

# 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](mailto:ti@itto.int).

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## Top Story

### **Tropical plywood market share falls to all time low in EU**

EU import data shows that tropical plywood has lost its share of the EU plywood market over the past two years.

While EU imports of plywood from all sources increased between 2013 and 2015, from 3.38 million cu.m to 3.92 million cu.m, a level not seen since before the financial crises.

EU Plywood imports from tropical countries remain stubbornly low.

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## Central and West Africa

### Demand trend shifts to quality rather than pursuit of lowest price

Log prices were unchanged throughout May and show no signs of movement even though there are reports of some modest increases in demand. Over the past few months analysts note a developing trend towards demand for better quality wood products with both buyers and consumers, through their own choice, being prepared to pay a fair price for a good product rather than pursuing the lowest price.

There are reports of some demand for okoume logs in Equatorial Guinea and Congo Brazzaville and this is mainly from buyers for the Chinese market.

As will be seen in the price tables below there were some slight movements in sawnwood prices during the second half of the month. Producers are satisfied with the current (slight) upward trend in demand and expect this to continue into the third quarter of the year.

### Expansion of peeling capacity in Gabon

The ban on log exports in Gabon is still in place and observers report that some Chinese companies, which were previously trading logs, are investing in milling capacity to produce peeled okoume veneers for export.

Log buyers say that Gabon okoume is of superior quality in terms of texture and appearance compared to okoume from neighbouring countries. If this is the case then the investment in peeling capacity in Gabon will yield high quality veneers.

### No decision yet on kilning requirement or marketing board in Gabon

The proposal for mandatory kiln drying of export sawnwood is reported to be slowly moving through the government systems along with a proposal to establish a timber marketing board.

There is no information as to when or even if these policies will be adopted with or without the suggestions offered by the timber industry.

### Customs inspection process even tighter – pushes up transaction costs

The ban on harvesting, processing and export of kevazingo remains in place while the government is continuing to assess and inspect stocks held by timber companies and traders.

There are ongoing discussion between the government and private sector on the high Customs Charges for container scanning. Analysts say the Gabon Customs Department seems determined to maintain the current rates and now require even more detailed documentation before exports are approved.

### Log Export Prices

West African logs, FOB		Euro per m <sup>3</sup>		
Asian market	LM	B	BC/C	
Acajou/ Khaya/N'Gollon	230	230	160	
Ayous/Obeche/Wawa	260	260	180	
Azobe & Ekki	230	230	160	
Belli	250	250	-	
Bibolo/Dibétou	150	145		
Iroko	330	290	260	
Okoume (60% CI, 40% CE, 20% CS)	200	200	160	
(China only)	335			
Moabi	210	305	225	
Movingui	160	210	160	
Niove	250	160	-	
Okan	220	210	-	
Padouk	345	285	225	
Sapele	315	315	220	
Sipo/Utile	340	330	265	
Tali	310-	310	-	

### Sawnwood Export Prices

West African sawnwood, FOB		Euro per m <sup>3</sup>	
Ayous	FAS GMS	410	
Bilinga	FAS GMS	500	
Okoumé	FAS GMS	350	
	Merchantable	225	
	Std/Btr GMS	290	
Sipo	FAS GMS	610	
	FAS fixed sizes	610	
	FAS scantlings	64	
Padouk	FAS GMS	910	
	FAS scantlings	1020↑	
	Strips	685↑	
Sapele	FAS Spanish sizes	610	
	FAS scantlings	620	
Iroko	FAS GMS	630	
	Scantlings	700	
	Strips	440	
Khaya	FAS GMS	450	
	FAS fixed	460	
Moabi	FAS GMS	610	
	Scantlings	630	
Movingui	FAS GMS	420	

## Ghana

### 2015 export performance reported

Ghana's 2015 wood product exports totalled 367,061 cu.m, compared to the 356,036 cu.m recorded in 2014. The corresponding export earnings for 2015 and 2014 were Eur187.62 million and Eur138.22 million.

	2014 % vol.	2015 % vol.
Asia/Far East	53.87	58.67
Africa	23.72	18.51
Europe	13.71	14.91
America	5.84	5.09
Middle East	2.85	2.81
Oceania	0.01	0.01

Source: TIDD

Compared to 2014, Ghana's 2015 volume of exports grew by 3% and by a significant 36% in terms of value.

The major markets for Ghana's wood products in 2015 were Asia (59%), Africa (19%) and Europe (15%) as illustrated above.

Wood product exports to Asia totalled 215,343 cu.m and Asian markets continue to absorb a high proportion of Ghana's wood products.

African markets accounted for 67,950 cu.m of all 2015 exports valued at Euro 26.93 million with the ECOWAS market accounting for the largest share (82%) of the total volume for sales to African countries.

Togo, Nigeria, Niger, Senegal, Burkina Faso and Benin were the major ECOWAS countries that traded with Ghana and 2015 imports by these countries increased around 10% compared to 2014.

Previously Nigeria was a major importer of Ghana's wood products, particularly plywood, but in 2015 Nigeria's imports from Ghana dropped by 44% to 21,135 cu.m in 2015, from the 37,758 cu.m recorded in 2014. The decline is attributed to Nigeria's regulations on the availability of foreign exchange.

Exports to Senegal and Togo in 2015 also fell compared to levels in 2014 declining 20% and 24% respectively. The fall in exports to regional markets is attributed mainly to supply problems in Ghana rather than any weakness in demand.

The third major destination for Ghana's wood products in 2015 was Europe. The volume of wood products exported to EU member states in 2015 totalled 54,734 cu.m, which represented 15% rise year on year.

The major products exported in 2015; air and kiln dry sawnwood, rotary veneers, dowels and flooring. The main species in demand were wawa, asanfina, ceiba, sapele, chenchen and koto, all of which posted year on year gains.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	380
Black Ofram Kiln dry	477▲
Niangon	489▲
Niangon Kiln dry	540▲

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9mm)	FACE (>2mm)
Ceiba	342▼	433
Chenchen	490▲	522
Ogea	478▲	556
Essa	503▲	561
Ofram	350	406

NB: Thickness below 1mm attract a Premium of 5%

#### Export Sliced Veneer Prices

Sliced Veneer, FOB	Euro per sq. m	
	Face	Backing
Afrormosia	1.19	0.91
Asanfina	1.40	0.75
Avodire	1.60	0.34
Chenchen	1.00	0.36
Mahogany	1.80	0.92
Makore	1.00	0.80
Odum	1.75	0.40

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	482	510	641
6mm	487	535	615
9mm	407	450	613
12mm	369	463	475
15mm	430	397▼	430▲
18mm	339▼	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 <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	492	564
Ceiba	297▲	368
Dahoma	419▲	455
Edinam (mixed redwood)	537	599▲
Emeri	480	535▲
African mahogany (Ivorenensis)	810	970▼
Makore	660	831▲
Niangon	610	873
Odum	713▲	862
Sapele	610	763▼
Wawa 1C & Select	370	440▲

#### Export Added Value Product Prices

Parquet flooring 1st grade	FOB Euro per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	9.00	11.33	13.00
Hyedua	13.00	18.22	16.30
Afrormosia	13.72	13.93	17.82

Grade 2 less 5%, Grade 3 less 10%.

## Malaysia

#### Leadership at MTCC changes hands

The Malaysian Timber Certification Council (MTCC) has welcomed Himmat Singh as its newly appointed Chairman. Dato' Dr. Freezailah Che Yeom was the Chairman of MTCC since 1999 and was the founding Executive Director of ITTO.

The announcement from MTCC's CEO, Yong Teng Koon, says "Datuk Himmat's appointment marks another milestone for MTCC as it continues to advance and spearhead the sustainable forest management agenda in Malaysia and in the Southeast Asian region.

We are indeed honoured to have Datuk Himmat Singh lead MTCC as he brings with him a wealth of experience. His distinguished career in the civil service spans over 35 years which includes serving as the Secretary General of the Ministry of Plantation Industries and Commodities covering forestry and timber trade before he retired in December 2015.

We look forward to progressing to greater heights under his leadership as the Chairman of MTCC.”

In paying tribute to the outgoing Chairman, Yong said, “MTCC’s progress, thus far, is attributed to the astute leadership of MTCC’s outgoing Chairman, Dato’ Dr. Freezailah Che Yeom. We are truly grateful for his wise counsel and invaluable contribution during his 17-year tenure as a member of the MTCC Board of Trustees. We wish him a very happy retirement.”

See: <http://www.mtcc.com.my/news-items/datuk-himmat-singh-appointed-as-mtcc-chairman>

#### Prospects for 2016 good says MTIB

The export value of Malaysia’s wood products is expected to increase to RM24 billion (approx. US\$5.9 billion) this year from the RM22.14 billion achieved in 2015, despite the current economic uncertainties.

Malaysian Timber Industry Board (MITB) Director-General Dr. Jalaluddin Harun said higher international sales will be driven by developments in Qatar and Iran and the steady demand in the United States and the European Union as well as India and Australia.

The total value of Malaysian wood product exports in 2015 expanded 6.4% year on year to RM22.14 billion, with wooden furniture exports rising to RM7.3 billion from RM6.4 billion in 2014.

#### Marketing mission to US delivers good results

The Malaysian Timber Council’s marketing mission to the United States in April generated just over RM9 million (approx. US\$2.2 million) in confirmed and potential sales. This mission was launched to coincide with the International Wood Products Association’s 60th World of Wood Convention in Texas.

The convention was attended by more than 250 importers, service providers, government agencies and suppliers of wood products from 25 countries. During the mission 11 of the 17 participating Malaysian companies secured sales. Of the 11, six were first-time participants in such a mission.

The US is proving to be a profitable market for Malaysian flooring, dark red meranti and nemesu decking, meranti sawnwood and finger-jointed and laminated timber. The US is the largest market for Malaysian wooden furniture accounting for 34% of total wooden furniture exports.

#### Discouraging first quarter results from Sabah

The Sabah Department of Statistics has just released data on wood product for the first quarter 2016. Total exports of sawnwood in this period were valued at RM80 million, plywood exports totalled RM264 million and veneer exports were worth RM25 million. The corresponding value of exports in the first quarter in 2015 were: RM74.53 million, RM238.78 million and RM19.89 million.

#### Sawnwood exports to selected markets

Destination	2015 cu.m	2016 cu.m
	Jan-Mar	Jan-Mar
China	14,238	7,653↓
Thailand	9,700	6,202↓
Taiwan	8,983	6,164↓
Philippines	6,411	5,973↓
Japan	5,769	2,270↓
South Africa	5,189	2,422↓

Source: Department of Statistics

#### Plywood export trends to selected markets

Destination	2015 cu.m	2016 cu.m
	Jan-Mar	Jan-Mar
Peninsular Malaysia	29,223	27,325↓
Japan	24,736	17,429↓
South Korea	18,738	14,780↓
USA	15,273	15,247↓
Thailand	8,757	10,256↑
Taiwan P.o.C	7,837	4,583↓
Mexico	5,886	15,276↑

Source: Department of Statistics

#### Sabah export volumes by product

Product	2015 cu.m	2016 cu.m
	Jan-Mar	Jan-Mar
Sawnwood	58,123	40,915↓
Laminated boards	8,530	10,152↑
Mouldings	2,364	2,053↓
Veneer	14,207	14,209↑
Plywood	135,677	136,265↓

Source: Department of Statistics

#### Sarawak exporters confident Japan’s plywood imports will rise

Plywood exporters in Sarawak are confident that Japan’s demand for plywood will rise in the months ahead from the current low level. Executives at a major plywood exporter said the recent decline in plywood prices seem to have bottomed out and, as plywood stock levels are falling, imports are expected to pick-up. In recent months the yen has strengthened against major currencies which make imports more appealing.

