning of the school year.

Residential building expected to remain weak

Signals from the property market are not good with house prices slipping, especially for top end properties.

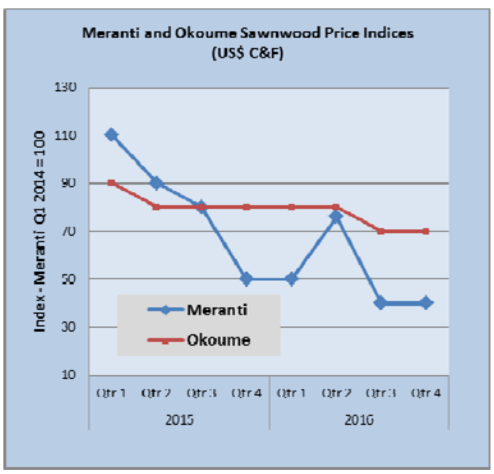
An analyst at First National Bank has written "residential building growth is expected to remain weak this year, aggravating the plight of the building sector. One of the reasons for this, say local analysts, is that in recent years building costs have been outpacing inflation.

Door makers use pine for core to cut costs

Local traders report meranti prices have fallen slightly and that some shipments have been delayed due to the holiday period. It is rumoured that some door manufacturers are cutting production costs by using pine cores for door manufacture and using meranti for the surface.

Prices for US hardwoods are reported as generally stable except for white oak where US shippers are looking for better prices due to rising demand in China.

African hardwoods have started to arrive after the holiday and generally the prices are steady. Producers of okoume and iroko have, so far, been unsuccessful in securing price increases. Traders say the redwoods are selling quite well with most of the market preferring edinam over the mahoganies so prices for acajou are under pressure.



Malaysia

2017 looking brighter for economy

The Malaysian Institute of Economic Research (MIER) has forecast a Gross Domestic Product (GDP) growth of 4.5 per cent for Malaysia this year against an estimated growth of 4.2 per cent projected for 2016.

The projection was based on the country's healthy trade balance in September, October and November last year, which stood at RM6.6 billion, RM9.8 billion and RM9 billion, respectively.

MIER's economic update anticipates the economy will perform better in 2017 if the trade balance momentum continues. GDP growth forecast for 2017 was revised downwards to 4.5 per cent from its previous forecast of between 4.5 and 5.5 per cent.

https://www.mier.org.my/presentations/archives/pdf-restore/presentations/archives/pdf/MEO4Q2016.pdf

The positive views from MIER were supported by a report from a Malaysian investment bank, Hong Leong, which says "the outlook remains bright if not brighter in 2017 for the wood-based manufacturers as earnings will be underpinned mainly by continued weakness in the ringgit.

Foreign labour issue near resolution

Labour shortages which have held down growth in the timber sector are set to ease as the government has introduced a new policy, the Employer Mandatory Commitment (EMC) which place more responsibility on companies hiring foreign workers such as paying the foreign worker levy.

The EMC will hold employers fully accountable for their foreign workers on aspects such as job application, rehiring and repatriation and the employers will no longer be able to deduct the levy from the wages of their workers. The new scheme was to be introduced at the beginning of this year but has now been rescheduled for 2018 according to media reports.

Certification in Sarawak

The State wants the main timber companies to have at least one logging area certified by 2017. However, some companies have expressed concern over the conditions set by the Malaysian Timber Certification Scheme (MTCS). They fear that endorsement by PEFC means that MTCS is placed under the rules of this international certification scheme which may be detrimental to the autonomy of the timber industry in Sarawak.

The Borneo Post has two interesting stories on this challenging domestic issue:

http://www.theborneopost.com/2017/01/11/grave-concern-on-timber-certification-linking-to-foreign-control-body/
and
http://www.theborneopost.com/2017/01/19/wan-junaidi-sheds-light-on-mtcs-benefits/

Plywood export prices

Plywood traders in Sarawak reported FOB export prices:

Floor base FB (11.5mm) US$540/cu.m
Concrete formboard panels CP (3' x 6') US$430/cu.m
Coated formboard panels UCP (3' x 6') US$500/cu.m

Standard panels (9mm and up)

S. Korea	US$395/cu.m
Taiwan P.o.C	US$400/cu.m
Hong Kong	US$400/cu.m.
Middle East	US$380/cu.m

Indonesia

Indonesian FLEGT timber arrives in Europe

Indonesia's first verified legal timber shipment arrived in Europe recently. On 16 January the first shipment arrived at Tilbury Port in the UK where the Indonesian Ambassador to London, Rizal Sukma, was on hand to celebrate its arrival.

A few days later a further shipment arrived in Antwerp and to celebrate its arrival the Indonesian Embassy in Brussels and the Belgian importers organised a reception.

Easier to do business in Indonesia

Indonesia’s fiscal policy reforms and the improved investment climate are expected to boost the economy according to a press release from the World Bank launching its latest report on Indonesia.

See: http://www.worldbank.org/en/news/press-release/2017/01/17/world-bank-improved-effectiveness-of-spending-in-indonesia-can-boost-growth-in-2017

The report says Indonesia has improved its fiscal credibility but needs to accelerate tax administration and policy reforms in order to increase tax revenue.

The report also highlights Indonesia’s recent improvement in the World Bank’s Ease of Doing Business ranking to 91st in 2017 from 106th in 2016, making it among the top 10 improvers globally. This improvement is particularly due to reforms that eased Starting a Business, Getting Electricity, Paying Taxes, Registering Property, Getting Credit, Enforcing Contracts and Trading Across Borders.

“The government’s investment climate reforms have made it easier for businesses to open and operate, but boosting private investment for economic growth will require policymakers to move now on medium-term structural reforms” said Hans Anand Beck, Acting Lead Economist at the Bank.

The report, now in its sixth year of production, is produced with support from the Australian government’s Department of Foreign Affairs and Trade.

EU Trade Remedy Policy a challenge for exporters

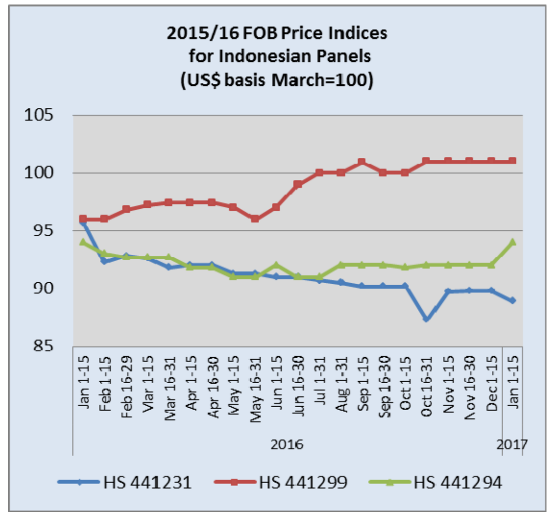
The EU has revised its Trade Remedy Policy and the Director General of Foreign Trade, Indonesian Ministry of Trade, Dody Edward, said the implementation of this policy could impact the flow of exports to the EU if the EU determines products are being dumped or subsidised in Indonesia.

Also voicing concern was the Director of Trade Security Ministry of Trade, Pradnyawati who reported some Indonesian products had been affected by anti-dumping measures in the US. He said the EU is a strategic market for Indonesian exporters of agricultural and fishery products as well as wood products.

Restoration of peatland in 2017

The Indonesia government has announced plans to restore 400,000 hectares of peatland this year, a lower target compared to 2016. Environment and Forestry Minister, Siti Nurbaya Bakar, indicated that work will continue on the construction of canals to provide the means to manage water levels.

Nazir Foead, Head of the Peatland Restoration Agency (BRG), said some companies with palm oil plantations faced declining productivity due to higher water levels but that the government would work with these companies to minimise the impact of the peatland recover efforts.



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

Myanmar

Customs statement questioned by timber traders

According to a news release from the Myanmar Customs Department, 202 companies have, so far, been permitted to export 197,512 tons of timber in the current fiscal year (1 April 2016 to 30 April 2017.

Myanmar introduced a log export ban in April 2014 and at the same time the Forest Department banned the export of other type of products, baulks, boules and hand hewn squared logs.

The news release from Customs did not specify the value or species. Analysts point to the need for better information since 197,512 tons, if all were teak, would have generated some US$400 million! They comment that timber exports have never achieved such a value suggesting the figures from Customs need further clarification.

MTE supplying mills from log stocks

The Myanma Timber Enterprise (MTE) has forecast that the country could earn Myanmar Kyat 250 billion (around US$185 million) from its sale of logs. Logging in Myanmar has been suspended for one year but the MTE had stocks of 15,000 tons of teak logs and 300,000 tons of other hardwoods to offer to mills in the country.

