Tropical Timber Market Report

Volume 21 Number 4, 16th –28th February 2017

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Headlines

Top Story

ATIBT Guide to using African timbers in EU

ATIBT's new publication aims to transform attitudes to tropical timber in Europe.

To achieve this the guide promotes the natural properties of tropical timber and the major effort to independently certify and verify the legality of wood products in tropical Africa.

The ATIBT Guide was prepared with financial support from the Programme de Promotion de l'Exploitation Certifiée des Forêts and Agence Française de Développement, the French Development Agency.

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Central and West Africa

Log export tax raised

Cameroon has confirmed the log export tax will be increased to 20% and has signalled it will further tighten checks on export documentation. It has also been announced that a mandatory bar code system for log identification, as used for sawnwood, is to be introduced.

It is understood that Cameroon is ordering a one year complete halt on felling and export of bubinga. Producers report that it is their understanding that existing stocks of bubinga logs and sawnwood are to be inspected and inventoried by the Forest Department and then a decision will be made on whether stocks can be exported.

FOB prices for sawnwood begin to stir

Sawnwood FOB prices have begun to stir on the back of steady demand from buyers for the Chinese market and active buying by Middle East importers.

Demand in Europe has improved slightly but remains only moderate. A recovery in demand in China is expected to continue but is likely to be focused on a few selected species, say analysts.

There is virtually no interest in sapele sawnwood either in Europe or Asian markets so prices are under pressure. Producers report that, currently, it is the more dense species such as okan, tali, padouk and bomanga that are favoured.

Peeler mills short of okoume logs

Newly established veneer peeler mills in Gabon, many of which are Indian, are struggling to source okoume peeler logs. This shortage, along with the beginnings of an improvement in export demand for okoume logs, is likely to result in higher log prices.

At the moment in Gabon the rains are very heavy and hindering logging and transport operations which is adding to the problem of millers.

Sentiment amongst producers in Gabon is depressed, the economy is struggling and there are no signs the refunds of TVA (value added tax) will be made any time soon. On top of this the government is mulling new taxes on industry to pay for the additional checks being made transport operations.

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	290↑
Std/Btr GMS	300↑
Sipo FAS GMS	540↓
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	810↑
FAS scantlings	920
Strips	645
Sapele FAS Spanish sizes	505↓
FAS scantlings	510↓
Iroko FAS GMS	620
Scantlings	710
Strips	420↓
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620↑
Scantlings	630
Movingui FAS GMS	430

Ghana

Minister firmly supportive of forest plantation strategy

The newly appointed Minister of Lands and Natural Resources, John-Peter Amewu, visited the Forestry Commission and the Ghana Geological Survey Authority recently.

The minister said he will be taking action to eliminate the high levels of illegal logging and chainsaw milling which undermines the efforts of the Forestry Commission.

The minister noted that poor farming practices, annual burning, population pressure, the complex nature of Ghana's land tenure system and weak law enforcement are serious challenges to be addressed.

The new minister is firmly behind the plans to expand forest plantation development as well as efforts to encourage the bamboo and rattan industries.

Relief on electricity rates for strategic sectors of economy

During a recent address to the nation, President Nana Addo Dankwa Akufo-Addo said the government will immediately act to lower some of the levies and taxes on electricity tariffs despite the US$2.5 billion debt weighing on the energy sector. The government plan includes improving transparency in tariff setting and introducing a new tariff policy for strategic industrial consumers.

The President said while Ghana produces power from its domestic facility at around three US cents per kilowatt hour the price charged to businesses is ten times more than the average across West Africa noting that under such conditions it is very difficult for industries in Ghana to be competitive.

See:
http://www.ghanaweb.com/GhanaHomePage/business/Taxes-levies-on-electricity-tariff-to-be-reduced-President-Akufo-Addo-512716

New container terminal for Takoradi by March

Hellenic Shipping news has reported that IBISTEK, a Ghanaian owned company, in collaboration with the Ghana Ports and Harbour Authority (GPHA), has completed the first phase of construction of a new container terminal and could begin to accept containers by the end of March.

IBISTEK has said all containers that arrive at the Takoradi Port from 4 March this year would be sent to the new terminal. This multi-million dollar project should improve the efficiency at the port.

See: http://www.hellenicshippingnews.com/takoradi-port-off-dock-container-terminal-to-start-receiving-cargo/

Boule Export prices

	Euro per m^3
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	545
Niangon Kiln dry	560

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315	400
Chenchen	368	624
Ogea	478	604
Essa	510	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 per m^3
Arormosia	-
Asanfina	940
Avodire	3,641
Chenchen	1,128
Mahogany	1,424
Makore	1,342
Odum	2,999

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	590	641
6mm	477	535	626
9mm	407	474	560
12mm	364	463	480
15mm	393	410	430
18mm	364	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	329
Dahoma	395	380
Edinam (mixed redwood)	520	599
Emeri	465	527
African mahogany (Ivorensis)	1001	993
Makore	730	714
Niangon	500	560
Odum	755	862⬆
Sapele	782	811
Wawa 1C & Select	380	410

South Africa

Residential housing demand robust in 2016

The South African Statistics Department has released data showing the value of approved building plans increased by 6.0% (R6,068.1 million) in 2016 compared to 2015. All three major building categories recorded increases.

The largest percentage increase was recorded for residential buildings (7.1% or R3,590.5 million), followed by non-residential buildings (6.5% or R1,589,8 million) and additions and alterations (0.4% or R887.8 million).

The value of buildings reported as completed increased by 8.3% (R4 723,6 million) in 2016 compared to 2015. All three major building categories recorded increases.

The largest percentage increase was recorded for residential buildings (8.7% or R2,789.7 million), followed by non-residential buildings (8.6% or R1,257,1 million) and additions and alterations (6.9% or R676.8 million).

Rand exchange rate fixing uncovered

South Africa's Competition Commission has accused 17 international and local banks of colluding to fix the price of the country's currency, the rand, over the past decade. The Commission said in a statement that workers at more than a dozen global banks were involved.

Fines up to 10% of the banks' South African revenues will be imposed. Four major banks involved in the scandal account for around 90% of the national banking market.

See:
http://www.compcom.co.za/wp-content/uploads/2017/01/Competition-Commission-prosecutes-banks-currency-traders-for-collusion-15-Feb-2016.pdf

Retail sales growth slows in 2016 - survey points to a weak start in 2017

2016 retail sales growth slowed to 1.9% year on year from the 3.3% growth in 2015 marking the slowest rate of increase since the 2008/09 recession.

Consumer spending has been held back by high unemployment which affected disposable income and consumer confidence. Other data shows that there was a contraction in credit in 2016.

While reports suggest 2017 inflation will be flat and will favour household finances, this positive effect could be off-set by tax increases likely to be announced in the 2017 Budget. As such, consumer spending could remain restrained.

Malaysia

Dutch public procurement policy recognises Malaysian certification

The Government of The Netherlands has announced the acceptance of the Malaysian timber certification scheme as compliant with the Dutch public procurement policy for sustainable timber.

This decision, said Himmat Singh, Chairman of the Malaysian Timber Certification Concil (MTCC), marks an important milestone for Malaysia's scheme and is a significant endorsement of Malaysia's commitment and ongoing efforts in promoting sustainable forestry and timber industry through a timber certification scheme.

The MTCC believes acceptance of the MTCS within the Dutch public procurement policy for sustainable timber will allow Malaysian wood based companies to enjoy better access to the Dutch markets.

The Dutch market currently accounts for about 30% of the total export of PEFC/MTCS-certified timber products from Malaysia. Certified timber products from Malaysia constitute approximately 50% of the total certified tropical timber imported into the Dutch market.

This volume is approximately the same as the volume of PEFC/MTCS-certified timber collectively imported by other EU member states with operational sustainable timber procurement policies, namely United Kingdom, Germany, France, Belgium and Denmark.

In related news, Sabah's Forestry Department Director, Sam Mannan, said timber from the state is gaining worldwide acceptance amid concerns that the forest products must come from sustainable sources.

More and more timber companies in the state are securing international certification. Bornion Timber was the latest company in the state to be certified under the MTCS.

Mannan commented that satisfying all the requirements of certification schemes is not easy and Bornion Timber has worked hard over the years to achieve this.

See:
http://www.mtcc.com.my/news-items/malaysian-timber-certification-scheme-fully-accepted-in-the-netherlands/
http://www.thestar.com.my/business/business-news/2017/02/07/dutch-govt-recognises-malaysian-timber-certification-scheme/

Now only short-term logging licenses in Sarawak

The new Chief Minister of Sarawak, Abang Johari Tun Openg, has announced that, with immediate effect, only short-term timber license by way of a tender process will now be offered to timber companies. This is to ensure that licenses are awarded in a transparent manner.

The statement from the State government says short-term timber license would be issued by open tender for state land forest that had been approved for development as well as for native customary land development area and native communal reserve earmarked for development.

The statement from the Chief Minister's office the says Forest Department would fine-tune the mechanism for the award of timber licenses for forest area on land subject to Native Customary Rights (NCR), taking into consideration the interest of the community involved.

Easing of cabotage policy

The Malaysian Transport Ministry has agreed to ease the cabotage policy in respect of Sabah as a step towards helping the state's economic growth. Sarawak is also calling for an easing of the old policy.

(Cabotage:the transport of goods or passengers between two places in the same country by a transport operator from another country. It originally applied to shipping along coastal routes, port to port, but now applies to aviation, railways, and road transport as well.)

There has been an on-going debate on the causes behind the higher cost of many consumer goods in Sabah and Sarawak compared to Peninsular Malaysia and this has been largely attributed to Malaysia's cabotage protection.

Under the cabotage policy, shipping vessels from anywhere in the world are required to berth at Port Klang in Peninsular Malaysia and cargo unloaded before tbeing transshipped to Sarawak and Sabah by Malaysian registered vessels. This double handling raises costs which have to be passed on to consumers.