The other factor which should drive up imports is the investment in infrastructure in connection with Japan’s hosting of the Olympics games in 2020. In reporting 2015 final quarter results Ta Ann said the average plywood prices fell by 11% and log export prices were down around 10%.

## Plywood prices

Plywood Traders in Sarawak reported the following export prices:

	US\$/cu.m FOB
Floor base FB (11.5mm)	580
Concrete formboard CP (3' x 6')	500
Coated formboard UCP (3' x 6')	580
Standard panels	
S Korea (9mm and up)	410
Taiwan P.o.C (9mm and up)	390
Hong Kong	410
Middle East(9-18mm)	380

## Indonesia

### High hopes for FLEGT exports

The government expects wood product exports to the European Union to increase to around US\$1.1 billion this year as a result of the implementation of the FLEGT timber legality certification process.

Nurlaila Nur Muhammad of the Ministry of Trade said with the adoption of the FLEGT licensing system Indonesia's exports to the EU will have a market advantage. The benefits from Indonesia's VPA with the EU was also highlighted by Foreign Minister Retno LP Marsudi who said SVLK implementation would benefit Indonesia, which currently has a 40 percent market share in the EU tropical timber market.

Siti Nurbaya Bakar, Environment and Forestry Minister said SVLK implementation would help the country combat illegal logging and trade in illegally sourced timber and would help improve governance in the forestry sector.

According to government estimates 1,634 furniture exporters and 70% of SME exporters have secured domestic legality verification certification.

### Villagers co-opted for fire prevention

Community-managed task forces are set to be created to monitor forest fire hot spots in about 600 villages throughout the country. Raffles Brotestes Panjaitan in the Ministry of Environment and Forestry said his ministry has been working with regional and local administrations to prepare the launch of the new fire alert system which will depend on village and community input.

### Development of Patimban Port

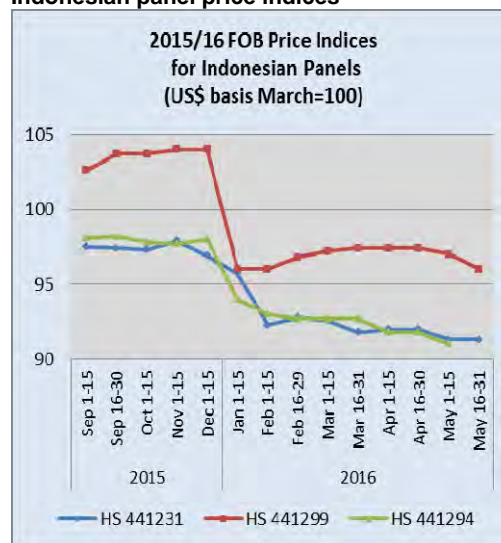
The Japanese government has signalled to Indonesia that it is eager to be involved in the development of the Patimban deep seaport in West Java. Investment in infrastructure is one of the pillars of the Indonesian government's plans for reviving the economy.

Expansion of capacity at Port Patimban, some 70 kilometers from Jakarta, would vastly improve the movement of goods into and out of industrial areas east of Jakarta such as Karawang and Cikarang.

Japanese manufacturing firms, such as Toyota and Honda would benefit from this development as they have production facilities close by.

For more see: <http://www.indonesia-investments.com/news/todays-headlines/japan-indonesia-to-partner-for-construction-of-patimban-seaport/item6864>

## Indonesian panel price indices



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

## Myanmar

### MTE off US sanctions list

It came as a welcome surprise in Myanmar when the Office of Foreign Assets Control (OFAC) in the US Treasury Department removed the Myanmar Timber Enterprise (MTE) from its Specially Designated Nationals List (SDN). This list identifies foreign individuals or entities with whom US companies or individuals are restricted from doing business with.

The Office of Foreign Assets Control (OFAC) a financial intelligence and enforcement agency charged with planning and execution of economic and trade sanctions in support of US national security and foreign policy objectives.

Efforts, which began in 2013, were made by MTE and the International Wood Products Association (IWPA) in the US to have MTE removed from the SDN list but the OFAC only agreed to grant a General License which was a year by year waiver. Through this mechanism only IWPA members could benefit from the import license.

The most recent decision allows all USA companies to trade with MTE but comes at a time when timber



production for export is set to fall as a logging restriction is likely to come into effect in Myanmar.

#### New rubberwood processing joint venture

For the first time a Japanese company has entered into a joint venture for the manufacture of rubberwood products such as tables, chairs, cupboards, seats and wall cabinets. The joint venture is between Myanmar's Moe Mya Chel Company and Japan's Sumitomo and Oji Forest and Products.

The factory, which has an annual production capacity of around 8,000 cubic metres, will be located in in Mawlamyaing, Mon State. There are some 200,000 hectares of rubberwood in Mon State alone with another approx. 380,000 hectares across the country.

For more on this investment see page 15

#### Mixed signals on harvest levels

An official decision on a logging ban or logging restriction has not been made known. The Deputy Director General of Forest Department surprised everyone by telling reporters from the Daily Eleven Newspaper that teak and hardwood harvesting will continue for ten years.

He is reported to have said the teak harvest would be 19,200 and the hardwood harvest would be 592,330 but did not mention the unit of quantity. Previously, the Forest Department mentioned specific details of the harvest levels which seem to contradict the latest statements to the press.

Analysts and observers are waiting for the Forestry Department to make an official announcement of planned harvests to avoid confusion.

#### Latest teak log auction prices

Grade	H.tons	Avg US\$/H.ton
SG-2	14	4,110
SG-4	47	3,300
SG-5	55	2,690
SG-6	-	-
SG-7	-	-

## India

#### Inflation rate trends down

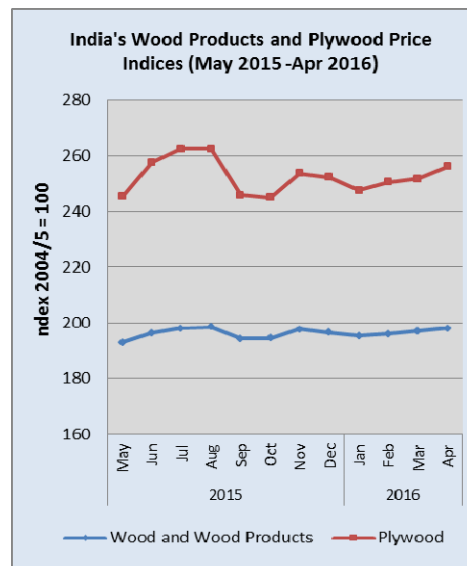
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for April rose to 177.0 from 174.6 in March. The year on year annual rate of inflation, based on monthly WPI, stood at 0.34% (provisional) in April 2016 compared to -0.85% in March.

Year to April inflation was 1,37%. For more see: <http://eaindustry.nic.in/cmonthly.pdf>

#### Timber and plywood price indices climb

The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Wood products and Plywood are shown below.



Data source: Office of the Economic Adviser to the Indian government

#### Hardwood imports down 17%

	cubic metres
Ash	7,425
Beech	31,045
Eucalyptus	2,157
Keruing	104,362
Kapur	156,927
Kempas	110,704
Koompasia	1,510
Meranti	796,012
Mersawa	10,017
Merbau	18,508
Mora	10,822
Nyato	2,886
Oak	5,327
Okume	29,618
Poplar	8,838
Resak	35,530
Selangan Batu	85,427
Teak	438,961
Other* hardwoods	7207
<b>Total</b>	<b>1,853,266</b>

\* includes Maple, Walnut, Melina, Padouk and Ash

During fiscal 2014-15 timber imports via Kandla Port totalled 3,952,130 cubic metres compared to 3,925,555 cu.m in fiscal 1013-14.

Against this backdrop, fiscal 2015-16 imports at 3,351,591 cum were some 11% lower than a year earlier. In particular, 2015-16 imports of hardwoods fell almost 17% year on year. The top three timbers imported in fiscal 2015-16 were meranti, teak and kapur.

#### Fine quality teak offered at Madhya Pradesh auction

Analysts on the spot report arrivals of teak logs have been good in all depots in Madhya Pradesh. Teak from this area is sold in 2 to 5 metres lengths and mostly in the 120cm and below girth classes.

Teak logs from this area are typically cylindrical and yield a timber that is of golden colour with black stripes.

4-5 metre length	Rs per Cu.ft
91 cms & up girth	1900
76 to 90 cms girth	1700-1800
61 to 75 cms girth	1500-1700
46 to 60 cms girth	1300-1400
3-4 metre length	
91 cms & up girth	1600
76 to 90 cms girth	1500-1600
61 to 75 cms girth	1400-1500
46 to 60 cms girth	1300-1400
2-3 metre length	
91cms & up girth	1200-1300
76 to 90 cms girth	1100-1200
61 to 75 cms girth	100-1100
46 to 60 cms girth	900-1000

Auction prices for laurel (*Terminalia tomentosa*), haldu (*Adina cordifolia*) bija (*Pterocapus marsupium*) and sainwood (*Chloroxylon swietenia*) are shown below.

4-5 metre length	Rs. per Cu.ft
91 cms & up girth	700
76 to 90 cms girth	608-650
61 to 75 cms girth	550-600
46 to 60 cms girth	500-550
3-4 metre length	
91 cms & up girth	600 plus
76 to 90 cms girth	500-550
61 to 75 cms girth	475-500

Bidders at the latest auction were mostly buyers from local mills and merchants from Gujarat, Maharashtra, Rajasthan and South India.

The latest auctions were held at depots in Harda, Jabalpur, Hoshangabad and Betul divisions. Over 25,000 cubic metres of teak logs were sold and as additional logs are arriving so an announcement on further auctions is anticipated.

#### Plantation teak prices

The current pace of deliveries matches demand thus C&F prices remain stable.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-614
Benin sawn	530-872
Brazil logs	321-665
Brazil squares	370-556
Cameroon logs	405-616
Colombia logs	426-775
Congo D. R. logs	450-761
Costa Rica logs	320-780
Côte d'Ivoire logs	289-756
Ecuador squares	254-564
El-Salvador logs	399-732
Ghana logs	276-434
Guatemala logs	360-451
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	515
Nicaragua logs	402-505
Nigeria squares	321-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	488-857
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	557-680
Uganda logs	411-576
Uganda Teak sawn	680-900

### Prices for locally sawn hardwoods

The US dollar/Rupee exchange rate continues to trade in a narrow band allowing importers to maintain recent price levels.

