

Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Top Story

Malaysian plywood exporters want to mark up prices for Japanese market

The 26 May Japan Lumber Report (JLR) has reported Malaysian plywood manufacturers are proposing higher C&F prices for plywood shipments to Japan.

One reason cited by the JLR is the higher cost of logs in Malaysia. The proposed price increases for June and July shipment vary by manufacturer but are in the region of US\$25 per cubic metre.

Malaysian plywood mills have struggled to raise prices for the Japanese market but as production costs rise they have no choice but to try and pass these on.

See: Page 15

Central and West Africa

Perception that overall demand in international markets is rising

Producers report that demand remains stable and that buyers for the Chinese market are more active now than two months ago. There is a perception that, particularly for the Chinese market, demand is steadily firming. European buyers have also been active and there has been an increase in shipments to Europe ahead of the traditional July and August vacation period.

Among the wide range of species being shipped there is firm demand for okoume, bomanga and okan.

Growing interest in large sawn baulk

Analysts report that over the past few months there has been a notable trend toward purchases of so-called large 'slabs'. Buyers are looking to purchase sawn baulks 10cm to 20cm thick and 100cm to 195cm wide especially of kevazingo which is subject to CITES regulations.

Baulk size (thicknesses of 10cm to 20cm) merchantable grade belli and dabema are in demand and prices for these dimensions are firming.

Suggestions that Sapele stocks are high

Producers in Cameroon report an increase in shipments of logs for the Chinese market. As the dock strike at Douala Port has ended shipments are being handled without delay.

News from the region is that stocks of sawn sapele are high with production from the Republic of Congo waiting for shipment out of Douala port.

Crackdown on loggers straying into protected areas

Reports coming out of Gabon mention a crackdown by authorities on alleged illegal logging in the Eastern Region. The indications are that some loggers have strayed into National Park areas and are removing even undersized trees.

This infringement was discovered by a special unit of the National Parks Agency assisted by the Forest Authority during an inspection of one of Gabon's eleven well protected National Parks.

Gabon forest code

In the previous issue it was stated that the private sector in Gabon was being further consulted on the proposed revised forest code. However, Françoise van de Ven, the Secretary General of the Gabonese Forest Industries Syndicate (UFIGA) pointed out that discussions with industry have been concluded.

She writes "the (draft) forestry code has been revised by all parties, i.e. forest administration/civil society and private sector, which was a first in Gabon and everybody is very happy with it. The law is (currently) under examination by the Constitutional Council."

She continues, pointing out that negotiations are underway with FAO to secure funding so that the same group that revised the forestry code will be able to continue and assist with implementation.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	245	240	160
Ayous/Obeche/Wawa	240	240	190
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	185
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	230	205	-
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	430
Bilinga FAS GMS	530
Okoumé FAS GMS	420▲
Merchantable	300
Std/Btr GMS	345
Sipo FAS GMS	540▲
FAS fixed sizes	555
FAS scantlings	560
Padouk FAS GMS	850
FAS scantlings	980
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	625
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

January exports – 6% year on year increase

Ghana's timber and wood product exports in January 2017 amounted to 30,758 cubic metres, a 5.76% year-on-year increase when compared to the January 2016.

During the period under review, air dried sawnwood, mouldings and peeled veneer exports grew sharply with the value of exports increasing by 26%, 17% and 5% respectively.

According to the Ghana Forestry Commission, Timber Industry Development Division (TIDD) the leading export products in January were air-dried sawnwood (22,346 cu.m), kiln dried sawnwood (3,334 cu.m), plywood for regional markets (1,934 cu.m), roundwood billets (1,029 cu.m) and processed mouldings (717 cu.m).

Rosewood topped the list of wood species accounting for 44% of the total exported volume along with teak (18%), wawa (9%), papao/apa (9%) and ceiba (6%).

Asian markets were the largest importer of Ghana's wood products in January 2017 accounting for 78% of all exports (China; 54%, India; 21% and Vietnam; 3%)

The high volume of rosewood exports reflects the recent lifting of the export ban by the Forestry Commission.

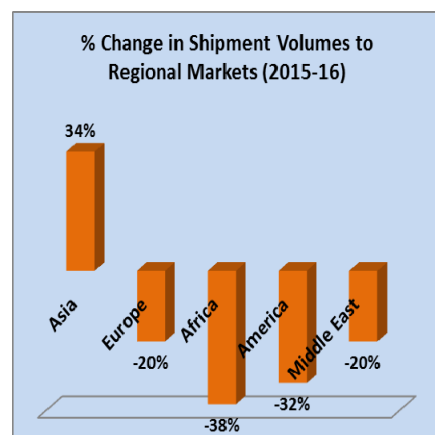
2016 export performance reported

The TIDD has released export data for 2016. The report shows that for 2016 the country earned almost Euro 225 mil. from close to 397,000 cu.m of wood products, a significant improvement on 2015 exports.

Sawnwood, plywood, veneer, boules and kindling accounted for most of the 2016 exports earning close to Euro 208 mil. from a volume of 353,000 cubic metres.

In terms of the direction of trade, Asian markets accounted for around 73% of the volume of exports in 2016 with the top markets being China and India. These two markets favoured rosewood, papao/apa, teak, wawa, koto/kyere, potrodum and gmelina. European imports from Ghana amounted to approx. Euro 26 million or 12% of all 2016 exports.

The growing importance of Asian markets can be judged from the graphic below showing the percentage change in the volume of shipments to various markets for 2015 and 2016 shipments.



Data source : GFC/TIDD

Fuelwood harvesting adds to burden on forests

The GFC has revealed that fuelwood remains an important source domestic cooking for around 70% of Ghana's population.

It is estimated that fuelwood consumption could be around 16 million cubic metres annually. Fuelwood harvesting is a heavy burden on already over harvested forests.

Ghana has a National Forest Plantations Development Programme, part of which aims at supporting the creation of fuelwood woodlots.

Boule Export prices

	Euro per m ³
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	570▲
Niangon Kiln dry	560

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	340▲	400
Chenchen	425	624
Ogea	525	604
Essa	490	533
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	814
Avodire	897
Chenchen	891
Mahogany	1,688
Makore	2,033
Odum	1,583

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	415	610	641
6mm	550▲	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	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	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	320
Dahoma	382	400▼
Edinam (mixed redwood)	520	580
Emeri	380	500
African mahogany (Ivorensis)	870	915
Makore	685▲	756
Niangon	600▲	650▲
Odum	755	910
Sapele	765	800
Wawa 1C & Select	380	444

South Africa

Warning signs that investment in plantations is not keeping pace with demand

Roy Southey, the Executive Director of Sawmilling South Africa, recently spoke on the prospects for the timber industry. The main thrust of the speech was that prospects for the next few years look positive for the timber industry as demand is firm and the supply adequate.

However, there are warning signs for the medium term because the area under plantations in South Africa is not expanding in line with the demand for structural timber and a timber shortage is likely in the next five to six years.

Southey commented that demand for structural timber was particularly high in the Southern and Western Cape areas. Also, demand for transmission line poles was good as the government continues to finance its electrification programme. As investment in plantations slows the supply of timber will eventually become so bad that the country may have to import structural timbers.

The sawmilling industry is in consultation with the government seeking to address the looming shortage of timber, reported Southey. One immediate solution would be for the government to grant more licenses for plantations.

About 20 years ago restrictions were introduced on plantation development over fears of their impact on ground water flows. Over the years the South African economy has grown and demand for timber has expanded but the creation of forest resources has lagged behind.

On its part, the sawmilling industry is seeking to increase its efficiency to try and lift recovery from the average 49% at present. To achieve this the industry will need to invest in advanced technologies so the industry has approached the Department of Trade and Industry to explore how the government might aid such a shift in production.

For more see: <http://www.timber.co.za/news/article/prognosis-for-the-timber-industry>

Value of approved residential building plans dips

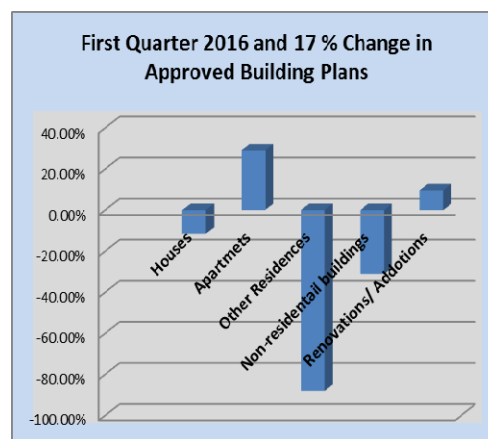
The Bureau for Economic Research at the Stellenbosch University (FNB/BER) tracks a range of economic indicators and publishes the FNB/BER Building Confidence Index.

The latest data is for the first quarter 2017 and FNB/BER says its Building Confidence Index improved for the third consecutive quarter in the first quarter of 2017. FNB/BER writes “this marks the highest confidence in more than a year. However, despite the higher confidence, building activity was broadly lower, especially for main contractors”.

The data available show that in the first quarter 2017 the value of residential building plans passed fell by almost 8% compared to the same period in 2016.

Completions in the first quarter rose but with a decline in housing starts activity in the overall construction sector will slow in the second quarter and possibly beyond that.

See: <https://www.ber.ac.za/BER%20Documents/BER-press-release/?doctypeid=1068>



Data source: Statistics South Africa

Malaysia

MTIB transfers local licensing authority to Sabah

Beginning 1 June this year the authority to license the export and import of wood products in Sabah will be transferred from the Malaysian Timber Industry Board (MTIB) to the Sabah Forestry Department. The decision to transfer this authority is considered a ‘historical moment’ in Sabah reversing federal control which has been in place for 25 years. The MTIB will now concentrate on supporting the development of downstream activities in the state.

Rubberwood – the raw material for added value products

The Plantation Industries and Commodities Ministry said last year the export of wood products from Malaysia stood at RM22.1 billion, of which Sabah contributed about RM1.75 billion or 7.9 per cent.

Although Peninsular Malaysia harvests from the natural forests are small, manufacturers have built a vibrant industry around the readily available rubberwood resources and have developed an extensive international market for rubberwood furniture.