Many calls have been made in Sabah and Sarawak for the cabotage1980 policy implemented by the Transport Ministry to be reviewed or abolished to address the higher prices of goods in the two states.

Bombay Timber Merchants Association visits Sarawak

After meeting the Minister of Plantation Industries and Commodities in Kuala Lumpur a delegation of timber merchants from Mumbai visited Sarawak. The delegation was led by Bombay Timber Merchants Associations (BTMA) chairman Mohd. Iqbal S. Chhapra. The visit was to strengthen bilateral trade of timber and timber products between India and Sarawak.

Iqbal said association members were hoping to acquire an insight into the wood-based industry in Sarawak particularly on facilities to produce and supply sawn timber due to the high demand from India.

To ensure smooth business, he urged Sarawak exporters to adhere to the Indian market requirements, including the need to fumigate sawn timber and to work closely with their Indian counterparts in order to sustain the market.

India is the second largest export market for Sarawak in terms of timber and timber products with logs being the main export items. Concerted efforts are being made to tap the potential of the Indian market in order to boost the export of plywood, sawn timber and other value-added products.

Sarawak earned RM970 million from the export of timber and timber products to India in 2016 compared with RM1.25 billion in 2015. The main export products were logs, followed by plywood and sawnwood.

See:
http://www.theborneopost.com/2017/02/22/indian-timber-merchants-here-on-working-visit/

Plywood export prices

Plywood traders in Sarawak report FOB export prices:

Floor base FB (11.5mm)	US$565-575/cu.m
Formboard panels CP (3'x 6')	US$430/cu.m
Coated panels UCP (3'x 6')	US$500/cu.m
Standard panels	
S. Korea (9mm and up)	US$400/cu.m
Hong Kong	US$490-495/cu.m.
Middle East	US$405-410/cu.m

Indonesia

Forest concessionaires could contribute more to economy says Association

Chairman of the Association of Indonesian Forest Concessionaires (APHI), Indroyono Susilo, has claimed that allocated natural forest concessions could generate a much greater contribution to the economy if they were fully utilised.

The problem, says Susilo, is that the private sector is reluctant to invest to raise production because the business climate is not attractive.

Efforts by the government and the private sector to conclude the national timber legality verification system (SVLK) to satisfy the EUTR is having little impact on investment sentiment says Susilo.

Despite having easier access to EU markets and having absorbed the cost of EUTR, compliant companies are finding their wood products are not attracting better prices.

In related news, the Executive Director of APHI, Purwadi, has opened the debate on log sales again by pointing out that APHI members could get much better prices in international markets for raw materials than in the domestic market.

Is FSC ready to modify 1994 rule?

The Indonesian media are reporting that Kim Carstensen, Director General of the Forest Stewardship Council (FSC), advised FSC International that he recognises the 1994 FSC rule is not appropriate for Indonesia and is a major obstacle for Indonesian industries to secure FSC certification.

This rule excludes FSC certification of plantations established in areas converted from natural forests after November 1994.

Reports say FSC plans to revise this rule which would allow Indonesian timber companies to obtain certification from FSC if they wish. The head of the Department of Forest Management, Faculty of Forestry, UGM (Universitas Gadjah Mada), Ahmad Muryadi, pointed out that many of Indonesia's forest plantations were established after 1994.

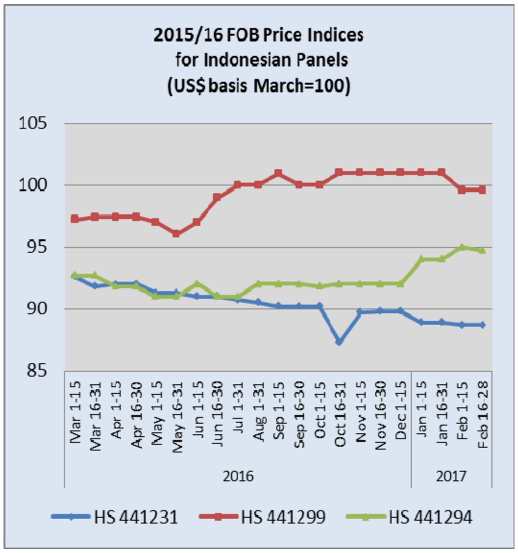
For more see:
http://www.cnnindonesia.com/ekonomi/20170209143603-92-192344/demi-indonesia-fsc-ubah-aturan-sertifikasi-kayu-tahun-ini/

Expanded manufacturing the path to job creation

The Indonesian President has once again called for action to increase investment in the manufacturing sector to create a more diversified economy and thus be less reliant on the trade in commodity products. He said the country is yet to fully benefit from expansion of downstream processing.

The government has a target of providing jobs for 16.3 million workers in 2017, an increase of 5% on 2016 figures and expanded manufacturing is the answer. Industries that create most jobs include textiles, footwear, food products and tourism.

With most foreign investment being in capital intensive industries it falls on local investors to invest in labour intensive production.



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

Myanmar

Myanmar TLAS not a 'quick-fix' for legality verification

The Myanmar Forest Certification Committee (MFCC) has conducted the last of its recent workshops on Gap Assessment as part of preparations for the Myanmar timber legality assurance scheme (TLAS). The work on TLAS is being conducted with assistance from the EU-FAO FLEGT programme.

This workshop attracted many international participants especially because of the recent case when a Swedish importer of Myanmar teak was penalised for failing to show due diligence.

Some civil society groups expressed concern that Myanmar's TLAS could weaken the resolve of stakeholders to see through what are considered essential reforms in the forestry sector.

MFCC Secretary, Barber Cho, clarified that Myanmar's TLAS project was initiated in 2014 long before the recent accusations that the legality of some of Myanmar's timber exports could not be verified. He emphasised that there is no risk that the Myanmar system could be used as a 'quick fix' for legality verification.

He also reiterated that the commissioning the country's TLAS will be conducted through dialogue with all stakeholders.

The certification workshop was advised that the Forestry Department intends to use the results of the Gap Analysis to strengthen the current legality verification system.

Myanmar Timber enterprise (MTE) is planning to apply a data base system to trace the origin of timber when harvesting begins after one-year logging suspension.

Currently, MTE is using hammer markings on one end of log and log numbering from which the supply chain can be tracked.

When the harvesting ban is lifted the indications are that MTE will fell and harvest around 20,000 teak tree and 600 000 hardwood trees in this year (Myanmar's Annual Allowable Cut is defined by the number of trees that can be felled. Each tree yields from 1.2 to 1.5 Hoppus tons).

The focus of attention of international workshop participants was largely on how the Forestry Department can immediately strengthen traceability and legality verification. Many participants from Myanmar pointed out that importing countries, including the EU, need to apply the same stringent rules to wood products manufactured from Myanmar teak and other hardwoods and exported by other countries.

In related news Chairman of Myanmar Timber Merchants Association, Dr. Sein Win was quoted as saying that the private sector will seek from government the authority for a third party verification system which would strengthen the compliance with the EUTR.

Export tax announcement catches exporters by surprise

The recently approved National Taxation Law 2017 includes provision for a 10% commercial tax on the export value of sawnwood.

This development has caught exporters by surprise and while they are obliged to support this new tax due to come into force on 1 April they are asking that it will be applied to contracts agreed after 1 April.

If it is applied to contracts already agreed but due to be shipped after 1 April exporters will suffer financial losses.

Amongst the Myanmar timber sector there is growing concern for the survival of the wood industries because of two recent developments; the requirement from EU, the main market for sawn teak, to assure legality and comply with the EUTR and now the new commercial tax.

Sample price range for sawn teak (February, 2017)

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.

February 2017 teak log auction prices

Grade	H.tons	Avg US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	-	-
SG-5	56.2	2,085
SG-6	79.3	2,110
SG-7	51.5	1,900

Note, there was no auction in January 2017.

India

Finally, Infrastructure Status for affordable homes segment of housing market

To try and revive the housing market the government has finally awarded 'infrastructure status' to the affordable housing segment of the market which should, because of tax incentives and access to financing, stimulate investment in this segment. Real estate companies and CREDAI, (Confederation of Real Estate Developers' Associations of India) have been lobbying for this change for 7 years.

Local analysts say this change of status will allow house builders to access lower interest financing. The government has redefined the definition of Affordable Housing projects which provides for 100% tax deduction related to such housing projects.

In related news the government also announced a package of tax support for builders with a huge stock of unsold homes.

The government decision on infrastructure status has, according to a report from Reuters, prompted Qatar Holdings (a subsidiary of the state owned Qatar Investment Authority), to consider investing US$250 million in an affordable housing fund run by one of India's fund management entities.

For more see: http://www.reuters.com/article/qatar-india-funds-idUSL5N1FR20Y

Stalled export of rosewood musical instrument parts

With the inclusion of all Dalbergia spp. in Annex II of CITES Indian exports of products manufactured from this species have stopped. CITES and the Indian Forest Service are working with exporters to arrange procedures and required documentation that will allow exports to resume.

Analysts report that the delay revolves around which agency will be charged with issuing CITES certificates. Manufacturers are looking for a speedy conclusion to this issue to allow them to keep their factories running.

Plantation teak imports

Local analysts report demand for imported plantation logs and sawnwood is steady and once again prices have not changed over the past two weeks.

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 January, prices are unchanged for teak from 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

Some price movements have been reported with balau prices moving up and meranti prices sliding slightly. Adjustment in ex-mill prices for radiata and whitewood sawnwood have also been reported.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100⬆
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1000-1100⬇
Radiata pine AD	700-800⬇
Whitewood	800-900⬇

Price range depends mainly on length and cross section

Myanmar teak prices

Demand for imported teak sawnwood from Myanmar is under pressure from alternatives say analysts. This, along with problems of procurement, is discouraging local traders. Production for export is currently supporting price levels but local sales are weakening which could eventually drive down 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

Plywood manufacturers see profits eroded on several fronts

Log availability problems continue to effect production rates and mills are maintaining the higher prices established recently.