Sawnwood Ex-mill	Rs per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1350
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

### Myanmar teak flitches resawn in India

Ex-mill prices for sawn teak remain unchanged.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-15000
Teak A grade	6500-7500
Teak B grade	5000-5500
Plantation Teak FAS grade	4000-4500

Price variations depend mainly on length and cross section

### Prices for imported sawnwood

Sawnwood, (Ex-warehouse) (KD)	Rs per ft <sup>3</sup>
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2100-2150
American Walnut	3800-4000
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1650-1850
Douglas Fir	1350-1450

Price variations depend mainly on length and cross section

### Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	41.55
6mm	55.00
9mm	70.00
12mm	86.00
15mm	114.50
18mm	120.00

### Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.21.00	Rs.31.00
6mm	Rs.31.80	Rs.40.00
9mm	Rs.40.00	Rs.48.50
12mm	Rs.49.00	Rs.58.50
15mm	Rs.59.50	RS.71.50
19mm	Rs.67.80	Rs.80.00
5mm Flexible ply	Rs.42.00	

## Brazil

### Latest trends and innovations FEICON BATIMAT

The 22nd FEICON BATIMAT exhibition showcasing developments in construction, home furnishings and textiles, architecture and designing and household services industries was held in early April. This event is a reference point for the construction sector in Latin America where the latest trends and innovations can be shared.

According to the National Association of Construction Material Retailers (ANAMACO), business to business dealings were an important element in the event especially for the building materials sector where in the region retail sales continued to grow.

Representatives from the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) were at the exhibition to investigate trends and innovations. Brazilian manufacturers of wooden doors had a major presence in the exhibition and were able to promote the Brazilian Sectoral Quality Program for Wooden Doors (PSQ-PME).

### SEMA review of ABNT standards

The forestry sector is ranked fourth in the economy of Mato Grosso but has failed to achieve its full potential in international markets according to the State Secretariat of the Environment (SEMA).

In an attempt to address this SEMA has established a working group to review the impact of current standards on the potential for wood product exports.

Brazil's standards determined by the Associação Brasileira de Normas Técnicas (ABNT) will influence market opportunities and need to reflect the latest requirements in international markets. SEMA hopes to propose revisions to ABNT standards.

In addition to SEMA the other institutions involved included the Regional Council of Engineering, Architecture and Agronomy of Mato Grosso state (CREA-MT), the Forest Engineers Association of Mato Grosso state (AMEF), the Center for Timber Producers and Exporters of the state of Mato Grosso (CIPEM), the



Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Brazilian Agricultural Research Corporation (EMBRAPA).

#### **More on Red Cedar**

As a follow-up to the recent news on red cedar in Brazil Belevistaflorestal

(<http://eng.belavistaflorestal.com.br/plus/>), a pioneer in development of red cedar in Brazil offered further information on the development of red cedar in Brazil.

Belevistaflorestal writes “We are a forestry company in Brazil, Campo Belo, Minas Gerais. Since 2006, we have developed a successful programme breeding *Toona ciliata* (Australian red cedar). There are several lines of research with participation of our federal universities and private agencies.

Currently we a world reference point on this species and have developed six high yield and adaptable geno-types.

We have developed our research based on the CSIRO germplasm bank for conservation, from which we tested 101 families from 16 provenances along the east coast of Australia, the natural distribution of the species.”

Recently the company conducted a market test on a pilot scale to advance our understanding of the market and present the timber to potential buyers in the domestic market.”

For more see: <https://globoplay.globo.com/v/4945198/>  
<https://www.youtube.com/watch?v=CE53TC8Mh7Q>  
and  
<https://www.youtube.com/watch?v=2WkvFZHQOV0>

#### **Export round-up**

In April 2016, the total value of Brazilian exports of wood-based products (except pulp and paper) declined 8.7% compared to April 2015, from US\$247.3 million to US\$225.7 million.

The value of pine sawnwood exports increased 29% from April 2015 (US\$ 21.7 million) and April 2016 (US\$ 28 million). In terms of volume, exports increased over the same period from 94,200 cu.m to 149,800 cu.m.

April tropical sawnwood exports increased 1.7% in volume year on year from 34,400 cu.m in April 2015 to 35,000 cu.m in April 2016 however the value of exports fell about 11% from US\$17.9 million to US\$16 million, over the same period.

Pine plywood exports dropped 29.5% in value in April 2016 in comparison with April 2015, from US\$47.4 million to US\$33.4 million.

In terms of volume, however, exports fell by just 2.5%, from 133,100 cu.m to 129,800 cu.m, over the same period.

Brazil’s tropical plywood exports continue to rise and in April were up 34% year on year from 9,400 cu.m in April 2015 to 12,600 cu.m in April 2016. Export values also

rose 4.3% from US\$ 4.6 million to US\$ 4.8million, over the same period.

As in previous months, exports of wooden furniture fell in April US\$ 37.1 million in April 2015 to US\$ 35.2 million in April 2016, a 5.1% drop.

#### **Exports boost timber cluster in the Amazon region**

The timber sector in Amazonas State has recorded significant growth in revenues this year as exports have pick-up.

According to the Superintendent of the Manaus Free Zone (SUFRAMA) in the first two months of 2016, exports were worth R\$ 8.86 million compared to the R\$ 4.47 million earned in the same period last year.

Although the figures presented by SUFRAMA are encouraging the timber sector faces problems. According to the Union of Plywood and Veneer Timber Industries in Amazonas State, some 12 companies in the region ceased operations mainly due to a lack of raw materials and financing.

There is a strong demand for wood products in the region from the construction sector and from furniture manufacturers and this puts a strain on raw material supplies.

It has been recognised that there is a need to promote forest production if the industry is to meet domestic demand and expand exports. The State Secretariat for Planning, Development, Science, Technology and Information (SEPLAN-CTI) has established a technical group to look into opportunities for expanding raw material supplies and an expansion of production.

#### **ABIMCI participates in ASEAN meeting**

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) participated in the trade and governmental meeting in Southeast Asia hosted by the Association of Southeast Asian Nations (ASEAN) and the Federation of Industries of Paraná State (FIEP).

Representatives of the embassies of Indonesia, Thailand, Singapore, the Philippines and Vietnam along with representatives of ASEAN member countries presented details of business opportunities of interest to Brazilian businesses.

ASEAN’s ten member countries represent a formidable economic force and have an objective to become the fourth largest economic grouping in the world within 20 years. Representatives from Brazil’s consulate and from the Brazilian-United States Chamber of Commerce also attended the meetings along with representatives of the National Service for Industrial Training (SENAI), the Organization of Cooperatives of the State of Paraná (OCEPAR), the Trade Federation of São Paulo State (FECOMÉRCIO) and the Paraná Institute of International Relations (IPRI).

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipé	753↑
Jatoba	370↑
Massaranduba	346↑
Muiracatiara	362↑
Angelim Vermelho	318↑
Mixed red and white	202↑
Eucalyptus (AD)	184↑
Pine (AD)	130↑
Pine (KD)	148↑

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	502↑
10mm WBP	394↑
15mm WBP	343↑
4mm MR	450↑
10mm MR	333↑
15mm MR	307↑

Prices do not include taxes

Source: STCP Data Bank

### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	162↑
Jatoba	90↑
Massaranduba	94↑
Muiracatiara	97↑
Angelim Vermelho	89↑
Mixed redwood and white woods	76↑

Source: STCP Data Bank

### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	223↑
15mm MDF	298↑

Source: STCP Data Bank

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1416↓
Jatoba	925↓
Massaranduba	737↓
Muiracatiara	720↓
Pine (KD)	197↓

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	309↓
12mm C/CC (WBP)	281↓
15mm C/CC (WBP)	278↓
18mm C/CC (WBP)	274↓

Source: STCP Data Bank

### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,636↓
Jatoba	1,538↓

Source: STCP Data Bank

## Peru

### Particleboard imports falling

Peru's imports of particleboard were valued at US\$43.7 million in the first four months of this year marking a decline of almost 5% compared to the same period of 2015.

Novopan Peru continued as the main importer (US\$9.5 million) but recorded an 8% drop compared to the same period in 2015. However, Arauco Peru, the second largest importer, saw its share of total import rise by 3%.

Masisa Peru, along with Arauco, was the only other importer seeing a rise in January-April imports.

Somewhat of a surprise was the sharp drop in imports by Interforest which reported imports in the first four months were down over 50%.

### Innovative financial products designed for timber sector

Securing financing for forestry development, even plantation establishment, is a major challenge for the private sector. However, strides in improving financial transparency on the part of the private sector and the interest of the state in forestry development is opening the way to development of innovative financial products designed for the sector.

According to the National Forest and Wildlife Service (SERFOR), financial institutions such as BBVA, Scotiabank and BanBif have begun offering financial products to forestry and timber companies.

For several years the government has been providing financing through its Mipyme Fund. This is a small business fund to promote innovation in micro and small enterprises.

The stimulus to improved availability of financing for forestry came in part from the loans provided by Agrobanco and Cofide. These loans were effective serviced which encouraged other financial institutions to look opportunities in the timber sector. However, the timber private sector recipients complain about the high interest rates charged on commercial loans but a window of opportunity is slowly opening.

In related news, the Agricultural Bank (Agrobanco) and the French Development Agency (AFD) recently agreed a deal which sees around US\$57 million being made available to support the Peruvian bank to become a 'Green Bank' through providing loans for environmentally friendly projects.

One of the main conditions of the French support was the implementation of an Environmental Management and Social Risk Assessment system.

Agrobanco hopes that by 2119 it can triple its 'green' portfolio to project addressing climate change, improved agricultural practices, energy from biomass, agro-forestry and silvo-pastoral systems along with development of sustainable forest plantations.

#### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
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

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	474-564↑
Grade 2, Mexican market	426-467↑
Cumaru 4" thick, 6'-11' length KD	
Central American market	863-896
Asian market	911-963
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-13 length Asian market	405-449

#### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	-
Virola	186-217
Spanish Cedar	305-364
Marupa (simarouba)	158-174

#### Export Veneer Prices

	US\$ per m <sup>3</sup>
Veneer FOB Callao port	
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

#### Export Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

#### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Iquitos mills	
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

	US\$ per m <sup>3</sup>
Peru, Domestic Particleboard	
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

	US\$ per m <sup>3</sup>
Peru, FOB strips for parquet	1296-138
Cabreva/estoraque KD12% S4S, Asian market	
Cumaru KD, S4S Swedish market	962-1095
Asian market	1069-1112
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

#### JCER- Only thorough opening the economy can a crisis be averted

The 42nd Medium-Term Economic Forecast from the Japan Center for Economic Research (JCER), a private non-profit research institute, makes for very sober reading and is of relevance to the medium term prospects for wood product exporters to Japan. Four main conclusions from the report are highlighted:

- **Potential Growth Rate:** Currently below 1%, will turn negative by FY 2030 due to population decline
- **Economic Growth Rate:** Toward negative growth in late 2020s
- **Fiscal deficit:** Bad to worse, outstanding debt to nominal GDP ratio will rise to 250%
- **Industrial structure** – Currently this limits growth, structural reforms are pressing

The report opens saying the outlook for the Japanese economy appears extremely harsh given its declining population, aging society, sluggish investment and declining efficiency and productivity.

