

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

Sabah bans log exports

The Sabah Chief Minister has announced an immediate ban on log exports to ensure sufficient raw materials for mills in the State.

In recent years Sabah exported between 200,000 and 300,000 tonnes of logs to China, Japan, Philippines and India.

In welcoming the ban the president of the Sabah Timber Industries Association said this long awaited measure will help revive the timber industry in the State.

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Central and West Africa

Firming demand will translate into better prices

Producers report the stable market situation reported last month is being maintained and they do not anticipate any change in the coming weeks as there is good to strong demand in almost all markets.

Business with China is picking up but as yet there are no reports of price increases. The trend towards increased sawnwood purchases by buyers for the Chinese market continues with sawn okoume particularly being sought after over the two past weeks.

Business with European importers has strengthened following the usual 'spring surge' but producers say demand is being capped by the more stringent application of the EUTR, especially in the UK where trade is reported as slow.

In contrast, demand in Middle East countries is good say exporters but, as with China, the firm demand has not yet led to improved prices.

In summary, markets are stable, demand is good, prices unchanged and the trend is for prices moving moderately upwards. Mediterranean rim business seems likely grow in the coming months, subject to solving shipping difficulties.

The latest news that the shipping line MSC will increase the bunker surcharge because of higher oil prices could dampen prospects for early FOB price increases.

Gabon industry awaiting policy direction from new minister

The new Forestry Minister in Gabon has yet to announce plan for the sector. Analysts writes "the frequent ministerial changes make it difficult for the industry to discern what might be government policy and whether or when previously proposed initiatives and regulations might be either scrapped or implemented".

Millers in Gabon are still hoping that they will be allowed to export the substantial volume of kevazingo that was milled but not shipped before the export ban.

Government commission to investigate port operations in Cameroon

The Cameroon government has appointed a new Commission to investigate the failed operations at Douala Port.

The problems of delays, missed shipment dates and general lack of maintenance have seriously disrupted shipments of wood products for months and this is one of the reasons quoted by Rougier in their Chapter 11 bankruptcy submission.

Rougier is in serious trouble and reports say the company is cutting its foreign and local work force so as to reorganise the company's sawmills, veneer and plywood operations.

Analysts say the company intends to supply 120,000 cu.m of veneer and sawlogs to OLAM, presumably for the newly established mills in Gabon Special Economic Zones (GSEZs) which have for months been complaining of raw material shortages.

Most timber exporters have now stepped up shipments through the new port of Kribi in which the Chinese government has invested heavily. Media reports say Kribi Port operations will also be reviewed by the new Commission.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	170
Ayous/Obeche/Wawa	275	265	245
Azobe & Ekki	275	275	-
Belli	390	390	-
Bibolo/Dibétou	195	175	-
Bilinga	260	260	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	250	190
Moabi	345	340	275
Movingui	230	230	170
Niove	175	160	-
Okan	245	24%	-
Padouk	340	295	245
Sapele	310	300	245
Sipo/Utile	335	315	245
Tali	405	400	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	900
FAS scantlings	1020
Strips	640
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	480
FAS fixed	480
Moabi FAS GMS	625
Scantlings	630
Movingui FAS GMS	440

Ghana

Manufacturers told - Be more innovative

The Deputy Trade and Industry Minister, Robert Ahomka-Lindsay, has reminded enterprises in the country that the government aims to lift the level of industrialisation and has called upon domestic companies to be more innovative so they can raise competitiveness in the domestic and international markets.

Expansion of the manufacturing sector is at core of government plans to drive the economy and wean it off the dependence on aid. This is part of the Presidents dream of a Ghana 'Beyond Aid'.

For its part, the timber sector is forging ahead with efforts to export a higher proportion of added value wood products.

Port expansions welcomed

The Ghana Ports and Harbours Authority (GPHA) is investing heavily in a programme to modernise the country's port facilities and operations as well as expand port capacity.

In recent years, because of the strategic location and business friendly environment, several shipping companies and trading houses have opened offices in Ghana from which they manage operations along the West African coast. The GPHA has indicated that it aims to triple annual port capacity by mid-2019.

Forestry sector needs stimulus to recover

Timber enterprises are growing increasingly concerned about the declining availability of timber raw materials and are calling on the government to expand efforts on reforestation. The other major problem facing the timber industry is the lack of skilled workers.

In a related development, participants at a global forestry conference, have called on African governments to reverse the declining trend of deforestation on the continent where reports say between 2010 and 2015 Africa recorded the highest net annual loss of forests which was attributed mainly to subsistence farming.

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	580
Niangon Kiln dry	630

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	316	450
Chenchen	449	505
Ogea	473	596
Essa	413	525
Ofram	350	406

NB: Thickness

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanfina	1,098
Avodire	1,177
Chenchen	789
Mahogany	1,088
Makore	913
Odum	1,488

Export Plywood Prices

Plywood, FOB		Euro per m ³	
BB/CC	Ceiba	Ofram	Asanfina
4mm	378	640	641
6mm	396	535	626
9mm	345	446	560
12mm	470	463	480
15mm	450	402	430
18mm	405	417	383

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		490	564
Ceiba		240	195
Dahoma		414	530
Edinam (mixed redwood)		520	599
Emeri		380	428
African mahogany (Ivorenensis)		843	1039
Makore		775	975
Niangon		620	675
Odum		918	841
Sapele		700	750
Wawa 1C & Select		360	446

Malaysia

Sabah ban log exports

The export of logs from Sabah, a major timber producing state, has been banned with immediate effect.

The recently elected Chief Minister, Mohd Shafie Apdal, said the move was taken to ensure sufficient timber for mills in the State and secure jobs. The steady decline in availability of natural forest logs is behind this ban, say analysts.

In recent years Sabah exported between 200,000 and 300,000 tonnes of logs to countries such as China, Japan, Philippines and India.

James Hwong You Chuaang, President of Sabah Timber Industries Association (STIA), welcomed the ban saying this long awaited measure will help revive the timber industry in the State where many mills have been forced out of business because of a log shortage.

It is the uncertainty over log supply that has held back investment in downstream manufacturing said Hwong. The members of the STIA hope this ban will be the beginning of a new era in the timber industry in Sabah.

Malaysian companies urged to use Rotterdam as hub for European trade

The Malaysian Timber Council (MTC) in cooperation with the Netherlands Foreign Investment Agency (NFIA) recently held a seminar themed “The Netherlands: Your Base for Malaysian Timber and Wood Products Exports to Europe”.

The seminar brought together key speakers from Malaysian industry and the Netherlands who spoke on facilities and incentives provided to investors by the Dutch government. At the seminar MTC Chairman, Datuk Gooi Hoe Hin, touted Malaysia as a strategic partner with the Netherlands in reaching the Netherlands target of securing 90% of certified tropical timber products by 2020.

Currently the Netherlands accounts for about 30% of Malaysia’s exports of certified timber and timber products worth around RM435 million last year. Representatives from NFIA, the Holland International Distribution Council (HIDC) and the International Port of Rotterdam promoted the Netherlands as an ideal European trade hub.

No news yet of governments plans for forestry

Calm has returned to Malaysia after the recent general election which saw the ruling party of over 60 years replaced by an opposition coalition.

Malaysia is a federation of 13 states and three federal territories and forestry is the responsibility of the states not the federal government. Under the new political administration three states are controlled by the (now) opposition party, this includes Sarawak a major timber producing state.

The Federal Cabinet is currently being formed and it is still too early to know of any changes, if any, to the direction on national forest policy or policies affecting the timber industries.

Sarawak Plywood prices.

Traders based in Sarawak reported the following export prices of plywood:

FB (11.5 mm) US\$ 740 FOB

CP (3’x 6’) US\$ 560 C&F

UCP (3’x 6’) US\$ 660 C&F

Standard panels 1200x2400

Middle East (thick panel) US\$ 465 FOB

South Korea (9mm and above) US\$ 520 FOB

Taiwan P.o.C (9mm and above) US\$ 520 FOB

Hong Kong US\$ 520 FOB

Indonesia

Mills maintain output despite recent dip in log production

The Chairman of the Indonesia Sawmill and Woodworking Association (ISWA) has said exports by members of the Association in the first quarter of this year were around the same as in the same period last year.

Data compiled by the Association show exports in the first quarter of 2018 at approximately 1 million cubic metres worth US\$550.5 million. This was significant he said as there was no major impact from the decline in natural forest log production.

Last year exports of processed wood products amounted to just over 4 million cubic metres worth US\$2 billion (FOB). Exports of BareCore contributed most in volume to 2017 exports (1.9 mil. cu.m). BareCore is a panel comprised of strips of solid wood glued together and commonly utilises *Albizia falcata*.

However, in terms of value, moldings contributed the most, US\$727.5 million. China was the main market importing some 2 million cu.m worth US\$637 mil. in 2017.

Furniture companies still suffer domestic regulatory hurdles

Indonesian furniture and handicraft manufacturers are seeking assistance from the government to urge local governments to implement government directives on deregulation of production.

The Vice Chairman of Association of Indonesian Furniture and Handicraft Industry (HIMKI), Wiradadi Suprayogo, said that many members complain that regulatory obstacles are still being encountered despite the many changes that have been introduced aimed at easing the burden on enterprises and these amount to non-tariff barriers for the local industry.

In addition, the Association is questioning the logic of imposing SVLK certification on enterprises which utilise already SVLK certified raw materials.

State of Indonesia’s Forest – a new publication launched

The Ministry of Environment and Forestry has announced it will publish the first ‘State of Indonesia’s Forests’ in collaboration with FAO.

The publication will highlight efforts by the government to promote good governance and sustainable forest management in Indonesia.

The Minister of Environment and Forestry, Siti Nurbaya, who will be the editor of this publication, said this is a huge step forward for Indonesian forestry.

See:<http://indonews.id/artikel/13411/KLHK-dan-FAO-Susun-Dokumen-Status-Hutan-Indonesia/>

Speedy VAT refund would aid industry

Wood product exporters are calling on the government to speed up the process of VAT refunds to boost the competitiveness of the national plywood industry.

Gunawan Salim, of the Indonesian Wood Panel Association (Apkindo) said the 10% VAT on roundwood purchases is a burden for the plywood industry where log costs can make up as much as 60% of production costs.

In Indonesia the VAT can be refunded when processed products are exported but at present it takes the government agency responsible around one and a half year to process refunds. Apkindo has repeatedly submitted proposals to accelerate refunds.

Ministry of Trade - No to log exports this year

The domestic press is reporting that, according to Tuti Prahastuti, Director of Export of Agricultural and Forestry Products, the Ministry of Trade has no plans to allow log export this year despite the request from the Ministry of Environment and Forestry.