More protected areas in Sabah

The Sabah Forestry Department has been systematically reclassifying much of the natural forest in the state as Total Protected Areas (TPAs). The forests in Sabah are rich in commercial species but now greater emphasis is on plantations.

The Chief Conservator of Forests in Sabah said although plantation timbers are not of the same quality as timber extracted from natural forests they could be turned into high quality products, adding that the pattern of industry

development in Peninsula Malaysia is likely to be repeated in Sabah as the local plantations become ready for harvest.

Sarawak – jobs security a priority as log harvests reduced

Sarawak Urban Planning, Land Administration and Environment Minister, Len Talif Salleh, in speaking to the State Assembly, said there would be a gradual reduction and phasing out of logging activities in the natural forest.

He continued saying, the state government needs to take a holistic approach to the issue of natural forest logging in order to avoid any negative impact on industrial production and job security in the state. He said the timber industry would be given time to adjust to the new situation.

Last year timber exports from Sarawak amounted to RM5.95 bil. and the industry has created employment for over 100,000 people in the state. Also last year the state government collected RM550 mil. in royalties, premium, levies and fees from the industry which was used to implement development projects.

The minister reiterated that the state government would stop issuing timber licenses on state land except for development purposes and would continue to strengthen enforcement against illegal logging. He said the state's forestry policy also included making it compulsory for timber license holders in the Heart of Borneo Conservation Area to obtain internationally-accepted forest management certification to ensure good practices and sustainability.

In addition, he said the state government planned to gazette up to one million hectares as totally protected areas by 2020. At the same time, he said the government was stepping up its planted forest programme with a target of one million hectares to be planted by 2020.

On the issue of plantations, Sarawak Chief Minister Datuk Amar Abang Johari Tun Openg, said he was disappointed that the timber industry has not done more to help develop a forest plantation industry in the state.

See: <http://www.thestar.com.my/news/nation/2017/05/19/abang-joo-raps-timber-firms-over-lack-of-reforestation-efforts/#2mpXWAXoztxVMiiW.99>

Malaysia Agarwood Fair 2017

The harvesting and trade of agarwood (also known as gaharu or aquilaria) in Malaysia has progressed over the years thanks to the MTIB which oversees and monitors agarwood plantations.

The export value of gaharu products amounted to RM15.16 million in 2016, up 15% from the year before. Of this, RM10.3 million was derived from the export of agarwood products comprising wood chips and wood blocks, while RM3.74 million came from the export of agarwood essential oils, and the remaining RM1.12 million from agarwood pieces.

Recently, MTIB hosted the Malaysia Agarwood Fair 2017, the first for Malaysia. A total of 10 companies producing agarwood products ranging from wood chips and blocks, oudh perfume, tea and other products participated in the fair.

Plywood export prices

Plywood traders in Sarawak reported mid-May export prices as follows:

Floor base FB (11.5mm)	US\$570-575/cu.m FOB
Concrete formboard panels	
CP (3' x 6')	US\$440/cu.m FOB
Coated formboard panels	
UCP (3' x 6')	US\$510/cu.m FOB
Standard panels	
S. Korea (9mm and up)	US\$395/cu.m FOB
Hong Kong	US\$405 FOB/cu.m.
Middle East	US\$390/cu.m FOB

Indonesia

Indonesian furniture warehouse in LA

At the opening in Los Angeles of a new warehouse by an Indonesian furniture manufacturer, Umar Hadi, Consul General of Indonesia, complemented the Indonesian company saying demand for furniture products in the US is expected to continue increasing around 3-4% per year.



Data source: US Department of Commerce

Data from the US Department of Commerce for 2016 shows that on the west coast of the US Indonesia's furniture exports enter through Los Angeles and San Diego Ports.

Coordination of efforts to boost furniture and handicraft sectors

The Director General of Agro Industry, Panggah Susanto, said the government is determined to support development of the furniture and handicraft industries and is working to strengthen coordination between the various ministries involved. Priority is being given to ensure raw materials are available, promoting exports and encouraging investment.

Panggah reported that his ministry had asked the Minister of Agriculture to exclude furniture samples from the quarantine process.

In related news, the Ministry of Industry has adopted a target for furniture exports of US\$3.5 billion by 2019. Currently, Indonesian furniture exports are around US\$1.5 billion. According to the Director General of Small and Medium Industries of Ministry of Industry, Gati Wibawaningsih, the government's efforts include support to improve SME productivity, accessing raw material needs and assistance in the import appropriate technologies if not available locally.

Government/private sector effort needed in conservation programmes

The Director General of Social Forestry and Environmental Partnership, Hadi Daryanto, (Ministry of Environment and Forestry) has said forest restoration programmes would benefit from multi-stakeholder approach.

He called for a new approach to implementing landscape conservation and restoration programmes saying they should be designed to involve government, the private sector and civil society stakeholders.

Hadi emphasised that progress would be ensured if both government and private sector could direct resources to conservation and restoration efforts.

See: <http://ekonomi.metrotvnews.com/mikro/gNQlld5K-restorasi-hutan-butuh-kemitraan-multipihak>

Pleas to revise peatland regulation

Businessmen and the Ministry of Industry have urged the Indonesian President to revoke or revise regulation No.57 2016 on the Protection and Management of Peat Ecosystems.

The Indonesian Forest Entrepreneurs Association (APHI) of the Riau Regional Commissioners say the current regulation threatens the viability of the industrial timber plantation industry and has a negative impact on rural economies.

The Ministry of Industry, in its approach to the President, said the regulation as it now stands will negatively impact the paper and palm oil industries because both industries use timber raw materials from peatland areas.

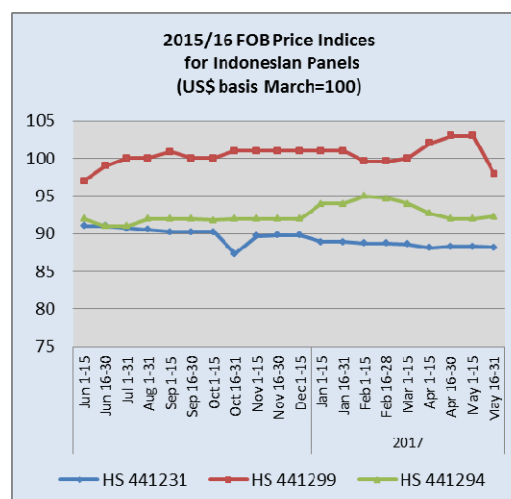
Forest Moratorium extended

The Indonesian President has approved a two-year extension to a moratorium on issuing new licenses over land designated as primary forest and peatland.

This latest extension of the moratorium is the third following the initial one in 2011 under the previous administration of President Susilo Bambang Yudhoyono.

The decision to extend the moratorium is partly in an effort to reduce emissions from fires during land clearing.

The government's forest moratorium covers an area of around 65 million hectares.



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

Myanmar

Third party verification for Myanmar MLAS

The Myanmar Forrester certification Committee MFCC) is inviting agencies capable of providing third party verification services in respect of the Myanmar timber legality system. The credibility of the MFCC has been called into question by civil society groups.

To reassure the international market the Forestry department has banned the export of wood products made from the confiscated logs, logs from conversion and logs from conflict areas.

Barber Cho, Secretary of MFCC said that the creation of a 'Focal Group' and the setting up a system for third party verification of the Myanmar Timber Legality Assurance System (MTLAS) is a vital first step in regaining the confidence of the international markets.

A recent review of the MTLAS determined that greater public consultation was needed and that there was a need for independent monitoring, both issues are being addressed.

MTE sales in only US Dollars – no sales in Kyats

The Myanma Timber Enterprise (MTE) Export Marketing and Milling Departments has concluded its recent sale at which some 3,200 tons of teak logs, 366 tons of teak sawnwood and 1,870 tons of other hardwood logs were on offer.

At the same time they offered around 5,700 tons of teak and other hardwoods logs under the tender system. Sales through both systems had to be in US dollars.

Previously the Local Marketing and Milling of the MTE conducted business in local currency but that is no longer the case.

The Forestry Department has declared that all logs to be processed for export must be paid for in US Dollars not Kyats.

Local conventions at odds with HS coding

Myanmar's Ministry of Natural Resources and Environmental Conservation (MONREC) has issued an order that all timber must be assigned a HS code within HS 44.07 this code includes rough-sawn timber –under domestic industry practice.

This, say local analysts, can include sawnwood (also called conversion timber). It can also include squares, posts, flitches, board, scantlings and flitches.

The domestic millers are not clear how this will mirror items in the definition of 'Special Commodity' which will attract an export tax.

Analysts point out that under the special commodity tax sawn timber (either rough sawn or not) the tax is structured to affect only large sawn baulks, i.e. if the square section is 12 inches or more.

May teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	9.9	4,200
SG-2	10.2	4,700
SG-4	58.0	3,675
SG-5	216.3	2,519
SG-6	150.7	2,145
SG-7	65.7	1860

It will be seen that the average price of the highest grade of logs was below that of the second highest grade. This is not the first time this has happened and reflects the different assessment of the quality of the logs in the parcel by the MTE and the commercial buyers.

India

Businesses look for interest rate cut

The government has reported that inflation in April eased to 3% and analysts say that as the monsoon is expected to be normal and because grain production in 2016-17 was satisfactory, inflation can be held in check this year. The private sector is hoping that this will encourage the Reserve Bank of India (RBI) to lower interest rates.

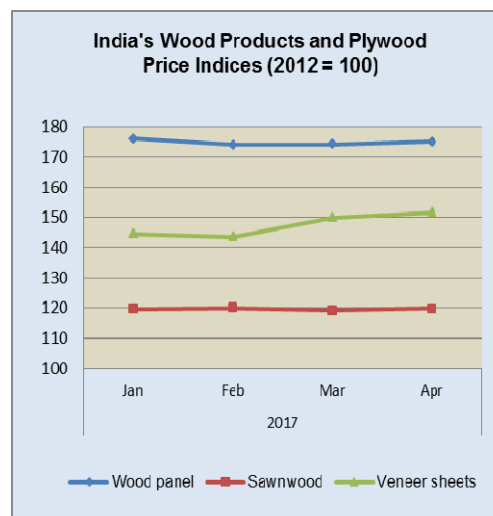
Wood product price indices

A press release from the Office of the Economic Adviser to the Indian government has announced changes to the Wholesale Price Indices report.