The domestic media has quoted U Aye Cho Thaung of MTE as saying they had recorded an income from sales destined to international markets at US$299 million while earnings from log sales for domestic consumption was around 90 million Kyas (about US$67 million).

Shipment of teak and tamalan seized at port

Despite the efforts of the timber trade and government to stamp out illegal practices and eventually negotiate a VPA with the EU a shipment of around 500 tons of illegal teak and padauk/tamalan were recently seized in Yangon Port.

The smugglers had tried to avoid the export restrictions and many believe that for the shipment to have got as far as the port suggests the smugglers had help from officials along the supply chain.

U Barber Cho, Secretary of the Myanmar Forest Certification Committee, said "that since this attempt at smuggling was done outside of the formal supply chain under which exporters comply with government regulations this single incidence should not be considered as reflecting a weakness in the control system".

Cho praised the seizure of this illegal shipment and said "it was mainly caused by weak law enforcement and possibly corruption and that there will always be those who try to find loopholes in the formal supply chain."

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.

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

India's factory output unaffected by 'demonetisation'

India's industrial output rose in November despite the chaos caused by the decision of the government to withdraw large denomination notes from circulation. November growth rose by 5.7% year on year beating the 1.5% growth forecast by analysts.

As inflation fell in December 2016 to 3.41%, the lowest since late 2014 it is anticipated the Reserve Bank of India may lower interest rates at its next meeting.

More interest in sawnwood than logs

In its November 2016 e-magazine 'Ply Reporter' provides an analysis of India's log and sawnwood imports pointing out that, over the past five years, there has been a steady decline in log imports but that, over the same period sawnwood imports have grown almost 200%.

Imports of good quality sawnwood of appropriate dimension leads to a reduction of residues which is a key concern of door manufacturers, construction companies and furniture makers.

Initially, sawnwood imports of decorative species were imported from America, says Ply Reporter, but increasing volumes now come from Malaysia, Indonesia and Myanmar and this trade has been given a boost by the reduction in import duties arising from agreements between ASEAN countries and India.

For the full story see:
http://emagazine.plyreporter.com/01112016/Home.aspx

Coir panel an alternative to wood based panels

India accounts for more than two-thirds of world production of coir and coir products. Kerala is the home of Indian coir industry.

Efforts are under way to better utilise coir and one area of focus that has been successful is the development of a panel termed coirboard. Coirboard is a composite of the needle felt coir fibre bound with phenol formaldehyde resin.

The product is 100% wood free material made out of natural coir fibre and is a substitute for wood composite boards and even plywood in certain applications.

The Bureau of Indian Standards (BIS) has, in cooperation with several companies, developed Standards for coirboard. The BIS says : The coir fibres are used as raw material with thermosetting adhesive as binder. Indian standard for the product has been evolved and the corresponding number is IS 15491 : 2004.

For more see: http://coirboard.gov.in/wp-content/uploads/2016/09/Executive-Summary-Survey-of-Coir-Industries-in-India.pdf and http://www.shriyaenterprises.com/

Plantation teak imports

Demand for imported plantation logs and sawnwood continues to be good, but the problem of phytosanitary regulations continue and suggestions for an alternate to methyl bromide treatment are awaited. When this issue is resolved Indian importers would have access to a wider range of suppliers of raw materials.

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

Prices for locally sawn imported hardwoods

Prices remain unchanged from early January

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

Myanmar teak prices

The demand and supply of Myanmar teak sawnwood is well balanced and the steady flow of imports from Myanmar and China has kept prices stable and allowed Indian manufacturers to maintain exports.

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 imports have been rising especially from Sarawak. Local analysts say demand is steady and prices are unchanged from a month ago.

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

Plywood manufactures pin hopes on interest rate cut to boost demand

Despite offers of discounts, plywood sales in the domestic market remain dull. As interest rates are likely to fall plywood manufacturers are pinning their hopes on this to drive up consumption.

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

Recovery of the furniture sector in 2017

According to the Bento Gonçalves Furniture Industry Union (Sindmóveis), between January and November 2016 revenue earned by the Bento Gonçalves furniture industry fell 17.4% compared to 2015 while the overall decline in the state-wide furniture sector was 11.2%.

Despite these negative figures Sindmoveis is hopeful of a recovery in the sector forecasting a slow start to the year with a pick-up in the third quarter. According to Sindmoveis, the lowering of interest rates will help industry sentiment and consumer confidence.

SFB establishes incentive programme for concessionaires

The Brazilian Forest Service (SFB) has established an incentive programme for forest concessionaires (Procof) setting out revised rules and payment schedules for forest products harvested within national forests under forest concession.

Under the new scheme companies can postpone payments due to the Forest Service for up to 14 months without fines and interest. The aim of this is to relieve the pressures on company cash flows without compromising the financial obligations to the federal government.

This scheme is apparently a temporary measure to take account of the country's exceptional macroeconomic environment and its impacts on the enterprises.

To-date, more than one million hectares of federal public forests are under the forest concession regimes. Since 2010, when the first concessions were granted, some 500,000 cu.m of logs has been harvested generating about R$ 45 million for the public coffers.

November and December export performance

In November 2016, the value of Brazilian exports of wood-based products (except pulp and paper) increased 21.6% compared to November 2015, from US$205.5 million to US$249.9 million.

Pine sawnwood exports increased 42.5% in value in the 12 months to November 2016 . Over the same period the volume of exports 46.9% from 112,600 cu.m to 165,400 cu.m.

Brazil’s tropical sawnwood exports rose 23.3% from 25,800 cu.m in November 2015 to 31,800 cu.m in November 2016 and the value of exports increased 27% from US$12.1 million to US$15.4 million over the same period.

The value of pine plywood exports increased 17% year on year in November 2016, from US$29.9 million to US$35.0 million. At the same time the volume of exports increased 17.6% from 112,600 cu.m to 132,400 cu.m.

As for tropical plywood, exports increased 22.5% in volume, from 10,200 cu.m in November 2015 to 12,500 cu.m in November 2016. In terms of value tropical plywood exports increased 33%, from US$3.9 million in November 2015 to US$5.2 million in November 2016.

As for wooden furniture, exports rose from US$35.5 million in November 2015 to US$38.2 million in November 2016, an almost 8% increase.

December trade figures have become available. Total wood product exports (except pulp and paper) in December 2016 increased 12.8% year on year to US$260.2 million and the value of pine sawnwood exports increased 29% year on year to US$ 35.1 million.

Year on year the volume of pine sawnwood exports jumped 31.5% in December to 174,000 cu.m.

Tropical sawnwood exports also rose (46%) from 25,100 cu.m in December 2015 to 36,700 cu.m in December 2016 (from US$ 12.0 million to US$ 17.9 million over the same period).

Both pine and tropical plywood exports increased in December. Pine plywood exports rose 4.5% in value in December 2016 (147,300 cu.m to 154,000 cu.m) while tropical plywood, exports increased significantly in volume and in value, from 8,800 cu.m (US$3.7 million) in December 2015 to 17,900 cu.m (US$7.3 million) in December 2016.

Exports of wooden furniture also performed well in December rising from US$ 37.3 million in December 2015 to US$ 39.3 million in December 2016.

Product quality supports export success

The planted forests sector was able to survive the severe downturn in consumption in the domestic market because they were able to focus on exports.

Between January and November 2016, pulp, woodbased panels and paper export volumes increase compared to a year earlier, contributing to the positive result of the sector's trade balance.

According to the Brazilian Tree Industry (Ibá), pulp contributed US$4.8 billion (-0.1%), paper US$1.0 billion (+ 9.7%) and woodbased panels US$220 million (+ 29.4%).

In the domestic market paper sales fell slightly in the first 11 months of 2016 and sales of woodbased panels dropped 3.3% in the same period. For 2017, Ibá expects Brazil to perform better than 2016 anticipating stronger domestic demand.

Timber industry exported higher volumes, but earned less

Due to a year marked by uncertainties in the domestic economy, Brazil's timber industry ended 2016 with lower revenues despite an increase in export volumes.

Pine plywood export volumes in 2016 were 1,730,467 cu.m, the highest volume over the past 10 years and a 16% increase compared to the volume shipped in 2015. The monthly average plywood shipment was 144,206 cu.m, 24,000 cu.m more per month than in 2015.

Among the many destinations for Brazil's pine plywood in 2016 were: the United States (28%), the United Kingdom (16%), Belgium (11%), Germany (9.7%) and Mexico, almost 5%.