A review will be conducted by the Coordinating Ministry of Economic Affairs according to Tuti. The main concern is that natural resources should be utilized for the manufacture and export of downstream products. Resistance to the log export proposal has come from furniture and wood product manufacturers who fear a decline in availability will lead to a surge in log costs as export logs attract high prices.

Log production set to rise

The Executive Director of the Association of Indonesian Forest Concessionaires (APHI), Purwadi Soeprihanto, has reported that first quarter 2018 log production was 10.62 million cubic metres, only slightly down on the level in the same period in 2017 (10.95 million cubic metres).

The dip in 2018 first quarter production was the result of bad weather which hampered logging according to Purwadi.

APHI is forecasting that roundwood production will increase from April when the dry season sets in and production will rise as log prices at present are good. APHI has suggested that roundwood production this year will be around 10% more than last year..

Export market data

In 2017 the value of exports to Asian and North American markets accounted for over 80% of total exports.

Top 10 wood product export destinations (Jan-May 2018)

	FOB (000s US\$)
China	1,293,068
USA	757,103
Japan	644,013
South Korea	284,751
Viet Nam	170,307
India	162,750
Netherlands	162,350
Malaysia	159,700
Australia	155,887
Taiwan P.o.C	140,360

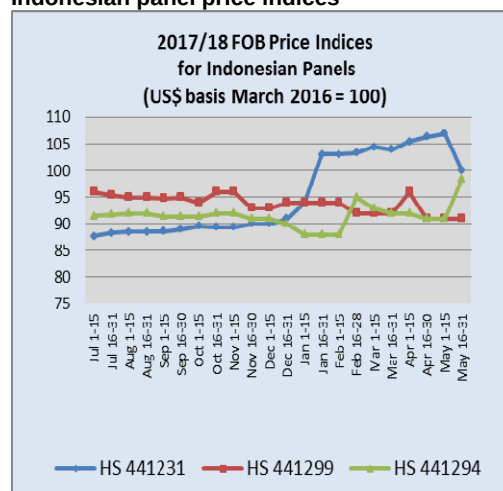
<http://silk.dephut.go.id/index.php>

2017 FOB export values by region

	FOB US\$ millions
Asia	7,814
N. America	1,286
EU	994
Oceania	436
Africa	331
S. America	41
Other Europe	30
Others	1,285
Total	10,932

<http://silk.dephut.go.id/index.php>

Indonesian panel price indices



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

Myanmar

Myanmar to adjust dates of fiscal year

The Myanmar Timber Enterprise (MTE) intends to sell about 440 h.tons of teak logs and about 9,500 h.tons of non-teak logs each month between April and September this year.

Myanmar has revised the system for the beginning and end of the fiscal year which currently runs 1 April to 31 March. In future the fiscal year will begin 1 October and end 31 September. The announced sale of timber by MTE (mentioned above) has been arranged to facilitate transition to the new beginning and end of the fiscal year.

Plantation teak logs scheduled for sale in the next fiscal year are between 35 and 100 year-old. The projected annual allowable cut (AAC) is around 19,000 trees for teak and 600,000 trees for non-teak hardwoods. The targeted annual production is just about 7,500 teak trees and 160,000 non-teak trees.

Rising non-teak hardwood prices

The price of fresh inn-kanyin (gurjang/keriung) logs has recently surged to over US\$1,000/h.ton because of the high demand from the plywood mills. For many years the prices for these timbers was stable in the range from US\$600 to US\$800/h.ton.

Export update

For fiscal 2017-18, which ended on 31 March 2018, exports of forest products earned US\$212 million, of which some US\$2.68 million was from the border trade according to the Ministry of Commerce.

Working elephants earn their keep in tourism camps

As a result of the log export ban the elephants trained for log harvesting have no work so the management of MTE converted some elephant camps into elephant conservation-based tourism camps in a bid to generate revenue to support the elephants and their handlers (mahouts).

The government-run Myanmar Timber Enterprise earned about Kyat430 million (approx US\$325,500) since it began operating conservation-based tourism camps around the country two years ago.

MTE has 3,078 elephants of which 514 are under 4, 734 are between 4 and 18 and 1,597 are 18 to 55 years old, the rest are retired elephants.

Plans to restructuring MTE with private sector management

After the log export ban came into force in 2014 harvesting of both teak and non-teak has been drastically reduced and reforestation and forest restoration programmes have been implemented.

This development had a big impact on MTE and made the management and government start to consider a new business model.

But the legal ramifications of changing MTE are complicated. Analysts write that it appears MTE will be restructured as a corporation within government but with private sector management.

However, these changes have to be made through a State Corporatisation Law which is still under discussion and may not be enacted by 2020 when the term of current government ends.

Minimum wage hiked

The government has announced a new daily minimum wage of K4,800 raising the minimum negotiated in 2015 which in itself was a landmark for labour market reform in the country.

Although Myanmar has not ratified the International Labour Organization's Minimum Wage Convention 131, the new minimum in Myanmar largely reflects the ILO recommendations.

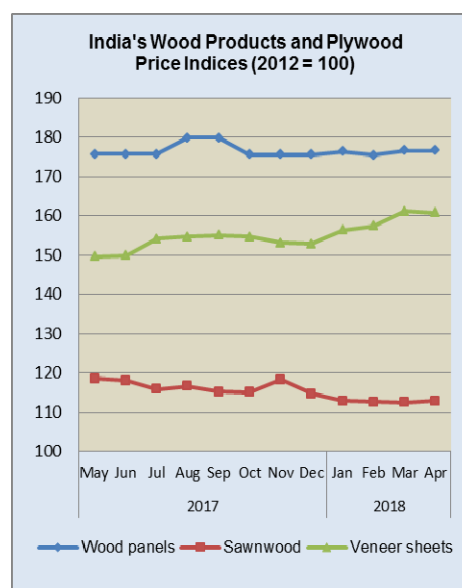
The latest adjustment was negotiated through an open and transparent process of tripartite social dialogue between the government, representative employers and workers' organisations.

India

Plywood price index flat in April but prices have now risen

India's official wholesale price index for all commodities (Base: 2011-12=100) for April 2018 released by the Office of the Economic Adviser to the government rose to 116.8 from 116.0 for March.

The annual rate of inflation, based on monthly WPI in April 2018 was 3.18% compared to 2.47% for the previous month.



Data source: Ministry of Commerce and Industry, India

The index for Manufacture of Wood and of Products of Wood and Cork group declined by 0.1 percent to 131.6 from 131.7 for the previous month due to lower price of plywood, blockboard and wooden box/crate (1% each). However, the price of particleboard moved up. In early May domestic manufacturers lifted prices for plywood.

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindustry.nic.in/cmonthly.pdf>

Rupee under pressure

The rupee/dollar exchange rate in mid-May was down to almost its all-time low of 68.825 recorded in August 2013. The rupee has fallen over 6% against the US dollar this year making it the most vulnerable Asian currency.

Analyst fear that another increase in crude oil prices will create added pressure on the rupee and may increase inflationary pressures and lower the chances of an interest rate cut by the Reserve Bank of India.

The Indian economy benefitted from the low oil prices in the past 2-3 years but the advantages this brought are now fading fast. From an average of around US\$46/barrel in 2016 prices climbed to US\$56/barrel in 2017 and averaged over US\$65/barrel in April this year and prices seem set to rise further as especially if the US pulls out of the Iran nuclear deal.

High oil prices will undo much of the gains in managing the fiscal and current account deficits as this would impact consumer sentiment, consumption and investments.

Sale of red sanders in Andhra Pradesh

The following quantities were sold on different days of the Andhra Pradesh auction; 24 April, 94.21 tonnes of A grade, 26 April 124.8 tonnes of A grade and on 3 May one lot of 14.898 tonnes of A grade were sold.

While the prices for the most recent sale have not yet been released, prices at an earlier sale were as follows:

A grade, Rs 1.95 crore per tonne, grade B prices ranged from Rs155.35 lakh to Rs48.45 lakh per tonne while for grade C prices ranged from Rs40.72 lakh and Rs15.15 lakh per tonne. (One Crore =10 million and 10 lakh =1 million)

Analysts point out that by managing the sale of this valuable timber the government can undermine the black market in red sanders and a sustainable trade can be created. Prices at the recent sale reflect the rarity of this timber but prices may fall when the Australian plantations of red sanders come onto the market. Australia is said to have around 7,000 hectares of red sanders.

Grading red sanders

The central government has developed guidelines for grading of red sanders based on the experience gained from sales in Andhra Pradesh.

Best quality

- Straight or nearly straight
- Minimum length of 75 cms
- Top end girth of 36 cms or above.

The logs are further graded into A, B, C or D (Non-Grade) according to the following characteristics.

A-Grade (priced above Rs1 crore per tonne)

- Sound or nearly sound with few or no defects
- Surface gives a ripple reflection

B and C grades range between Rs.50 lakh and Rs 1 crore per tonne

B Grade

- Semi-sound A grade logs but with more defects
- A grade logs with bends
- Logs with some defects
- Logs with medium long and medium deep wavy grain clearly visible

C-Grade

- Long and shallow wavy grain or straight grain
- Logs sound or semi-sound with some or no defects
- Utilisable A-grade logs with many defects
- Utilisable B-grade logs with many defects

D Grade: Utilisable logs of all grades (depends on highest price)

Plantation teak prices

Demand for imported logs remains steady but log arrivals are still affected by the withdrawal of importers credit facilities. In addition, the exchange rate for the Indian rupee against the US dollar has been sliding.

Recently, the rupee slid around 5% against the US dollar making imports more expensive. Analysts say the credit crisis should be overcome by the end of July. C&F prices remain unchanged.

Plantation 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

Price range depends mainly on length and girth

Locally sawn hardwood prices

Prices remain flat with importers saying competition is stiff amongst traders as alternative and cheaper timbers are on offer and are gaining market acceptance.

Sawnwood	Rs per cu.ft.
Ex-mill	
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1100-1200
Radiata pine AD	600-700
Whitewood	650-750

Price range depends mainly on length and cross-section of sawn pieces

Imported sawn Myanmar teak

Trade circles report that more and more endusers are moving away from Myanmar teak as cheaper alternatives have been found to be good enough. The other issue is supply. Indian traders say given the situation in Myanmar it is unlikely that the volumes of both sawn teak and veneers can be increased in the medium term.

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	4000-4500

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

Prices for imported sawnwood (KD 12%) ex-warehouse remain unchanged.

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

Price range depends mainly on lengths and cross-section

Domestic plywood update

Composite panels continue to eat into markets that previously were dominated by plywood. Domestic plywood manufacturers are facing the dual problems of rising raw material costs especially for imported veneers as well as a severe shortage of labour. Both are having a major impact on production and profitability.