In addition, resin costs and even labour costs have started to rise which is a challenge for manufacturers. Raw material suppliers are no longer offering extended credit but are asking for advance payments.

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	44.50
6mm	58.75
9mm	75.50
12mm	91.00
15mm	122.00
18mm	128.50

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.22.50	Rs.33.25
6mm	Rs.34.00	Rs.42.80
9mm	Rs.42.80	Rs.52.00
12mm	Rs.52.50	Rs.62.75
15mm	Rs.63.75	Rs.76.50
19mm	Rs.72.50	Rs.85.50
5mm Flexible ply	Rs.45.00	

Brazil

Currency strengthens but interest rates fall as economy weakens

The National Consumer Price Index (IPCA) for January 2017 rose by just 0.38%, slightly above the 0.30% of December 2016, which was the lowest IPCA for a January since 1994.

In the currency markets the average exchange rate in January 2017 was BRL 3.20/US$ compared to BRL 4.05/US$ in January 2015 signalling an appreciation of the Brazilian currency against the US dollar.

At last month's meeting the Monetary Policy Committee (COPOM) of the Central Bank reduced the basic interest rate for the third time in row, from 13.75% to 13%. The Central Bank's decision was based on indications that point to economic activity below expectations.

Development of Brazilian forest industry sector discussed

Representatives from Brazilian states with forest resources met, during the inauguration of the new board of directors of the National Forum of Forest-Based Activities (FNBF) in Brasilia. The group discussed promoting positive developments in the Brazilian forest industry.

At the meeting representatives from the Center for Timber Producers and Exporters in Mato Grosso (CIPEM) pointed to the need for an awareness raising programme to expand the use of wood products.

A contribution from WWF-Brazil highlighted the notion that development of the forestry sector goes beyond governance and the legal framework and should include industrialisation, modernisation of industrial parks, adoption of new technologies and skill development.

On the topic of industrialisation, the Brazilian National Confederation of Industry noted that the sector has great potential to expand wood product manufacturing.

Sindimov looks to higher construction activity to lift furniture demand

A spokesperson from the Furniture Industry Union of São Paulo (Sindimov-SP) said business recovery amongst members is likely to be slow but that as growth in other sectors improves then prospects for the furniture sector will also rise.

Over the past 12 months the Brazilian economy weakened by around 16% from the previous 12 months according to the Brazilian Institute of Geography and Statistics (IBGE).

The Union believes that as the new government gains confidence the situation in Brazil will change for the better. To foster business recovery this year furniture companies in São Paulo will seek to improve profitability thorough training employees, reducing production and strengthening management.

According to the Market Intelligence Institute (IEMI), the 2017 growth in the furniture production could reach 2% which equates to around 404 million items. In 2016, production was approximately 396 million pieces, a 7.7% decline on 2015 levels.

Export round up

In January 2017 Brazilian exports of wood-based products (except pulp and paper) increased 20.0% in value compared to January 2016, from US$175.2 million to US$210.3 million.

The value of pine sawnwood exports fell 82% between January 2016 (US$20.2 million) and January 2017 (US$3.7 million). In terms of volume the change was 102,000 cu.m in January 2015 to just 18,000 cu.m this January.

In contrast, the volume of tropical sawnwood exports rose 32% from 24,800 cu.m in January 2016 to 32,800 cu.m in January this year.

However the value of these exports increased by just 13% from US$12.1 million in January last year to US$ 13.7 million this year.

Brazil's pine plywood exports increased 31% in value in January 2017 in comparison with January 2016 levels, from US$26.6 million to US$ 34.8 million. In volume terms exports increased 29% over the same period.

Tropical plywood exports from Brazil increased significantly in volume and in value in January this year rising from 6,200 cu.m (US$2.2 million) in January 2016 to 10,600 cu.m (US$3.9 million).

The value of wooden furniture exports also rose in January from US$23.6 million in January 2015 to US$26.6 million in January this year.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m^3
Ipê	208⬆
Jatoba	116⬆
Massaranduba	118⬆
Miiracatiara	120⬆
Angelim Vermelho	115⬆
Mixed redwood and white woods	97⬆

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m^3
Ipé	928⬆
Jatoba	471⬆
Massaranduba	434⬆
Muiracatiara	437⬆
Angelim Vermelho	386⬆
Mixed red and white	255⬆
Eucalyptus (AD)	219⬆
Pine (AD)	158⬆
Pine (KD)	179⬆

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m^3
4mm WBP	588⬆
10mm WBP	449⬆
15mm WBP	404⬆
4mm MR	508⬆
10mm MR	379⬆
15mm MR	349⬆

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m^3
15mm MDParticleboard	258⬆
15mm MDF	336⬆

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

Forestry Development Board has first formal meeting

The new created Forestry Development Executive Board has met for the first time and was addressed by the Deputy Minister of Agricultural Policies, Benjamín Quijandria. The minster charged the Board with coming up with a work plan to identify and promote action for the efficient and sustainable management of the country's forest.

This Board has be created to plan for the sustainable development of the forestry and their mandate covers the entire supply chain and thus involves industry players.

Various public institutions, regional governments, business associations and representatives of indigenous organisations that on the Board agreed to maintain a permanent dialogue.

In support of the dialogue, Alfredo Biasevich, Chairman of the Forestry Committee of the National Society of Industries, said the commonly held view that deforestation is associated with commercial logging is conceptually wrong pointing out that deforestation is caused by land use change for agriculture, livestock faming and mining.

Peruvian exporters anticipate US$2 million from attendance at DOMOTEX

The intense and rising competitiveness in the European flooring sector was apparent at DOMOTEX 2017 which was attended by a few companies from Peru. Domotex 2017 was held in Hannover, Germany and is a major European fair specializing floor coverings.

The Peruvian group at the show anticipate that sales in the region of US$2 million will be generated from the business contacts made at the show. The participants from Peru estimated that each received around 50 business enquiries from potential customers and distributors mainly in Europe and Asia.

Peruvian companies promoted their certified wood products which strengthened their sales pitch especially with EU buyers. Peruvian exports of certified wood products were almost US$10 million last year.

http://gestion.pe/economia/exportadores-peruanos-proyectan-negocios-us-2-millones-feria-europea-pisos-y-revestimientos-2182049

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	475-529⬇
Grade 2, Mexican market	365-402⬇
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	435-466

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, 8mm		342-371⬆
Virola, 2 faces sanded, B/C, 5.2mm		466-489
Cedar fissilis, 2 faces sanded.5.5mm		759-770
Lupuna, treated, 2 faces sanded, 5.2mm		389-412
Lupuna plywood	B/C 15mm	421-451
	B/C 9mm	366-385
	B/C 12mm	350-360
	C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.		370-393

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1296-138
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	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

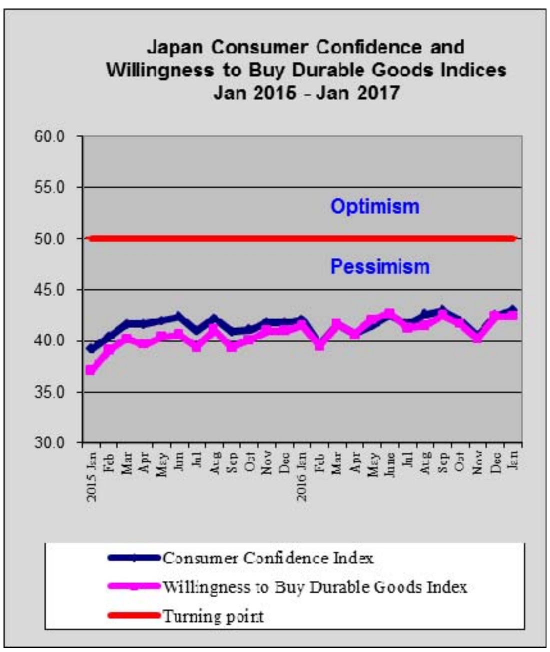
Workers told –Leave work at 3pm and spend money

The Cabinet Office has downgraded its assessment of consumer spending marking the first downgrade in almost a year. Across Japan, households have been hit with higher food prices and have become increasingly skeptical about the prospects for the economy and wage growth. Put together, this has resulted in households cutting back on non-essential purchases such as household goods and furniture.

The increasingly cautious view of consumer, if it continues, will be a source of concern for policymakers who are struggling to fight deflationary trends.

On the last Friday of each month, beginning 24 February, companies across Japan were encouraged to send workers home by 3pm. The object of this strategy is to let workers get an early start to the weekend and begin spending by eating out or taking advantage of special discounts offered for late Friday flights and train journeys.

This so-called 'Premium Friday' campaign has been launched by the government and is supported by the business community. In a country notorious for its culture of long working hours this is a drastic change.



Data source: Cabinet Office, Japan

Weak Yen boosts exports but raises cost of imports

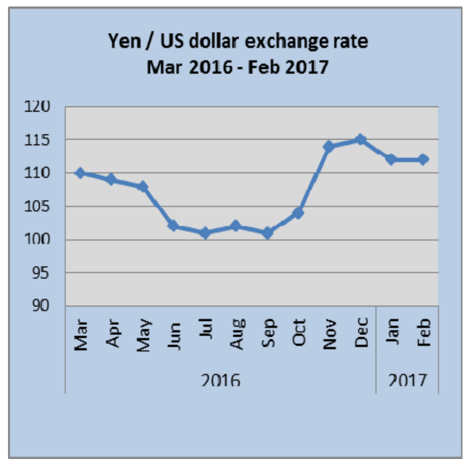
A weaker yen drove exports and business sentiment higher in the final quarter of 2016 which resulted in an annualized 1% growth of the overall economy.

However, with consumption remaining subdued, the prospects for early 2017 are subject to external influences more than a stronger internal demand which the government seeks.