The Indian government periodically reviews and revises the base year and range of products included to improve the quality, coverage and representativeness of the indices. As a result of the recent changes new indicative timber sector indices will be reported to replace the previously reported wood products and plywood indices.

The press release can be found at:

http://eaindustry.nic.in/uploaded_files/Press_Release.pdf



Data source: Ministry of Commerce and Industry, India

CITES and India's *Dalbergia sissoo*

Export certification of India's rosewood (*Dalbergia sissoo*) is presently managed by CITES India which operates within the Wildlife Section of Ministry of Environment and Forests. Traders report that international buyers are satisfied that certification is provided by CITES through a department of government.

Fears had been expressed that India's export of rosewood musical instrument parts and handicrafts could be disrupted but now business has returned to normal.

Notwithstanding this exporters contend that, given the abundant and well managed sources of Indian *Dalbergia*, it should not be included in the CITES listing.

Home building plan will require huge volumes of wood products

The international brokerage firm CLSA (<https://www.clsa.com/>), in a recent report, said the Indian government's plan to build homes for all Indians could generate business worth over US\$1 trillion.

The government's plan calls for around 60 million homes to be built between 2018 and 2024, most of which will be included in the 'affordable housing programme' and will require huge volumes of plywood and other wood products.

An investment of this size, says the CLSA report, could create over 2 million jobs annually and add nearly 1% to GDP.

For more see: <https://qz.com/979059/indias-economy-is-set-for-a-1-3-trillion-bonanza-from-60-million-new-homes/>

Madhya Pradesh teak and hardwood auctions

The teak logs auctioned in depots in Madhya Pradesh come mainly in 2 to 5 metre lengths and mostly of girths 120 cms and below.

Madhya Pradesh teak logs have good form (cylindrical like pencils) and the wood has a golden colour with black stripes.

The latest Madhya Pradesh auctions were held at Harda, Jabalpur, Hoshangabad and Betul division depots and over 10,000 cubic metres of teak logs and approximately 7,000 cubic metres non-teak hardwoods were sold.

Buyers were mostly from local mills plus some merchants from Gujarat, Maharashtra, Rajasthan and South India. Price indications for the Madhya Pradesh auctions are shown below

	Girth cm.	Rs./cu.ft.
4-5 m Length	91+	2000
	76-90	1800 - 1900
	61-75	1600 - 1700
	46-60	1400 - 1500
3-4 m Length	91+	1700+
	76-90	1450 - 1500
	61-75	1350 - 1400
	46-60	1250 - 1300
2-3m Length	91+	1500+
	76-90	1300 - 1400
	61-75	1250 - 1300
	46-60	1100 - 1200

Good quality non-teak hardwood logs attracted good prices. Logs of 3 to 4m length having girths 91 cms & up of haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*) and *Pterocarpus marsupium*, fetched around Rs.700 to 750 per cu.ft. . Second quality log prices were in the region of Rs.350 to 500 per cu.ft while the lowest quality logs attracted offers between Rs.200 to 300 per cu.ft.

WPC production comes to India

The Indian press is reporting that Reliance Industries (RIL) has concluded an agreement with Germany's Resysta International providing for the exclusive rights for production and marketing in India of a wood polymer composite (WPC) 'RelWood'.

See:

http://www.business-standard.com/content/b2b-plastics-polymers/reliance-partners-with-germany-s-resysta-for-wood-composite-technology-117042700253_1.html
and

<http://www.thehindu.com/business/ril-partners-with-germanys-resysta-to-bring-innovative-wood-alternative-in-india/article18226498.ece>

Wood Plastic Composites (WPCs) are produced by combining ground wood particles and heated thermoplastic resin.

The Indian Business Standard article on the latest development says around half of current demand for WPCs in India is met by imports from China and the market for WPC products has been growing at around 15% per year for the past 5 years.

Imports of plantation teak

Prices for imported plantation teak have not changed over the past two weeks.

	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

Price range depends mainly on length and cross section

Imported sawn hardwood prices

Prices for sawnwood milled domestically remain unchanged.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1100-1200
Radiata pine AD	700-800
Whitewood	800-900

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7500-8500
Teak B grade	5250-5750
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	1200-1400
Hemlock AB grade	1200-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Prices for WBP marine grade manufactured by domestic mills

Analysts expect plywood prices to rise further in the coming months.

Plywood Ex-warehouse	Rs. per sq.ft
4mm	46.50
6mm	62.00
9mm	79.00
12mm	96.00
15mm	128.00
18mm	135.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	23.50	35.00
6mm	35.50	45.00
9mm	45.00	55.00
12mm	55.00	66.00
15mm	67.00	80.00
19mm	76.00	90.00
5mm Flexible ply	47.50	

Brazil**Recession drives down inflation**

The annualised inflation rate in Brazil dipped below 4% in mid-May, the lowest for around 10 years. This is widely expected to lead the Central Bank to cut interest rates.

Inflation has fallen from a high of almost 11% in January last year to below the government's target. The sudden turn-around is largely the result of the recession in Brazil which has resulted in unprecedented unemployment and weak consumer demand. If the low inflation holds the Central Bank is expected to cut interest rates

Amapá will have a system to control forest products

On May 16, the Forest Institute of Amapá State (IEF) met to discuss the establishment of a Working Group that would deal with forestry issues in the state of Amapá, in the Amazon region.

One of the aims of the group is the improvement of the timber tracking system in the state, part of the National System for Control of Forest Products Origin (SINAFLO) that was developed by the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA). Improvements planned will upgrade the system to offer greater transparency.

The SINAFLO system tracks the origin of timber, charcoal and other forest products. Monitoring is done from logging permits to transportation, storage, processing and export. The improved system in Amapá State will be phased in and should be fully operational by January 2018.

Export update

In April 2017 Brazilian exports of wood products (except pulp and paper) increased 16% in value compared to April 2016, from US\$190.5 million to US\$221.0 million.

The value of pine sawnwood exports increased 37% between April 2016 (US\$28.0 million) and April 2017 (US\$38.3 million). In volume terms, exports increased 25% over the same period, from 149,800 cu.m to 187,700 cu.m.

However, tropical sawnwood exports dropped just over 11% from 35,000 cu.m in April 2016 to 31,000 cu.m in April 2017. The value of exports also declined by the same percentage from US\$16.0 million to US\$14.2 million, over the same period.

Pine plywood exports increased almost 22% in value in April 2017 compared to April 2016, from US\$33.4 million to US\$40.6 million. It was encouraging to see that the corresponding increase in export volumes was 13% over the same period, from 129,800 cu.m to 146,800 cu.m.

There was positive news on tropical plywood exports which increased significantly in volume and in value, from 12,600 cu.m (US\$4.8 million) in April 2016 to 13,900 cu.m (US\$5.4 million) in April 2017.

The good news continued with wooden furniture export values rising from US\$35.2 million in April 2016 to US\$38.2 million in April 2017 (+ 8.5%).

Chinese delegation announces interest in the timber sector of the State of Amazonas

A delegation from the Chinese Forest Industry Association comprising representatives of the government and the business community visited the headquarters of the Federation of Industries of the State of Amazonas (FIEAM) to discuss opportunities for investment in Brazil's timber sector..

A spokesperson for the Chinese delegation said China has extensive cooperation with other countries in forestry research, industry, scientific innovation and technology and see opportunities in the state of Amazonas, home to the world's largest rainforest.

The delegation aimed to seeks cooperation in the forestry sector and was hoping to facilitate communication to promote business opportunities.

CIPEM searches for new markets and incentives to export

The Center for Timber Producers and Exporters in Mato Grosso State (CIPEM) has been exploring new market opportunities in an effort to maintain sales in the light of the weak domestic market due to the economic crisis in the country.

According to CIPEM, Brazilian wood products are internationally recognised for their quality but, in the case of Mato Grosso State, most companies are not capable of satisfying the requirements of international markets.

According to CIPEM the part of the solution depends upon providing better information on the structure and functioning of overseas markets so that entrepreneurs, especially SMEs, have confidence to invest to lift production and marketing skills to international levels.

CIPEM also highlighted the value to manufacturers from participation in national and international fairs.

To provide a baseline for further development a survey of manufacturers will be undertaken in cooperation with companies affiliated with CIPEM in order to plan international export promotion.

Study challenges government timber recovery baseline

The Mato Grosso State University (UNEMAT) has unveiled a study that challenges the Volumetric Yield Coefficient (CRV) of 35% in Resolution No. 474/2016 of the National Council on the Environment (CONAMA).

UNEMAT says some commercial species from the natural forest yield a much higher conversion rate and that adoption of a low 35% conversion rate is a mistake.

The university study shows, for example, recovery for angelim-pedra (*Hymenolobium* sp.) is around 52-55% and for cedrinho (*Cupressus Lusitanica*) it is about 42%. In the case of massaranduba (*Manilkara* spp), the study claims the conversion rate can reach 54%.

The study authors say the CRV of 35% does not correspond to the reality achieved by companies in Mato Grosso and could have a negative impact. The University plans a comprehensive study to create more data to accurately reflect recovery and production.

The danger from adopting the low recovery figure is that millers would be challenged when production is higher than would be expected if the recovery rate was 35%.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	212
Jatoba	118
Massaranduba	121
Muiracatiara	122
Angelim Vermelho	117
Mixed redwood and white woods	99

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	944
Jatoba	478
Massaranduba	442
Muiracatiara	446
Angelim Vermelho	393
Mixed red and white	260
Eucalyptus (AD)	223
Pine (AD)	160
Pine (KD)	183

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	598
10mm WBP	459
15mm WBP	409
4mm MR	517
10mm MR	385
15mm MR	356

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDParticleboard	264
15mm MDF	341

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1429
Jatoba	920
Massaranduba	771
Muiracatiara	737
Pine (KD)	189

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)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,564
Jatoba	1,467

Source: STCP Data Bank

Peru

Peruvian entrepreneurs visit LIGNA 2017

For the first time Peruvian entrepreneurs from the timber sector in Peru visited LIGNA 2017. This exhibition offers an opportunity for visitors to update on forestry and processing technologies, sawmill technology, solid wood working, developments in the wood energy sector and machinery and equipment.