Domestic mills recently felt compelled to raise prices despite the very negative response by the market.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	57.00
6mm	77.00
9mm	97.00
12mm	120.00
15mm	160.00
18mm	167.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	29.00	42.00
6mm	43.00	55.00
9mm	55.00	67.00
12mm	67.00	79.00
15mm	80.00	96.00
19mm	92.00	109.00
5mm Flexible ply	57.00	

Brazil

Brazil as source of timber for CLT production

The global market for cross-laminated timber (CLT) is expected to be worth around US\$2 billion by 2025 according to a new report published by Grand View Research, Inc. One of the factors driving this will be an increase in the building of wooden homes.

<https://www.grandviewresearch.com/press-release/global-cross-laminated-timber-market>

The press release from the research company says rising awareness about the environmental hazards caused by the use of cement concrete in infrastructure construction coupled with rising number of cross laminated timber manufacturers and increasing demand for green homes are factors propelling the market growth.

The shift from concrete-based construction to wood-based construction around the world is positively influencing the market. In addition, the cost effectiveness of CLT and shorter construction time will drive demand.

Europe was the first to investigate cross laminated timber and research. The availability of timber from the forests of central European countries and advanced timber processing industries are the leading cause for market growth in Europe. Countries like Canada, the U.S., New Zealand, Japan and China are also rapidly developing markets for cross laminated timber.

This development could benefit Brazil say analysts because plantations in Brazil mature quickly and are a good source of raw material for CLT production.

Resumption of investments in civil construction

The National Meeting of the Construction Industry (ENIC) held in mid-May in Florianopolis, Santa Catarina, discussed the importance to the economy of reviving the civil construction sector.

Representative of the wooden door manufacturing sector participated in the event since they were particularly interested in the recovery of investment in civil construction.

In a side event organized by the Quality Programme for Wooden Doors for Buildings (PSQ-PME), entrepreneurs and representatives of the Brazilian Association of the Mechanically Processed Timber Industry (ABIMCI) presented the work carried out under the programme for the development of wooden door production supply chains and brands that has led to product certification by the Brazilian Association of Technical Standards.

The PSQ-PME works to promote the improvement of the quality of wooden doors in Brazil through strengthening the sector and raising competitiveness amongst manufacturers as well as through improvements and guarantees for consumers.

Export update

In April 2018, the value of Brazilian exports of wood-based products (except pulp and paper) increased 30% compared to April 2017, from US\$221.0 million to US\$287.0 million.

Pine sawnwood export values rose 28.5% between April 2017 (US\$38.3 million) and March 2018 (US\$49.2 million). In terms of volume, exports increased 24% over the same period, from 187,700 cu.m to 233,000 cu.m.

Tropical sawnwood exports increase 49% in volume, from 31,000 cu.m in April 2017 to 46,200 cu.m in April 2018. The value of this trade increased 42% from US\$14.2 million to US\$20.2 million over the same period.

Pine plywood exports also increased, jumping 68% in value in April 2018 in comparison to April 2017, from US\$40.6 million to US\$68.3 million.

The volume of exports increased 35% over the same period, from 146,800 cu.m to 198,500 cu.m.

As for tropical plywood, exports increased in value from US\$5.4 million in April 2017 to US\$6.1 million in April 2018.

To cap off a good month, wooden furniture exports rose from US\$38.2 million in April 2017 to US\$45.3 million in March 2018 an almost 19% rise.

In the three main markets for Brazil's furniture sales improved in the first four months: the United States (+20%), the UK (+10%) and Argentina (+9%). It is encouraging that importers in Argentina have increased purchases after three consecutive years of decline. The three main markets represent 47% of the country's total sales in the first four months of this year.

The States of Santa Catarina and Rio Grande do Sul continue to provide the bulk of Brazilian furniture. The value of year on year export sales by manufacturers in Santa Catarina expanded 16% in the first four months of this year. The comparable figure for manufacturers in Rio Grande do Sul was +12%.

Brazil's furniture imports expanded over 20% in the first four months of this year compared to the same period in 2017 rising to US\$193.4 million, of which 37% came from China.

Search for new timber markets

In search of new markets and technologies a group of entrepreneurs from Mato Grosso will visit Carrefour Du Bois to be held in Nantes 30 May to 1 June.

The Directors of Center for Wood Producing and Exporting Industries of Mato Grosso (CIPEM) have said they expect to establish business contacts for new markets so as to increase exports from Mato Grosso state.

Analysts write "there is a great potential in external market for the products produced in Mato Grosso as European consumers appreciate timber from natural forests. With the adoption in Brazil of chain of custody tracking the credibility of the sector has become more transparent opening up new market opportunities".

The forestry sector represents the main economy of 44 municipalities in the state of Mato Grosso. In addition, the sector ranks in the 4th in the state economy.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	222↑
Jatoba	122↓
Massaranduba	124↓
Muiracatiara	125↓
Angelim Vermelho	117↑
Mixed redwood and white woods	102↓

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	931↓
Jatoba	461↓
Massaranduba	438↑
Muiracatiara	437
Angelim Vermelho	403↑
Mixed red and white	264
	219↓
Eucalyptus (AD)	159↓
Pine (AD)	185↑
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	585↑
10mm WBP	476↑
15mm WBP	404↓
4mm MR	462↓
10mm MR	338↓
15mm MR	312↓

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDParticleboard	250↑
15mm MDF	283↓

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipê	1483↑
Jatoba	939↑
Massaranduba	846↑
Muiracatiara	819↑
Pine (KD)	196↑

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)	332↑
12mm C/CC (WBP)	314↑
15mm C/CC (WBP)	295↑
18mm C/CC (WBP)	292↑

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,628↑
Jatoba	1,450

Source: STCP Data Bank

Peru

IKEA to expand into Peru

IKEA is ready to expand into South America with outlets planned in three countries including Peru. To ensure the success of this expansion Ikea will partner with the Chilean retailer Falabella.

IKEA has announced it will open a regional warehouse in Santiago in 2020 and expand into Lima and Bogotá.

In a press release, Torbjörn Lööf, CEO of the Inter IKEA Group said "We are of course very excited to bring IKEA to South America together with Falabella, who is a strong

local partner with a lot of experience in developing and successfully operating retail businesses.

They also have a well-developed distribution network in the region, which will give us the speed we need to be more accessible to the many. Together we'll work to make IKEA a loved and meaningful brand for the people in Chile, Colombia and Peru,”

IKEA has around 1.2 billion customers which the company expects to increase to 3.2 million customers by 2025.

For more see:

<https://newsroom.inter.ikea.com/News/ikea-meets-customers-on-a-new-continent/s/77174369-a796-441c-a4b6-2b5364460a80>

Mission to IWF USA Fair 2018

In August the consulting company Tropical Forest will organize a trade mission to the International Woodworking Fair (IWF) 2018 fair to be held in Atlanta.

This fair is a major event for suppliers of technology, equipment and accessories for the wood processing and furniture manufacturing sectors.

Peru's forestry sector attracting foreign investors

Drago Bozovich, CEO of Maderera Bozovich, has said he was aware of increased acquisitions of domestic enterprises by foreign investors who are attracted by opportunities in the wood processing industries and by the revamped legal framework that now supports the sector.

According to Bozovich, production in 2017 was badly affected by abnormal weather conditions in the country but that in early 2018 production levels had returned to normal.

Carbon credits from conservation projects

The authorities in Peru have begun moves to designate forestry conservation projects as contributors to meeting international climate targets and have announced REDD+ carbon credits from two projects in Peru will be acknowledged by the Ministry of Environment.

The Business Green website says carbon credits generated by the Tambopata-Bahuaja Reserve and Cordillera Azul National Park REDD+ conservation projects will be integrated into its nationally determined contribution (NDC) climate action plan under the Paris Agreement.

For the full story see:

<https://www.businessgreen.com/bg/news/3032624/peru-moves-to-integrate-redd-forest-conservation-projects-into-paris-climate-plan>

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	483-496
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	957-994
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	662-679
Marupa 1", 6-11 length KD	
Asian market	511-591

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	205-217

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

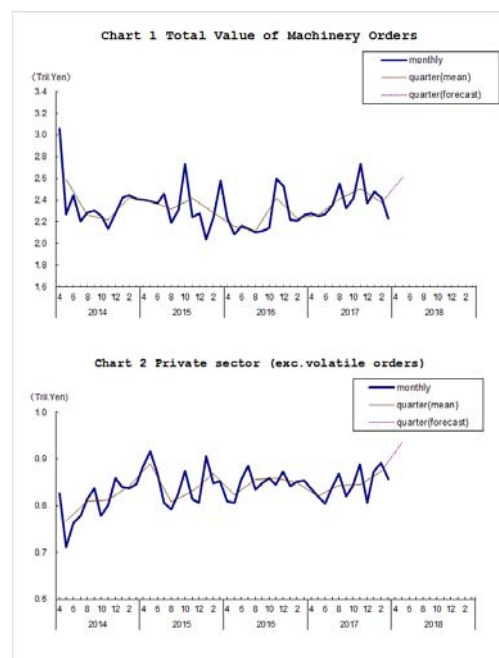
Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumaru KD, S4S	Swedish market 979-1098
	Asian market 1085-1115
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

Weak first quarter machinery sales

Data from the Cabinet Office shows that the value of machinery orders received by major manufacturers fell by almost 8% in March from the previous month. In the January-March period it fell by 5.3% compared with the previous quarter. Trends in expenditure on machinery are a key indicator of the economic climate in the country.

The forecast growth in machinery orders in the April-June period was around 10%. In Fiscal 2017 total machinery orders increased by 6.3%.



Source: Cabinet Office, Japan

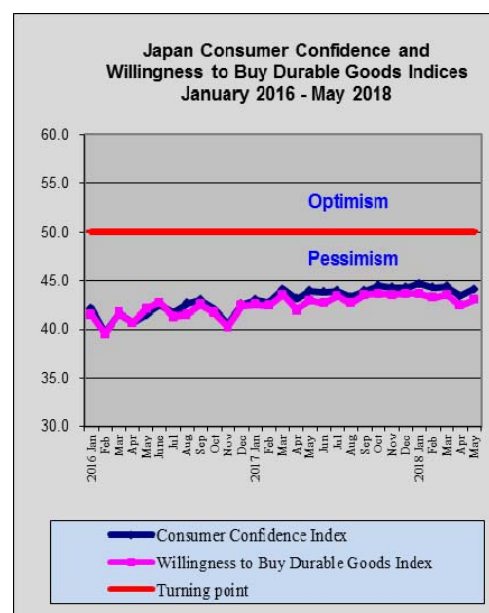
See <http://www.esri.cao.go.jp/en/stat/juchu/juchu-e.html>

Consumer confidence rises and spending expands

In its monthly economic report for May the Cabinet Office stuck to its view that the economy is on a recovery track indicating governments analysts remain confident the economy will recover from the contraction in the first quarter of this year. The main reason cited for the positive view was the modest increase in consumer spending.