The volume of pine sawnwood exported in 2016 totalled 2,166,555 cu.m.

A large volume of pine sawnwood is consumed domestically mainly in civil construction. Among the export buyers were the United States (42%), China, (13%) and Saudi Arabia, almost 7%.

Pine veneer exports in 2016 were 30% up year on year reaching 70,514 cu.m 2016. The main destinations were Malaysia (40%), South Korea, (24%), and China, (11.5%).

In 2016, 62,803 cu.m of tropical plywood were exported with the main markets being Argentina (26%), the United States, (17%), the United Kingdom, (12%), Italy, (5%) and the Dominican Republic a further 5%.

The volume of tropical sawnwood exported in 2016 reached 657,576 cu.m and the main markets were the United States (21%), India (8.7%), Netherlands (8.4%), China (8%) and Vietnam, 5.6%.

According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), one of the major challenges that the industry will face in 2017 will be to improve business strategies in order to protect themselves against threats that may come from the domestic economy, including rising costs of electricity, logistics and raw material inputs.

Industry welcomes cut in interest rates

Inflation as measured by the Broad Consumer Price Index (IPCA) ended 2016 with a rise of 6.29%, just below the government's target ceiling of 6.5%. Fortunately inflation was below that of 2015 (+ 10.67%) and 2014 (+ 6.41%).

In January, during the first meeting of the year, the Monetary Policy Committee (COPOM) of the Central Bank lowered the basic interest rate for the third consecutive time, from 13.75% to 13%. The Central Bank affirmed that the decision was made based on indicators that point to an economic activity below expectations.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	196⬇
Jatoba	109⬇
Massaranduba	111⬇
Miiracatiara	113⬇
Angelim Vermelho	108⬇
Mixed redwood and white woods	92⬇

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	873⬇
Jatoba	443⬇
Massaranduba	408⬇
Muiracatiara	411⬇
Angelim Vermelho	363⬇
Mixed red and white	240⬇
Eucalyptus (AD)	206⬇
Pine (AD)	149⬇
Pine (KD)	169⬇

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	553⬇
10mm WBP	423⬇
15mm WBP	380⬇
4mm MR	477⬇
10mm MR	356⬇
15mm MR	328⬇

Prices do not include taxes
Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	243⬇
15mm MDF	317⬇

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1421⬇
Jatoba	918⬇
Massaranduba	752⬇
Muiracatiara	722⬆
Pine (KD)	193⬇

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)	283⬇
12mm C/CC (WBP)	260⬇
15mm C/CC (WBP)	253⬇
18mm C/CC (WBP)	252⬇

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,492⬇
	Jatoba	1,467⬇

Source: STCP Data Bank

Peru

Imports of particleboard jumped in 2016

Ecuador and Chile were the two most important suppliers of particleboard to Peru in 2016 with shipments of US$32.8 million and US$25.9 million, respectively.

While shipments from Ecuador fell slightly in 2016 (-0.8%), Chilean exports grew over 12%. Spain remained the third ranked supplier despite a slight drop in shipments in 2016 (-9%). Brazil, with exports to Peru worth US$8.1 million, was the fourth ranked supplier.

Among the main importing companies, Novopan and Arauco returned to be the top importers with imports of US$31.3 and US$15.1 million respectively. Novopan's imports grew 1.4% and Arauco's increased 7.3% compared to 2015. Masisa and Grupo Martín followed with imports worth US$9.7 and US$8.9 million.

Roundtable on forestry development

The Ministry of Agriculture and Irrigation (MINAGRI) officially approved a forestry board according to a ministerial resolution published in the first half of January.

The technical secretariat to support this development will be assumed by SERFOR. The forestry board will be initiated quickly and those invited must present their ideas and plans before 23 February.

The ministerial resolution stresses that the group will be charged with identifying, promoting, and proposing action on forestry matters "that will allow sustainable forest development and the formalisation of its stakeholders".

The functions of the forestry board also include identifying new opportunities in the forestry sector and proposing and coordinating actions related to improving the management and implementation of public policies.

Government support for wood products trade

The Executive Branch issued a Legislative Decree 1319 that will seek to promote trade in forest products and wildlife of legal origin.

The measure will be supported by implementation of a national forest and wildlife information system (SNFFS), a tool of the National System of Forest and Wildlife Management (Sinafor) and managed by the National Forestry and Wildlife Service (Serfor).

The Decree also requires the registration of portable sawmills, forest tractors and vehicles authorised for the extraction and transport of timber products to primary processing centers. In addition, the Decree authorises the establishment of strategic control posts in the national territory identified by Serfor.

Simplifications of Forestry Law will boost the sector

A Legislative Decree that simplifies administrative procedures in the Forestry and Wildlife Law will help develop the timber sector according to Erik Fischer, the president of the Timber Committee of the Association of Exporters (Adex),

He described as positive the measures defined in the Legislative Decree No. 1283 as they could mean quicker action to recover abandoned concessions. Fischer emphasised the need to promote the production of raw material for the forestry sector because of the 7.5 million hectares that were tendered for concessions only around 25% are operational.

Serfor - National Forest Information System to be tested

Local forest authorities are working to strengthen the oversight of natural forest concessions and plantations in the country. To aid this a National Forest and Wildlife Information System (SNIFFS), a digital platform that will allow greater control and monitoring of the timber resource, is expected to be operational in the first quarter.

This was announced by Juan Carlos Guzmán Carlín, Director General of Forestry and Wildlife Competitiveness and Policy in Serfor. He said "this will help the exchange of information between the regional and national government and will allow better control and traceability".

Jobs generated by the forestry sector

The forest sector generates vast numbers of jobs. According to the Central Reserve Bank (BCR) for every US$1 million in wood products exported, more than 300 Peruvians are employed. The timber sector is the third highest agro-export activity that generates according to ÁDEX.

Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	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 1", 6-13 length KD Mexican market	421-462

Domestic Sawnwood Prices

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

Export Veneer Prices

Veneer FOB Callao port	US$ per m³
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)		US$ per m³
Copaiba, 2 faces sanded, B/C, 15mm		328-365
Virola, 2 faces sanded, B/C, 5.2mm		466-489
Cedar fissilis, 2 faces sanded.5.5mm		759-770
Lupuna, treated, 2 faces sanded, 5.2mm		389-412
Lupuna plywood	B/C 15mm	421-451
	B/C 9mm	366-385
	B/C 12mm	350-360
	C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.		370-393

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m³
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 m³
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

Exports at 15 month high

Data from the Ministry of Finance shows Japan's exports rose in December marking the first increase in 15 months. The export performance was boosted by strong sales of electrical components and car parts, a positive sign for the export-dependent economy but protectionism in the US could undermine further growth in exports.

Exports to China, Japan's top trading partner, expanded 12.5% year-on-year and exports to the US, the second largest trading partner, rose 1.3 per cent year-on-year, the first increase in 10 months. On the other hand exports to the EU fell in December.

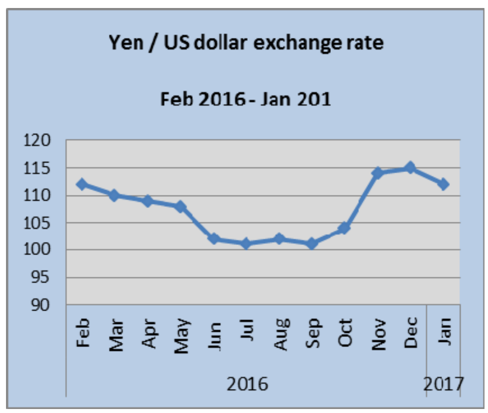
For more see: http://www.customs.go.jp/toukei/shinbun/trade-st_e/2016/2016124e.pdf

Talking down the dollar

After a good start to the year when the yen/dollar exchange rate was around 116 yen to the dollar, towards month-end the dollar weakened pushing the yen to 112 on 25 January, disappointing news for exporters and the Bank of Japan.

The dollar fell mainly in response to warnings from the US President that the dollar was too strong and that this hurt the competitiveness of American companies.

During the World Economic Forum in Switzerland an adviser to the US President also warned of the risk of a strong dollar to the U.S. economy.