The impact of the aging society and population decline is gradually coming to a head says the report and the writers expect the prospects for growth to weaken after the Tokyo Olympics in 2020 and to turn negative by FY 2030.

At some time in the near future, says the report "Japan will be forced to make bitter choices between confronting the crisis of economic collapse or submitting to a substantially reduced standard of living".

The authors point to the need to reform the social systems such as harnessing the abilities of women who remain in the home, increasing immigration and extending the working age of elderly residents.

It is reform that would make it possible to reverse what is seen as an inevitable decline. The report says "reforms would be needed at a level that will change the shape of the country.

The path to avoiding economic collapse and overcoming the "Japanese disease" of giving maximum priority to maintaining the status quo may be narrow and austere, but it is not an impossible distance to cover".

The conclusion of this analysis is that only thorough opening the economy can growth be achieved.

In the words of the report: “Following the lead of the Meiji Restoration and the postwar era to assimilate demand from abroad, the point is to open up the country for a third time to free up the movement of people, goods and money”.

For the full analysis see:  
[http://www.jcer.or.jp/eng/pdf/m42\\_final.pdf](http://www.jcer.or.jp/eng/pdf/m42_final.pdf)

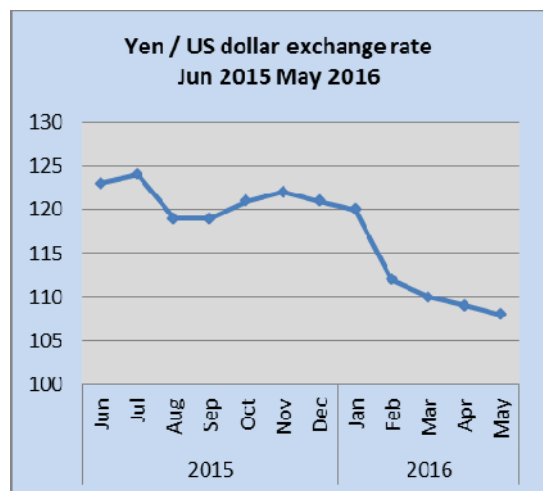
### The helicopter money option looms

Japan’s exports fell for a seventh consecutive month in April as the yen continues to strengthen and further strengthening came after heated discussions on currency management during the recent G7 Finance Ministers meeting.

At the G7 Finance Ministers meeting there was no support for Japan's appeal for currency intervention to reverse the appreciation of the yen. This say analysts, may mean the country could resort to what is known as "helicopter money" . This is a term used to describe the situation when a country drastically increases public spending or cuts taxes.

In the face of a firming yen and weak economic growth the Bank of Japan is quickly running out of options to hold down the yen/dollar exchange rate.

The yen firmed to 108 in mid-May marking a more than 6% rise against the US dollar which is hurting exporters. On the other hand importers, including wood product buyers are returning to the international market.



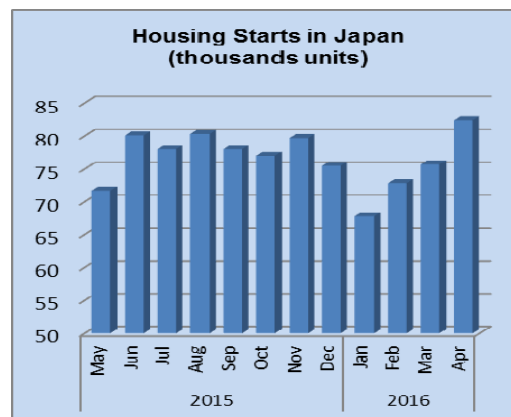
### Housing starts continue steady rise

Growth in new residential property developments begun last month in Japan defied expectations with a mild rise that didn't quite fall in line with activity elsewhere in the economy.

New housing starts grew close to 10% in April to 82,398, this was double what analysts had expected and the April rise continued the upward trend seen over recent months.

At the current rate of expansion annualised housing starts would come in at 995,000 well above forecasts made earlier in the year.

The pace of growth, when set against overall consumer spending trends suggests that the driving force for housing starts is most likely the availability of low interest mortgages.



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

### Import round up

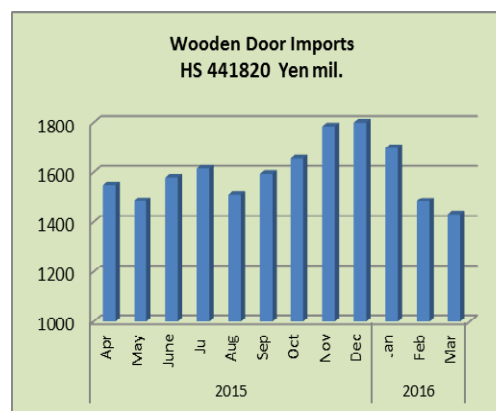
#### Doors

Japan’s first quarter 2016 imports of wooden doors were around 4% higher than in the first quarter 2015.

Doors, Yen mil.	Jan	Feb	Mar	Q1 total
2015	1563	1525	1341	4429
2016	1698	1484	1432	4614

Data source: Ministry of Finance, Japan

March marked the third straight decline in wooden door imports into Japan. China remains the main supplier of wooden doors to Japan followed by the Philippines and Indonesia. These three suppliers dominate imports of wooden doors accounting for over 80% of all imports of doors in March.



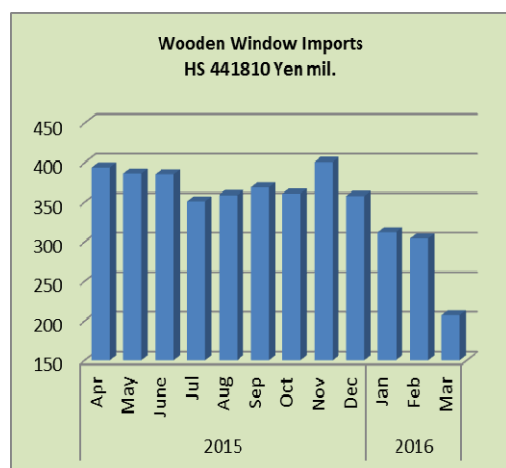
Data source: Ministry of Finance, Japan

## Windows

Wooden window imports into Japan continued the downward trend first noticed in December 2015. First quarter 2016 imports of wooden windows were some 10% below that in the first quarter of 2015. Year on year Japan's March 2016 wooden window imports were down a massive 35%.

Windows Yen mil.	Jan	Feb	Mar	Q1 total
2015	308	293	320	921
2016	312	304	207	823

The top three suppliers remain China, Philippines and the US accounting for over 85% of March 2016 imports.

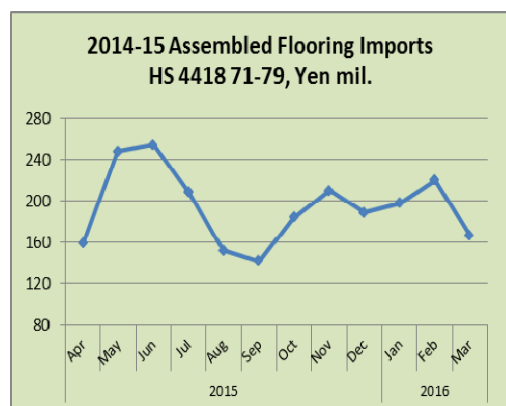


Data source: Ministry of Finance, Japan

## Assembled flooring

In contrast to the downward trend door and window imports Japan's imports of assembled flooring rose 6.5% in the first quarter of 2016 compared to the same period in 2015.

Assembled Flooring, Yen mil.	Jan	Feb	Mar	Q1 total
2015	231	217	101	549
2016	198	220	167	585



Data source: Ministry of Finance, Japan

## Plywood

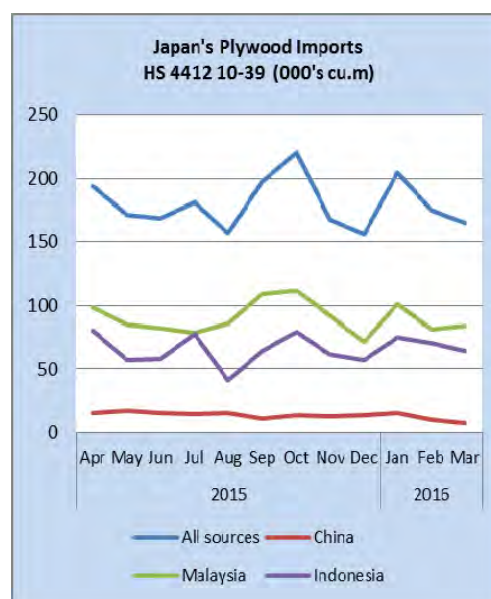
In the first quarter of 2016 Malaysia was the largest supplier of plywood for the Japanese market followed by Indonesia and in distant third was China. Malaysia's shipments of plywood to Japan during the first quarter 2016 were well down (-23%) from levels recorded in the same period in 2015.

On the other hand shipments from Indonesia rose slightly above levels in the first quarter of 2015. First quarter 2016 shipments of plywood from China into Japan were down a hefty 35% compared to the first quarter of 2015 but shipments of plywood from China into Japan are a fraction of those from both Malaysia and Indonesia.

Malaysia, Yen mil.	Jan	Feb	Mar	Q1 total
2015	128	115	104.4	347.4
2016	101	81.5	84	266.5

Indonesia, Yen mil.	Jan	Feb	Mar	Q1 total
2015	67	65	68.3	200.3
2016	75	70.8	64	209.8

China, Yen mil.	Jan	Feb	Mar	Q1 total
2015	23	18	8.5	49.5
2016	16	10	8	34



Data source: Ministry of Finance, Japan



### Main sources of Japan's plywood imports

		000's cu.m		
		China	Malaysia	Indonesia
2014	Jan	31	146	97
	Feb	21	121	70
	Mar	24	125	91
	Apr	27	144	83
	May	26	131	81
	Jun	24	113	84
	Jul	23	109	88
	Aug	16	95	67
	Sep	21	121	74
	Oct	19	92	81
	Nov	21	130	68
	Dec	20	104	67
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64

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>

### Wood demand in 2015

The Ministry of Agriculture, Forestry and Fisheries disclosed wood demand statistics of 2015. According to this, total wood material demand was 25,092,000 cubic meters, 1.9% less than 2014. This is two consecutive years' decline despite new housing starts in 2015 were 1.9% more than 2014.

Not only domestic products but also imported wood products from foreign countries decreased. In domestic consumption of materials, domestic wood demand

continues increasing so in total material supply, domestic wood was 20,049,000 cbms, 0.7% more than 2014.

Meantime imported materials were 5,045,000 cbms, 11.0% less. Therefore, share of domestic wood was 79.9%, 2.1 points more than 2014.

Log demand for lumber was 16,182,000 cbms, 2.9% less, out of which domestic logs were 12,004,000 cbms, 1.7% less and imported logs were 4,178,000 cbms, 6.1% less so decline of imported logs was larger. Shipment of lumber decreased to 9,23,000 cbms, 3.8% less. Imported lumber also declined. Softwood lumber from North America was 0.6% less. European softwood lumber was down by 4.6% and structural laminated lumber was down by 3.1%. Not only Japanese manufacturers but also foreign manufacturers suffered declining market.