The Cabinet Office review also said capital expenditure was gradually expanding, the same view as expressed in the previous review. However the risk of a trade dispute with the United States remains a risk to Japan's export-led economy.

Japan's consumer confidence improved marginally in May according to the latest survey conducted by the Cabinet Office. The consumer confidence index rose in May compared to a month earlier. The index measuring willingness to buy durable goods also increased in May as did the prospects for employment.



Data source: Cabinet Office, Japan

Foreign workers to alleviate labour shortages in critical sectors

The domestic media has reported that the government is considering easing the restrictions on employment of unskilled foreign workers in some critical sectors such as construction, agricultural, nursing and shipbuilding, all areas currently facing labour shortages.

The media reports say foreign workers for the targeted sectors would be able to work for up to five years if they can pass a basic language test.

See:

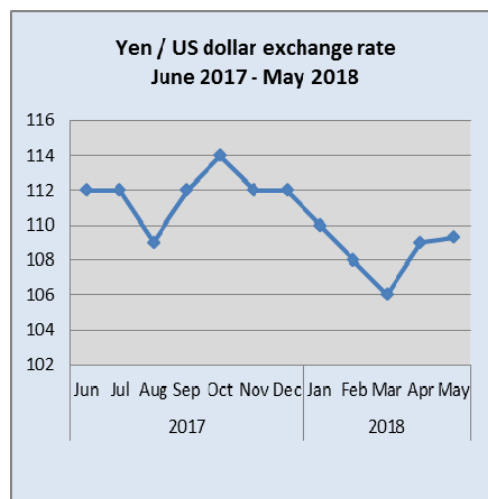
http://economictimes.indiatimes.com/articleshow/64381328.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Vulnerability of economy puts brake on price rises

As raw material costs rise and as oil price increases drive up transportation costs many Japanese enterprises are considering raising prices even though the economy is still vulnerable to even small shocks.

Analysts rightly point out that, while it is higher costs and not expanding demand that are pushing up prices, the danger is that any premature price rises will shatter what confidence consumers are feeling at present.

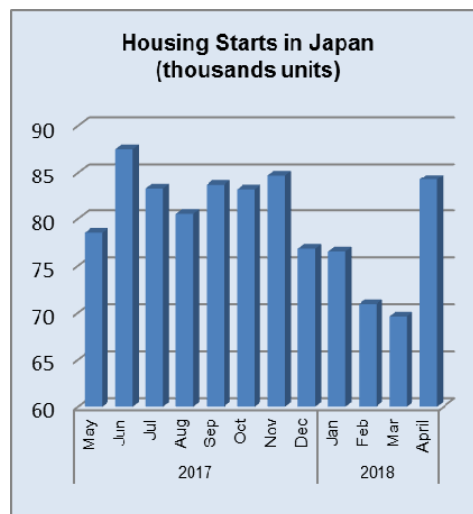
The weak yen/dollar exchange rate means imports are that much higher than if the yen was stronger. The yen has fallen around 5% against the dollar since the end of the first quarter.



Sharp rise in April housing starts

Data from the Ministry of Land, Infrastructure, Transport and Tourism showed that housing starts rose unexpectedly in April rising slightly year on year and reversing the sharp drop recorded in March. This was the first year on year increase in ten months.

Data also showed that orders received by the top 50 construction companies were up 4% in April again reversing the decline in March.



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

Mitsubishi Corporation expands into the Philippines

Mitsubishi Corporation has announced a joint-venture with Century Properties Group, Inc. a real estate enterprise in the Philippines

The new enterprise will develop affordable housing communities in the Philippines at suburban locations with convenient access to existing employment hubs.

With a target to supply 10 thousand units annually by launching 3 to 5 projects every year at key locations in the Philippines, the new company aims to satisfy the growing needs of predominantly first-time homeowners for affordable housing by supplying high-quality but reasonably priced homes mainly ranging from 3 to 5 million yen.

For more see:
<https://www.mitsubishicorp.com/jp/en/pr/archive/2018/html/0000034729.html>

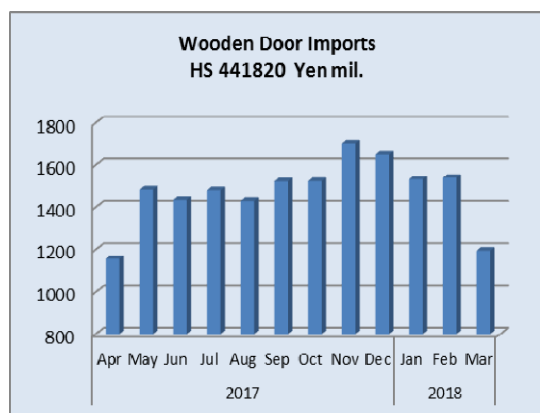
Import round up

Doors

March door imports

There was a sharp correction in imports of wooden doors (HS441820) in March. Year on year, March imports were down over 14% and month on month the value of imports dropped over 22%.

March imports were driven down by much lower shipments from China and a modest decline in shipments from the other main suppliers, the Philippines and Malaysia. March imports of wooden doors were largely supplied by China 56% of all imports, the Philippines 23% and Malaysia 8%.



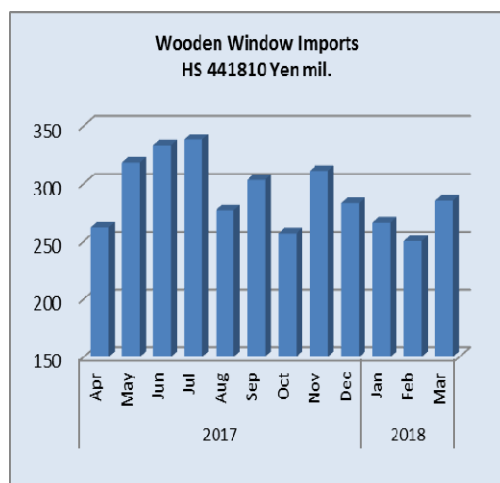
Data source: Ministry of Finance, Japan

Window imports

March window imports

The value of March imports rose 14% from the previous month breaking the three consecutive monthly declines that began in December 2017.

Year on year the value of March 2018 imports of wooden windows (HS 441810) rose 8%. The top three shippers of wooden windows to Japan in March were the USA (35%), China (28%) down from 45% in the previous month and the Philippines (23%).



Data source: Ministry of Finance, Japan

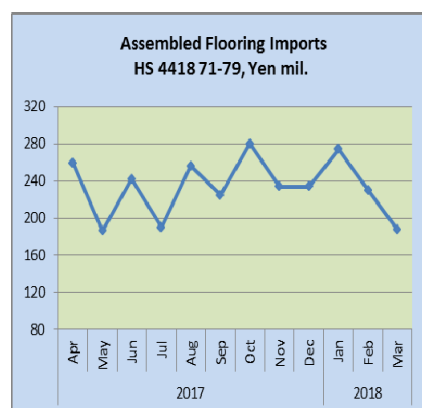
Assembled flooring

March imports

As in previous months wooden flooring imports were dominated by HS 441875 followed by HS441879. Together these two categories of assembled flooring accounted for over 90% of the value of all assembled wooden flooring imports.

In order of rank by value, China, Malaysia and Indonesia were the main shippers of HS441875 in March while for HS441879 the main shipper was Indonesia at 50% of all shipments of this category of flooring followed by Thailand at 13%.

In contrast to the usual upswing and downswing in the value of flooring imports March marked an extension of the downswing in February. The big loser in March was China where there was a 50% drop in imports of HS 441875. For HS 441879 all shippers recorded lower exports except Thailand.



Data source: Ministry of Finance, Japan

Plywood

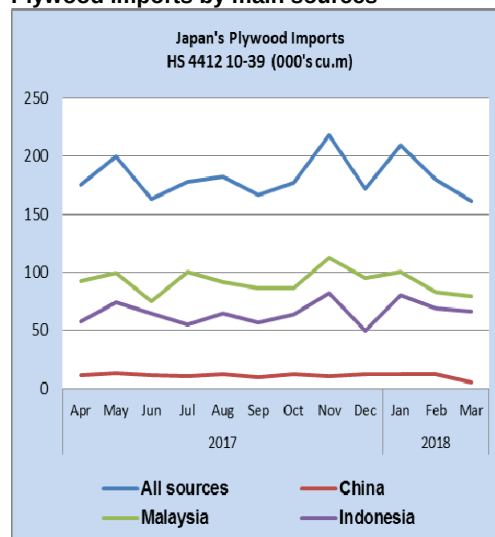
January plywood imports

As in previous months plywood in HS 441231 accounted for most of Japan's imports of plywood. In March HS441231 accounted for over 90% of all plywood imports. HS441234 accounted for just 5.5% of March plywood imports and HS441239 less than 1% of imports.

Year on year plywood shipments from all sources dropped 20% with shippers in China seeing a 57% decline, those in Malaysia a 20% decline and those in Indonesia a 13% decline.

Month on month data are equally as disappointing with shipments from all sources dropping 11%. China saw an over 60% decline in shipments to Japan and both Malaysia and Indonesia recorded falls of 4% each.

Plywood imports by main sources



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports (000's cu.m)

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65
	Jul	10.6	100	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82
	Dec	12	95.2	50
2018	Jan	12	100.5	80
	Feb	12.5	83	69
	Mar	4.9	99.4	66.5

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>

Japan's wood products export rose 37% in 2017

Total value of wood products export in 2017 was 32,647 million yen, 37% more than 2016. Main factor is increased export of logs to China and rapid expansion of cedar lumber export to the U.S. market.

Log export to China was 776,004 cbms, 61.8% more than 2016 with the value of 10,299 million yen, 83.5% more. The value has been increasing year after year. Unit price per cbm in 2015 was 12,212 yen then 13,271 yen in 2017. 89.7% of logs exported for China was cedar.

They are used for crating lumber, concrete forming panel and materials for public works construction so the prices are more important than the quality but demand for low priced logs in Japan has been climbing with increasing starts of biomass power generation facilities.

Present log prices for biomass fuel are 7,000 yen per cbm delivered chip yard while export cedar log prices are 8,000-9,000 yen per cbm delivered port so fuel log prices may push export low grade log prices up higher.