In March the annual wage negotiations between unions and management begin and early signs are that pay rises will be similar to last year's which will do nothing to boost consumption.

This means the best hope for the economy is a weak yen however the new US administration seems set to follow up on its assertion that Japan is a currency manipulator which could mean the yen will strengthen against the US dollar. This would undermine Japan's export growth.

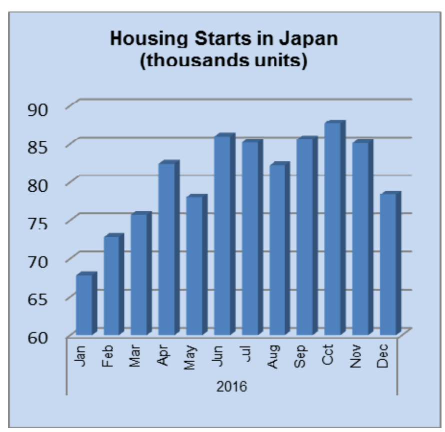
While a weak yen is good for exporters it is bad for household spending and the prospects are rising for a clash between the Bank of Japan, which supports a weak yen, and the government that is trying to spur household spending. In addition, any further yen weakness would raise tensions between Japan and the US.



Apartment building boom in Tokyo coming to an end

The number of unsold new apartments in Tokyo has reached a five year high which suggests Tokyo's apartment building boom is nearing its end.

Much of the energy in the Tokyo market for apartments came from Chinese buyers but, with a crackdown on Chinese citizens moving money offshore, the steam has gone out of the market.



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

As the stock of empty apartments rise rents are falling and prices, especially for apartments near the Olympic Games venues, have started to fall.

Data from the Real Estate Economic Research Institute of Japan reports that the average price of a newly-built three-bedroom apartment in Tokyo rose 24% in January last year the highest on pace record .

Japan's wooden furniture imports

Japan's 2016 wooden furniture imports (HS 940330,40 and 50) fell around 3% in yen terms against levels in 2015.

Overall, wooden office furniture imports were down 6% year on year, wooden kitchen furniture imports dropped around 4% year on year and bedroom furniture imports also fell but by a smaller margin (-2.3%).

While there is no clear cyclical trend in imports of either office or kitchen furniture, imports of bedroom furniture in 2015 and again in 2016 show a distinct cyclical trend.

In both years in the first half of the year imports drifted down only to begin climbing again in the second half of the year.

4th Quarter 2016 imports

2015	HS 940330	HS 940340	HS 940350	Yen 000"s
Oct	246866	1273232	1778348	3298446
Nov	256372	1203304	1974553	3434229
Dec	211436	1251386	2033919	3496741
2016				
Oct	168871	1037254	1563905	2770030
Nov	266352	1103860	1891646	3261858
Dec	294392	1129875	1987871	3412138

Data source: Ministry of Finance, Japan

4th Quarter 2016 office furniture imports (HS 940330)

China, Portugal and Poland, in order of rank, were the top suppliers of wooden office furniture to Japan in the final quarter of 2016.

Together these three shippers accounted for over 80% of Japan's wooden office furniture imports in the last quarter 2016.

Office furniture imports

	Imports Q4 2016 Unit 1,000 Yen
China	470458
Taiwan P.o.C	23562
Vietnam	9401
Thailand	459
Singapore	1132
Malaysia	9951
Indonesia	14210
Denmark	12496
UK	2664
Netherlands	685
France	3563
Germany	7515
Switzerland	3153
Portugal	85284
Italy	31189
Poland	39923
Lithuania	1621
Czech Rep.	586
Slovakia	5520
Canada	401
USA	5842
Total	729615

Data source: Ministry of Finance, Japan

4th Quarter 2016 kitchen furniture imports (HS 940340)

Year on year, Japan's 2016 imports of wooden kitchen furniture were down 4% and in the final quarter of 2016 fell by the same amount compared to the same period in 2015.

Kitchen furniture imports

	Imports, Q4 2016 Unit 1,000 Yen
China	400674
Taiwan P.o.C	687
Vietnam	1285337
Thailand	54053
Malaysia	56088
Philippines	1073860
Indonesia	265506
UK	421
France	217
Germany	88356
Spain	709
Italy	15881
Romania	3567
Czech Rep.	295
Canada	8412
USA	16932
Total	3270995

Data source: Ministry of Finance, Japan

4th Quarter 2016 bedroom furniture imports (HS 940350)

Just two suppliers, China (59%) and Vietnam (30%) accounted for almost 90% of Japan's imports of wooden bedroom furniture in the fourth quarter of 2016. This mirrors the trade throughout the year with the two largest shippers dominating imports.

The third ranked supplier in the fourth quarter 2016 was Thailand which contributed a modest 4% to total fourth quarter imports of this product.

Bedroom furniture imports

	Imports, Q4 2016 Unit 1,000 Yen
S. Korea	1336
China	3185099
Taiwan P.o.C	70311
Vietnam	1631884
Thailand	234922
Malaysia	137377
Philippines	627
Indonesia	38947
Cambodia	654
Myanmar	242
Sweden	1688
Denmark	2893
UK	420
France	12692
Germany	2237
Italy	20902
Finland	1140
Poland	59707
Russia	1123
Austria	4001
Romania	4645
Turkey	503
Estonia	1427
Latvia	242
Lithuania	22613
Bosnia/Herzegovina	654
Slovakia	311
USA	4825
Total	5443422

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

Plywood supply in 2016

Total plywood supply in 2016 was 5,834,200 cubic meters, 3.1% more than 2015. In this, domestic supply was 3,063,500 cbms, 10.6% more than 2015. This is first time to reach three million cbms after nine years since 2007.

Imported plywood was 2,770,600 cbms, 4.0% less than 2015. This is two straight years decline under three million cbms. Share of domestic and imports reversed with 47.5% of imports and 52.5% of domestic supply. This is the first reversal of share in 21 years.

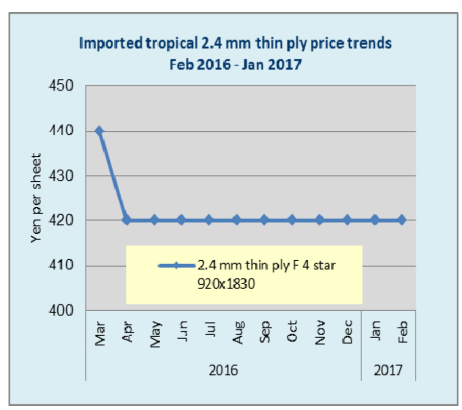
In 2016, domestic supply increased by about 10% then the imports continued to decline so the total was almost unchanged from 2015. In 2016, the yen's appreciation sharply progressed in early year then in late 2016, the yen depreciated so the price increase of imported plywood was necessary so the importers and wholesales had hard time all through the year.

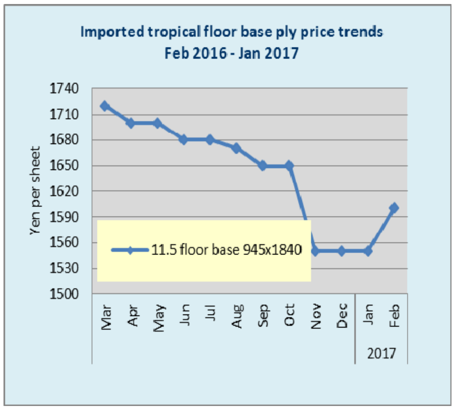
Despite slow movement of imported plywood, it is noticeable fact that monthly average of 238,800 cbms of imported plywood continued through the year. This tells there is firm demand for imported plywood even when the demand is shifting to domestic plywood, wooden board and non-wood materials.

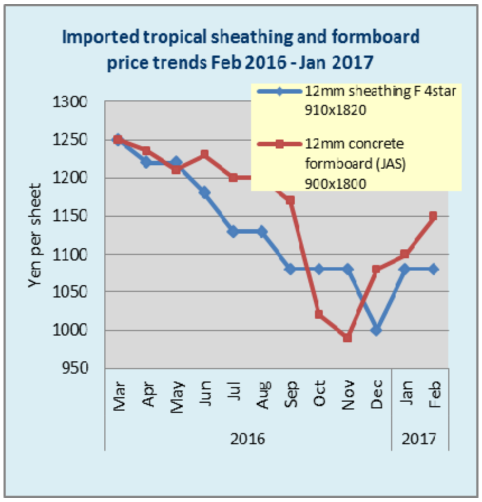
In domestic production, softwood production was 2,897,200 cbms, 11.9% more than 2015. Structural softwood plywood production was 2,786,500 cbms, 17.7% more, which is more than total imported plywood supply. The demand for softwood plywood had been very active all through the year by strong housing starts so the shipment of soft wood plywood was 2,939,000 cbms, 9.1% more than 2015.

The inventory peaked in March with 128,400 cbms then it had been declining month after month and the December inventory was only 82,500 cbms.

In imported plywood, Malaysian supply was 1,075,500 ccbms, 10.3% less than 2015. Indonesian supply was 903,300 cbms, 5.2% more, which was supported active demand for floor base. Chinese supply was 616,600 cbms, 5.0% less.







Japan's log export in 2016

According to the trade statistics of the Ministry of Finance, total log export in 2016 was 644,257 cubic meters, 6.1% less than 2015. Kyushu took 79.6% share of log export. Total value was 7,735 billion yen, 15.1% less.

In 2016, log exporters had hard time with strong yen and slow down of Chinese economy but they tries to maintain the business by performing the contracts despite negative factors. Kyushu's export volume was 513,089 cbms, 2.8% less than 2015. Export business increased some in the first half then it decreased in the second half.

Total value of log export in Kyushu was 5,980 billion yen, 12.7% less. After the second half of last year, the yen weakened then there are increasing inquiries from China and number of log exporter increased so that export log prices in Kyushu are climbing.