Imported logs for lumber manufacturing were down from all the sources but log import from North America, which took 78% in all log import, decreased to 3.259,000 cbms, 3.2% less. Demand for North American logs was steady by large sawmills but demand from smaller sawmills was slow then on supply side, there were several negative factors to reduce the supply like forest fires, labor dispute at the West Coast ports and strong dollar.

Logs for plywood manufacturing were 4,218,000 cbms, 4.2% less, out of which domestic logs were 3,356,000 cbms, 5.2% more and increasing trend continues while imported logs were 864,000 cbms, 28.8% less so share of domestic logs for plywood manufacturing reached about 80%. Standard plywood production was 2,756,000 cbms, 2.0% less. Imported plywood was down by 17%.

### Legal wood use promotion law

Draft of the bill to recommend use of legally approved wood the Liberal Democratic Party plans to submit to the Diet is revealed. It calls attention of wood materials manufacturers like construction companies, paper and furniture manufacturers to use legally certified wood and sets up registration system for users of such proven wood.

However, it does not either prohibit using illegal wood or impose penalty. It simply promotes using legally proven wood to create environment to shutout illegal wood. It is the law to promote using and distribution of legally proven wood.

The government works out basic plan regarding distribution and use of legal wood then how to confirm legality and measures in case it is uncertain, necessary measures in case of transfer and management of record.

Details will be stated in related ministerial ordinance of the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Land, Infrastructure and Transport, the Ministry of Economy, Trade and Industry.

Regarding legality, there will not be uniform standard and wood supplied in compliance with the government law of producing country is regarded as legal wood.



The law says one has to make every effort to use legally certified wood and registration system will be made for ones which use legal wood actively and ones can advertise as legal wood users by registration organization.

### **March plywood supply**

March plywood supply was 486,800 cbms, 3.8% more than March last year but this is two straight months decline of less than 500,000 cbms because imported plywood volume dipped below 220,000 cbms for two consecutive months.

Meanwhile domestic softwood production recorded the highest monthly production in March so that share of domestic plywood surpassed the imports for two straight months. The first quarter total of domestic production is 52% in total supply.

Imported plywood was 218,000 cbms, 6.9% less than March last year and 0.4% less than February. Because of depressed market of imported plywood, the importers and wholesalers restrain from making future purchase considerably, which reflects low import volume. This trend seems to continue for some time.

Malaysian volume was 87,500 cbms, 17.8% less and 3.5% more. Monthly average import from Malaysia during September and December last year was 95,500 cbms while the first quarter monthly volume of this year is lower at 92,000 cbms.

Indonesian volume was 69,400 cbms, 7.6% less and 10.2% less. However, the volume stays unchanged much since average monthly volume for November and December last year was 74,300 cbms then the first quarter volume is 76,000 cbms.

Domestic production in March was 267,800 cbms, 14.6% more and 7.2% more. Softwood production was 253,500 cbms, 14.6% more and 7.5% more, which is the highest monthly production. The shipment in March was 238,100 cbms, 11% more and 1.8% more. This is the six consecutive months with over 230,000 cbms. The inventories are 128,400 cbms.

### **Plywood**

Softwood plywood market was shaken by two unexpected incidents. One is fire at Akita Plywood and another is Kumamoto's strong earthquake.

The largest plywood manufacturer, Akita Plywood's second plant burnt down by fire on April 6. Plywood market settled down in February and March from overexcited market and there were dumping sales in March by wholesalers and trading firms since March is book closing month but the mood changed all at once by this fire and everybody rushed to secure the volume but after a short while, calmness is back at the market.

Then came Kumamoto earthquake on 16th of April. The quakes have been continuing even after three weeks after the first strong one hit the area.

However, plywood plant in Kumamoto area continues normal operation but transportation is hampered by damaged highway system.

Since last April, which is a new fiscal year, the importers do not accept low offers by the buyers and stick to higher prices but the demand itself has not improved at all. Adamant attitude of importers props up further decline of market prices.

Tight feeling is showing up with declining inventory after future purchase volume decreased. Supply side plywood manufacturers continue holding aggressive attitude since last March but are not able to increase the export prices because orders from Japan are not so much.

### **New lumber mill in Myanmar**

Mos Lumber Products Ltd. (Myanmar) celebrated completion of lumber mill in April 29. This company was established in December 2014 in Myanmar as joint-venture company with Oji Forest & Products Co., Ltd. (Tokyo), Sumitomo Forest Singapore (subsidiary of Sumitomo Forestry) and local furniture company, Moe Mya Chai Co., Ltd (Myanmar)-MMC.

Oji has 54% share, Sumitomo has 26% share and MMC has 20%. Total capital is US\$2,250,000. Function of each company is production management and marketing of products in Japan and overseas markets by Oji and Sumitomo then raw materials procurement and mill operation by MMC.

Raw material is planted rubber wood. The mill makes lamina for laminated lumber of about 8,000 cbms a year. Lumber is treated by pressurized wood preservative and finished S4S. The product is used for furniture like chair and counter top.

This is the first overseas joint venture business by both Oji and Sumitomo Forestry. The idea is to cooperate by providing knowhow so synergy effect should be expected then also contributes promotion of local employment in Myanmar.

## **China**

### **Sales Prices of Residential Buildings**

Average housing prices in China rose in April continuing the upswing that began late last year. The rise in prices is put down to easier credit requirement for people purchasing homes outside the top tier cities.

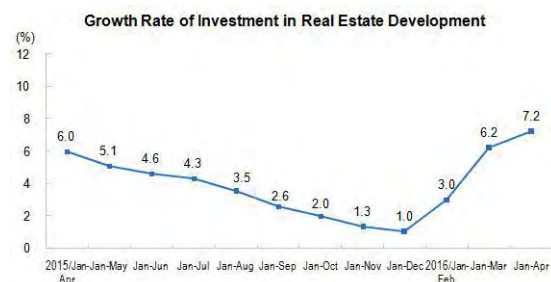
China's National Bureau of Statistics has released the April survey of house price movements. Compared to the previous month average April prices for newly constructed residential buildings fell in 5 cities but rose in the other 65 cities amongst the 70 surveyed.

When comparing April 2016 prices with April 2015 the survey shows that prices for new homes fell in 23 cities, rose in 46 and remained unchanged 1 city.

Much the same month on month trend in the price of second-hand homes was recorded with average prices falling in 10 cities but rising in 51. However, year on year April prices fell in 22 cities and rose in 47.

### Real estate land deals

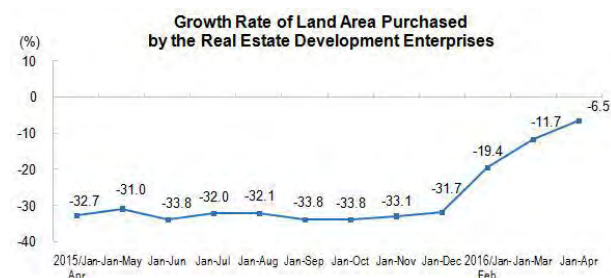
In the four months to April 2016 total investment in real estate development increased just over 7% of which, investment in residential buildings grew 6.4%.



See:

[http://www.stats.gov.cn/english/PressRelease/201605/t20160520\\_1358744.html](http://www.stats.gov.cn/english/PressRelease/201605/t20160520_1358744.html)

While investment in construction rose in the first four months land purchases for residential homes fell 6.5% year on year.



See:

[http://www.stats.gov.cn/english/PressRelease/201605/t20160520\\_1358731.html](http://www.stats.gov.cn/english/PressRelease/201605/t20160520_1358731.html)

### Five Year plan sees 1.4 billion cubic metre forest stock

The 13th Five Year Planning for China's national forestry development has been released by the State Forestry Administration (SFA). According to the plan just over 33 million hectares of plantations will be established and tending of the current 40 million hectares will continue.

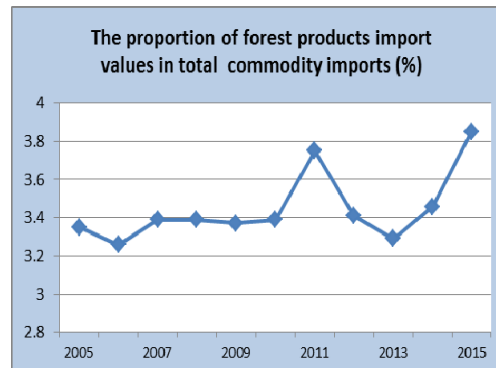
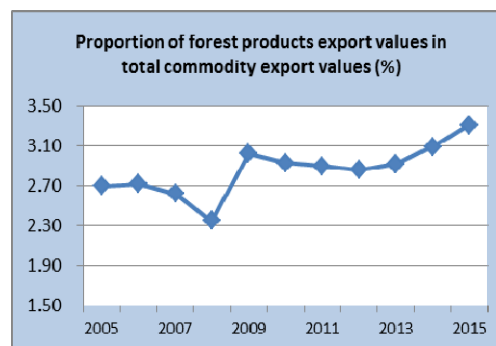
The plan envisages China's national forest stock will reach 1.4 billion cubic metres, the forest cover will rise to just over 23% and the total value of forestry industry output will amount to RMB8.7 trillion.

During 12th Five Year Plan period output from the country's forest industry grew by more than 20% to RMB5.94 trillion compared to output in the previous plan period.

The average annual production of wood-based panels in the 12th plan period was 250 million cubic metres and flooring output tipped 690 billion square metres.

### Value of forest products trade in 2015

According to China Customs the total value of China's forest products trade in 2015 was US\$140 billion, a year on year decline of 1%, accounting for 3.1% of the total national commodity trade value.



Data source: China Customs

The value of forest product exports amounted to US\$75.3 billion, a year on year increase of 4%, making up 3.3% of the total national commodity trade value.

The value of forest products imports came to US\$64.7 billion, a year on year decline of 6%, accounting for 3.85% of total national commodity trade value.

The trade surplus in forest products in 2015 soared over 200% to US\$10.6 billion. The balance of trade surplus for forest products trade in 2014 was US\$3.4 billion.

## China's forest\* products trade from 2005 to 2015



Data source: China Customs

\*Wood and non-wood products

The output value of China's wood products sector in 2015 fell 2% to US\$104.7 billion, accounting for 75% of the total value of national forest products trade.

Of the total, the value of wood product exports rose 3% to US\$61.4 billion, making up 82% of the value of national forest products export, unchanged from last year.

In 2015 the value of wood product imports declined 8% to US\$43.3 billion, accounting for 67% of the value of national forest product imports. The trade balance for China's wood products was US\$18.1 billion, a year on year increase of 57%.

The output of China's non-wood forest products in 2015 rose 2% to US\$35.3 billion, accounting for 25% of the total value of national forest products trade.

Of the total, the value of non-wood forest products exports rose 9% to US\$13.9 billion, making up 18% of the value of national forest products export.

The value of non-wood forest product imports declined 2% to US\$21.4 billion, accounting for 33% of the value of national forest product imports. The negative balance of China's non-wood forest products trade was US\$7.5 billion, a year on year decline of 18%.