China eyed the U.S. market for export of cedar lumber then Japan also started exporting rough cedar lumber for the U.S. market mainly for fencing. The U.S. market prefers dark colored sap wood and black core, which Japan market does not like. Also cedar has strong water resistance and durability for exterior use. Cedar lumber export to the U.S. market in 2017 was 15,000 cbms, four times more than 2016.

Korea prefers Japanese cypress to cedar. Cypress is mainly used for interior finishing. In Korea cypress is believed to be good for health. Cypress price is higher than cedar so that export value for Korea is higher than China. An average unit price for Korea was 17,384 yen per cbm as against 13,271 yen for China.

For Taiwan, log export volume is declining but lumber export continues expanding. Majority of shipping ports are in Kyushu, where is closer to China and Korea geographically.

Imported plywood market

Exporting prices of plywood from Malaysia and Indonesia continue climbing. Rainy season in producing regions is over but log supply is still slow.

Rainy season is normally over in late February and early March but it prolonged about a month this year so logging road is still muddy and log hauling is difficult. It may take another month until log hauling gets back to normal.

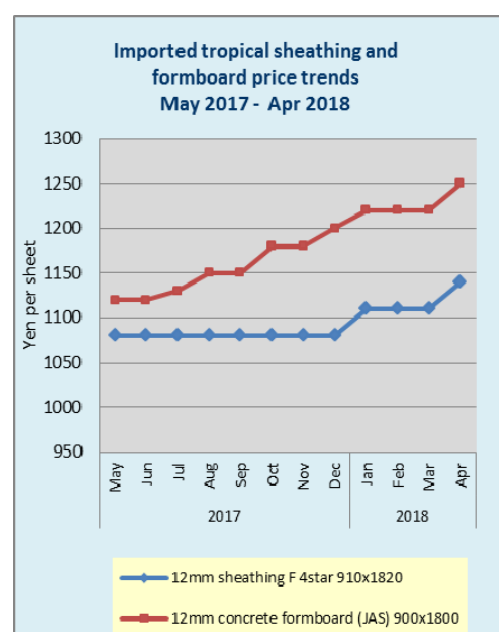
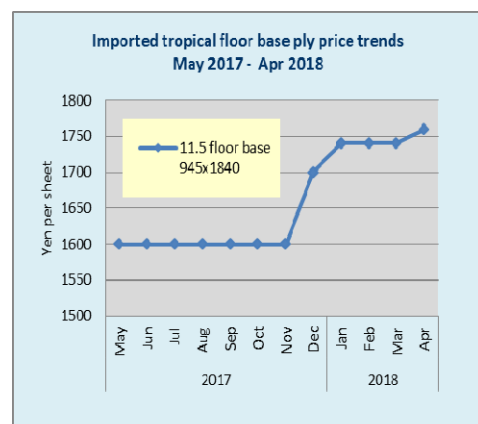
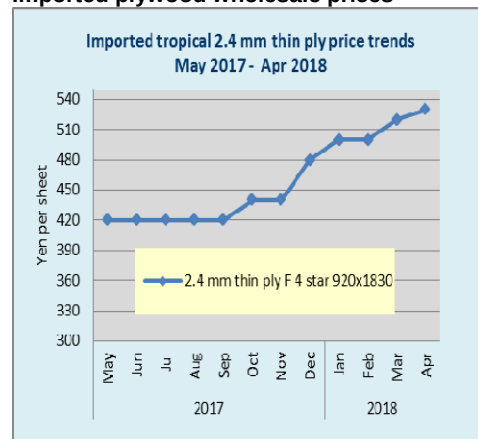
Therefore, plywood mills continue suffering log shortage and are forced curtailed production, which pushes production cost on top of higher log cost so major plywood exporters like Shing Yang of Malaysia and Korindo of Indonesia propose high prices for April. April prices are about \$580 for JAS 3x6 concrete forming panel and about \$680 for JAS 3x6 coated concrete forming panels.

Japanese users expected larger offer volume since rainy season is over but offered volume is much smaller than expected. Some importers hesitate to commit with continuous price increase and delayed delivery.

Market prices in Japan are increasing. Prices of coated concrete forming JAS 3x6 panel are 1,460-1,470 yen per sheet delivered, 20-30 yen up from March and 1,240-1,250 yen on JAS 3x6 concrete forming panel, 10 yen up. Movement has been slow so pace of price increase is very gradual.

The importers carry some low priced inventories so they dispose of these little by little to average down the cost since newly arrived cargoes cost higher. The suppliers' export prices keep rising way ahead of the market prices in Japan so the importers need to keep pushing sales prices up.

Imported plywood wholesale prices



Plywood

Movement of softwood plywood is settling down so that supply short items like 9 mm and 15 mm are now ample in the market. There is no more panic buying but there is no surplus. This year's housing starts seem to be almost the same as last year.

Plywood manufacturing mills have been running 100% of the capacity but now there is some spare time so they shut-down for about ten days in early May during many holidays for maintenance. Orders slowed down in April then in late April there are rather heavy orders being placed as precutting plants get busy in May again.

March plywood production was 266,700 cbms, 0.8% more than March last year and 9.8% more than February. In this, softwood production was 248,100 cbms, 2.3% less and 10.3% more. Shipment of plywood in March was 251,700cbms, 1.2% less and 5.7% more. In this, softwood was 233,500 cbms, 4.4% less and 6.1% more.

C&F prices of import plywood continue climbing but market prices in Japan are hardly climbing. Buyers in Japan expected offers of more volume and prompt shipment of delayed contracts after rainy season was over but new offers in April are still low in volume.

Buyers in Japan hesitate to follow rapid rise of C&F prices as the speed is too fast. Normally the arrivals increase in May and June every year so recovery of the supply is expected by which buyers hesitate to commit futures. The importers need to pass onto high cost to the sales prices but it is hard when the demand is weak.

China

Rise in log imports in 2017

China's log imports in 2017 totalled 55.43 million cubic metres valued at US\$9.927 billion, a year on year increase of 14% in volume and 23% in value. The average price for imported logs was US\$179 per cubic metre, a year on year increase of 8%.

Of total log imports, 2017 softwood log imports rose 13% to 38.38 million cubic metres, accounting for 69% of the national total, a 1% decline on 2016 levels. The average price for imported softwood logs in 2017 was US\$134 per cubic metre, up 11% on levels in 2016.

China's log import in 2017

Volume	2017	% change
	mil. cu.m	2016-17
Total log imports	55.43	14
Softwood logs	38.38	13
All hardwood logs	17.05	16
Tropical Logs	9.65	6

Data source: China Customs

Value	2017 US\$ bil.	% change 2016-17
Total log imports	9.927	23
Softwood logs	5.157	25
All hardwood logs	4.77	20
Tropical Logs	2.846	17

Data source: China Customs

Average log prices, 2017

Volume	Average CIF Price US\$/cu.m	% change 2016-17
Average log prices	179	8
Softwood logs	134	11
All hardwood logs	280	4
Tropical Logs	295	10

Data source: China Customs

New Zealand still the top source of logs

New Zealand was the main log supplier to China in 2017 accounting for 26% of total log imports. Imports from New Zealand totalled 14.36 million cubic metres in 2017, a year on year increase of 19%.

The second ranked supplier of logs was Russia at 11.27 million cubic metres, accounting for about 20% of the national total. In 2017 a year on year increase of just 1% was recorded for log imports from Russia.

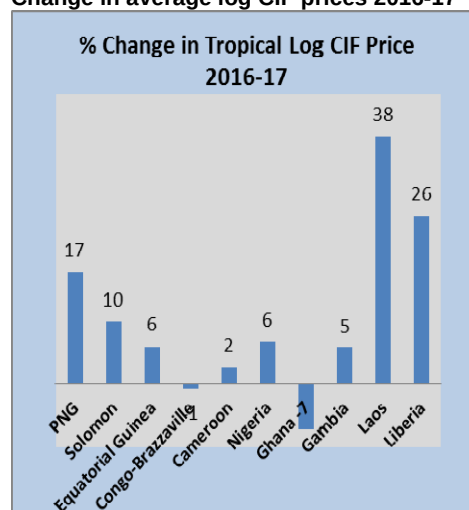
Average prices for imported logs both from New Zealand and Russia rose 12% and 9% respectively in 2017.

Main countries shipping logs to China

	2017 mil. cu.m	% change 2016-17
Total	55.43	14
New Zealand	14.36	19
Russia	11.27	1
The US	6.1	15
Australia	4.95	36
Canada	3.37	19
PNG	2.88	-11
Solomon	2.78	21
Equatorial Guinea	1.06	-2
Uruguay	0.84	1131
Congo-Brazzaville	0.78	57

Data source China Customs

Change in average log CIF prices 2016-17



Data source: China Customs

Main softwood log sources in 2017

Volume	2017 mil. cu.m	% change 2016-17
New Zealand	14.29	19
Russia	8.85	-4
USA	4.92	10
Australia	4.33	33
Canada	3.23	16
Japan	0.75	52
Estonia	0.15	42
Belarus	0.14	14
Ukraine	0.14	-85

Data source: China Customs

Hardwood log imports

Hardwood log imports grew 16% to 17.05 million cubic metres (31% of the national total log imports). The average price for imported hardwood logs in 2017 was US\$280 per cubic metre, up 11% on 2016.

Of total hardwood log imports, tropical log imports were 9.65 million cubic metres valued at US\$2.846 billion, up 6% in volume and 10% in value from 2016, accounting for 17% of the national total import volume.

Imported hardwood log species

The main imported hardwood log species are birch (11%), oak (7%), Chinese redwood (6%), okoume (6%), beech (5%), eucalyptus (5%), North American hardwood (5%) and poplar (3%).

The volume of North America hardwood log imports surged over 100%, beech, oak, ash and Chinese redwood hardwood log imports rose 52%, 42%, 27% and 24% respectively. However, the volume of merbau log imports fell 3%.

Main imported hardwood log species

Hardwood log species	Import volume (000s cu.m)	%change
Okoume	990	17
Merbau	250	-3
Chinese redwood	990	24
Oak	1,200	42
Beech	910	52
Birch	1,910	na
Poplar	580	na
Eucalyptus	820	na
Ash	120	27
N. American hardwood	860	101
Other tropical log	5,200	778
Other hardwood	3,110	-69

Tropical hardwood log imports

Tropical log imports in 2017 totalled 9.65 million cubic metres up 6% year on year and accounted for 17% of the national total, a year on year decline of 2 percentage points. The value of tropical log imports in 2017 was US\$2.846 billion reflecting a 17% rise.

Before its log export ban, Myanmar was a major source of tropical logs for China. However, China's log imports from Myanmar in 2017 fell to just 15,300 cubic metres valued at US\$12.76 million. The average price for imported logs from Myanmar surged in 2017 to US\$1,271 per cubic metre.