By port, Shibushi, the largest export port previous year, exported 199,323 cbms and maintained the top export port in 2016.Sendai exported 31,772 cbms so total volume from Kagoshima prefecture increased some from 2015. Other ports are Hososhima with 63,436 cbms, Minamata with 36,141 cbms, Sakai with 11,396 cbms, Shimizu with 12,710 cbms, Kanda with 4,993 cbms, Yokkaichi with 4,982 cbms.

By species, cedar was heavy from Shibushi, Hososhima, Yatsushiro and Saheki, all Kyushu ports. Cypress was main from Yatsushiro, Imari and Minamata, all Kyushu ports. Other softwood log export ports are Hakodate and Rumoi, all Hokkaido ports, which shipped species like larch.

Meantime, total lumber export in 2016 was 83,700 cbms, 47% more than 2015. Lumber volume for Korea is flat but for China, it increased considerably. Main shipping ports are Tokyo with 25,535 cbms, Hakata with 10,411 cbms, Matsuyama with 4,427 cbms, Nagoya with 5,636 cbms, Moji with 2,958 cbms, Kouchi with 2,750 cbms, Hiroshima with 2,548 cbms, Mizushima with 2,504 cbms and Hososhima with 2,119 cbms. By species Kyushu ports shipped mainly cedar and Shikoku and Chuugoku ports shipped mainly cypress

South Sea (Tropical) logs

Both Sarawak and Sabah, Malaysia are in rainy season and rain continues day after day. While some coastal part of Sabah has improved weather. Sarawak suffers heavy rain everywhere. Together with severe control of illegal harvest, Sarawak log production is very low. Therefore export log suppliers remain very bullish.

Japanese log importers are indecisive for future log purchase due to unstable exchange rate fluctuation.

In PNG and Solomon Islands, there has been talks of higher log export duty but so far there is no official increase by strong opposition by log exporters. If the duty increases materialize, log prices would be up and supply volume may change.

In Japan Sea side ports in Japan, cleaning and renovation of lock gate are done in every two years and it is being done now and the gate will be closed until end of February or March.

Plywood mills in Niigata have procured enough logs until April. Some South Sea hardwood plywood mills in Japan reduce their own production then buy plywood from South Sea countries as consignment and maintain the same amount of sales of plywood. With tight supply of logs in Malaysia and decreasing plywood production in Japan, log purchase by Japan will further decline.

Present export log prices of Sarawak meranti are US$276-278 per cbm FOB on regular, US$255-260 on meranti small and US$240-245 on super small.

European lumber import in 2016

Total import of European softwood lumber in 2016 was 2,736,628 cbms, 14.8% more than 2015 and this was the highest since 2013. Supply of stud and lamina increased by active housing starts of wooden units and structural laminated lumber. In particular, increase of lamina is noticeable, which supply had been tight all through the year.

The European suppliers' aggressive production for Japan, stimulated by higher export prices by strong yen, contributed increased import. Stud, taruki and 2x4 lumber, which are planed processed products are 936,528 cbms, 7.7% more. Semi –finished products like lamina and genban are 1,800,100 cbms, 18.9% more.

By source, Finland, which is the main source of lamina, was 941,468 cbms, 13.2% more. Sweden was 767,584 cbms, 19.9%. These two countries exported more than 1,700,000 cbms, which took 62.5% share in total European lumber.

Finland volume increased by newly built Keitele group mill so not only semi-finished lamina and genban but finished products like stud increased. Austria, where Stora Enso has sawmills, shipped 354,432 cbm, 13.3% more while Rumania, where Schweighofer has sawmills, decreased to 238,835 cbms, 11.1% less.

Germany, where Schweighofer newly acquired sawmills, shipped 133,326 cbms, 117.5% more. Czech was 107,312 cbms, 4.5% less. Latvia was 131,194 cbms, 20.1% more. Estonia was 48,196 cbms, 30.8% more.

Supply of stud was unstable due to tight supply of quality logs in the first half of the year then with higher export prices stimulated supply in the second half of the year.

North American log import in 2016

North American log import in 2016 was 2,790, 662 cbms, 8.8% more than 2015. This is the first increase after three years. U.S.A. increased 2.7% and Canada also increased by 22.2%. Douglas fir logs increased by about 30% due to recovery of plywood demand and strong demand for lumber.

However, both did not make 2014 level and total was under 3 million cbms for two straight years.

By species, Douglas fir was 2,542,547 cbms, 9.8% more than 2015. Hemlock was 155,265 cbms, 20.5% more. Spruce was 41,448 cbms, 31.1% less. Yellow cedar (cypress) was 12,162 cbms, 11.4% less. Red cedar was 5,533 cbms, 42.4% less. White fir was 36 cbms, 91.5% less. Hardwood was 33,671 cbms, 3.1% less.

Both Douglas fir and hemlock increased but others are all down. Douglas fir sawmills increased the production in an anticipation of rush-in demand before consumption tax hike then plywood mills, which reduced the production in 2015, made a full operation in 2016 by active demand so both contributed to increase Douglas fir volume.

Volume from the U.S.A. was 1,733,391 cbms, 2.4% more then volume from Canada was 809,156 cbms, 29.9% more. Market of Canadian Douglas fir was mainly plywood then since 2016, Chugoku Lumber, the largest Douglas fir lumber manufacturer in Japan, started purchasing Canadian Douglas fir so this contributed increase of Canadian Douglas fir log import.

Despite increase of Canadian logs, U.S.A. remains dominant supply of Douglas fir logs. If Canada puts up more logs for export, Japan would be buying more Douglas fir logs from Canada.

Hemlock volume from Canada was 149,168 cbms, 19.6% more while that from the U.S.A was 6,097 cbms, 47.4% more. Spruce from Canada was 11,804 cbms, 69.4% less and from the U.S.A was 29,644 cbms, 37.5% more.Yellow cedar volume from Canada was 7,632 cbms, 20.8% less and from the U.S.A. was 4,530 cbms. 10.9 % more. Red cedar from Canada was 2,251 cbms, 68.0% less and from the U.S. A. was 3,282 cbms, 28.3% more.

North American lumber import in 2016

Imported lumber volume in 2016 was 2,235,652 cbms, 4.4% less than 2015. This is three consecutive years' decline. New wooden housing starts were 8.3% more than 2015 but the market share of North American lumber dropped by supply expansion of competing materials. Also supply decrease for Japan market by active North American lumber market. Particularly Douglas fir lumber, which is used for traditional type housing in Japan, dropped by 11.6%. Compared to recent peak of 2013, it is 34.2% drop.

By species, SPF was 1,347,236 cbms, 0.2% less than 2015. Douglas fir was 419,133 cbms, 11.6% less. Hemlock was 293,897 cbms, 1.5% less. Yellow cedar was 68,490 cbms, 17.2% less. Sitka spruce was 11,524 cbms, 29.8% less.Hardwood was 50,914 cbms, 16.8% less so all the species decreased from 2015.

2x4 SPF lumber has no other substitution so it should increase as 2x4 housing starts increases, which was 7.9% more but in the first half of the year, the housing demand was slower then in the second half, supply got tighter so Japan could not purchase enough volume.

Softwood lumber agreement between U.S. and Canada, which imposed 15 % duty on export lumber from Canada, expired on October 2016 so the lumber shipment from Canada to the U.S. increased.

Douglas fir lumber had to compete with European lumber, domestic lumber and Douglas fir lumber manufactured by domestic sawmills. By source, Canada was 217,500 cbms, 7.3% less and the U.S.A. was 201,633 cbms, 15.7% less.

Hemlock did not drop so much but compared to 2014, it is 13.2% less. In the second half of the year, hemlock supply was ample. Yellow cedar and red cedar were largely affected active shipment for the U.S. market and resultant higher prices.

China

Flooring manufacturers shift focus to second and third tire cities

According to statistics from the Flooring Special Committee within the China National Forestry Products Industry Association, sales of wooden flooring rose 4% to 396.8 million square metres last year.

Of the total, sales of solid wood flooring grew 10% to 43.9 million square metres, composite wooden flooring increased 9% to 104.5 million square metres, laminated flooring rose 2% to 210.5 million square metres with a 7% growth in sales of other wooden flooring. However, bamboo flooring sales fell 3%.

In recent years the domestic market for wooden flooring has evolved from being concentrated in the major cities to being more diverse in the so-called second and third level cities. Manufacturers have found that the market in the main urban areas has become over supplied and have therefore been forced to look to new markets.

China's sales of wooden flooring are rising but analysts point out that the number of large and medium-sized enterprises is relatively small compared to the number of small scale companies that accounted for almost 90% of the wooden flooring industry output last year.

For a guide to second and third tier city ranking see:
https://www.quora.com/What-cities-in-China-are-considered-first-tier-second-tier-and-third-tier-Why

Slower pace to house price increases

Data from the National Bureau of Statistics (NBS) has shown that January house prices in the largest cities rose but at the slowest pace in the past 12 months. Analysts say a slowdown in price growth must be due after last year's astonishing 19% rise.

Out of the 70 cities analysed by the NBS house prices increased in 45 cities, fell in 20 cities and remained flat in 5 cities.

See:
http://www.stats.gov.cn/english/PressRelease/201702/t20170222_1465428.html

Hebei Bazhou export furniture zone

According to information from the Hebei General Administration of Quality Supervision, Inspection and Quarantine Bureau, the furniture export zone in Bazhou is one of the largest in the country.

The total value of furniture exported from Bazhou City in 2016 rose 55% to US4247.49 million. Exports included eight different categories of furniture such as living room furniture, dining room furniture, school furniture, office furniture, commercial furniture, tourist furniture, venue furniture and hotel furniture.

Furniture products from Bazhou have been exported to Italy, Holland, France, UK and Australia. The local brand "Deltasleep" from Langfang Aimu Home furnishings Co., Ltd in the zone has been successfully registered in France.