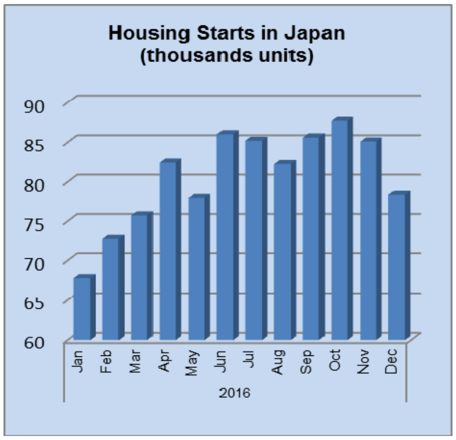


Bank of Japan concerned on housing oversupply

With home rents falling in Japan on a surge in construction of apartments, the Bank of Japan now faces yet another obstacle as it seeks to lift inflation.

In its regional economic report for January, the Bank of Japan (BoJ) reported on the impact of investment in housing and knock-on on demand for durable goods and the conclusions were very sobering. In many cities and even in Tokyo demand for rental properties was seen as weakening due to an oversupply of properties.

The BoJ has expressed concern on the current direction of the housing market however, US interest rates are set to rise further and this may give the BoJ an opportunity to move away from its negative interest rate policy.



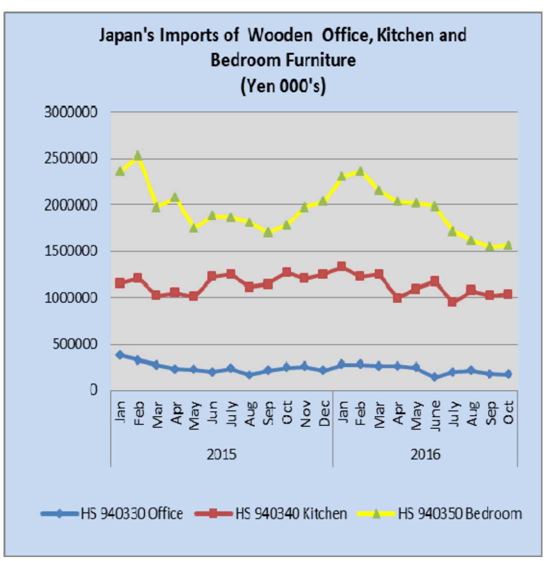
Data source: Ministry of Land, Infrastructure, Transport and Tourism

Japan's wooden furniture imports

In October 2016, for the first time since February of the same year, Japan's bedroom furniture imports reversed the 8 month downward spiral. October 2016 bedroom furniture imports rose around 1% from September levels but were still some 34% down from the peak in February.

In contrast, kitchen furniture imports, while much smaller than bedroom furniture imports continued at around the same level as seen four months ago. Given that both bedroom and kitchen furniture imports are influenced by the housing market the difference in import trend is hard to explain.

One possible explanation could be that imports of kitchen furniture reflect the growth in renovations rather than new home building and in the new housing market home buyers are putting off non-essential purchases of moveable furniture.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year-on-year, October imports of wooden office furniture were down 31.5% and down 2.5% from levels in September.

In October the top three suppliers accounted for over 83% of all Japan's wooden office furniture imports and all achieved increases in sales. China, the top supplier, saw its share of all wooden office furniture imports rise to 66%.

The second and third ranked suppliers were Taiwan P.o.C and Portugal which accounted for 9% and 8% respectively of Japan's wooden office furniture imports

Office furniture imports

	Imports Oct 2016 Unit 1,000 Yen
S. Korea	-
China	110863
Taiwan P.o.C	14833
Hong Kong	-
Vietnam	2126
Thailand	459
Singapore	1132
Malaysia	2009
Philippines	-
Indonesia	4429
Sweden	-
Denmark	2592
UK	887
Netherlands	-
Belgium	-
France	-
Germany	3225
Switzerland	236
Portugal	13536
Spain	-
Italy	6169
Finland	-
Poland	3308
Austria	-
Hungary	-
Lithuania	-
Czech Rep.	-
Slovakia	1659
Canada	401
USA	1007
New Zealand	-
Total	168871

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Japan's October wooden kitchen furniture imports declined 18.5% year on year but were slightly higher than in the previous month.

The top suppliers in October remain Vietnam, the Philippines and China in order of the value of imports by Japan. Between them, Vietnam (38%) and the Philippines (33%) account for the bulk of Japan's wooden kitchen furniture imports with China contributing a further 13%.

In October both Vietnam and China saw sales to Japan rise while exports from the Philippines slipped slightly compared to a month earlier. If imports of wooden kitchen furniture from Indonesia, Thailand and Malaysia are added to the total from the top three suppliers then around 90% of all Japan's impprts of wooden kitchen furniture is accounted for.

Kitchen furniture imports

	Imports, Oct 2016 Unit 1,000 Yen
S. Korea	-
China	134607
Taiwan P.o.C	687
Vietnam	395771
Thailand	15686
Malaysia	15092
Philippines	349681
Indonesia	75542
India	-
Afghanistan	-
Denmark	-
UK	421
France	-
Germany	42250
Spain	709
Italy	223
Poland	-
Austria	-
Romania	253
Slovenia	-
Canada	3455
USA	2877
Total	1037254

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Suppliers in China lead the pack when it comes to Japan's imports of wooden bedroom furniture, accounting for over 60% of all Japan's October 2016 imports of this category of furniture. Vietnam is the second largest supplier providing a further 27% of October imports of wooden bedroom furniture.

The other main suppliers are Thailand and Malaysia which provide a combined 8% of imports to Japan. Year on year, Japan's October 2016 wooden bedroom furniture fell 12% with shippers in China bearing most of the decline. Vietnam saw its share of imports rise in October.

Bedroom furniture imports

	Imports, Oct 2016 Unit 1,000 Yen
S. Korea	750
China	949768
Taiwan P.o.C	20008
Vietnam	418305
Thailand	81608
Malaysia	48691
Philippines	361
Indonesia	12678
Cambodia	654
India	-
Pakistan	-
Sri Lanka	-
Sweden	-
Denmark	1117
UK	420
Netherlands	-
Belgium	-
France	-
Germany	622
Switzerland	-
Spain	-
Italy	3468
Poland	19591
Russia	-
Austria	615
Hungary	-
Romania	-
Turkey	-
Estonia	1427
Latvia	-
Lithuania	1335
Croatia	-
Bosnia/Herzegovina	436
Slovakia	-
Canada	-
USA	2051
Mexico	-
Australia	-
Total	1563905

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

Demand and supply projection

The Timber Supply and Demand Conference of Japan, which is formed by five groups of imported wood products, came up with the projection of demand for 2017. Import of logs and lumber from major sources in 2016 increased but they are projected to decrease in 2017.

Housing starts in 2017 are forecasted to drop down to 940,000 units as compared to 970,000 units in 2016. Therefore the demand for wood would decline in 2017. Also recent sudden depreciation of the yen would discourage imports.

In log import, North American would increase but others like New Zealand, South Sea and Russia continue to decline. North American log sawmills like Chugoku Lumber continue stable operations.

Russian log import decrease due to fewer Russian log cutting sawmills and logs for plywood are replaced by North American logs and veneer from various sources.

South Sea log import in 2017 is estimated about 100 M cbms by limited demand for plywood of South Sea logs.

Radiata pine lumber demand for crating would decrease as the demand is replaced by domestic species.

In lumber, European lumber and North American lumber would have stable demand. European lumber demand would increase by about 18%.European lumber business has been firm because of tight supply. Lumber from North America has general purpose use so it increased in 2016 with increased housing starts. It will stay almost the same as 2016.

South Sea (tropical) logs

Log production is down in supplying regions of Sarawak and Sabah, Malaysia in the middle of rainy season so that log prices stay up high and local plywood mills struggle to secure material logs. Sarawak is having heavy rain particularly and water level of rivers is higher, which makes towing logs down rivers difficult.

Sarawak meranti log export prices are US$275-278 per cbm CIF on regular, US$260 on small and US$245 on super small. Since there are limited number of plywood mills in Japan using tropical hardwood logs and the necessary volume is not so much but India needs larger volume so India is becoming price leader now.

Log production in PNG and Solomon Islands is also dropping in rainy season but demand is getting low after China slowed down purchase and India is also taking a break now so the supply volume seems ample.

Market of keruing and kapur is getting smaller so the arrival volume is small and the buyers are afraid of losing money by strong offers so they take wait-and-see attitude.

Plywood

Supply tightness continues on both domestic and imported plywood. Domestic plywood supply is much tighter in December than November particularly on thick panels. Trading companies are trying to jack up the sales prices of imported plywood, which prices dropped much last year and future cost would be higher due to weak yen.

November plywood supply was 497,100 cbms, 3.3% more than November 2015. In this, domestic softwood production was 250,900 cbms, 8.0% more. High production of more than 250 M cbms has continued for three straight months.