Tropical hardwood log sources, 2017

Volume	2017 mil. cu.m	% change 2016-17
PNG	2.88	-11
Solomon	2.78	21
Equatorial Guinea	1.06	-2
Congo-Brazzaville	0.78	57
Cameroon	0.5	1
Nigeria	0.49	56
Ghana	0.13	-12
Gambia	0.13	3
Laos	0.1	-37
Liberia	0.1	-30

Data source: China Customs

The average price for imported tropical logs in 2017 was US\$295 per cubic metre, a year on year rise of 10%.

China imported tropical logs mainly from Papua New Guinea (30%), Solomon Islands (29%), Equatorial Guinea (11%), Congo Brazzaville (8%), Cameroon (5%), and Nigeria (5%). Just 10 countries supplied 92% of China's tropical log requirements in 2017.

Log imports from Equatorial Guinea and Nigeria surged 57% and 56% respectively in 2017. Countries from which tropical log imports declined greatly included Laos (-37%) and Liberia (-30%). In addition, tropical log imports from Ghana and PNG fell 12% and 11% respectively.

The main port for tropical log imports in 2017 was Nanjing Port which accounted for 86% of all tropical log imports, a year on year decline of 1 percentage points.

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+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

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

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	3100-3600
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

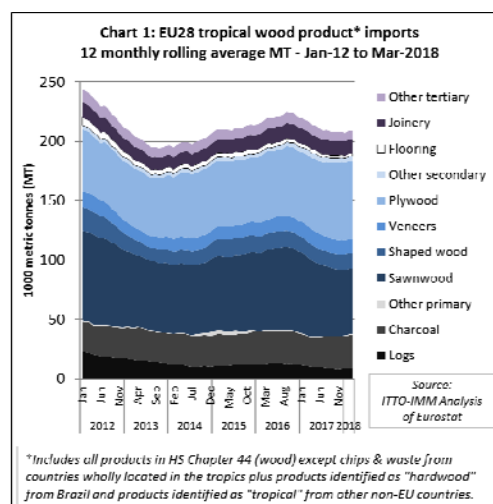
Europe

EU tropical timber imports flat-line in 2018

The slowdown in EU imports of tropical products, which began in 2016 and continued throughout last year, levelled off in the first quarter of 2018.

Chart 1 shows twelve monthly rolling average imports (to iron out seasonal fluctuations) into the EU of all tropical wood products listed in HS Chapter 44 (excluding wood waste and chips). It shows that imports peaked at an average of 224,000 metric tonnes (MT) per month in

September 2016, slipped to a low of 207,000 MT in January this year and recovered only slightly, to 209,000 MT, by March 2018 (Chart 1).



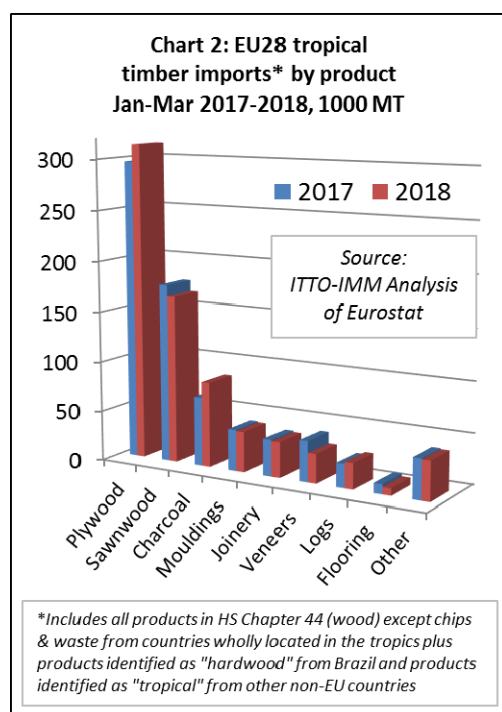
EU imports of tropical wood products in the first quarter of 2018 were only around 7% more than the all-time low of 195,000 MT per month recorded in the middle of 2013 at the height of the euro-zone crises.

In value terms, EU imports of tropical wood products averaged around euro203 million per month in the first quarter of 2018, 13% more than the all-time low in 2013 but 6% down on the level prevailing in 2016.

Most of the rise and subsequent slowdown in EU tropical imports in the last three years was driven by sawnwood. The stabilisation of the EU's tropical wood trade so far in 2018 is mainly due to a slight uptick in imports of plywood and charcoal.

In the first quarter of 2018 compared to the same period in 2017, total EU imports of tropical wood products increased 1% to 740,000 MT. There was a 23% rise in imports of tropical charcoal to 85,000 MT, a 6% rise in imports of tropical plywood to 314,000 MT, and 9% rise in imports of other secondary products (such as fibreboard and sleepers) to 14,000 MT.

However, these gains were largely offset by a 6% decline in EU imports of tropical sawn to 166,000 MT, a 28% decline in imports of tropical veneer to 29,000 MT, a 2% fall in imports of tropical mouldings to 40,000 MT, and a 10% fall in imports of various tertiary products (such as flooring, glulam and other joinery, marquetry, and wooden tools) to 64,000 MT (Chart 2).



Recorded rise in UK tropical imports may be misleading

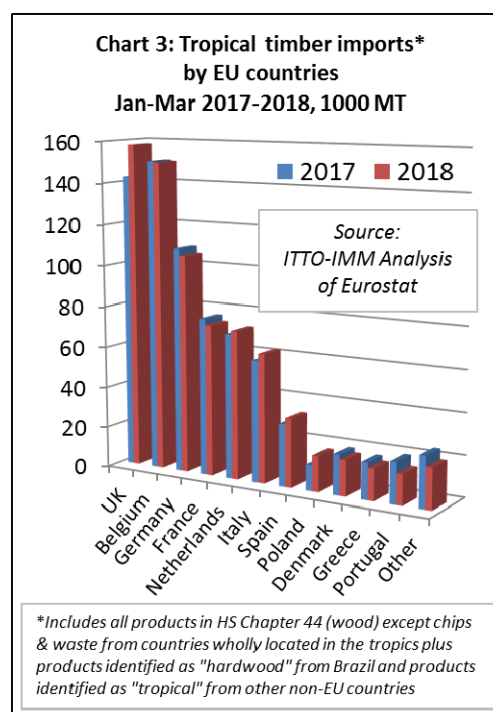
In the first quarter of 2018, imports of tropical wood products appear to have been more buoyant in the UK than other EU markets. UK imports were 158,000 MT during the period, 11% more than the previous year.

However, this gain was almost all due to an apparent rise in UK imports of hardwood plywood from Brazil. The sharp increase recorded in Eurostat import statistics is not matched by any significant increase in Brazilian export statistics for hardwood plywood to the UK.

This may well be a statistical error (such as Elliotts pine plywood being misidentified as hardwood).

Other EU markets reporting growth in tropical wood imports the first quarter include the Netherlands (+3% to 72,300 MT), Italy (+6% 62,600 MT) and Spain (+10% to 33,300 MT). However, the fastest growth of all was in Poland which registered an increase of 39% to 17,300 MT. This was due almost entirely to a sharp rise in Poland's imports of charcoal from Nigeria.

Imports of tropical wood products in Belgium were 150,000 MT in the first quarter of 2018, the same as in 2017. Imports in Germany and France slipped a little in the first three months of 2018, down 3% and 4% respectively compared to the same period last year. (Chart 3).

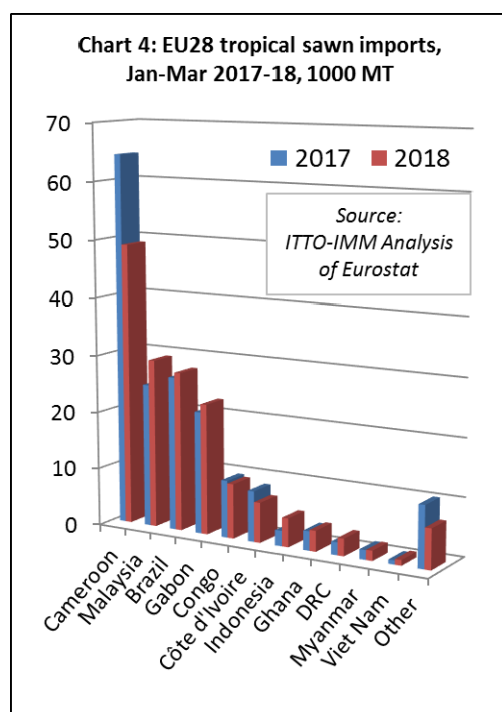


First quarter decline in EU imports of tropical sawnwood

EU imports of tropical sawn wood decreased 6% to 166,100 MT in the first quarter of 2018. This was mainly due to a continuing slide in imports from Cameroon, ongoing since the end of 2016.

EU imports of tropical sawn wood from the central African country declined a further 24% to 49,000 MT in the first three months of 2017. Imports also fell from Congo (down 4% to 9,400 MT), and Côte d'Ivoire (down 21% to 6,800 MT)

However, after a decline in 2017, EU imports of tropical sawn wood from Malaysia increased 18% to 29,300 MT in the first quarter of 2018. There was also a rise in imports from Brazil (+3% to 27,600 MT), Gabon (+7% to 22,600 MT), and Ghana (+8% to 3,600 MT) and DRC +36% to 3,000 MT). (Chart 4).



An 86% rise in EU imports of sawn wood from Indonesia (to 5,000 MT), a country which restricts exports in this product group to profiled wood, may be partly due to reclassification of some wood mouldings products from HS4409 to HS4407.

Introduction of the FLEGT licensing system in Indonesia since November 2016 has led to some changes in the HS codes used for Indonesian products by EU customs and operators to ensure consistency between codes identified on the licences issued in Indonesia and the codes entered on to customs forms for entry into the EU.

In the first quarter of 2018, tropical sawn hardwood imports declined 14% to 51,900 MT in Belgium, 9% to 18,600 MT in France, 30% to 10,700 tonnes in the UK, 11% to 6,800 MT in Germany, and 50% to 3,800 MT in Portugal.