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	9800-11800⬆
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	5300-4500
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	14-20⬆
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

GDP expands 6.7% in 2016

According to the statistics from the National Bureau of Statistics (NBS), China's economy grew 6.7% year on year in 2016, a slowdown from the 6.9%t growth registered in 2015. China's economy ended 2016 on a positive note, supported by consumer spending and a booming property market which remaining the pillars of economic expansion.

Economic growth in 2016 was the slowest annual expansion in 26 years but was in line with the official target range of 6.5 to 7% for 2016. For the fourth quarter, China's economy grew 6.8% beating market forecasts.

NBS data showed that industrial output slowed slightly last year and investment in fixed assets continued slowed but, on the other hand, retail sales were very positive.

Foreign trade in 2016

According to China's the General Administration of Customs (GAC) 2016 trade fell almost 1% year on year but this was better than the situation in 2015.

The value of imports and exports fell 8.1% in the first quarter of last year and by 1.1% in the second quarter but a recovery was seen in the third and fourth quarters.

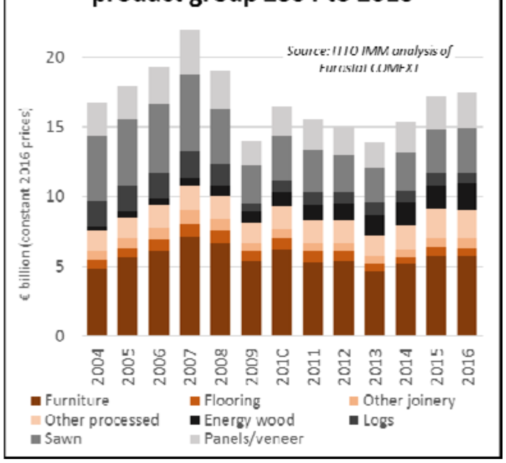
See: http://news.xinhuanet.com/english/2017-02/21/c_136073735.htm

Europe

EU timber imports rise to highest level since financial crises

The total value of EU imports of wood products was Euro 17.48 billion in 2016, 1.3% more than in 2015. This followed an increase of 12% to Euro 17.25 billion in 2015. In 2016 EU import value was at the highest level since 2008 just before the global financial crises (Chart 1).

Chart 1: EU imports of wood by product group 2004 to 2016

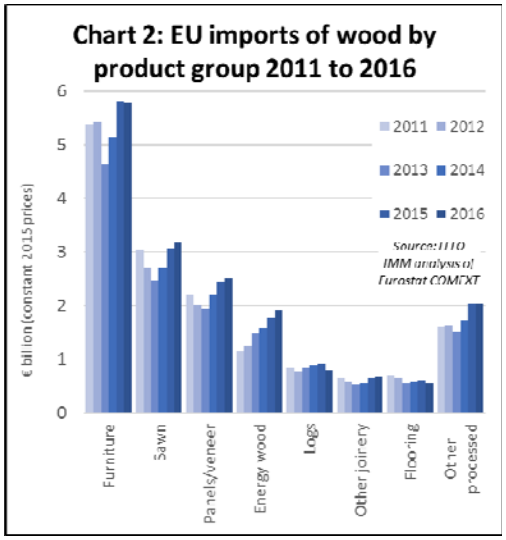


The value of the euro plunged 20% against the U.S. dollar between 2014 and 2015, resulting in a sharp increase in euro import prices at that time, particularly for goods from North America and Asia. This was a major factor boosting the value of EU imports in 2015.

However, the value of the euro remained relatively stable against the U.S. dollar between 2015 and 2016 and had much less impact on the import value trend last year.

2016 wooden furniture imports par gains of last year
Considering individual products (Chart 2), the value of EU imports of wood furniture fell by 0.3% to Euro 5.78 billion in 2016 after a sharp increase in 2015.

This was mainly due to a decline in EU imports from China. EU imports of wood furniture from non-EU countries in Europe were rising last year. This forms part of general trend of increasing EU dependence on wood furniture manufactured in central and Eastern Europe.



Rising trend in sawnwood and plywood imports
The value of EU imports of sawnwood increased 4.3% to Euro 3.2 billion last year, continuing the rising trend which began in 2013. There was a particularly significant increase in the value of EU sawnwood imports from Africa in 2016 which offset a sharp decline in imports from South East Asia.

EU imports of sawn wood from Russia and other CIS countries also continued to rise last year, helped along by the relative weakness of currencies in the region.

EU imports of panels (mainly plywood) increased 3.1% to Euro 2.52 billion in 2016 following an 11% in 2015. A significant increase in plywood imports from Russia offset declining imports from China and Latin America. There were also gains in EU plywood imports from Africa in 2016.

The long-term rise in EU imports of energy wood continued in 2016 to reach an all-time high of Euro 1.93 billion, up 9% compared to the previous year and nearly four times the value of a decade ago. EU imports of energy wood (now dominated by pellets) increased sharply from the U.S. and CIS region last year.

Malaysia and Indonesia score with joinery exports
Following a 22% increase in 2015, EU imports of other joinery products (mainly doors and LVL for window frames) increased a further 4% to Euro 690 million in 2016.

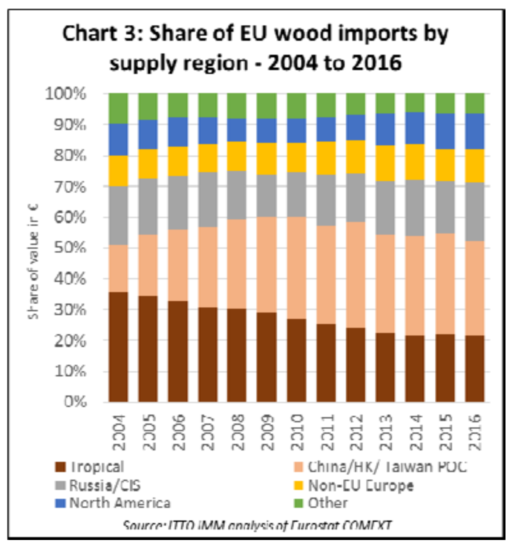
Significant gains were made by Indonesia, Malaysia, Russia and Ukraine in supply of joinery products to the EU last year, while imports from China lost ground (although China is still the single largest external supplier).

EU imports of wood flooring fell back 9% to Euro 540 million in 2016, mainly due to a 11% decline in imports from China to Euro 341 million. EU imports of "other processed products" (mainly classified under HS 442190 and not separately identified) remained stable at Euro 2.02 billion after a 17% gain in 2015. 56% of EU imports of "other processed products" derive from China.

Tropical timber supplier's share of EU market maintained in 2016
The value of EU imports of wood products from tropical countries declined 0.8% to Euro 3.79 billion in 2016, reversing the rising trend of 2014 (+6.1%) and 2015 (+15.3%).

The share of tropical countries in the total value of EU wood product imports has remained stable at around 22% in the last 3 years.

The declining share of tropical countries in total EU imports experienced in the decade prior to 2014 has halted for now (Chart 3).

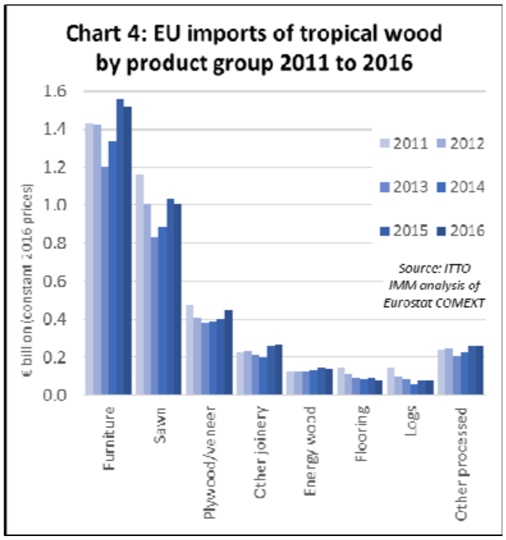


China's share in total EU imports of wood products fell from 32.4% in 2015 to 30.5% last year, while the share of Russia and other CIS countries increased from 17.2% to 19.3%. In 2016, there was a slight increase in share of EU imports from non-EU European countries (from 10.5% to 10.8%) and North America (from 11.4% to 11.5%).

The slight decline in the total value of EU wood product imports from the tropics in 2016 hides variations between products groups (Chart 4).

Last year, there was a decline in EU imports from tropical countries of wood furniture (-2.2% to Euro 1.52 billion), sawn wood and decking (-1.9% to Euro 1.01 billion), energy wood (-2.9% to Euro 138.9 million), flooring (-20.3% to Euro 76.4 million), and logs (-4.2% to Euro 73.8 million).

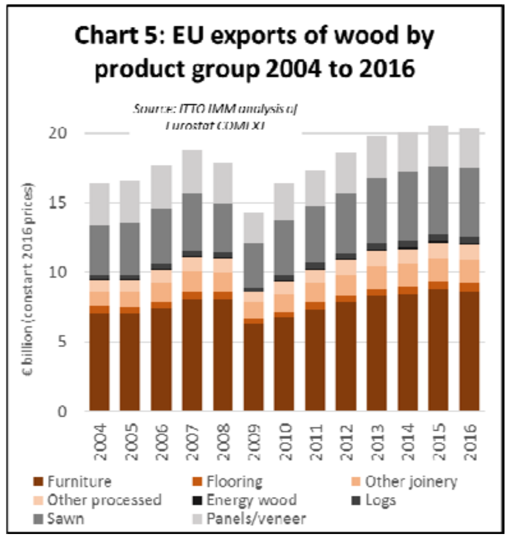
However, these declines were partly offset by rising EU imports from tropical countries of plywood and veneer (+9.5% to Euro 44.4 million) and other joinery (+3.2% to Euro 263 million - mainly LVL and doors).



EU wood products exports just short of record level last year

In 2016, the EU exported wood products with a total value of Euro 20.40 billion, just short of the previous year's record level of Euro 20.51 billion (Chart 5). The EU's wood product trade surplus with the rest of the world fell from Euro 3.26 billion in 2015 to Euro 2.92 billion in 2016.