### Wood product imports in 2015

The performance of China's timber imports in 2015 was the lowest for several years. Imports of wood products in 2015 declined 8% to US\$43.3 billion.

The value of wood pulp, logs, sawnwood, waste paper, paper, paperboard and paper product imports dominated the trade in wood products in 2015. The value of these 6 major commodity groups amounted to US\$39.2 billion, accounting for 90% of the total value of all wood forest product imports.



Data source: China Customs

The average price for all wood product imports declined except that for wood chips. The average import price for logs fell the most dropping 21%.

The main reason for the over drop in imports was the sharp fall in the value of log imports.

### Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500
	<b>Logs</b>	<b>yuan/cu.m</b>
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
	<b>yuan per tonne</b>	
Cocobolo	All grades	27000-40000

### Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7000
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	8600-9500
Lauan	special grade	4300-4500
Kapur	special grade	5000-6000
Teak	special grade	14000-20000

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8200-10000▲
White oak	FAS	7500-13000
Red oak	FAS	6500-8300▲
Finnish pine	Grade a	2600-2900

Sawnwood		yuan/cu.m
Maple	Grade A	9000-9500
Beech	Special Grade	5200
Ash	no knot	5700-6300
Basswood	no knot	2800-3300
Oak	no knot	5300-5700
Scots pine	no knot	2100

#### Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000▲
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020▲
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

#### Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	13-18
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

#### Europe

##### EU reviews impact of VPAs and EUTR

On 4 May, the European Commission (EC) published a comprehensive independent evaluation of the EU FLEGT Action Plan. The Plan encompasses the wide range of EU policy measures introduced over the last decade to support good forest governance and remove illegal wood from trade.

Key amongst these are the EU Timber Regulation (EUTR) and the Voluntary Partnership Agreements (VPAs) now being implemented by six tropical countries and negotiated by another nine countries. The report assesses progress since the Plan's publication in 2003 and makes recommendations for future action.

The report's central conclusions are positive: the EU FLEGT Action Plan is assessed to be a relevant and innovative response to the challenge of illegal logging and to have improved forest governance in all target countries.

The report says the EU FLEGT Action Plan has been effective in terms of raising awareness of the problem of illegal logging at all levels, contributing to improved forest governance globally and particularly in partner producer countries, and has helped reduce demand for illegal timber in the EU.

The report's recommendations imply that the Plan is heading in the right direction and not needing a major overhaul. "Main pillars and action areas should be retained, but FLEGT support to producing countries should be delivered in a more demand-driven and flexible manner, while bottlenecks affecting VPAs should be addressed and the private sector more involved".

The report suggests that "the direct FLEGT objective of decreased EU imports of illegal wood is being achieved".

This observation is based largely on the results of interviews and perception surveys undertaken by the consultants both in the EU and producer countries over the last two years rather than any direct evidence from changes in trade flows.

Assessments of trade flows have yet to reveal any significant step change in trade that can readily be attributed to measures such as the EUTR and VPAs which are central to the FLEGT Action Plan.

#### **Lack of progress on trade aspects of FLEGT**

The report highlights that while the Action Plan is contributing broadly to its specific objectives, its effectiveness across action areas varies widely. It notes that progress on trade aspects of the plan has been a particular area of weakness and that there is a need for greater focus on VPA and EUTR implementation and private sector engagement.

The report suggests that the VPA process has yet to deliver on the Action Plan objective of increasing market confidence for timber from participating countries. In fact, interviews in VPA countries as part of the evaluation indicated that many observers feel that the EU market is now less confident than before about tropical timber.

To a large extent this failure to increase market confidence is tied up with the lengthy time between signing a VPA and delivery of FLEGT licensed timber. The report is blunt in its assessment of efforts to develop Timber Legality Assurance Systems (TLAS) noting that “generally speaking, the TLAS projects have met with little success”.

According to the report, out of 200 responses to the Public Survey, less than 5% consider the TLAS to be a major achievement of the FLEGT Action Plan.

Furthermore, responses to the VPA-country survey undertaken by the consultants indicate that countries implementing a VPA still consider the TLAS to be a challenge.

The reasons vary from country to country: in Cameroon, Congo and CAR the Wood Tracking Systems (WTS) development and acquisition projects have so far been difficult to manage and expensive; in Vietnam, there have been disagreements between the partners on approaches to TLAS development, including the scope of verification; in Malaysia the need for capacity building to run the TLAS has been underestimated.

Moreover, VPA countries find it hard to accept the lack of recognition of their efforts to enhance their broader governance framework (in the absence of FLEGT licenses they are treated like any non-VPA country). This has led several countries (Vietnam, and Congo) to propose a phased application of the TLAS, while in Cameroon such is being suggested by stakeholders.

#### **FLEGT licensing in Ghana and Indonesia close to operational**

More positively, the report suggests there is general recognition that VPA negotiation and implementation, strongly supported by EFI, the EC and EU Member States, have helped to sharpen the legality definition, and this has been valuable, even if no functioning TLAS has been produced.

The VPA Survey revealed that three VPA implementing countries acknowledge the positive effect of the legality definition process on the development of the TLAS. And despite the challenges, two countries – Ghana and Indonesia – now have systems very close to operational.

Another observation is that the Action Plan’s contribution to the objective of sustainable forest management is unclear and needs to be made more explicit. According to the report, available data suggest that the TLAS under development are not necessarily enhancing more sustainable forest management (SFM) or SFM certification, and that this is not envisaged by many stakeholders in VPA countries.

There’s also a concern that FLEGT needs to focus more on domestic timber markets and support for the actors operating in them. This is seen as critical to the broader FLEGT objective of contributing to poverty reduction. Slow EUTR implementation weakens incentives

Considering the EU demand side, the report echoes many of the conclusions of the EU review of the EU Timber Regulation published earlier this year. The report suggests there is a widespread perception that EUTR has been implemented slowly and unevenly and that this is decreasing incentives for VPA countries to commit to finalising FLEGT licensing systems.

The report notes that “while advances have been made [on EUTR implementation], there have been major differences between front-runner [EU] countries and slow followers. This has resulted in unfair competition between Member States, inconsistent market requirements for the private sector in producer countries and a risk that VPAs would lose their value and the EC some of its credibility”.

The report goes on to suggest that the capacity of most EUTR authorities is considered rather limited, in terms of staff numbers, budgets and training. In important timber-importing countries, such as the Netherlands and Belgium, only three and half a full-time equivalent staff, respectively, has been assigned to EUTR enforcement.

It’s noted that while big EU companies started developing due diligence (DD) systems at an early stage - which had sometimes resulted in a significant reduction in their number of suppliers - and were ready to exercise DD when the EUTR came into force, the vast majority of companies across the EU applied a “wait and see” mentality.



Unless there is effective implementation, control and prosecution on the one hand, and sufficient and clear guidance on the other, especially the SMEs seem unlikely to change their practice.

### EUTR beginning to change trade practices

Nevertheless, the report suggests that EUTR is beginning to change trade practices in those countries where implementation is more advanced.

Specific changes identified include: increased awareness on risk of illegal timber; increased import of certified timber and a push to certification in some producer countries; positive influence on legislation in producer countries; and some benefits emerging for legal producers due to exclusion of low priced illegal timber from the market.

To some extent these benefits are offset by negative changes including an increased cost and administrative burden on operators, the withdrawal of SMEs in producer countries from export markets, and confusion and concerns in producer countries due to the lack of harmonised implementation across EU countries.

The findings and recommendations of the report will now guide the EC in improving the efficiency, effectiveness and value-for-money of work undertaken to further implement the Action Plan. The report will also guide the EC in assessing policies to address the broader drivers of deforestation, and in linking action under FLEGT to the international climate change and Sustainable Development Goals agendas.

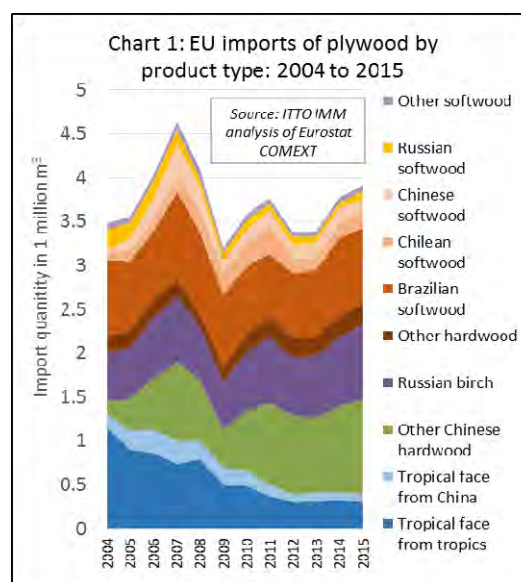
Further details including a complete copy of the reported is available at: <http://www.euflegt.efi.int/eu-flegt-evaluation>

### Tropical plywood share falls to all time low in EU

Latest EU import data shows that tropical plywood has continued to lose share in the EU plywood market over the last two years.

While EU imports of plywood from all sources increased sharply between 2013 and 2015, from 3.38 million cu.m to 3.92 million cu.m, a level not seen since before the financial crises, imports from the tropics have remained stubbornly low (Chart 1).

After increasing 4% to 324,000 cu.m in 2014, EU imports of plywood from tropical countries fell back 6% to 305,000 cu.m in 2015. The share of tropical countries in EU plywood imports fell from 9.2% in 2013 to only 7.8% in 2015, the lowest level for at least the last 20 years, and probably much longer.



The share of imports of tropical hardwood faced plywood from China also fell in the last two years, from 3.0% in 2013 to 2.4% in 2015.

Tropical hardwood faced plywood has lost share mainly to Chinese plywood faced with temperate hardwood (including poplar, eucalyptus and birch), and to Russian birch plywood.

EU imports of temperate hardwood plywood from China increased from 986,000 cu.m in 2014 to 1.07 million cu.m in 2015 and share of imports increased from 26.1% to 27.2%. Over the same period, EU imports of Russian birch plywood increased from 782,000 cu.m to 863,000 cu.m and share increased from 20.7% to 22.0%.

Further gains by Russia and China in the EU market in the last two years are likely due to the combined effects of the weak Russian rouble, declining value of the Chinese yuan and falling domestic demand in China, and rising availability of plantation wood from China.

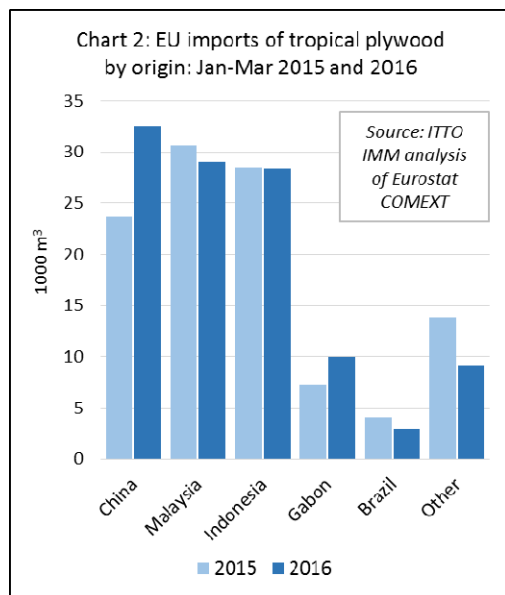
Weakness of the euro against the dollar during 2015 will also have reduced sales of South East Asian plywood in the EU.