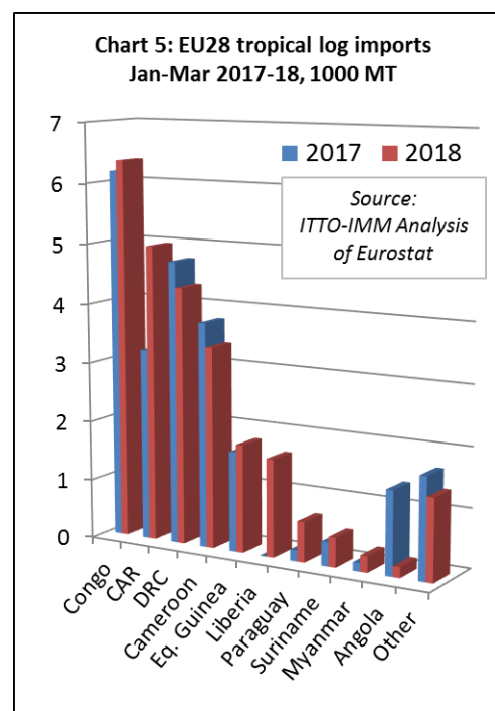
These losses were partially offset by a 33% rise to 35,200 MT in the Netherlands, a 22% rise to 17,800 MT in Italy and a 6% rise to 12,600 MT in Spain.

EU imports of tropical logs recover a little ground

After a downturn in 2017, EU imports of tropical logs recovered a little ground at the start of 2018. Imports of 25,500 MT during the first quarter of the year were 9% greater than the same period in 2017. EU imports of tropical logs increased from the two leading suppliers, Congo (rising 3% to 6,400 MT) and CAR (rising 54% to 5,000 MT).

EU log imports from Equatorial Guinea also increased during the period, by 8% to 1,800 MT. Imports from Liberia, of which there were none in the first quarter last year, were 1,600 MT in the same period this year.

However, during the first quarter of 2018, EU imports of tropical logs declined 9% from DRC to 4,300 MT and 11% from Cameroon to 3,400 MT. EU log imports from Angola, which increased sharply in 2017, were again at negligible levels in the first quarter of this year (Chart 5).



Most of the gain in EU imports of tropical logs in the first quarter of 2018 was concentrated in France (+43% to 11,400 MT) and Belgium (+15% to 5,800 MT). Imports of tropical logs in Portugal fell 32% to 3,800 MT during the period.

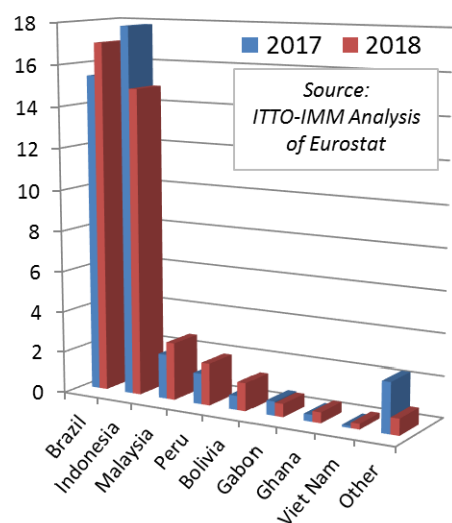
Stability in EU tropical decking imports

EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) fell slightly, by 2% to 40,200 MT in the first quarter of 2018. A 10% rise in imports from Brazil to 17,000 MT offset a 17% decline in imports from Indonesia to 14,900 MT. As noted earlier, the latter decline may be partly due to alterations in the HS codes used to record imports from Indonesia following introduction of FLEGT licensing.

EU imports of mouldings increased for some smaller suppliers of this commodity in the first quarter of 2018 including Malaysia (+29% to 2,800 MT), Peru (+33% to 2,000 MT) and Bolivia (+100% to 1,400 MT) (Chart 6).

In the first quarter of 2018, imports of tropical decking increased in France and Belgium but declined in Germany, the Netherlands and the UK.

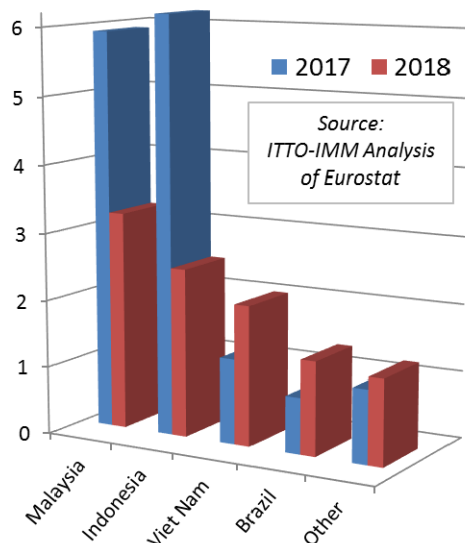
Chart 6: EU28 tropical decking & moulding import, Jan-Mar 2017-18, 1000 MT



Sharp fall in EU imports of tropical glulam

EU imports of tropical glulam, mainly laminated window scantlings, decreased 37% to 9,800 MT in the first quarter of 2018. Imports decreased from both the leading suppliers, falling 45% to 3,200 MT from Malaysia and 60% to 2,500 MT from Indonesia. (Chart 7).

Chart 7: EU28 tropical glulam import, Jan-Mar 2017-18, 1000 MT



Following introduction of FLEGT licensing in Indonesia, a proportion of Indonesian products previously identified as glulam (EU CN product code 44189010) is now being classified as plywood (EU CN Code 4412) on EU customs

forms to ensure consistency with the FLEGT licenses issued in Indonesia. Indonesia has no code comparable to the EU code for “glulam” in their national system to classify products in trade.

In the first quarter of 2018 EU imports of tropical glulam fell by 73% to 1,880 in the Netherlands, by 18% to 3,000 MT in Belgium, and by 38% to 1850 MT in Germany. However, imports increased by 146% to 2,250 MT in France.

Note that EU import data for the first quarter of 2018 for tropical veneer, plywood, flooring, and wood furniture will be included in the next market report.

European economic recovery loses momentum

During the first quarter of 2018, there was a loss of momentum in the economic recovery that has been underway in the EU since the start of 2017. The pace of economic expansion in Germany was cut in half during the period due mainly to weaker trade.

The 0.3% increase in GDP in Europe’s largest economy was softer than forecast and the weakest in more than a year. Dutch and Portuguese growth also cooled more than expected in the first quarter, while a similar trend was seen across central and eastern Europe.

Overall, euro-area growth was only 0.4% during the 3-month period, well below expectations. It is unclear at this stage whether the slowing rate of growth at the start of 2018 is merely a soft patch or indicative of something more alarming.

So far, official forecasters have largely dismissed the sluggish start to the year -- blaming factors such as colder weather -- and expressed confidence that weakness will dissipate.

The IMF’s latest forecasts, published following the first quarter results, suggest that growth in advanced European economies, mainly the euro zone, would slow to 2.3% this year from 2.4% in 2017 and then decelerate to 2.0 percent in 2019.

The European Commission also downplayed concerns and has maintained its forecast that full-year growth will almost match the decade-high pace hit in 2017.

However, there are threats. The euro fell to six-month low after the German GDP figures and other discouraging data from the latest IHS Markit purchasing managers’ surveys which showed that forward looking indicators had also deteriorated, suggesting no immediate bounce-back.

The IMF latest report highlights that European governments have so far largely failed to use the breathing space offered by improved economic conditions to push forward with reforms needed to boost long-term growth.

Despite the recent growth, some of the biggest euro zone economies like France, Italy or Spain have been slow to further reduce their budget deficits towards a balanced position while others, like Belgium, are increasing the shortfall.

Concerns are also mounting in Europe about rising trade protectionism, higher oil prices, the fallout from Brexit scheduled for March next year, and the political situation in Italy.

Of these issues, the last is potentially the most critical. Economists calculate the cost of the promises made by Italy's newly installed government – which include lower taxes, higher benefits, and earlier retirement – could reach Euro170bn, or about 10% of Italy's GDP. This would add to the country's Euro2.1trn debt mountain and potentially trigger the EU's worst-case scenario: a Greek-style debt crisis in the eurozone's third-biggest economy.

There are also clouds on the horizon in the UK. One of the UK's leading economic thinktanks has slashed its forecasts for 2018 following evidence that growth almost came to a halt in the first three months of the year.

The National Institute for Economic and Social Research (NIESR) said it expected GDP expansion of 1.4% in 2018 – a sharp reduction from the 1.9% it had been predicting three months ago. The revision followed publication of official figures showing the UK economy grew by only 0.1% in the first three months of 2018 – well below the 0.5% the think-tank had been forecasting.

As elsewhere in the EU, it is not clear if this is just a soft patch or the start of a prolonged period of weakness. At present, NIESR still expects UK to pick up to average around 0.4% in each of the next three quarters.

The latest data on UK construction provides some little reassurance. A pick-up in housebuilding helped the building sector, which suffered from very poor levels of activity in the first quarter, to bounce back in April.

However, overall demand for new buildings in the UK remained subdued, according to the Markit/Cips UK construction purchasing managers' index, with total new work rising only modestly on the month. While housebuilding bolstered growth in April, the picture was less positive in other areas of construction, with commercial building and civil engineering work rising only marginally.

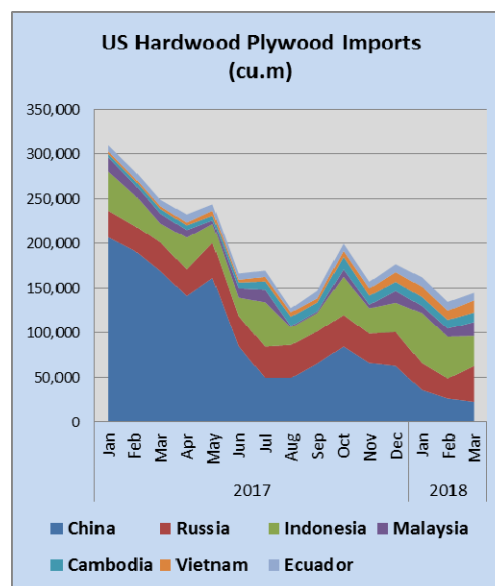
UK construction market analysts suggest that heightened economic uncertainty, alongside lack of clarity on the Brexit negotiations, is creating a risk-averse mood among clients, leading to spending plans being delayed. Growth in the UK construction sector is also likely to be dampened by a planned 5.4% reduction in public sector investment this year.

North America

Hardwood plywood imports from China continue to fall

Year-to-date hardwood plywood imports were down 40% in March compared to March 2017. Imports from Vietnam, Cambodia, Indonesia and other suppliers increased, but do not yet make up for the plunge in plywood imports from China.

The US imported 191,567 cu.m. of hardwood plywood in March, up 11% from February. Imports from China continued to decline month-over-month, while Russia, Malaysia, Vietnam and Cambodia increased plywood exports to the US market.



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

Vietnam, a major source of assembled flooring panels

Hardwood flooring imports increased for the third consecutive month to US\$5.8 million in March. The growth was largely in Chinese shipments, while imports from Malaysia and Indonesia declined.