This was mainly due to a 1.7% decline in EU exports of wood furniture to Euro 8.60 billion in 2016, and an 8.6% decline in exports of energy wood, to Euro 176 million.



Italian wood machinery sales give cause for optimism

The wood market in Italy has been depressed now for several years. However newly released data on wood machinery sales suggests there was a significant upturn in capital investment in the industry last year.

Data from Acimall, the Italian association of woodworking machinery manufacturers, show that total sales by members to domestic industry were Euro 592 million in 2016, 31.6% more than the previous year.
Export sales of woodworking machinery also increased in 2016, but at a slower rate of 5.1% to Euro 1486 million. Much of the recent growth in export sales has been concentrated in North America.

Acimall suggest that increase in sales last year was driven both by public incentives and measures to support industrial activity and by rising wood product consumption.

Taken together, the data shows that Italian machinery manufacturers' total sales increased by 11.5% to Euro 2078 million in 2016. This is close to the industry's record production level of Euro 2159 million in 2007.

New EU ecolabel criteria for wood flooring

On 25 January 2017, the EU published Decision (EU) 2017/176 in the official EU Journal establishing EU Ecolabel criteria for wood, cork and bamboo based floor coverings. The new criteria require that any virgin wood, cork, bamboo and rattan in the finished products originate from certified sustainably managed forests.

In addition, the Ecolabel criteria include a set of measures to ensure low energy consumption for manufacturing, drastically limit the VOC (Volatile Organic Compound) content, and ban use of harmful chemicals for flame retardant, binding and finishing applications.

The EU Ecolabel is a voluntary scheme, which means that producers, importers and retailers can choose to apply for the label for their products.

While not mandatory for the specified product, the green procurement policies of many EU authorities now recognize and may give preference to products bearing the EU Ecolabel.

See:: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1486024464540&uri=CELEX:32017D0176

ATIBT publish new guide to using African timbers in Europe

The Association Technique Internationale des Bois Tropicaux (ATIBT - International Tropical Timber Technical Association) has just released Volume 1 of their "User Guide for Eco-certified African Timber in Europe".

The aim is to help transform attitudes to tropical timber in Europe, enhancing awareness that it offers an efficient, technically superior and responsible material for use in a wide range of applications.

The ATIBT Guide shows how certified African species can supplement and complement temperate timber species, thereby helping to expand the total market for wood products in Europe.

To achieve these goals the guide promotes both the natural properties of tropical timber and the major effort to independently certify and verify the legality of forests and wood products in tropical Africa.

The ATIBT Guide was prepared by Patrick Martin and Michel Vernay, both qualified timber engineers and recognised experts in the use of tropical timber in construction. Financial support was provided by PPECF (Programme de Promotion de l'Exploitation Certifiée des Forêts - Programme for the Promotion of Certified Forest Operations) and the AFD (Agence Française de Développement - French Development Agency).

Volume 1 of the Guide is intended for European users of African timber, as well as all suppliers, distributors, designers, public buyers and instructors whose activities are linked to the timber sector. Volume 2, yet to be published, will target African consumers.

The Guide is divided into two sections. The first section provides technical information on the various aspects of tropical timber. It explains in layman's terms the principles of sustainable tropical forestry and its implications for land-use change, carbon sequestration and other environmental impacts, and describes the African production region, progress to achieve certification and its implications and benefits.

The first section also explains the various technical properties of tropical timbers (mechanical resistance, hardness, resilience, aesthetics, durability), provides information on drying and other treatments and appropriate applications, and thereby highlights the benefits of using tropical timber in construction.

The second section of the Guide describes the wide range of applications for which tropical timber offers clear technical, aesthetic and environmental advantages, including exterior and interior joinery applications, water-protection and other heavy duty structural and industrial applications, boat building, and high value items like musical instruments and turnery products.

For each application, the guide provides information on the required properties of timbers, relevant standards, and a list of appropriate tropical timber species.

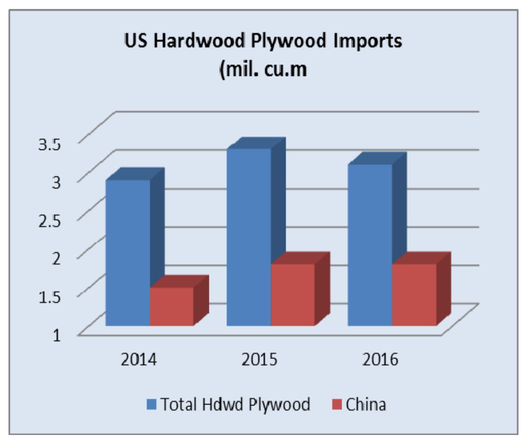
For details see: https://www.atibt.org/en/eco-certified-african-timber-user-guide-has-been-released/

North America

Decline in hardwood plywood imports from tropical countries

US imports of hardwood plywood declined 4% in 2016 from the previous year. In 2015 plywood imports increased 12%. A total of 3.14 million cu.m. of hardwood plywood were imported in 2016, valued US$1.82 billion. The value of imports was down 1% from 2015.

The decline was mainly in imports from tropical country producers, while imports from China, Russia and Canada increased.



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

China exported 1.83 million cu.m. of plywood to the US in 2016, up 2% from 2015. China's share in total US hardwood plywood imports grew from 55% in 2015 to 58% in 2016.

Russia surpassed Indonesia in 2016 to become the second-largest source of US plywood imports. Imports from Indonesia fell 35% to 321,812 cu.m., although the value of imports decreased only 14%.

Plywood imports from Malaysia were 65,110 cu.m. in 2016, down 17% from 2015.

Imports from other countries were slightly down in 2016, although Italy and Cambodia expanded shipments to the US in 2016. Italy's exports were up 42%, while imports from Cambodia increased 35% to 19,459 cu.m.

Tropical veneer imports up 14% in 2016

Tropical hardwood veneer imports were worth US$233.7 million in 2016, up 14% from the previous year. Imports from many leading suppliers doubled from 2015, including from Italy, India, Ghana and Cameroon.

Italy was the largest supplier of tropical veneer in 2016 at US$15.9 million, followed by China (US$9.6 million).

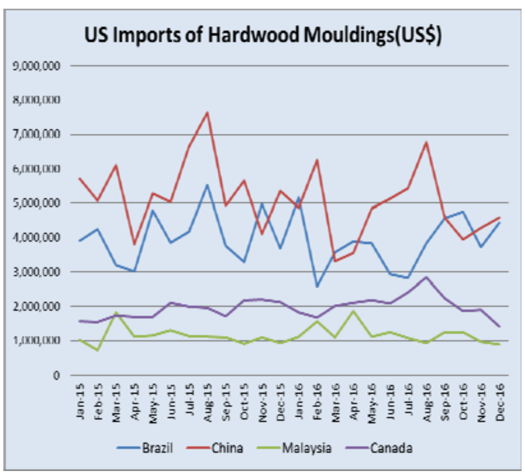
India, Cote d'Ivoire and Ghana each shipped over US$6 million worth of tropical veneer to the US in 2016. Veneer imports from Cameroon doubled from 2015 to US$2.6 million.

Higher moulding imports from Malaysia in 2016

The value of hardwood moulding imports into the US declined for the second consecutive year. Imports were worth US$184.8 million in 2016, down 5% from 2015.

The largest drop was in moulding imports from China, which decreased 12% to US$57.5 million in 2016. Imports from Brazil declined 5% to US$46.1 million.

Malaysia and Canada increased hardwood moulding shipments from 2015. Imports from Malaysia were up 7% and valued at US$14.4 million.



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

Strong growth in engineered wood flooring imports

US imports of hardwood wood flooring decreased in 2016, while assembled flooring panel (engineered flooring) imports were up.

Hardwood flooring imports fell 15% to US$40.5 million in 2016. The largest drop was in imports from Malaysia, which were down almost 40% from 2015.

Imports from Malaysia were worth US$6.3 million in 2016, compared to US$9.1 million from Indonesia and US$9.7 million from China.

Imports from Indonesia were also lower than in 2015, while China's shipments grew 11%.

Engineered flooring imports were worth US$164.6 million in 2016, up 21% from 2015. Imports from China were up 25%, and China accounted for 46% of US assembled flooring imports.

Most other suppliers also benefited from higher US imports in this wood flooring category. Assembled flooring imports from Indonesia increased 21% to US$8.1 million in 2016.

Engineered wood flooring imports

2016	Year on year Change
Total Imports	21%
China	25%
Canada	1%
Indonesia	21%
Thailand	30%
Brazil	2%
Other	41%

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

Record high 2016 wooden furniture imports but exports from Malaysia and Indonesia slip

US wood furniture imports reached a new record high in 2016. Wooden furniture imports were worth US$16.71 billion, up 3% from 2015.

Imports from all major suppliers increased except Malaysia and Indonesia. Furniture imports from Malaysia grew strongly in 2015, but declined 5% in 2016 to US$673.3 million. Imports from Indonesia were down 9% from 2015.

2016 Furniture imports by source

	US$	Year on year Change
Total imports	16,710,553,890	3%
China	7,816,216,631	2%
Vietnam	3,191,482,182	6%
Canada	1,428,996,457	9%
Malaysia	640,031,547	-5%
Mexico	826,466,503	9%
Indonesia	532,806,803	-9%
India	232,421,135	9%
Other	2,274,553,767	2%

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

China's share in total imports decreased again this year to 46.8%, while Vietnam's share grew to 19.1%. Malaysia's share in total imports was with 3.8% the same as two years ago (2014).

Wooden furniture imports from China increased 2% to US$7.82 billion in 2016.

Imports from Vietnam were worth US$3.19 billion (+6%), but strongest year-over-year growth was in imports from Canada, Mexico and India. Furniture imports from India amounted to US$232.4 million in 2016.