One of the Peruvian group commented that it was interesting to see firsthand progress in production innovations and technologies.

Loreto Region initiates new process for allocating concessions

The Forestry Development Executive Board has reported that the Loreto Region has some 1.2 million ha. of forest that could be made available to concessionaires and that a new fast track allocation process will be available.

It was also reported that the regional government of Ucayali is adjusting the way it manages concession allocation based on guidelines provided by Serfor. They are also providing technical advice to the regional governments of Loreto, Ucayali, Madre de Dios, Huánuco and San Martín on the guidelines and other technical issues.

In related news, the Forestry Development Executive Board presented a progress report on the National Protocol to Standardise Criteria for Evaluation of Timber Forest

Resources. This was agreed by the forestry authority, the Forest and Wildlife Resources Monitoring Agency (Osinfor), regional forestry agencies and civil society.

Work begins on draft National Forestry Plan

The National Forestry and Wildlife Service has begun drafting a National Forestry and Wildlife Plan (PLNFFS), a guiding document for the next 10 years.

The development of the PLNFFS will focus on “participation, commitment and a vision of the future for the benefit of present and future generations”, said Vice Minister Quijandría.

The development of the plan is seen as vital as the contribution of the forestry sector to the Peruvian economy as reflected in GDP barely achieves 0.9%.

The aim of the national plan is to increase this contribution through competitive and sustainable activities which will lead to greater and well distributed wealth as well as better living conditions in the people.

The PLNFFS aims to provide a strategy for public and private action in the forestry sector.

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m3
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD	
Central American market	879-925
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD	
Mexican market	486-549

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	-
Virola	237-255
Spanish Cedar	316-368
Marupa (simarouba)	185-198

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	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m ³
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1296-1380
Cumaru KD, S4S	
Swedish market	962-1095
Asian market	1058-1098
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

Consumer spending still frozen

Japan's economy grew 0.5 percent in the first three months of 2017 marking its fifth straight positive quarter, the longest expansion in more than a decade.

Figures recently released show that GDP was boosted by exports and by investments related to development of centres for the Tokyo Olympics in 2020. However, looking ahead analysts foresee a slowing in the second half of this year due mainly to a slowing of demand in China.

Despite the good news on exports consumer spending in Japan has not stirred and it needs to if deflation is to be driven back. Individual spending accounts for more than half of Japan's GDP. Government figures show the average of monthly consumption per household for March was yen 300,889, down 5.3% year on year.

Private sector sentiment remains positive

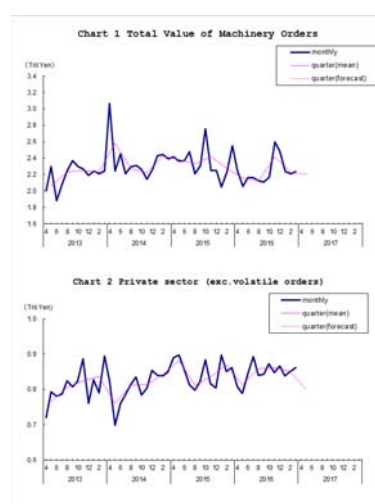
Cabinet Office data on private-sector machinery orders showed a modest month on month improvement in March

marking the second consecutive month of gains driven largely by investment by manufacturers.

The Cabinet Office press release says the total value of machinery orders received by 280 manufacturers operating in Japan increased by a seasonally adjusted 1.3% in March. But for the first quarter 2017 machinery orders were down almost 8% compared to the last quarter 2016.

The figures on machinery orders are viewed as an indicator of capital spending sentiment by the private sector. Analysts say the machinery order data tends to be volatile so not too much should be read into a single month movement as this does not indicate that the moderate, broad-based improvement in capital expenditure is in reverse.

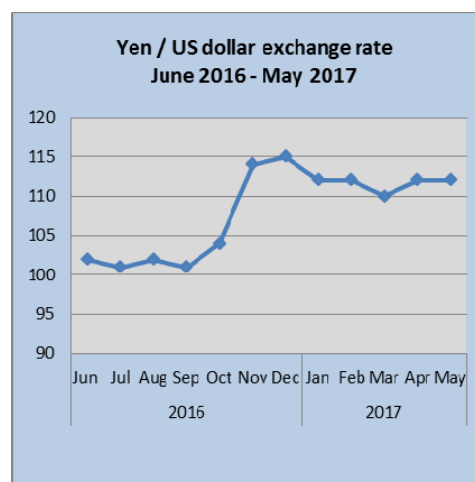
See: <http://www.esri.cao.go.jp/en/stat/juchu/1703juchu-e.html>



Source: Cabinet Office, Japan

Competitively priced yen welcomed by exporters

In mid-May the US dollar weakened against the yen pushing the yen close to the 110 level for the first time in months.



The weaker dollar was deemed a reaction to fears that the controversies swirling in the US administration would hold back planned tax cuts and infrastructure spending, both of which have been welcomed by the private sector.

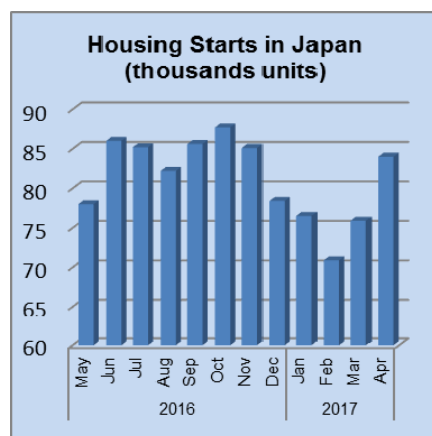
However, towards month end the dollar rose again shedding the losses sustained mid-month and settled back at around 112 to the dollar.

April housing starts confound forecasters

Data from Japan's the Ministry of Land, Infrastructure, Transport and Tourism Japan's shows that housing starts shot up higher than in March. This confounded analysts who had forecast a decline

Year on year April housing starts were up 2% and compared to March 2017 there was an 11% rise in April. Looking at the data for the first four months of the year there was a 3% rise in starts compared to the same period in 2016.

On the basis of the latest data, 2017 annualised housing starts could come in at around 1.0 million.



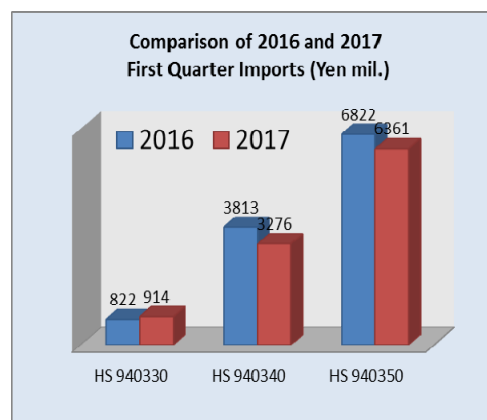
Data source: Ministry of Land, Infrastructure, Transport and Tourism

Japan's wooden furniture imports

The value of Japan's first quarter 2016 and 2017 imports of wooden office, kitchen and bedroom furniture is shown below.

While first quarter imports of wooden office furniture (HS940330) were 11% higher than in the same period in 2016 the value of imports of both wooden kitchen and bedroom furniture (HS 940340 and 940350) fell in the first quarter of 2017 from a year earlier.

Wooden kitchen furniture imports in the first quarter 2017 were down 14% from a year earlier and wooden bedroom furniture imports dropped 7% over the same period.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

In March imports of wooden office furniture from the EU accounted for 27% of all imports of this category of furniture, however, the main supplier was China accounting for almost all of the balance.

Office furniture imports

	Imports Mar 2017 Unit 1,000 Yen
S. Korea	-
China	217,935.00
Taiwan P.o.C	16,719.00
Vietnam	3,126.00
Thailand	2,735.00
Malaysia	2,353.00
Philippines	-
Indonesia	4,491.00
Sweden	795.00
Denmark	8,524.00
UK	-
France	27,534.00
Germany	3,632.00
Switzerland	1,429.00
Portugal	14,878.00
Italy	13,211.00
Poland	10,024.00
Lithuania	979.00
Slovakia	2,113.00
USA	4,927.00
Australia	735.00
Total	336,140.00

Data source: Ministry of Finance, Japan

In February imports from China fell month on month but this was reversed in March as imports from China more than doubled.

While China remains the main supplier other individual supply countries in March include Taiwan P.o.C (5%) and Portugal (4.5%).

Month on month, Japan's imports of wooden office furniture rose 64% in March. The very low figure reported for February imports was exceptional and may be a statistical error. Year on year March imports were also higher, increasing 27% from March 2016.

Kitchen furniture imports (HS 940340)

Wooden kitchen furniture imports to Japan in March were down 15% year on year and flat compared to levels in February.

Vietnam maintained its position as the top supplier of wooden kitchen furniture accounting for over 40% of all imports of HS 940340 products. The Philippines was the second largest supplier in March (18%) followed by China and Indonesia. The top four shippers accounted for over 85% of all arrivals of wooden kitchen furniture in March.

Kitchen furniture imports

	Imports Mar 2017 Unit 1,000 Yen
South Korea	318.00
China	151,752.00
Taiwan P.o.C	-
Vietnam	471,683.00
Thailand	32,884.00
Malaysia	41,418.00
Philippines	191,200.00
Indonesia	120,557.00
Denmark	623.00
UK	-
Germany	31,056.00
Spain	-
Italy	3,264.00
Poland	882.00
Austria	1,113.00
Romania	6,531.00
Canada	3,567.00
USA	4,501.00
Total	1,061,349.00

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

There was a sizeable increase in imports of wooden bedroom furniture in March compared to a month earlier. March 2017 imports were up 40% month on month and up 9% year on year.

Producers in China saw March shipments rise nearly 60% and producers in Vietnam also saw shipment rise (23%). China remained the number one supplier of wooden bedroom furniture in March followed by Vietnam and Thailand. The top three shippers accounted for over 90% of Japan's wooden bedroom furniture imports in March this year.

Of the approximately 2% of March shipment from the EU, more than half was from Poland.