Imports of assembled flooring panels (engineered and laminate) declined for the third consecutive month. Imports from China fell by half in March. Vietnam has become a major source of assembled flooring panels with over US\$0.5 million worth of flooring shipped to the US in March.

Drop in furniture imports from China and Vietnam

Wooden furniture imports declined for the second consecutive month in March to under US\$1.38 billion. Year-to-date imports were 11% higher than in March last year.

The decline was almost entirely in imports from China and Vietnam. Chinese furniture shipments to the US fell 24% month-over-month, although this drop was from very high import levels over the last winter.

Wooden furniture imports from Mexico, Indonesia, Malaysia and India were up in March. Imports of all types of wooden furniture were down with the strongest decrease in kitchen furniture/cabinets.

Furniture market indicators generally positive, but cabinet sales slide

The wood products manufacturing sector reported the strongest growth in April of all manufacturing industries, according to the Institute for Supply Management's Manufacturing ISM Report On Business. The furniture industry also reported growth in April.

New orders in February 2018 were 5% higher than orders in February 2017, according to the latest Smith Leonhard survey of residential furniture manufacturers and distributors. Year-to-date furniture shipments were up 1% from last year.

Cabinet sales in March declined 1.7% from the same time last year, according to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey.

Year-to-date cabinetry sales through March 2018 were also down compared to the same quarter in 2017.

Retail sales of furniture and home furnishings declined slightly in April from the previous month, but sales to date in 2018 grew 5.3% compared to the same time in 2017.

No further decline in unemployment expected by consumers

The unemployment rate declined from 4.1% in March to 3.9% in April, according to the US Bureau of Labor Statistics. Similar to the previous month, employment in manufacturing increased.

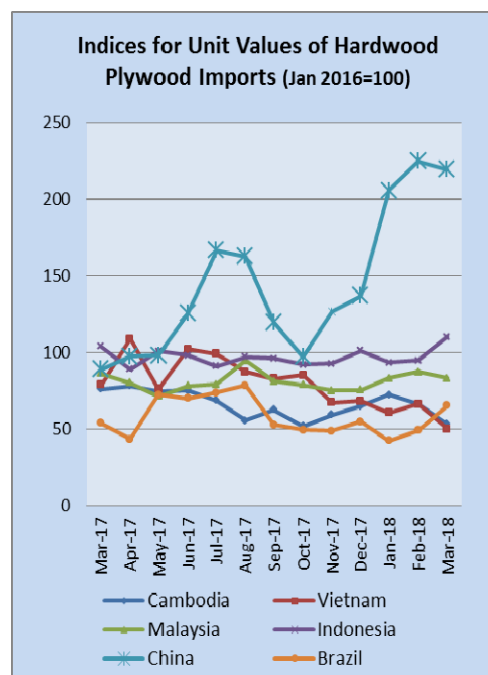
Consumer confidence in the US economy changed little from April to May, according to the University of Michigan survey of consumers. Most respondents expect interest rate hikes during the year ahead. Consumers expect the unemployment rate to not drop further, but rather be steady at its current (low) level.

Housing affordability and supply remain key issues

Multi-family housing construction was down in April, while single-family starts were unchanged from March, according to the latest data release by the US Census Bureau and the US Department of Housing and Urban Development.

The overall decline is not unexpected since multi-family starts were exceptionally high in March. The National Association of Home Builders expects single-family construction to grow in 2018, which would have a greater knock-on effect on demand for wood products and furniture than growth in multi-family construction.

Existing-home sales grew for the second consecutive month in March, but lagging inventory levels and affordability constraints kept sales activity below year ago levels, according to the National Association of Realtors.



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

Note: Indices are derived from customs value and exclude shipping, insurance and duties

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.

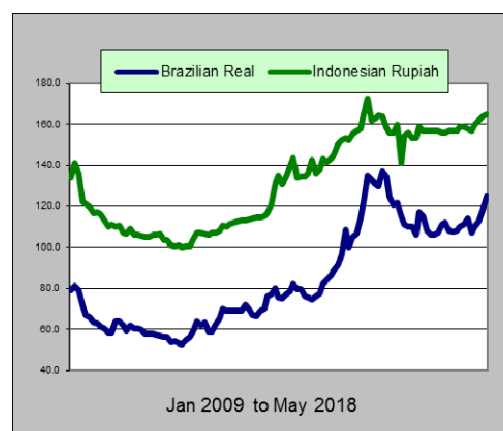
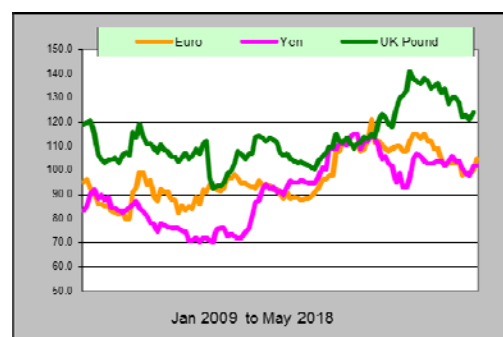
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 May 2018

Brazil	Real	3.6746
CFA countries	CFA Franc	561.85
China	Yuan	6.3919
EU	Euro	0.8588
India	Rupee	67.727
Indonesia	Rupiah	14053
Japan	Yen	109.39
Malaysia	Ringgit	3.9815
Peru	New Sol	3.27
UK	Pound	0.518
South Korea	Won	1078.39

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

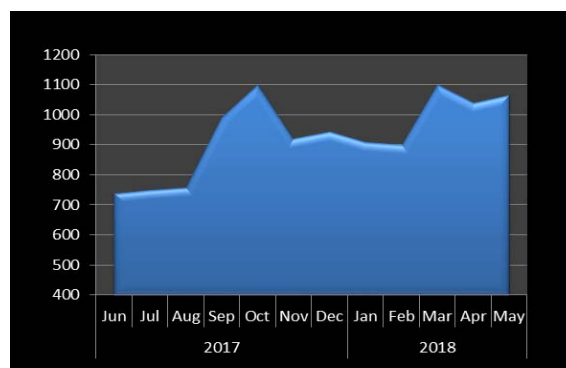


Abbreviations and Equivalences

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	Cost insurance and freight
C&F CNF	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, Weather and boil proof
MT	Metric tonne
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 2017 – May 2018

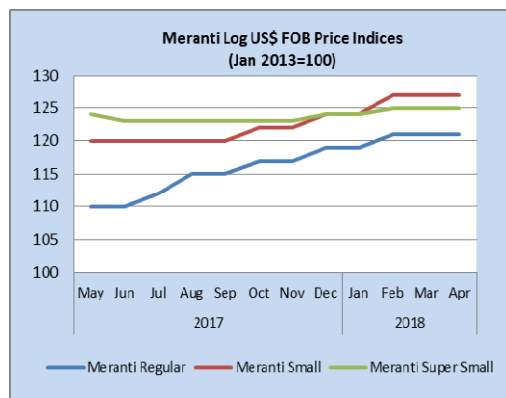


Data source: Open Financial Data Project

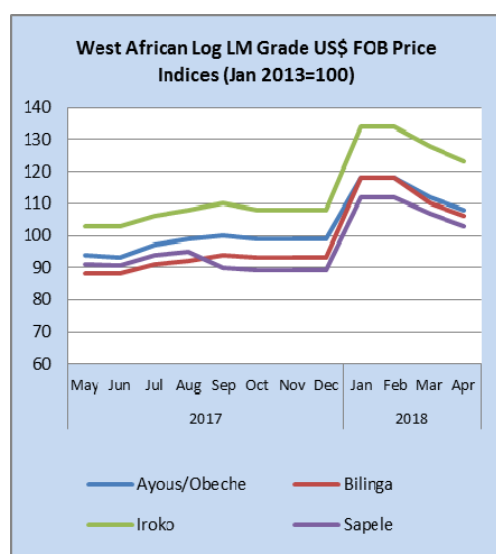
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

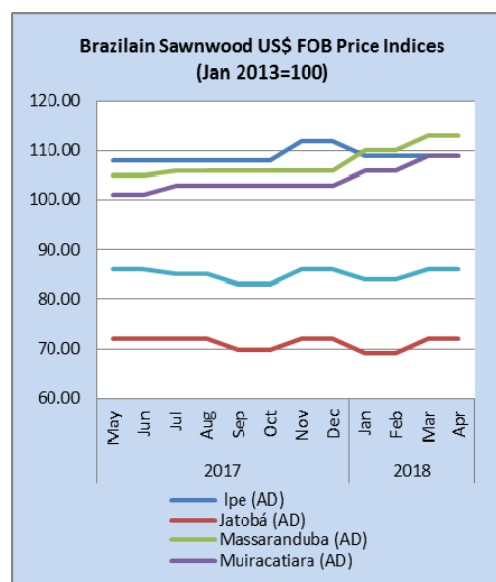
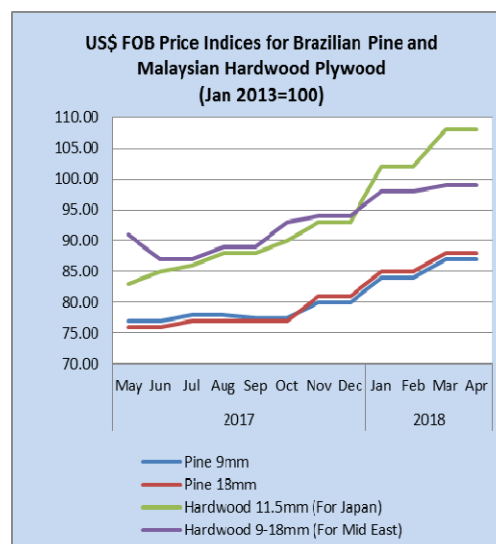
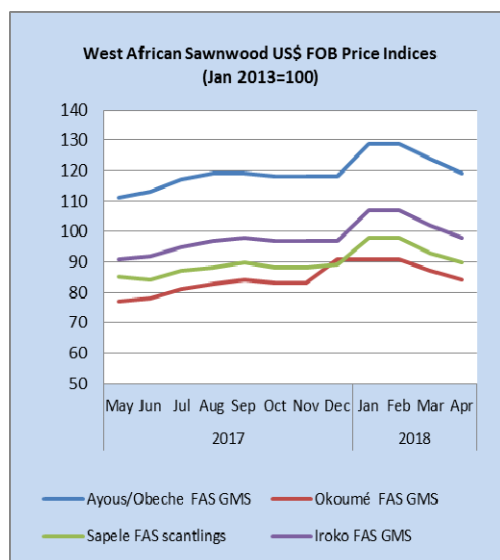
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties.. The raised 'asking' prices have not been accepted in full by buyers.



Note: Jatobá is mainly for the Chinese market.

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