The shipment was 252,100 cbms, 3.6% more, which is higher than the production so the inventory dropped down to 83,100 cbms.

Large precutting plants placed more orders in December so supply tightness continues in January but precutting plants forecast that the orders would slow down in February so the peak of supply shortage seems to be over soon.

The market of imported plywood is changing. The prices are firming on 12 mm panel from Malaysia. The importers need to increase the sales prices by higher FOB prices by the suppliers and by sudden weakening of the yen.

Knowing that futures prices would be higher, some try to secure in the market but nobody has anyinventory.

Supply side is bullish with tight supply of logs in rainy season. The market prices on concrete forming panel and structural panel are moving up and further increase may come if the yen stays weak. Offer prices by Malaysian suppliers in December of 12 mm concrete forming panel are US$450 per cbm C&F, US$10 higher than November and US$510-520 on 3x6 JAS coated concrete forming panel, US$10 up.

Indonesian suppliers also suffer tight log supply so they propose higher prices. Present offer prices are US$590-610 per cbm C&F on floor base overlay better, about US$750 on 2.4 mm (second class/F4star), about US$610 on 3.7 mm (first class/F4star).

Forestry Agency's demand projections

The Forest Agency held the wood demand and supply conference to make forecast of major wood products for the first half of 2017.

Generally the demand would decline compared to the same quarter last year but supply of structural laminated lumber and plywood would increase.

Forecast of housing starts by eleven investigating organizations indicates 935,000 units in 2017 as compared to 971,000 units in 2016.

Supply of domestic laminated lumber in the first quarter would increase by 12.3% by remaining order balance despite peak of the demand is over. Imported laminated lumber for the first quarter would increase by 3.4% as volume of contract in the fourth quarter was high then the second quarter shows
2.4% less.

European lumber supply would be the same as 2016 with steady production of lamina and genban in Europe.

Supply of imported plywood for the first quarter would be 5.1% more because the volume contracted in the fourth quarter would come in from Malaysia and Indonesia then volume from China and Vietnam would arrive before the Chinese New Year. The second quarter would be 2% more.

Demand of domestic softwood plywood has been tight then demand for non- housing is becoming busy so the first quarter forecast is 1.4% more than 3.2% more for the second quarter but supply of domestic logs for plywood shows 2.4% less for the first quarter and 7.3% less in the second quarter so raw material supply would become bottleneck for higher production.

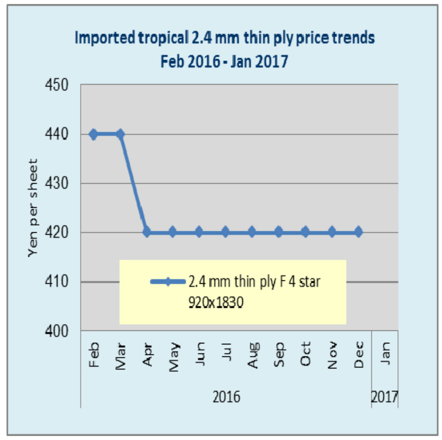
Supply of North American lumber for the first quarter would increase. Supply of North American logs should be steady.

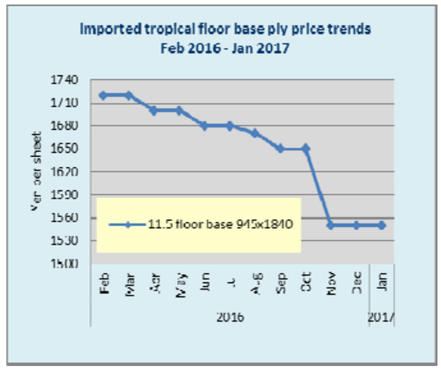
Russian lumber supply for the first quarter would be down by 11.1%.

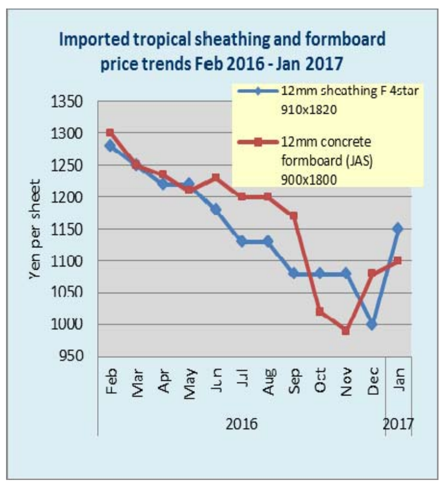
Radiata pine demand would be down as the demand is rapidly shifting to domestic species despite promising forecast of recovery of crating lumber demand by weak yen, which should encourage export business.

South Sea log import for the first quarter would be down by temporary reason of closure of lock gate of Niigata port.

For more see Japan Lumber Reports Jan. 20, 2017 No. 690







China

US Hardwood KILN Drying Certification Conference held in Beijing

At a recent conference in Beijing the US hardwood klin drying certification programme was promoted. The conference was co-hosted by the American Hardwood Export Council (AHEC), the National Hardwood Lumber Association (NHLA), the Hardwood Special Committee of the Shanghai Timber Industry Association, the US Department of Agriculture (USDA) and the US Animal and Plant Health Inspection Service (APHIS).

Participants were informed that the NHLA kiln drying certification system has been recognised as a cost effective alternative to the US phytosanitary procedures by member states of the EU, Australia, Brazil, Mexico, Venezuela and Vietnam. However, as a major market for US hardwoods, China has not yet agreed to accept the NHLA kiln drying certificate as an equal to a phytosanitary certificate.

The NHLA certification system achieves the same goals as the APHIS Phytosanitary Certificate but at a lower cost to both APHIS as well as exporters. The system for hardwoods mirrors the successful fifteen year old softwood certification programme.

The organisers of the Beijing conference hope that, by explaining the details of the NHLA system to the Chinese National General Administration of Quality, Supervision, Inspection and Quarantine, trade can be expanded.

See;
http://www.365f.com/news/news_desc.asp?name=37750

No to imports of sandalwood from Guinea and Guinea Bissau

China's office for Endangered Species recently reminded Chinese timber enterprises not to import African sandalwood (Pterocarpus erinaceus) from Guinea and Guinea Bissau because sandalwood products from these two countries was prohibited as African sandalwood is listed in Appendix II of CITES.

Timber companies targeted in crack-down on VOCs

According to Environmental Protection Bureau in Dongguan City, policies will be introduced to control air borne pollution from 12 industrial sectors including wood-based panels, furniture and coating manufacturers.

This has been done as these industries have a record of producing high levels of VOC emissions. These industries are said to be the main contributors to air pollution in the Pearl River Delta region.

The city has demarcated a zone where strict controls will be applied to eliminate VOCs. Wood-based panel industries will not be allowed in the designated zone. The government of Dongguan City is asking wood-based panel manufacturers to use environment-friendly low toxicity adhesives, lower volatile solvents and to introduce VOC capture technologies.

Log imports through Caofeidian Port

According to Hebei Entry-Exit Inspection and Quarantine Bureau, log imports through Caofeidian Port were 832,900 cubic metres valued at US$111 million in 2016, a year on year increase of more than 700%. Russia and Australia were the new suppliers along with the usual suppliers of Canada, the US and New Zealand.

The range of species imported expanded to include Caribbean pine and araucaria along with the usual douglas fir, hemlock, spruce and fir.

E-commerce given priority

The National Development and Reform Commission, the Office of the Central Leading Group for Cyberspace Affairs and the Ministry of Commerce recently issued details of plans for inter-departmental collaboration in e-commerce.

The 13th Five-Year Plan for Development of E-Commerce issued by the Ministry of Commerce not long ago gives e-commerce services the target of achieving both economic growth and social development.

The plan has three targets for China's e-commerce sector for 2020: e-commerce transaction values at RMB40 trillion, online retail sales of RMB10 trillion and a workforce of 50 million people.

For cross-border e-commerce, the plan aims to accelerate the speed of integrated customs clearance, promoting the building of a "single window" integrated service system for customs, inspection and quarantine, payment, tracking and taxation and raising the efficiency of integrated customs clearance services. On rural community e-commerce the aim is to support new business formats such as farming and forestry.

see:
Working System of the Ministerial Working Group for Comprehensive Collaboration in Promoting Development of E-Commerce
Implementation Plan of the Three-Year Campaign for Promoting Development of E-Commerce (2016-2018)
13th Five-Year Plan for Development of E-Commerce

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

German trade shows highlight intensity of competition

The European trade show season is now well underway, starting in Germany during January with the Domotex flooring show in Hanover and the IMM furniture show in Cologne. The shows provided good insights into European wood market prospects in the year ahead.