Bedroom furniture imports

	Imports Mar 2017 Unit 1,000 Yen
South Korea	292.00
China	1,299,316.00
Taiwan P.o.C	21,115.00
Vietnam	762,164.00
Thailand	96,268.00
Malaysia	55,243.00
Philippines	-
Indonesia	32,520.00
Cambodia	-
Denmark	940.00
UK	466.00
Belgium	320.00
France	1,483.00
Germany	269.00
Italy	10,743.00
Poland	48,755.00
Russia	490.00
Austria	433.00
Romania	-
Turkey	2,542.00
Lithuania	7,600.00
Bosnia and Herzegovina	983.00
USA	1,000.00
Total	2,342,942.00

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>

Price hike of Malaysian plywood

Malaysian plywood manufacturers are proposing higher export C&F prices one after another.

The reason is higher cost of logs by newly imposed higher timber premium since July 1 this year. Price increase varies by plywood mills but in general, about \$25 per cbm increase for June and July shipment is proposed.

Sarawak plywood mills have not been able to increase the export prices because of depressed market in Japan but they are cornered by high log cost so this hike is inevitable.

In Sarawak, weather continues unstable even after rainy season was over in March with sporadic heavy rain in April and May so that transportation of logs are difficult in poor road condition. Then tight illegal log harvest restriction reduced availability of logs so some plywood mills stopped operation for ten days a month because of shortage of logs.

Sarawak plywood mills are in very tough situation by log supply shortage and higher prices brought by increase of timber premium by the government. Plywood mills ask the Sarawak government to reduce the rate of increase or postponement of increase but the requests are ignored.

Sarawak Timber Association (STA) declared uniform production reduction of plywood in August last year to increase the export prices but the demand in Japan had been stagnant even after such production curtailment. The importers were not able to accept higher C&F prices so the increase remained in small degree.

Indonesian plywood manufacturers follow suit to Malaysian manufacturers and started proposing higher C&F prices. The market prices in Japan have been inching down but by price increase proposal by the Malaysian manufacturers, skidding of the prices are slowing and should be bottoming out.

South Sea(Tropical) logs

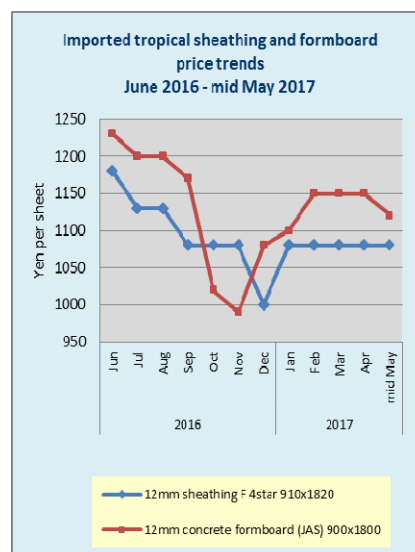
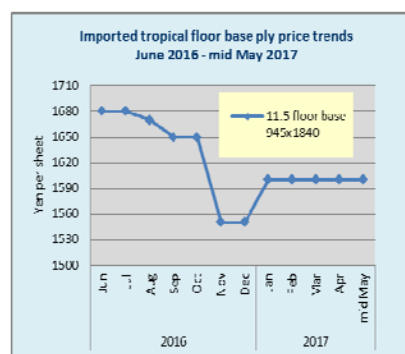
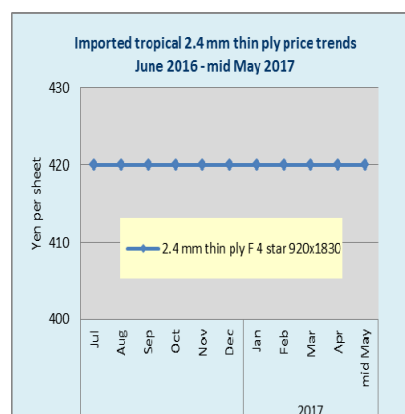
Log supplying regions of Malaysia and PNG are in dry season but continue to have unstable weather so log supply has been tight. Indian buyers are bullishly buying logs but not enough volume. Japanese buyers are not able to have enough logs in Sarawak so they buy more in Sabah.

Sarawak, Malaysia reduced export log quota in 2016 then since July this year, timber premium rate is raised, which pushes log cost up so that log suppliers need to increase log export prices.

Japan has been steadily procuring logs with firm production of South Sea plywood but logs they are consuming now is high because of weak yen at the time of import.

Sarawak meranti log prices for Japan now are unchanged at US\$275-280 per cbm FOB but future prices will be higher for sure. Log prices in Sabah are also climbing together with Sarawak.

Chinese log purchase in PNG and Solomon Island is very active then Indian log buyers come to fill up short supply in Sarawak so competition is hard. Log prices are climbing in PNG and Solomon Islands not only by purchase competition but also by lower log production by unfavorable weather.

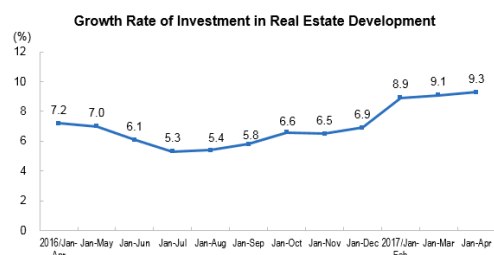


Real estate development in the first four months of 2017

In a press release the National Bureau of Statistics in China reported national real estate sales for the first four months of 2017 increased by just over 9% year on year.

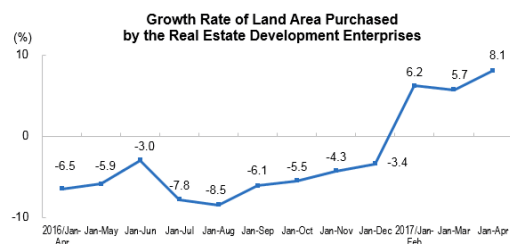
Investment in residential buildings was up by 10.6% down slightly from a month earlier. However, April sales rose at the slowest rate for several months after more municipalities introduced regulations to slow demand for residential properties.

The crackdown on speculative housing investment was strongest in the provinces close to Beijing because a new city plan has sparked excitement of investors looking for quick buy and sell profits.



Source: National Bureau of Statistics, China

Despite the attempts to reign in the housing market, in the first four months there was an increase in the area of land purchased by real estate developers.



Source: National Bureau of Statistics, China

See:

http://www.stats.gov.cn/english/PressRelease/201705/t20170517_1495113.html

No more fees for entry-exit inspection and quarantine

As of 1 April China's Ministry of Finance and National Development and Reform Committee removed the need for traders to pay the inspection and quarantine entry and exit fees for all import and export commodities. The aim of this measure is to mitigate burden on enterprises.

While the fees have been eliminated enterprises must follow the previous formalities.

Call for abolition of consumption tax on wooden flooring

Recently, a large group of companies called for the abolition of the consumption tax on solid composite flooring as the industry is facing tough market conditions.

A 5% of consumption tax has been paid on solid composite flooring for 10 years but this has eaten into the profitability of many wood flooring producers, some of which are said to be on the verge of bankruptcy. The tax burden has undermined demand and this, along with rising labour and raw material costs have created a serious situation for manufacturers.

Output from redwood enterprises falls

It is estimated that there were 15,000 Chinese redwood enterprises in 2016 with annual output value of RMB90 billion. However in 2016 the value of output fell 10% from the previous year.

The Chinese redwood industry is mainly centered on Beijing, Shanghai, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Yunnan, Guangdong, Guangxi and Jiangxi provinces.

Surge in timber imports through Zhangjiagang port

According to the Zhangjiagang Entry-Exit Inspection and Quarantine Bureau in Jiangsu province, in the first quarter of 2017, containerised timber (logs and sawnwood) imports through Zhangjiagang port surged over 60% year on year to 130,000 cubic metres accounting for 37% of the total imports volume through the port in 2016.

The imported timbers were mainly from Gabon, Cameroon, Mozambique and Zambia (mainly *Pterocarpus tinctorius*, a rosewood look-a-like).

Rubber production in Hainan province

Hainan Natural Rubber Industry Group has a national largest natural rubber production base with 250,000 hectares of rubber plantations. The annual output of latex is 230,000 tonnes.

The Group has 12 rubberwood processing factories producing around 300,000 cubic metres of sawn rubberwood, 30,000 cubic metres of laminated timber, 8,000 door sets and about 5,000 cabinet furniture items.

Rise in wood furniture exports from Huizhou City

According to Entry-Exit Inspection and Quarantine Bureau, furniture exports from Huizhou City in Guangdong province rose 17% to US\$133 million in 2016. Wooden furniture exports from Huizhou City have increased every year for the past 7 years.

There are about 180 wooden furniture enterprises in Huizhou City. The main products are wooden tables and chairs, wood frames for sofas, wooden kitchenware and wooden crafts. The main markets are the USA, European Union, Japan, Australia, UAE and Malaysia.

As trade expands under China's 'Belt and Road' strategy, Huizhou wooden furniture makers have diversified exports reaching out to, for example, Cameroon, Mongolia, Kuwait and Qatar. Furniture exports to Southeast Asia, the Middle East and Africa continued to increase.

According to the available statistics, the export value of wooden furniture manufactured in Huizhou City in 2016 almost doubled to US\$580 million between 2010 to 2016.

First imported timber port in West China

A signing ceremony was recently held to launch the RMB30 billion western timber trade centre in Banan District, Chongqing City. Chongqing is situated between the Qinghai-Tibet Plateau and the plain at the middle and lower reaches of the Yangtze River.

It has been reported that wood consumption by manufacturers in Chongqing City has grown steadily for several years. Timber consumption by wood processing enterprises in the western provinces account for around 40% of total consumption. It is anticipated that timber consumption in the western provinces could reach 20 million cubic metres by 2020.

The establishment of a new timber import port and distribution centre for imported wood products will attract wood processing enterprises from the coastal regions. It is expected that timber industry clusters will be created in the future.

Guangzhou Yuzhu International Timber Market Wholesale Prices

Logs		yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-30000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	28000-40000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

Please note that in previous reports the price range for lauan sawnwood was mis-quoted. The price has been corrected in the table above.