Furniture and wood product manufacturing activity down in January

Real GDP increased at an annual rate of 1.9% in the fourth quarter of 2016, according to the first estimate released by the US Department of Commerce. In the third quarter, the GDP increased 3.5%. Stronger residential and non-residential construction contributed to GDP growth in the fourth quarter.

The unemployment rate was almost unchanged in January at 4.8%, according to the US Bureau of Labor Statistics. Employment in construction rose in January, following little change in December.

Economic activity in the manufacturing sector expanded in January and the overall economy grew for the 92nd consecutive month, according to the Institute of Supply Management. Furniture and related products manufacturing shrank for a second consecutive month in January. Wood product manufacturers also reported lower activity than in December.

Consumer confidence retreated in February but remained positive on average, according to the University of Michigan consumer confidence index. There is a risk of a consumer spending decline because almost one third of the households surveyed held very unfavourable views of economic policies under the Trump administration.

In related news department store chain JCPenney said it will close 130 to 140 stores and sever distribution operations at two facilities to better align its store and online operations and better compete with online players

In addition to the stores, JCPenney will close its Lakeland, Fla., distribution center in early June and is selling its supply chain facility in Buena Park, Calif.

Housing market strong at start of 2017

Residential home construction declined almost 3% in January to a seasonally adjusted annual rate of 1.246 million units, according to the US Department of Housing and Urban Development and the Commerce Department. Single-family starts were up 2%, while multi-family declined after an unusually high level in December.

Builders' confidence in the market for new single-family homes decreased in February, but builders remained overall optimistic.

The main challenges for home builders remain the same as last year, labour availability and a shortage of building lots according to the National Home Builder Association.

The association expects continued growth in home construction this year due to strong demand.
The number of building permits issues, which indicates future building activity, increased 5% in January from the previous month at a seasonally adjusted annual rate. Single-family permits declined.

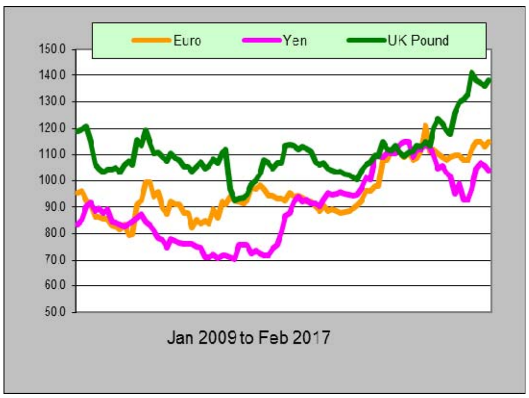
Sales of existing homes sales increased in January to the fastest pace in almost a decade, according to the National Association of Realtors. January's sales were 4% higher than a year ago despite rising interest rates. However, affordability is deteriorating with the median home price over 7% higher than a year ago.

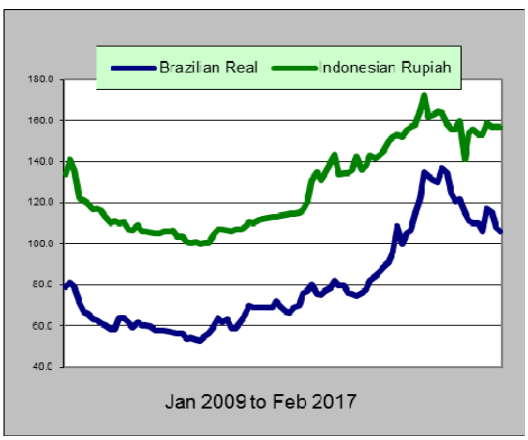
Dollar Exchange Rates

As of 25 February 2017

Brazil	Real	3.1110
CFA countries	CFA Franc	618.30
China	Yuan	6.8668
EU	Euro	0.9468
India	Rupee	66.638
Indonesia	Rupiah	13330
Japan	Yen	112.14
Malaysia	Ringgit	4.44
Peru	New Sol	3.2536
UK	Pound	0.8026
South Korea	Won	1130.82

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



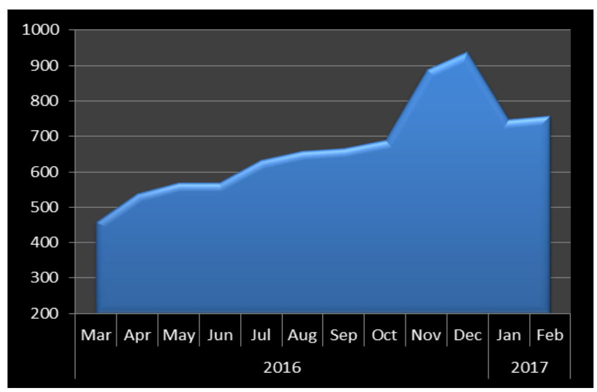


Abbreviations and Equivalences

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

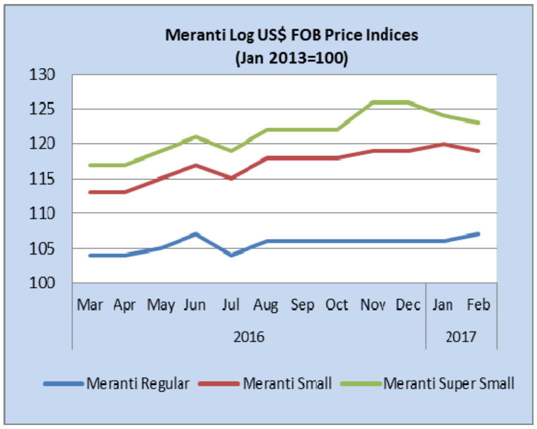
Baltic Supramax Index
March 2016 – February 2017



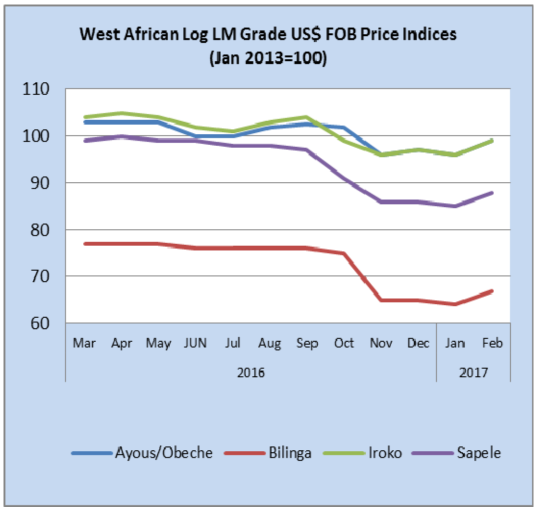
Data source: Open Financial Data Project

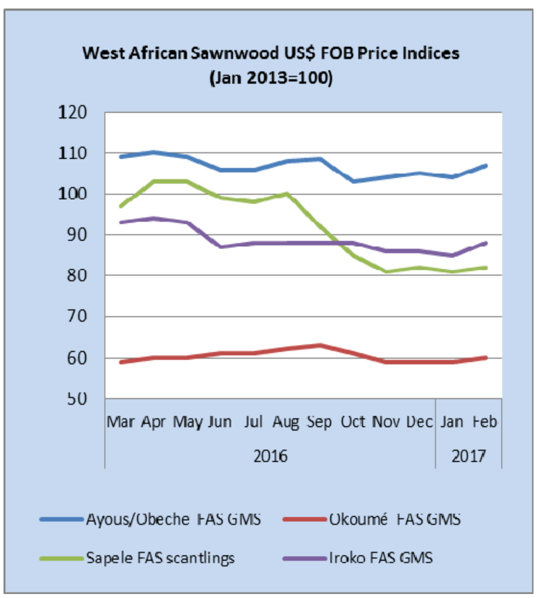
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

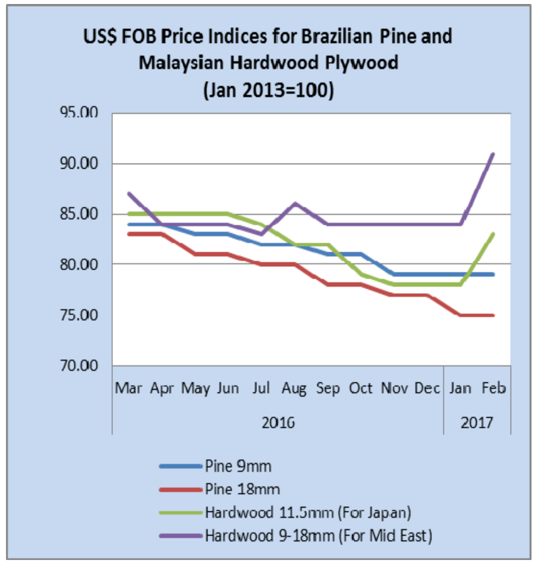
Price indices for selected products
The following indices are based on US dollar FOB prices

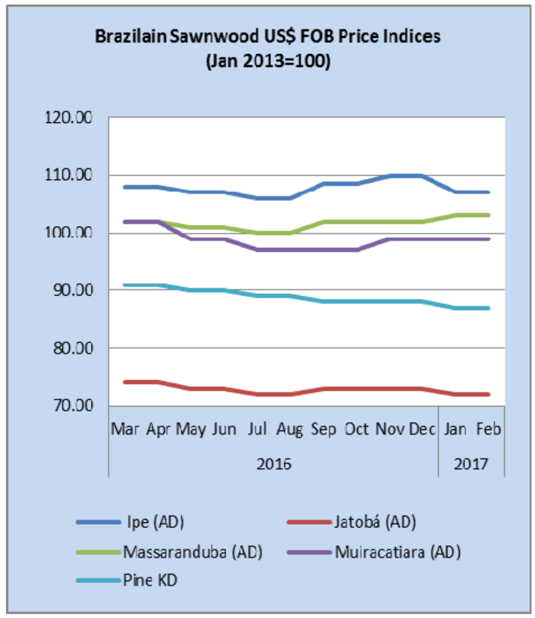


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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