Early indications are that the share of tropical countries in EU plywood supply has continued to erode during 2016. EU imports of plywood faced with tropical hardwood were up 3.7% in the first three months of 2016 compared to the same period last year.

However, this was largely due to a 38% rise in EU imports of tropical hardwood plywood from China, from 23,700 cu.m in the first quarter of 2015 to 32,600 cu.m during the same period in 2016.

So far this year, China has been the EU's largest supplier of tropical hardwood plywood (Chart 2).





Imports from Malaysia were down 5.4% at 29,000 cu.m in the first quarter of 2016 and imports from Indonesia remained static at 28,400 cu.m.

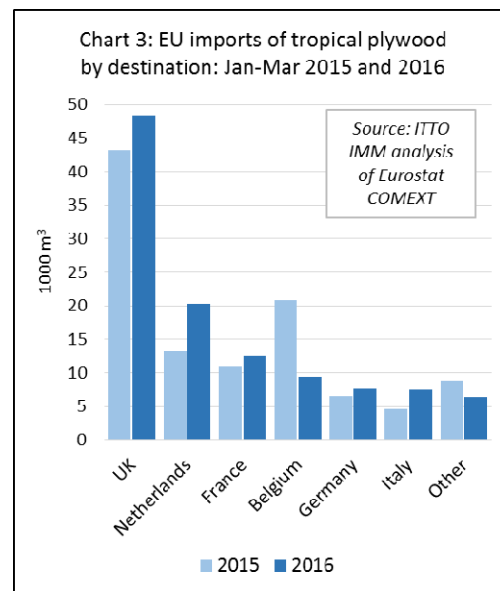
Of significant suppliers in the tropics, only Gabon registered an increase in exports to the EU in the first three months of 2016, with a gain of 37% to 10,000 cu.m compared to the same period in 2015. The latter is a trend worth watching as perhaps signalling the first sign of growth in the EU market for African okoume plywood after many years of recession.

The gain in EU imports of plywood from Gabon in 2016 has been concentrated in Italy and the Netherlands, with a much smaller gain in France where trade in this product is still very limited.

The increase in EU imports of tropical hardwood faced plywood from China this year has been concentrated mainly in the UK and Netherlands (Chart 3). This is notable from the perspective of EUTR and forest certification, since importers and EUTR authorities in both countries are renowned for their relatively rigorous efforts to ensure wood is risk-free from an illegal logging perspective.

This implies that a significant proportion of this material is faced with certified tropical hardwood, or at least that Chinese manufacturers are now successfully reassuring customers of the legality of their tropical veneer supplies by other means.

Another notable trend in the first quarter of 2016 was the low level of import of tropical hardwood plywood into Belgium, at 9,400 cu.m, less than half the same period in 2015. Belgian imports of plywood from Indonesia have been much slower in 2016 than in 2015, although the fall in Belgium has been offset by rising Indonesian exports to the UK, Netherlands, Italy and Germany in 2016.



## North America

### Consumer confidence rebounds

Consumer confidence rebounded in early May, according to the University of Michigan Index of Consumer Sentiment. Consumers reported income gains, an improved job outlook, and they expect of lower inflation and interest rates.

The largest improvement in confidence was amongst lower income and younger households. Consumer confidence rose in all regions of the country.

### Builder confidence unchanged

Builder confidence in the market for new single-family homes was unchanged in May, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Builders expect more house sales in the coming six months, but building lot shortages affect many regions of the country, especially in the West.

Sixty-four percent of builders said the supply of lots was “low” or “very low” according to the May survey by the National Association of Home Builders.

### Housing starts expected to grow throughout 2016

Housing starts in April were at a seasonally adjusted annual rate of 1,172,000, according to US Census Bureau data. This is 7% up from March, but slightly below the April 2015 rate.

Both single and multi-family home construction recovered in April, with stronger growth in the multi-family sector. Single-family homes were started at a rate of 778,000 in April.

Developers of multi-family housing remain cautiously optimistic about the market, according to the National Association of Home Builders. Overall housing starts will likely grow in the summer and fall of 2016 with steady economic growth and an improving job market.

The number of building permits issued in April was at a seasonally adjusted rate of 1,116,000, up 4% from March.

In Canada, housing starts declined 5% in April at a seasonally adjusted annual rate because of lower multi-family starts. A moderation in housing starts is expected for 2016, especially in the oil producing regions of the country. Moreover large forest fires shut down oil production facilities northern Alberta and partially destroyed the nearby city of Fort McMurray.

#### **Low mortgage rates support home sales**

Sales of existing homes increased for the second consecutive month, according to the National Association of Realtors. Home sales were up 6% from April 2015, and the median home price was also up 6% from last year.

Sales rose in the Midwest and Northeast, but declined slightly in the South and West. In the West housing shortages and high prices slowed down sales.

Mortgage rates remain low. According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 3.61% in April, which is the lowest since May 2013 (3.54 percent).

#### **Tropical sawnwood imports up in March except sapelli**

The US imported 80,626 cu.m. of sawn hardwood in March, down 16% from the previous month. However, the value of imports grew 4% largely due to higher tropical imports.

Overall sawn hardwood imports were worth US\$41.1 million in March. Tropical sawnwood accounted for half of the import value at US\$20.4 million.

Tropical sawnwood imports increased 21% in March to 19,828 cu.m. Year-to-date imports remained lower than in March 2015 (-24%). Imports of all major species grew in March, with the exception of sapelli which remained unchanged from the previous month at 2,003 cu.m. Year-to-date sapelli imports were only half the volume at the same time last year.

Ipe sawnwood imports increased 53% month-over-month to 3,001 cu.m. in March. Year-to-date imports were still 25% lower than in March 2015.

While most species had lower year-to-date imports than in 2015, balsa and mahogany imports grew in 2016 up to March. March imports of balsa sawnwood were 4,562 cu.m., up 2% year-to-date. Imports of mahogany increased 31% year-to-date to 1,644 cu.m. in March.

After declining in February keruing sawnwood imports almost doubled from the previous month to 1,881 cu.m. in March.

Ecuador was the largest source of tropical sawnwood imports in March, followed by Brazil, Malaysia and Cameroon.

Of the smaller sawnwood suppliers, Guatemala increased shipments to the US to 987 cu.m. in March. Imports from India on the other hand, declined from over 1,218 cu.m. in February to almost zero in March.

#### **Canada imported more balsa in March**

In March the value of Canadian imports of tropical sawnwood was down 4% from the previous month due to lower imports of sapelli. Imports were worth US\$1.67 million. Year-to-date imports were still higher than in March 2015.

Sapelli sawnwood imports declined 10% month-over-month to US\$504,207, but sapelli remains the main tropical species imported into Canada.

At US\$30,767 March imports of mahogany were up from February. Imports of virola, imbuia and balsa (combined) grew by one third to US\$451,344 in March. Much of the growth was in balsa imports from Ecuador.

Sawnwood imports from Cameroon fell to US\$357,498 in March, while imports from Congo (formerly Brazzaville) increased to US\$306,074. Brazil's shipments to Canada declined in March, but the year-to-date value is 43% higher than at the same time last year.

#### **Hardwood plywood**

US imports of hardwood plywood, moulding and wooden furniture declined in March from the previous month. Only wood flooring imports grew, but they remain lower than at the same time in 2015. Much of the decline was in imports from China, while most other countries were able to expand their share in US imports in March.

#### **Drop in plywood imports from China**

Hardwood plywood imports declined again month-over-month in March (-9%). A total of 234,473 cu.m. were imported in March, worth US\$133.2 million. Year-to-date import volumes were 2% higher than in March 2015, but the value in current US dollars was down 5%.

The drop in imports was almost entirely in shipments from China, which fell by 29% to 112,275 cu.m. in March. Imports from Indonesia, Malaysia and Russia increased from February.

Plywood imports from Indonesia grew 22% from the previous month to 37,325 cu.m. Year-to-date import volumes from Indonesia were down 5% from March last year, but the value of imports grew 7% year-to-date.

Imports from smaller plywood suppliers to the US market expanded significantly in March, most notably from Spain (4,056 cu.m.), Uruguay (3,885 cu.m.) and Brazil (2,948 cu.m.).

#### **Moulding imports from China down, Brazil up**

Hardwood moulding imports were worth US\$13.8 million in March, down 12% from the previous month. Year-to-date imports were unchanged from March 2015.

Moulding imports from China and Malaysia fell in March, while Brazil and Canada increased shipments to the US market. Imports from Brazil recovered from February and were worth US\$3.6 million. China's moulding shipments dropped to US\$3.3 million in March.

Hardwood moulding imports from Italy were exceptionally high in March at US\$1.2 million.

**Growth in assembled flooring panels from Thailand**

Wood flooring imports grew month-over-month in March, but year-to-date imports remained below March 2015 levels for both hardwood and panel flooring. Hardwood flooring imports were up 10% (US\$2.6 million), while imports of assembled flooring panels increased 11% to US\$10.5 million.

Hardwood flooring imports from Malaysia were US\$667,504 in March, up 70% from February. Indonesian shipments more than tripled in March from the previous month to US\$612,429.

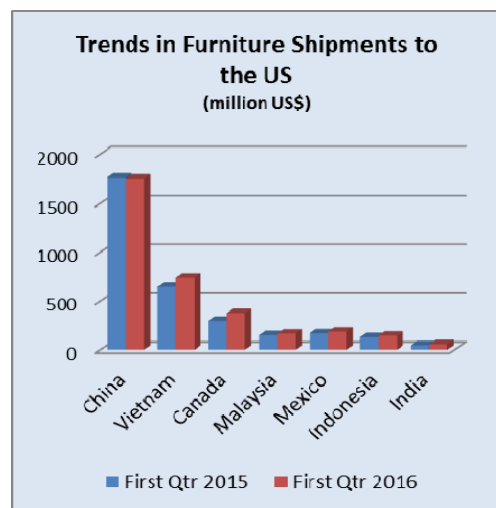
Hardwood flooring imports from China decreased from the previous month to US\$347,254, but remain higher year-to-date than in March 2015.

China's shipments of assembled wood flooring panels grew 3% month-over-month in March to US\$4.1 million. Imports from most other suppliers increased as well in March. Thailand has recently become a significant supplier to the US market, exceeding imports from Indonesia year-to-date 2016. March imports from Thailand were worth US\$767,521.

Assembled flooring panel imports from Europe also increased in March, especially imports from Poland.