The shows in Germany have become increasingly influential over the years as the centre of European wood manufacturing has shifted from southern and western countries to northern and eastern countries and because German industry has built a formidable reputation as a leading innovator in the wood products and other material sectors.

Both shows highlighted that there are now significant obstacles to tropical wood suppliers looking to increase market share in the European market. This is a market characterised by a rising number of suppliers offering an increasing variety of products chasing demand which is growing only slowly.

Wood continues to come under intense pressure from non-wood materials. Where wood is preferred, domestic manufacturers are very dominant, with a strong preference for local species (particularly oak which accounts for nearly 80% of European real wood flooring production).

On the other hand, the shows also highlight underlying trends in the European market with potential to offer significant new opportunities to manufacturers of wood products in the tropics.

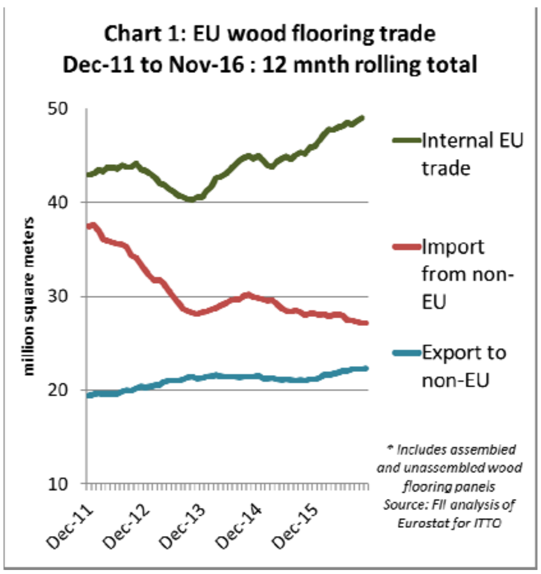
The desire for products which are "natural", "authentic" and "individual", and which are backed by a strong "narrative" could be turned to the advantage of tropical wood suppliers and manufacturers.

While oak remains dominant, European buyers and manufacturers are constantly on the look-out for something new and different to give a market edge.

EU flooring manufacturers increase market share

The trade background to the Domotex 2017 flooring show held in Hanover between 12 and 15 January is shown in Chart 1 which indicates that internal EU trade in wood flooring has been rising continuously since December 2013.

This is due partly to improving consumption of wood flooring products manufactured in the EU, and to the increasing role of manufacturing facilities in lower cost Eastern European countries to supply wood flooring to other parts of the EU.

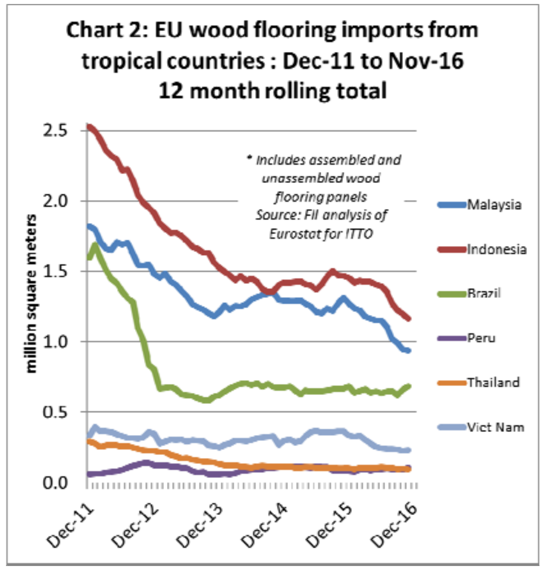


Meanwhile, the EU's large trade deficit in wood flooring that opened up before the financial crises, driven by the housing bubble and a flood of product from Asia, has narrowed sharply in recent years.

Efforts by European manufacturers to improve competitiveness through innovation in products and marketing, aided by the relative weakness of the euro and other European currencies compared to the US dollar, contributed to rising EU exports of wood flooring products to other parts of the world last year.

At the same time imports from outside the EU continued to decline in 2016. Much of the decline in EU wood flooring imports is due to falling trade with China, by far the largest external supplier accounting for around 60% of total EU imports.

EU imports of wood flooring from China were around 16 million sq.m in the 12 months to end November 2016, compared to 17.4 million sq.m a year earlier and over 21 million sq.m in 2012.



EU imports of wood flooring from tropical countries have also been declining in recent years (Chart 2). Imports from Indonesia in the 12 months to November 2016 were 1.16 million sq.m compared to 1.45 million sq.m a year earlier. Imports from Malaysia fell from 1.31 million sq.m to 0.94 million sq.m during the same period.

The data is particularly significant from an Indonesian perspective. The figures to the end of November represent the real baseline against which the immediate impact of the FLEGT licensing system can be judged.

The first FLEGT licenses were issued in the middle of November and it will be interesting to monitor whether the recent slide in EU wood flooring imports from Indonesia can be reversed.

Considerable growth in DOMOTEX visitor numbers

The intense and rising competitiveness of the European flooring sector is immediately apparent from the DOMOTEX 2017 show numbers which hosted 1409 exhibitors from more than 60 countries.

The show was notable for considerable growth in the number of exhibitors this year and the total amount of space booked, and with an even higher percentage of exhibitors and visitors from abroad compared to previous shows.

Around 70% of DOMOTEX visitors this year were from outside Germany, with the majority (43%) coming from other EU countries. Total visitor numbers were slightly down on previous years, but there was a significant increase in visitors from the Near and Middle East (up 9%) as well as East and Central Asia (up 16%). Appreciably more visitors also came from the U.S. and the UK.

An insight into potentially significant innovations in the European flooring sector was provided by the prestigious Innovations@DOMOTEX display selected from products on show by a jury of experts from the fields of design, architecture, the media and interior design. Their choices implied strong interest in sustainable design and a preference for products with a natural look and feel, whose textures, materials, motifs and surfaces take their cues from nature.

Sustainability a strong theme in flooring design

Sustainability was a strong theme in the wider show, with more wood flooring manufacturers communicating the origins of the woods they use through forest certification and other mechanisms.

Manufacturers of flooring in other materials were also exploiting the green image of wood. There was a very strong presence of laminate and designer flooring with surfaces of such deceptively natural appearance that they can hardly be discerned from real wood. Even the carpeting sector was seeking to convey an environmental message through use of designs imitating tree bark and other natural surfaces.

As in previous years, the wood flooring on display at DOMOTEX 2017 was heavily oriented towards oak which was presented in a wide variety of colours, textures and finishes.

However, some manufacturers were looking to differentiate from competitors by offering new types of wood. Particularly encouraging for the tropical wood sector was that two Peruvian flooring suppliers featured in the Innovations@DOMOTEX display.

Peruvian flooring manufacturers make an impact

DOMOTEX show publicity highlighted the strong sustainability credentials of the two Peruvian companies, Amaz Floors and Maderera Río Acre.

It notes that all their wood derives from FSC certified forests in Peru and that the companies also guarantee emissions reductions from degradation and deforestation (REDD) through VCS and CCB standards. Species on offer, such as Cumaru, Balsamo, Jatoba, Massaranduba, and Garapa, are still not widely used or known in the European flooring and decking sectors.

The DOMOTEX show publicity for Amaz floors also celebrated and made a virtue of "the patched-up knot-holes and uneven surfaces which create the raw aesthetic of 'Antique Rustic Decking'" and the fact that the "tropical wood is worked manually in the country of origin, with the aim of securing jobs there".

In the case of Maderera Río Acre, the emphasis was on their "Munay Deck" product "manufactured from small wooden strips, which form an intriguingly structured surface and would otherwise end up as waste".

Efforts such as these to introduce new timber species to the European flooring market were the exception rather than the rule, and most exhibitors were using other techniques to extend the look and feel of products.

Exhibitors were more likely to create interesting visual effects by combining diverse colours, patterns, shapes and textures. There was a strong focus this year on longer and wider dimensions and on herringbone-patterned flooring.

Shades of grey and textured services

Trend-spotters believe that grey or blends of grey and beige – "greige" – will remain the top sellers, while dark floorings are less popular with buyers. Textured surfaces are seen as "the next big thing" in wood and parquet flooring. There were a lot of "used" and grainy patterns and finishes on display - floorings designed to look brushed and often made from of reclaimed materials.

Vintage-look materials remain in fashion, along with knot holes, core splits and even traces of the saw blade or flakes of cement. This is true both of natural wood flooring and laminated wood flooring sector, the latter now exploiting increasingly sophisticated digital printing technology.