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
Afromosia	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	9000-10000
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	9000-9500
Ash	No knot	5600-6300
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	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Shanghai manufacturers began to relocate

Traders report that activity in the Shanghai timber markets is very quiet. Analysts say one reason is that many wood processing plants have relocated.

As early as March this year wood processing enterprises in Shanghai without environment impact assessment certificates were asked to stop production. Also many wood processing factories began to move to Zhangjiagang and Taicang Ports due to the increase in rent and labour costs in Shanghai.

It is estimated that about 1,000 furniture makers have moved out. As this trend continues the timber markets at Taicang and Zhangjiagang will play a greater role in distribution.

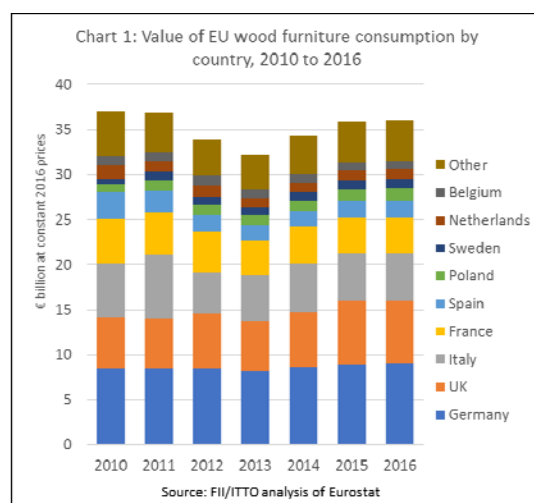
Europe

Mounting competition in EU wooden furniture sector

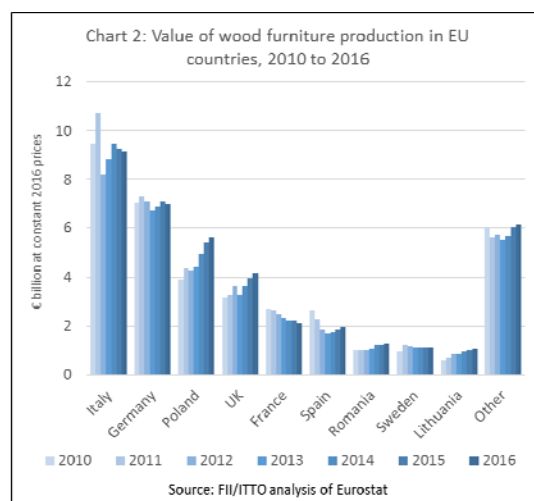
Demand for wooden furniture in the EU is rising slowly but the signs are not very positive for external suppliers into the region, particularly from the tropics.

Although the official Eurostat annual production data has yet to be published, a review of Eurostat indices and trade data suggests that EU consumption of wooden furniture was around Euro 36.1 billion in 2016, a gain of 1% compared to 2015.

During 2016, consumption was quite stable in the largest markets including Germany, the UK, Italy and France compared to the previous year, but consumption increased slightly in Spain, Poland, Sweden and the Netherlands (Chart 1).



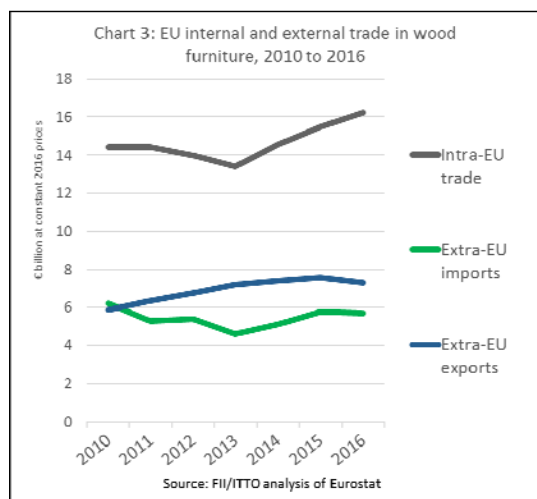
The value of EU wooden furniture production is estimated to have been around Euro 39.6 billion in 2016, 1% higher than the previous year, but still 20% down on the level prevailing before the financial crises in 2008. A slight slowdown in production in Italy and Germany, the two largest manufacturing countries offset gains in Poland, the UK, Spain, Romania and Lithuania. (Chart 2).



Analysis of Eurostat trade data reveals that internal EU trade in wooden furniture was Euro 16.2 billion in 2016, 4% more than the previous year and continuing a rising trend of the previous two years.

This trend is driven both by the slow rise in EU consumption and by rising dependence of the internal EU market on manufacturers located in lower cost member states of Eastern Europe, particularly Poland, Romania, and Lithuania.

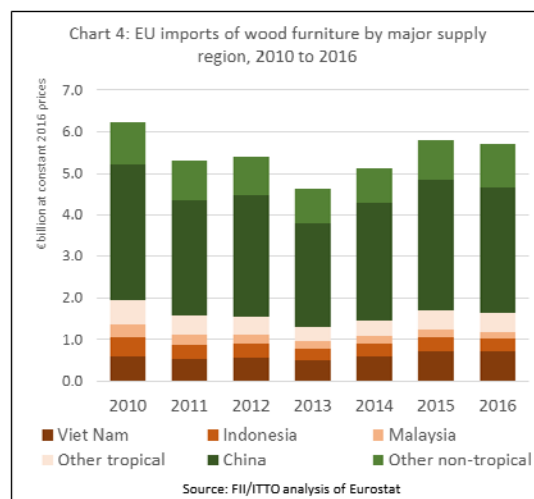
The EU has maintained a trade surplus in wooden furniture since 2011 when exports to non-EU countries overtook imports from outside the EU. However, this surplus has been narrowing, falling from Euro 2.59 billion in 2013 to Euro 1.60 billion in 2016. In 2016, EU exports to non-EU countries fell 4% to Euro 7.31 billion, while imports from non-EU countries fell 1% to Euro 5.71 billion. (Chart 3).



Taken together these trends are indicative of intensifying competition in the EU wooden furniture market. EU manufacturers, particularly in Eastern Europe, are producing more at a time when domestic consumption is growing slowly and exports to other parts of the world are weakening.

Last year EU wooden furniture exports declined into the Middle East and Russia and were flat into North America, Switzerland, Norway, and Japan. Minor gains in China and a few other emerging markets were insufficient to offset declining demand elsewhere.

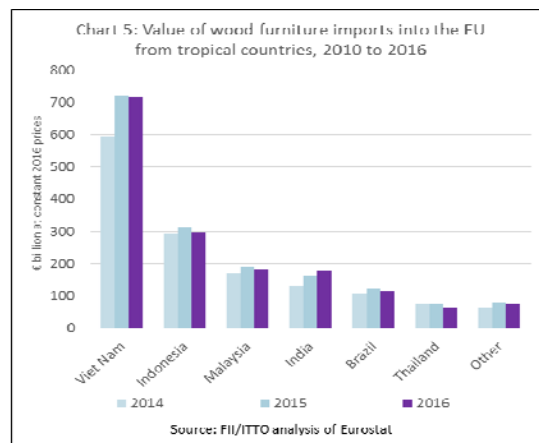
After making significant gains in the EU market in 2015, EU wood furniture imports from China and tropical countries slipped back last year. In 2016, import value declined 5% from China to Euro 3.01 billion and was down 3% from tropical countries to Euro 1.63 billion. However, EU import value from non-EU temperate countries increased by 14% to Euro 1.07 billion, with particularly large gains by Turkey, Bosnia, Serbia, Ukraine and Belarus (Chart 4).



EU wooden furniture imports from SE Asian suppliers fell in 2016

The EU import value of wooden furniture declined from most of the largest tropical suppliers in 2016. Import value was down 2% from Vietnam to Euro 716 million, 6% from Indonesia to Euro 299 million, 5% from Malaysia to Euro 183 million, 18% from Thailand to Euro 63 million and 3% from Brazil to Euro 118 million.

However, India bucked the trend and increased sales in the EU by 10% in 2016, to Euro 179 million (Chart 5).



The total share of tropical countries in EU wooden furniture import value remained level at between 28% and 29% in the last four years. However, during this time the share of Vietnam increased at the expense of other South East Asian countries, and also to some extent at the expense of China, although the latter is still dominant.

Other temperate supplying countries outside the EU – including Turkey, Serbia, Ukraine and Belarus – have also been increasing share at the expense of China and tropical countries other than Vietnam.

Meanwhile, unlike in North America, the EU's domestic manufacturers are maintaining their domination of the European wooden furniture market.

In 2016, domestic manufacturers accounted for around 87% for the total value of wooden furniture supplied into the EU market, the same proportion as the previous year and little changed, in fact, since 2007.

There are many reasons for the continuing dominance of domestic manufacturers. An obvious short term factor is weakening of European currencies in the last 2 years – particularly the UK pound - against the dollar and Chinese yuan.

More enduring factors include: the relative high degree of fragmentation in the European retailing sector – which greatly complicates market access for overseas suppliers; the underlying strength of European furniture manufacturers and their brands in terms of innovation and design; the obstacles to overseas suppliers complying with European technical and environmental standards; and the expansion of furniture manufacturing in Eastern Europe, a location which combines ready access to raw materials and to the internal EU market.

Although labour costs are quite high in Europe relative to China and South East Asia, furniture manufacturers in the EU are making a virtue of their shorter supply chains which not only reduce transport costs but also allow products to be delivered and, if necessary, returned more rapidly.

Long-term implications of Brexit for EU wooden furniture market

Looking to the future, the UK's decision to withdraw from the EU, an event scheduled to take place by 2019, has particularly important implications for long-term growth in EU demand for wooden furniture from tropical countries, although the precise effects are still far from clear.

The UK's decision is particularly significant for the wooden furniture trade because the UK is not only one of the largest consuming markets in the EU, but is relatively highly dependent on imports.

As much as 45% of all wooden furniture purchased in the UK in 2016 was imported, more than in any other large European consuming market including Italy (8%), Spain (26%) and Germany (40%). A relatively high proportion of the wooden furniture imported into the UK is from countries outside the EU.

The UK accounted for more 34% of all wooden furniture, and 40% of tropical wooden furniture, imported by the EU from outside the region in 2016.