**Wooden furniture imports down 22%**

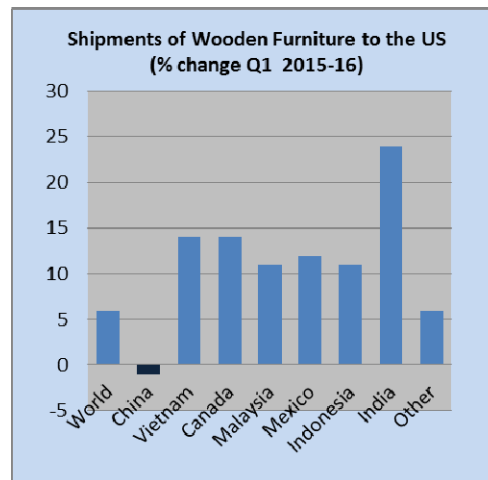
Wooden furniture imports fell 22% in March to US\$1.08 billion, but imports from most countries grew. The largest decrease was in imports from China (US\$397.2 million, -41%) and Vietnam (US\$180.7 million, -36%).



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

Year-to-date imports were still 6% higher than in March 2015.

Furniture imports from Malaysia declined to US\$51.6 million in March, while imports from Indonesia grew 17% to US\$53.1 million.



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

Canada's furniture exports to the US increased in March and its share in total imports was over 11%, up from under 8% in previous months. China's import share was only 37% in March, down from almost 50%.

Furniture imports from India increased to US\$23.9 million in March. Europe also grew its market share in the US helped by a favourable exchange rate. Italy was the largest supplier at US\$50.1 million in March, followed by Poland and Germany.

Imports of all types of wooden furniture declined in March, but the drop was greatest in upholstered furniture. Office furniture imports decreased the least.

**Office furniture demand expected to grow 7.4% in 2016**

US demand for office furniture appears to be growing more strongly than household furniture consumption, based on international trade data and forecasts by IHS Global Insight and the Business + Institutional Furniture Manufacturers Association (BIFMA).

In 2015 US office furniture imports were higher than in 2008 before the recession hit the country. 2015 imports were worth US\$1.4 billion. Wooden furniture accounted for 65% of total office furniture imports.

US production of office furniture is expected to reach US\$10.4 billion in 2016, according to predictions by BIFMA and IHS Global Insight. This would be a slight increase from 2015, while consumption is forecast to grow 7.4% to US\$14.0 billion.

A major area of work for BIFMA has been the sustainability of office furniture.

The association is currently working on revising the ANSI/BIFMA e3 Furniture Sustainability Standard. More than 60 manufacturers certify over 7,000 product lines through the third-party certification program for the sustainability standard. The revision of the standard will clarify support for green building rating systems, update the chemistry assessment and include for life cycle based assessments.

#### **Wood product industry leads growth in manufacturing**

Economic activity in the manufacturing sector expanded in April for the second consecutive month, according to the Institute for Supply Management. The overall economy also grew in April.

Wood product manufacturers reported the strongest growth of all manufacturing industries, while the furniture industry contracted in April, according to the institute's survey. Furniture manufacturers reported higher new orders and production, but regarded their customers' inventories too high in April. New orders for export drove growth in the wood products industry.

#### **Development of architectural woodwork standard diverges**

The Architectural Woodwork Manufacturers Association of Canada and the Woodwork Institute based in California plan to develop a new architectural woodwork standard for North America.

The announcement in March follows a dispute with a third industry body, the Architectural Woodwork Institute based in Virginia. The latter received official approval as an American National Standards Institute (ANSI) Accredited Standards Developer of architectural woodwork standards.

All three organizations collaborated on the existing Architectural Woodwork Standards publication, which serves as a reference manual for design professionals to clarify guidelines, information and principles required for fabrication, and finishing and installation of architectural woodwork.

Previously the goal of all three associations was to provide a single architectural woodwork standard for Canada and the US. Now the Architectural Woodwork Institute will develop an ANSI Standard, while the other two organizations will update the Architectural Woodwork Standards, currently in its second edition.

#### **Higher interest rates likely this summer**

GDP increased at an annual rate of 0.8% in the first quarter of 2016, according to the second estimate released by the US Department of Commerce. The unemployment rate was unchanged in April at 5.0%. Both the unemployment rate and the number of unemployed persons have changed little since August 2015.

The US Federal Reserve may raise interest rates again in either June or July, despite slow economic growth in the US, economic troubles in Brazil and China, and the UK's vote in late June on whether to leave the EU. Federal Reserve Chair Janet Yellen announced on May 27 that higher rates may be set in the coming months.

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

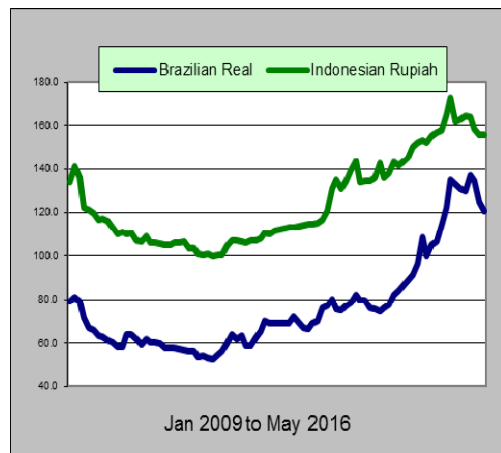
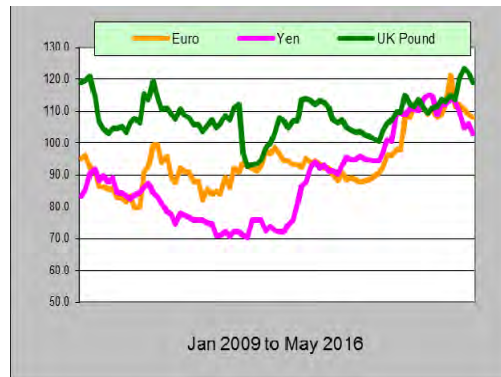
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## US Dollar Exchange Rates

As of 25 May 2016

Brazil	Real	3.5825
CFA countries	CFA Franc	587.35
China	Yuan	6.558
EU	Euro	0.8933
India	Rupee	66.927
Indonesia	Rupiah	13557
Japan	Yen	109.76
Malaysia	Ringgit	4.0618
Peru	New Sol	3.3435
UK	Pound	0.6817
South Korea	Won	1180.030

Exchange rate indices (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 2015 – May 2016

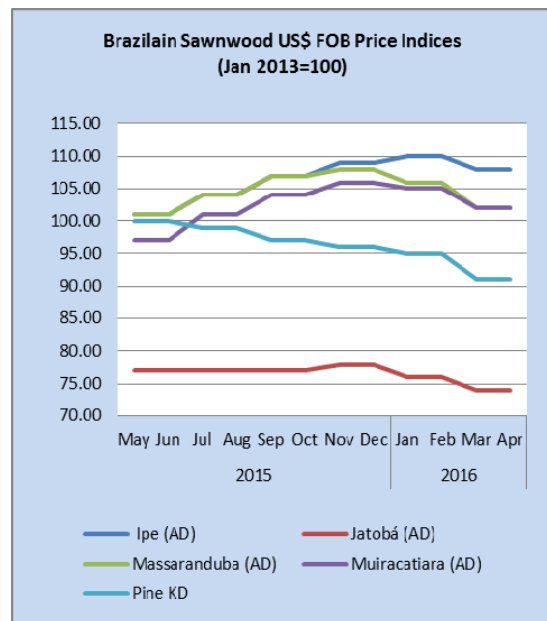
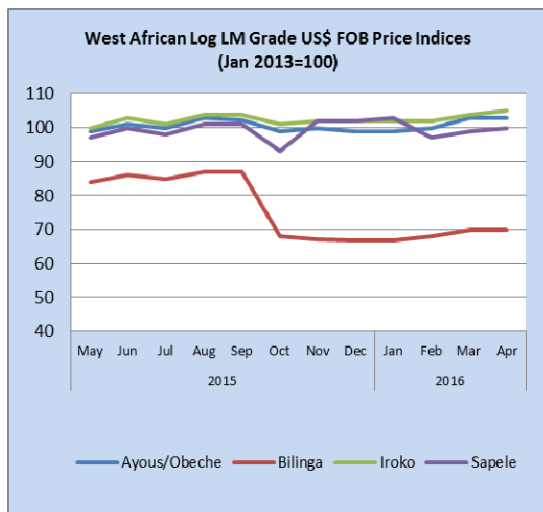
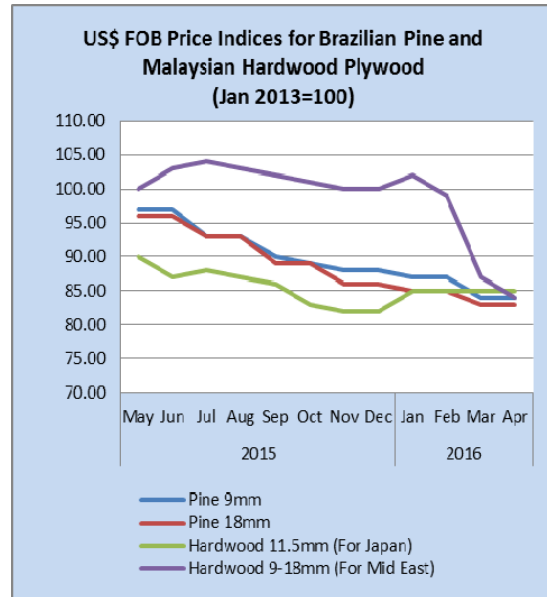
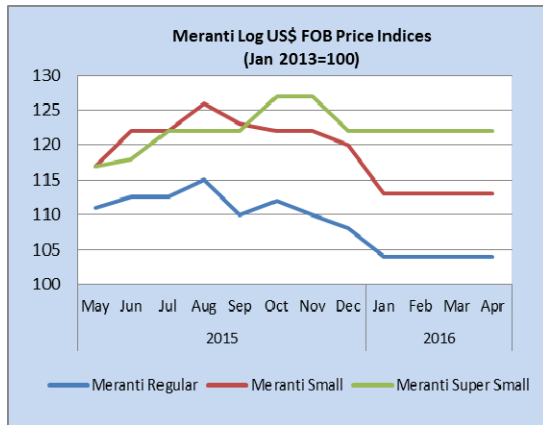


Data source: Open Financial Data Project

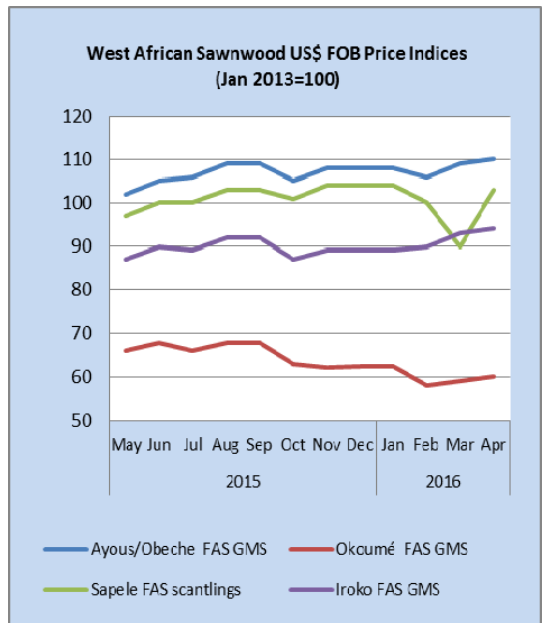
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**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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