Various innovations were on display to improve service life of wood flooring in rooms such as kitchens and bathrooms where wood has not traditionally been widely used.

For example French manufacturer Design Parquet was promoting their patented Navylam+ system comprising strips of tropical wood, favoured both for its look and natural durability, which are pre-oiled and with an integrated jointing system.

Another highly innovative product designed to extend wood's range of applications even further was "Lambdafloor" by Poland's Prestige which boasts an aluminum layer between the wooden surface and the water-repellent base material, in this way augmenting the thermal conductivity for use with underfloor heating systems.

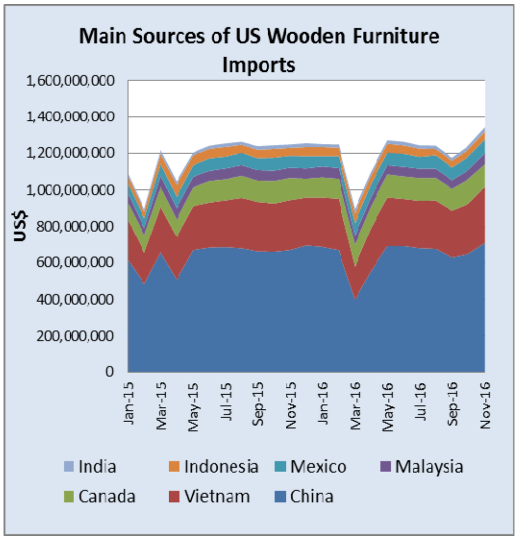
DOMOTEX 2017 highlighted that increasingly flexible and modular wood flooring products continue to be developed that are easier and less time-consuming to install and maintain, solvent free, better for indoor air quality and personal health and hygiene, and which offer other benefits in terms of durability and improved footfall dampening.

More on the IMM Cologne 2017 furniture show will be provided in the next ITTO market report.

North America

Wooden furniture imports at highest level since beginning of US recession

Wooden furniture imports increased 8% in November to US$1.53 billion, the highest level since the recession. Year-to-date imports were up 2% from November 2015. Imports of all types of furniture increased in November with the strongest monthly growth in wooden bedroom furniture and upholstered seats with wooden frames.



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

Furniture imports from most countries grew in November with the exception of Canada. However, year-to-date imports from Canada grew 10% compared to 2015, helped by the weaker Canadian dollar in 2016.

Only India had (+12%) an even higher growth rate in year-to-date imports. Imports from India were worth US$24.1 million in November, under 2% of total wooden furniture imports.

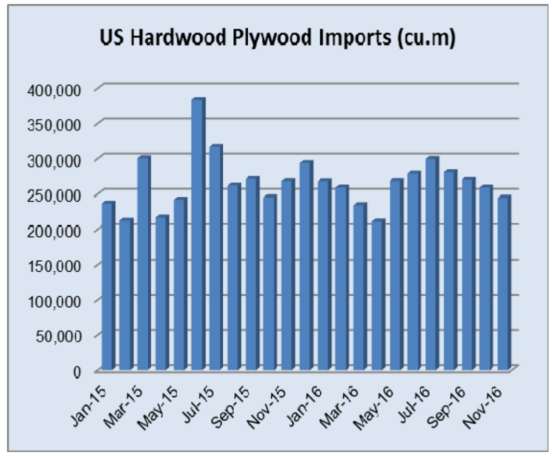
Furniture imports from China reached US$708.1 million in November, up 9% from October. Vietnam's shipments grew 12% to US$311.0 million. Imports from Malaysia and Indonesia increased significantly in November (to US$60.3 million and US$42.4 million, respectively), but year-to-date imports remain below 2015 levels.

Hardwood plywood imports decline for fifth consecutive month

Hardwood plywood imports declined for the fifth consecutive month in November to 244,850 cu.m. The value of plywood imported in November was US$143.8 million, down 7% from the previous month.

Most countries shipped less plywood to the US in November with the exception of Canada and Russia. Imports from China fell 14% month-over-month to 140,970 cu.m. Year-to-date imports from China were still 2% higher than in November 2015.

Plywood imports from Indonesia declined to 18,981 cu.m. in November, but the value of imports grew 3% from October.



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

India second-largest tropical veneer supplier

Tropical hardwood veneer imports were almost unchanged in November from the previous month at US$3.5 million. Year-to-date imports were up 21% from the same time in 2015.

Italy was the leading supplier of tropical veneer in November at US$1.2 million. Imports from India declined from the previous month, but at US$258,824 India was the second-largest source of tropical veneer in November. Imports from Cote d'Ivoire increased 39% from October to US$240,594.

Moulding imports continue downward trend

Imports of hardwood mouldings were worth US$14.5 million in November, down 8% from the previous month. Year-to-date imports were 4% below November 2015.

Moulding imports from Brazil and Malaysia decreased from October. Brazil's shipments of hardwood mouldings to the US market were worth US$3.7 million in November. Imports from China were US$4.3 million, up 9% from October.

Year-to-date imports from Brazil and China were down from November 2015, while imports from Canada and Malaysia increased.

Higher engineered flooring imports from Indonesia but lower imports of hardwood flooring

Imports of hardwood flooring and assembled flooring panels declined in November from the previous month.

Hardwood flooring and assembled flooring panel imports were worth US$3.6 million and US$14.9 million, respectively in November. Year-to-date imports of assembled panels were up 18% compared to the same time in 2015, while hardwood flooring imports were down from the previous year.

Hardwood flooring imports from Malaysia grew 60% month-on-month, but both Malaysia and Indonesia lost US market share in 2016 to China and Canada. At US$737,291, Indonesia was the largest source of hardwood flooring supply in November, but year-to-date imports from Indonesia were lower than in 2015.

Imports of assembled flooring panels from Indonesia and Brazil increased in November. Indonesian shipments of flooring panels soared 57% month-on-month to US$1.3 million. Year-to-date imports from Indonesia were up 9% from November 2015.

Flooring panel imports from China fell 20% in November, but China still accounted for over 40% of all US flooring panel imports.

2016 ends with positive economic indicators

GDP increased at an annual rate of 3.5% in the third quarter of 2016, based on the third estimate by the Bureau of Economic Analysis.

The unemployment rate was slightly down in December at 4.7%, according to the US Bureau of Labor Statistics. In the fourth quarter of 2016 both the unemployment rate and the number of unemployed people declined, after showing little change earlier in the year.

Economic activity in the manufacturing sector expanded in December and the overall economy grew for the 91st consecutive month, according to the Institute of Supply Management. Furniture and related products manufacturing shrank in December, while activity in wood product manufacturing was unchanged from the previous month.

Consumers optimistic and divided

In January 2017, consumer confidence remained unchanged from the peak levels recorded in December by the University of Michigan consumer confidence index. Current economic conditions were seen as the most positive since 2004. Expectations about the economy declined from December but remained high.

Optimism about the US economy soared after the election in last November, but consumers were more partisan than any other time in the last fifty years. A higher share than ever of respondents provided divergent comments about government policies and economic news.

The partisan divide on the economic expectations index was higher in January than ever before, indicating either strong economic growth or a recession in the near future. The non-partisan consumers were on average positive about the economy in the coming year.

Housing starts up 5% in 2016

Residential home construction increased 5% in 2016 from the previous year. An estimated 1,166,400 housing units were started in 2016. Single-family starts were up 9% in 2016, while multi-family declined slightly from the previous year.

In December housing starts grew 11% at a seasonally adjusted annual rate, according to the US Department of Housing and Urban Development and the Commerce Department.

Builders' confidence in the market for new single-family homes was almost unchanged in January. According to the National Home Builder Association's Chairman, builders expect that a new federal government will help create a better business climate for small businesses.

The National Home Builder Association expects a 10% growth in single-family construction in 2017.
The number of building permits issues, which indicates future building activity, were unchanged in December from the previous month. Single-family permits increased, while permits for multi-family construction declined in December.

Sales of existing homes sales declined in December, but 2016 as a whole was the best year in a decade, according to the National Association of Realtors. December sales were down because of low supply levels and affordability issues for first-time homebuyers. The average rate on a 30-year mortgage was 4.30% in late December, the highest rate since April 2014 according to Freddie Mac, the Federal Home Loan Mortgage Corporation.

Final ruling on formaldehyde emissions for composite wood products

The US Environmental Protection Agency has issued a final rule to implement the Formaldehyde Standards for Composite Wood Products Act.