The immediate impact of the Brexit vote was to increase the rate of depreciation of the British pound on foreign exchange markets. The pound fell 15% against the US dollar and 10% against the euro in the immediate aftermath of the vote, and the value has remained at the lower level ever since.

The effects of the Brexit vote and weak pound have taken time to filter through into the British furniture market place. The British Retail Consortium (BRC) reported no discernible impact on retail spending and shop prices in the second half of 2016.

However, the higher prices for imported goods combined with uncertainty about long-term economic effects of Brexit now appear to be discouraging consumer spending. According to a study from Deloitte LLP, U.K. consumer confidence weakened in the first quarter of 2017 and households were the most pessimistic about their finances in more than two years.

Longer-term, U.K. market prospects for wooden furniture exporters in tropical countries will be significantly impacted by the outcome of negotiations on the terms of the withdrawal from the EU.

Brexit – soft or hard?

In the event of a so-called “soft Brexit” in which the U.K. remains a part of the EU single market, there may not be a significant change in the current trading environment.

However, this will require both parties to compromise on what, at present, are polarised positions on difficult political issues such as the size of the U.K.'s on-going contribution to the EU budget and the free movement of labour within the single market.

If there is a so-called “hard Brexit” in which the UK fails to reach agreement with the rest of the EU and withdraws or is ejected from the single market – an event which could occur in 2019 – there is very likely to be severe economic fallout in the UK and, to some extent, other EU countries.

Unlike the Brexit vote – which didn't actually lead to any change in the terms of the trading relationship – the U.K.'s withdrawal from the single market would have immediate and very profound effects.

It would impact on investment decisions, consumer spending and confidence, and on immigration and the level of access to, and the price of, labour. The UK's pre-eminent position in the EU in several large service sectors – such as finance and pharmaceuticals – would come under threat with far-reaching implications for the long-term health of the national economy.

A “hard Brexit” would also lead to immediate imposition of tariffs on goods from the EU that previously entered the country tax free. There would be very profound economic dislocation in those sectors that have progressed furthest to integrate supply chains between the EU and UK, such as car manufacturing, electrical goods and chemicals.

There would also be far-reaching effects on those sectors – such building materials and children's toys – where technical and safety standards have been harmonised across the EU.

In these sectors, if the U.K. leaves the single market without, at minimum, mutual recognition with EU conformity assessment bodies, trade would be severely curtailed until the required agreements are put in place. Given the number and complexity of sectors involved, that would take some time.

It should be said that the wooden furniture importing sector in the UK is relatively less exposed to this form of dislocation compared to other industries. EU import tariffs are already zero on all wooden furniture with the exception of components and kitchen furniture which are subject to 2.7% tariff.

The furniture sector is also a so-called “non-harmonised sector” in EU trade law. This means goods are not subject to common EU rules and instead come under national rules. The sector is regulated through the so-called “mutual recognition principle” which states that a Member State must allow a product lawfully produced and marketed in another Member State into its own market.

This is true even if the importing Member State’s local rules impose more stringent (or different) requirements to which the product does not conform.

The importing Member State can disregard this principle only under strictly defined circumstances, such as where public health, the environment or consumer safety are at risk, and where the measures taken can be shown to be proportionate.

In the U.K., there are national requirements for fire safety in furniture which are mandatory for all products placed on the market, irrespective of whether from the EU or outside the EU. Imported furniture must be accompanied by documented proof of compliance and with the required permanent labels attached.

What this means in practice is that the U.K.’s withdrawal from the single market may not significantly alter the terms of trade for wooden furniture imported into the country – since there is already a fairly level playing field between U.K. imports from inside and outside the EU.

Nevertheless, the U.K.’s departure from the free market would mean, at minimum, restrictions on the current free movement of EU goods into the country. A customs clearance process would be imposed for goods coming into the UK from the EU, and vice versa. Each furniture product would need a customer code and be subject to scrutiny by customs at the border.

This adds a layer of trading complexity and increases the potential for delayed shipments, a critical issue in the furniture sector.

The large furniture retailers in the U.K. that already import a lot of product from outside the EU are geared up for this and may benefit from the U.K. leaving the single market.

In contrast, smaller U.K. retailers, and others that are heavily dependent on imports from the EU, might be at a competitive disadvantage. Large pan-European retailers like Kingfisher and IKEA that operate a centralised sourcing strategy and have gone a considerable way to integrate their distribution networks and harmonise sales activities across the continent would have to alter their business model in the U.K.

IKEA, which currently sources the majority of its wooden furniture from mainland Europe, is sufficiently concerned about the prospect of the U.K. leaving the single market that it recently announced its’ intention to manufacture more furniture in the U.K.

According to IKEA, this will help fend-off Brexit-led price rises and competition from outside the EU. The company has stated that it aims to double market share in the UK irrespective of the outcome of Brexit negotiations.

Brexit – an opportunity for tropical country exporters of wooden furniture

Overall, it seems that the U.K.’s departure from the EU might provide some new opportunities for suppliers of wooden furniture in tropical countries. However, it would be wrong to overstate the potential.

A “hard Brexit”, although a distinct possibility, is not certain and there are powerful commercial voices on both sides still lobbying hard for the U.K. to remain a part of the single market.

Even if the U.K. leaves the EU single market, the U.K. domestic furniture industry and large European manufacturers like IKEA, are already developing strategies to steer off what they perceive to be a renewed challenge from competitors outside the EU.

If new opportunities are to emerge for tropical wooden furniture suppliers in the U.K. post-Brexit, they will need to work closely with the large retailing chains – both the high-street stores and e-retailers – that already have global supply chains and will be most willing to make savings and offer lower prices by expanding procurement in tropical countries.

There may also be opportunities at the lower-volume, high end of the market for good quality designer products from the tropics, if these can be shown to be supported by a strong social and environmental narrative. However, that requires significant investment in both design and marketing.

North America

Sawnwood imports rebound

US sawn hardwood imports rebounded in March following a 24% drop in February. March imports of sawn hardwood were 75,114 cu.m., up 41% from the previous month. The volume share of tropical sawnwood in total hardwood imports declined in March compared previous months, but tropical species accounted for over half of the value of imports

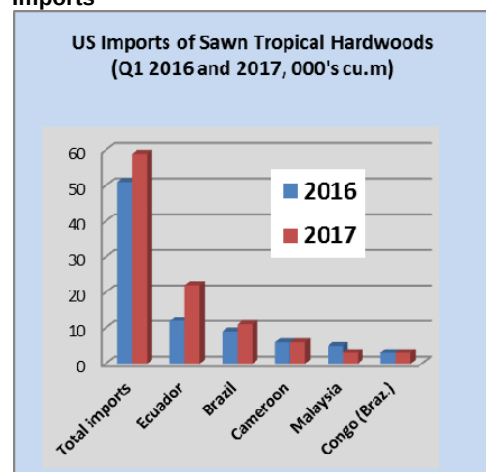
Tropical sawnwood imports increased 24% in March to 19,978 cu.m. and year-to-date imports were also up from the same time in 2016. The value of imports grew 36% from February. Ipe sawnwood imports were 2,780 cu.m. in March, up 14% year-to-date from March 2016.

Ipe imports from Brazil were valued US\$5.8 million, in addition to small import volumes from Guyana and Spain.

Balsa sawnwood imports from Ecuador recovered in March. Balsa imports were 7,352 cu.m., a 76% increase in year-to-date imports compared to the same time last year.

Imports of sapelli sawnwood were down from February, but year-to-date imports increased 11% from March 2016. Cameroon exported 922 cu.m. of sapelli sawnwood to the US in March, followed by Congo/Brazzaville with 604 cu.m.

First Quarter 2016 and 2017 Tropical Sawnwood Imports



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

Hardwood imports from Malaysia were down compared to the same time last year due low imports in January, but in March imports grew to 1,631 cu.m. Keruing sawnwood accounted for the majority of Malaysian shipments in March (1,218 cu.m.).

Imports from Indonesia were 1,145 cu.m. in March and year-to-date imports grew 21% from the same time in 2016.

Canada doubled mahogany imports in March

Canadian imports of tropical sawnwood increased slightly in March to US\$1.95 million (all import values in US dollars). The value of year-to-date imports was up 6% from March 2016. Imports of mahogany sawnwood doubled in March to US\$138,948.

Compared to March 2016 year-to-date imports of mahogany quadrupled. The growth was in mahogany imports from Bolivia which shipped US\$77,167 worth of sawnwood, according to Statistics Canada.

Cameroon also expanded mahogany exports to Canada in March, while sapelli imports from Cameroon declined to US\$188,431. Canada's overall sapelli imports fell to US\$294,636 in March, down one third year-to-date compared to March 2016.

Sawnwood imports from Brazil more than doubled in March to US\$414,194. The bulk of the imports from Brazil are classified "nes" (not elsewhere specified).

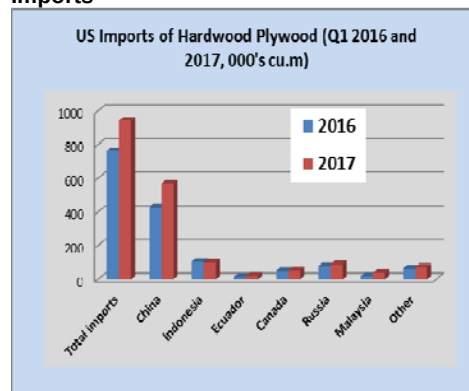
Balsa imports from Ecuador were up in March (US\$419,422). Canadian hardwood imports from Myanmar and Peru rose in March, while imports from Gabon, Malaysia and Thailand declined.

Malaysia and Ecuador expand share in hardwood plywood imports

Hardwood plywood imports declined in March to 285,656 cu.m., but year-to-date imports were 25% above March 2016 levels. The value of plywood imports increased 19% year-to-date. Plywood imports from most countries went up in the first quarter 2017 with the exception of Indonesia.

Imports from Malaysia and Ecuador had higher than average growth. China expanded its share in total year-to-date plywood imports to just over 60%.

First Quarter 2016 and 2017 Hardwood Plywood Imports



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

Among the smaller suppliers, Cambodia increased plywood exports to the US in March (5,335 cu.m.). Imports from Vietnam also grew in March (3,065 cu.m.), but their value declined from the previous month.