The final rule includes formaldehyde emission standards applicable to hardwood plywood, medium-density fiberboard, and particleboard, and finished goods containing these products, that are sold, supplied, offered for sale, or manufactured (including imported) in the United States. The rule is effective February 10, 2017.

The American Wood Council supports this new rule and asks the new federal government to enforce it. The association expects the rule to strengthen US wood products manufacturing by creating a consistent system for wood products manufactured in and imported into the US. The American Wood Council represents about 75% of the wood product industry in the US.

See: https://www.epa.gov/newsreleases/epa-issues-final-rule-protect-public-exposure-formaldehyde

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

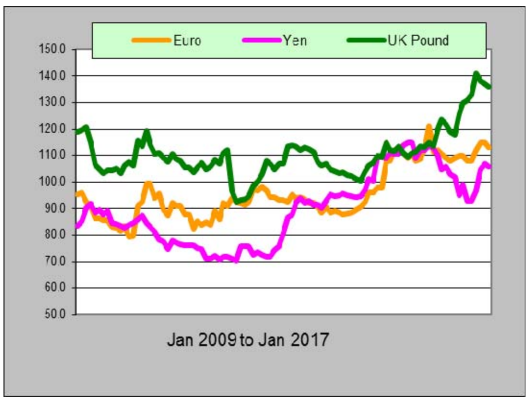
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

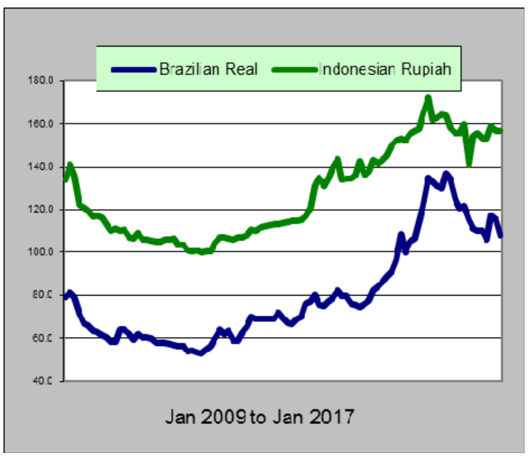
US Dollar Exchange Rates

As of 25 January 2017

Brazil	Real	3.1703
CFA countries	CFA Franc	610.59
China	Yuan	6.8836
EU	Euro	0.9305
India	Rupee	67.9275
Indonesia	Rupiah	13334
Japan	Yen	113.80
Malaysia	Ringgit	4.4213
Peru	New Sol	3.2934
UK	Pound	0.7916
South Korea	Won	1162.70

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



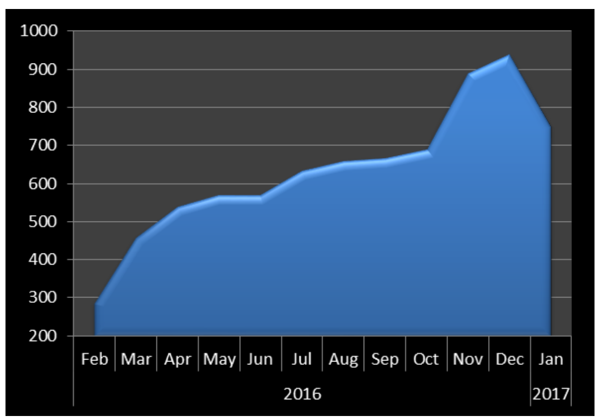


Abbreviations and Equivalences

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

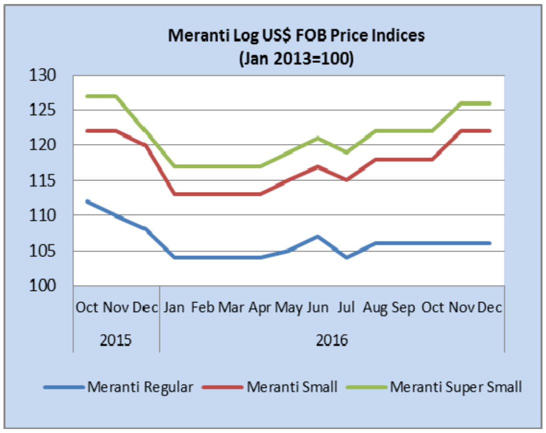
Baltic Supramax Index
February 2016 – January 2017



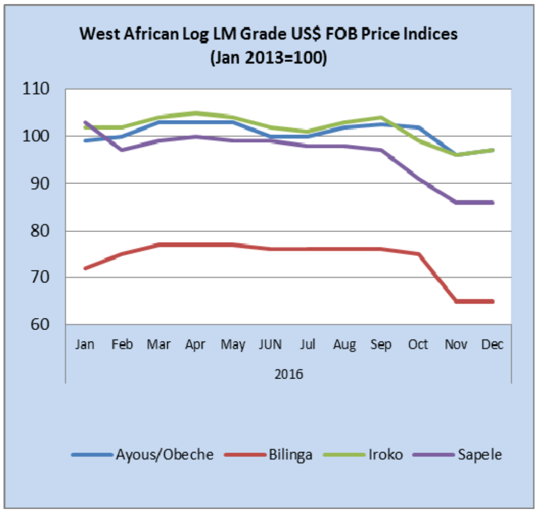
Data source: Open Financial Data Project

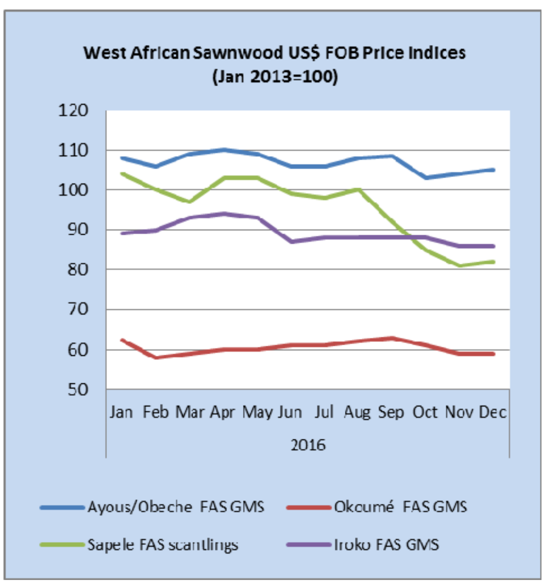
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

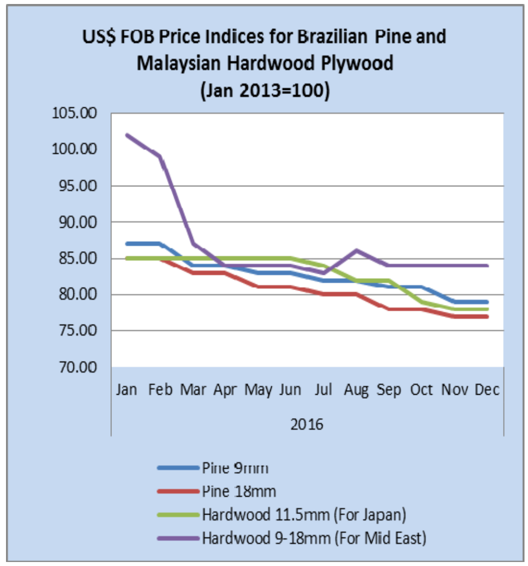
Price indices for selected products
The following indices are based on US dollar FOB prices

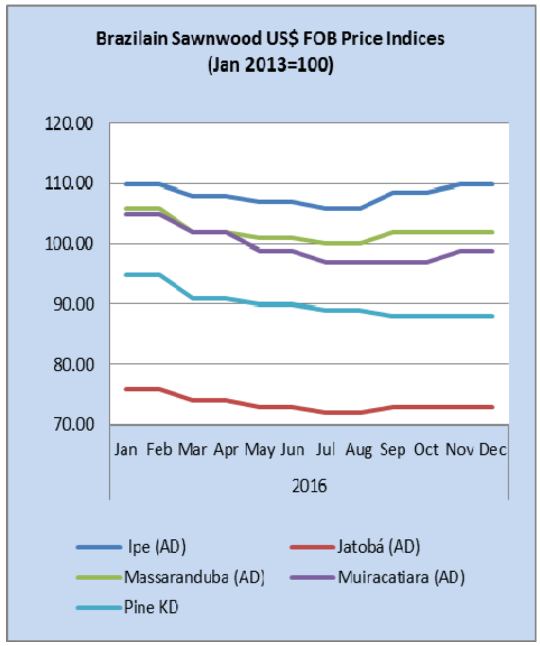


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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