Tropical veneer imports continue to fall

Tropical hardwood veneer imports grew 30% in March to US\$2.0 million, but year-to-date veneer imports remain small compared to last year. Year-to-date the US has imported US\$6.2 million worth of tropical veneer, compared to US\$209 million at the same time last year.

Little change in moulding imports in March

Hardwood moulding imports were almost unchanged in March at US\$14.2 million. Year-to-date imports were 3% down from March 2016. Moulding imports from Brazil recovered in March (US\$2.8 million), but year-to-date Brazil shipped 17% less than in March last year.

China remains the largest supplier of hardwood moulding to the US despite a one-third decline in March to US\$4.4 million.

Indonesia and Vietnam expand assembled flooring exports to US

Hardwood flooring imports fell 38% in March from the previous month to US\$2.7 million. Year-to-date imports remain significantly up from last year. Indonesia and China had the strongest year-to-date gain along with smaller suppliers like Brazil. Hardwood flooring imports from Brazil increased to US\$238,520 cu.m. in March. Malaysian shipments to the US fell by more than half compared to March 2016.

Imports of assembled flooring panels (including engineered hardwood flooring) increased 11% in March to US\$10.3 million. Year-to-date imports of assembled flooring were up from March last year with most gains in imports from Indonesia and Vietnam.

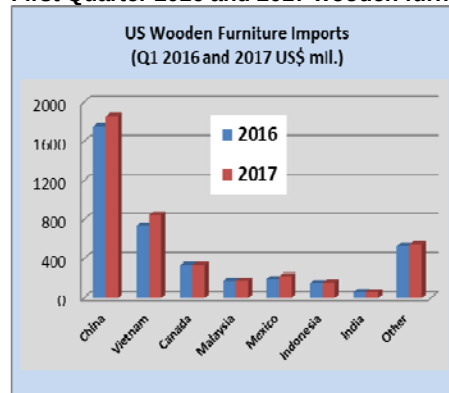
Assembled flooring imports from Vietnam were worth US\$1.1 million in March, compared to US\$1.2 million from Indonesia and US\$2.5 million from China.

Wooden furniture imports from China down

The value of US wooden furniture imports declined for the second consecutive month in March to US\$1.24 billion. Year-to-date imports were still 7% higher than in March 2016.

As in February, the month-on-month decline was mainly in imports from China (-17%) and Vietnam (-15%). Year-to-date imports from Vietnam however, were 15% higher than in March last year.

First Quarter 2016 and 2017 wooden furniture imports



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

Wooden furniture imports from most other countries increased in March. Imports from Mexico grew 16% to 79.4 billion. Furniture imports from Indonesia were US\$60.7 million, up 29% from February. Much of the March decline in wooden furniture imports was in kitchen furniture. Imports of most other types of wooden furniture changed little from February.

GDP growth slows in US but consumer confidence high

GDP growth slowed to 0.7% in the first quarter of 2017, according to the advance estimate by the US Department of Commerce. Lower spending by governments at all levels and higher imports contributed to the lower growth in GDP compared to the 2.1% growth rate in the previous quarter.

However, investment in non-residential and residential construction was up in the first quarter. Economic activity in the manufacturing sector expanded in April, according to the latest survey by the Institute for Supply Management. Furniture manufacturing reported higher output in April, while activity in the wood products industry was unchanged from the previous month.

Consumer confidence in the economy has remained strong since the election of President Trump, according to the University of Michigan's survey of consumers. Even before the election consumer sentiment was positive as household incomes grew and inflation remained low. Buying plans for household durables such as furniture increased in May to its highest in a decade. Overall personal consumption expenditures are expected to grow 2.3% in 2017.

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

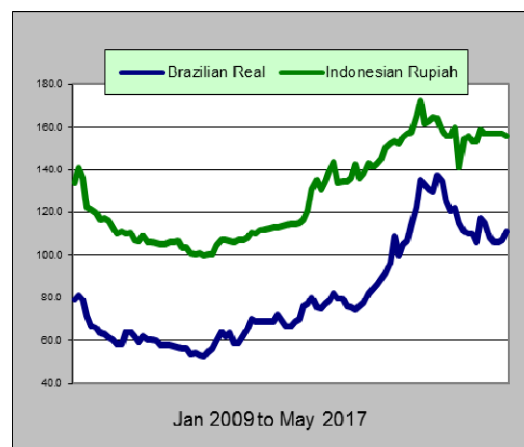
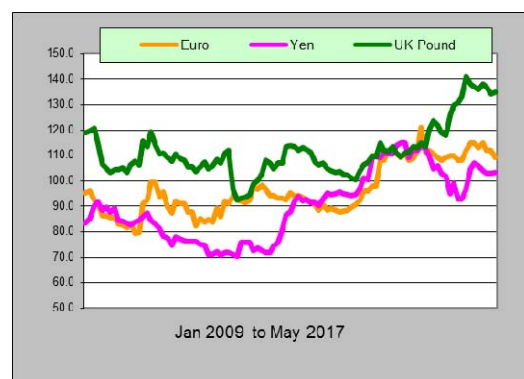
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 May 2017

Brazil	Real	3.2608
CFA countries	CFA Franc	585.89
China	Yuan	6.8555
EU	Euro	0.8943
India	Rupee	64.5407
Indonesia	Rupiah	13295
Japan	Yen	111.34
Malaysia	Ringgit	4.2685
Peru	New Sol	3.2746
UK	Pound	0.7811
South Korea	Won	1118.83

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
June 2016 – May 2017

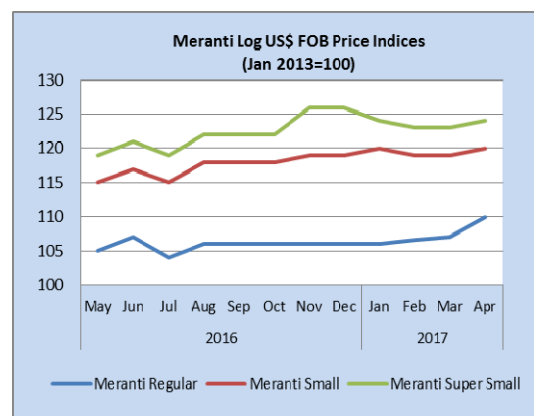


Data source: Open Financial Data Project

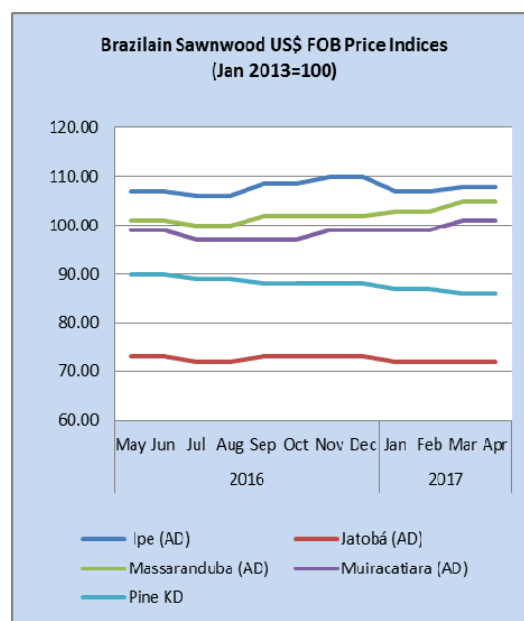
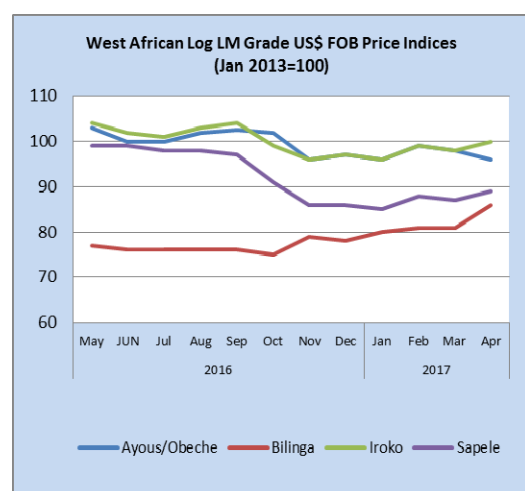
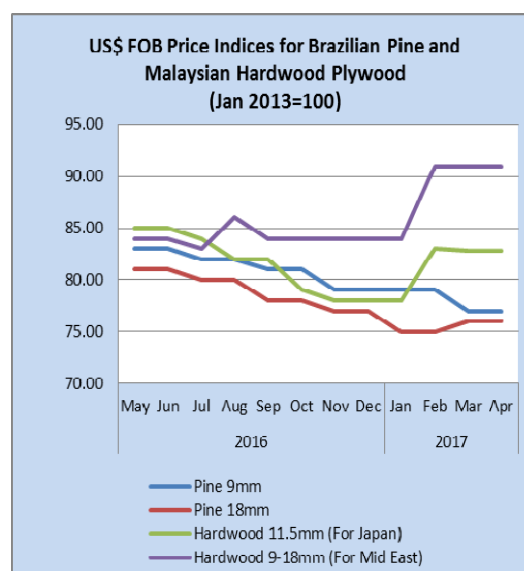
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

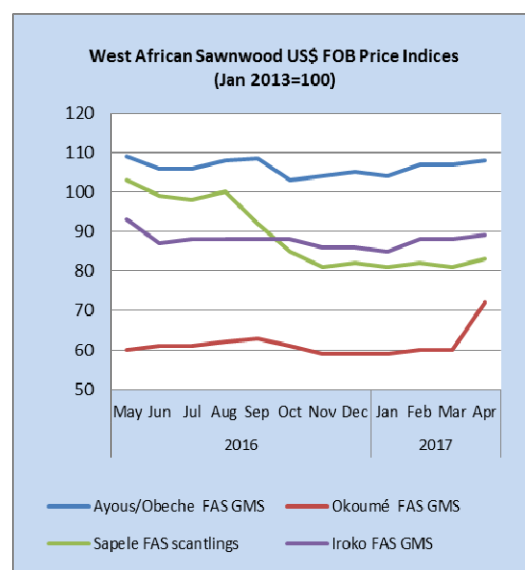
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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