

Tropical Timber Market Report

Volume 23 Number 1 1st – 15th January 2019



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.

Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	4
Myanmar	6
India	7
Brazil	8
Peru	9
Japan	10
China	15
Europe	17
North America	21
Currencies and Abbreviations	23
Ocean Freight Index	23
Price Indices	24

Headlines

	<i>Page</i>
First Intra-African Fair concluded in Cairo	3
Indonesia's export volumes rise but earnings remain flat	5
Surge in Indian sawnwood imports	6
Brazilian wood preservation companies adopt self-regulation	8
In Peru most deforestation occurs in plots under 5 hectares	9
Japan Lumber Report looks at impact of TPP Agreement	13
Weaker demand for high value 'redwoods' in China	15

Top Story

IMM report examines impact of FLEGT licensing in EU furniture sector

FLEGT licensing can play a role in underpinning tropical timber market share in the highly competitive European furniture sector. This is according to the latest survey by the Independent Market Monitor (IMM), an ITTO project funded by the EU.

The latest report is based on country surveys in seven lead importing countries which between them account for 83% of all furniture imported into the EU from VPA partner countries.

see <http://www.flegtim.eu/index.php/20-news/project-news/67-imm-eu-furniture-sector-scoping-study-flegt-can-impact-european-furniture-market>

See page 18

Central and West Africa

Quieter Chinese market off-set partially by demand in Philippines

With the Chinese New Year just around the corner producers are reporting that the market is slow. The dull business in China has also been aggravated by the economic slowdown. Fortunately, say some producers, the weaker demand in China has been compensated for by expanded business from the Philippines.

At this time of the year business is, as usual, stable but quiet in Europe. Overall the market is dull but there are reports of rising demand for ayous in Italy.

Peelers logs deteriorating as Douala Port congestion continues – sawnwood shippers having an easier time

Douala Port is still overstocked with logs bound for China and analysts say many of the logs mostly peeler logs, are deteriorating. Importers and agents in China are trying everything to get their logs shipped but say the operations at the Port are a disaster.

Shippers of containerised sawnwood are having an easier time but face problems in securing shipping space which is resulting in short shipments causing financial problems. The disruption at the ports in Gabon is also affecting shipping schedules and companies face delays in getting vessels loaded and dispatched.

With the President of Gabon still recuperating after surgery, domestic politics has been seriously unsettled and the running of government has come to a virtual standstill say analysts. Fortunately, Gabon recently received financial support from World Bank some of which it is reported was used to pay the salaries of the forestry administration staff and workers.

There is still no decision on the export of stocks of Kavaszingo accumulated before the export ban in Gabon.

Frenetic peeling of okoume in Special Economic Zone

The 15 Indian companies with mills in the Special economic Zone in Nkok, Gabon are frantically peeling okoume for export.

In addition to the Indian mills there are four Chinese mills each with over 20 peeler lines. This high capacity is putting pressure on the availability of okoume logs such that alternative species such as Ilomba are being utilised.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	320↓	320↓	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	375↑	365↑	280↑
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	220	-
Padouk	350	300	245
Sapele	320	320	265
Sipo/Utile	325	300	265
Tali	370	370	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310↓
Std/Btr GMS	340↓
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	850↓
FAS scantlings	900↓
Strips	650↑
Sapele FAS Spanish sizes	500↓
FAS scantlings	520
Iroko FAS GMS	640↑
Scantlings	720↑
Strips	400↓
Khaya FAS GMS	480
FAS fixed	540↑
Moabi FAS GMS	620↓
Scantlings	640↑
Movingui FAS GMS	420↓

Ghana

Exports – year on year growth of 5%

The Timber Industry Development Division (TIDD) of the Forestry Commission has published its timber and wood exports report for January to October 2018.

The report shows cumulative exports for the 10-month period in 2018 were 277,846 cu.m. generating revenues of Euro158.25 million.

The distribution of export products is shown below.

	Jan-Oct 2018	% of total
Sawnwood AD	172,130	62
Sawnwood KD	37,735	13
Billet	25,071	9
Plywood (O/L)	18,857	7
Sliced Veneer	8574	3
Others	15,479	5
Total	277,846	1

Data source: TIDD

According to the TIDD report, the 2018 figures for the 10 month period showed a year-on-year growth of 5.3% for volumes and 9.3% for value when compared to the 2017 statistics (263,845cu.m, Euro144.74 mil).

The table below also shows the export growth performance for 2017 and 2018 for the first 10 months of each year.

	Jan-Oct 2017 cu.m	Jan-Oct 2018 cu.m
Sliced Veneer	32	214
Plywood	458	987
Boules (AD)	575	957
Plywood (O/L)	13,474.00	18,857.00
Sawnwood (KD)	30,484.00	37,735.00
Other	218,823.00	219,096.00
Total	263,845.00	277,846.00

Data source: TIDD

Of the total volume exported in 2018, primary, secondary and tertiary wood products accounted for 6%, 91% and 3% respectively with teak, wawa, ceiba, denya and rosewood being the leading species.

Ghana's major markets in the period reviewed were Asia (72%), Europe (12%), Africa (7%), America (6%), Middle East (2.5%) with Oceania making up the balance. The top markets were India, China, Vietnam, USA and Germany.

First Intra-African Fair concluded in Cairo

The first-ever Intra-African Trade Fair opened in Cairo seeking to generate, according to the organisers, US\$25 billion dollars in trade deals. Preliminary figures released by the African Export-Import Bank (Afreximbank) show that deals valued at over US\$30 billion were recorded at this inaugural week-long fair.

The fair was organised by the African Export- Import Bank (Afreximbank), with the aim of boosting the trade among African countries.

It is estimated that the intra-African trade is currently only about 15% of total trade mainly because of lack of access to trade and market information.

Ghana's Trade and Industry Minister, Alan Kyeremanten, joined his African counterparts at the 7th African Union Meeting of Ministers of Trade also in Egypt. Discussions focused on progress towards the implementation of the Africa Continental Free Trade Area (AFCFTA) agenda which seeks to build a single integrated market of over 1 billion people with a combined GDP of approximately US\$3.3 trillion.

<https://afreximbank.com/intra-african-trade-fair-records-32-6-billion-in-concluded-deals/>

Third quarter 2018 growth dips

Year on year Ghana recorded a 7.4% economic growth rate in the quarter ending September 2018 according to the Ghana Statistical Service this was down compared to the 8.7% recorded for the same period last year.

The total value of all goods and services, including oil, reached GHS75 billion, up from the GHS 63.4 billion recorded the same period last year.

In a related development, the Central Bank governor, Dr. Ernest Addison, has hinted that Ghana could cut interest rates by March 2019 if inflation continues to drift lower. The Ghana Statistical Service report showed that November 2018 inflation slowed to a 6-year low of 9.3%.

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	530
Niangon Kiln dry	680

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	332▲	381▼
Chenchen	425	479▼
Ogea	473	590
Essa	505	711▲
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	1,333
Avodire	2,833
Chenchen	806
Mahogany	2,162
Makore	843
Odum	1,619

Export Plywood Prices

Plywood, FOB		Euro per m ³		
BB/CC	Ceiba	Ofram	Asanfina	
4mm	333↓	640	641	
6mm	412↑	535	604	
9mm	373	446	560	
12mm	529↑	463	480	
15mm	450	380	430	
18mm	423↑	422↑	383	

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

Export Sawwood Prices

Ghana Sawwood, FOB		Euro per m ³	
FAS 25-100mm x 150mm up x 2.4m up		Air-dried	Kiln-dried
Afromosia		860	925
Asanfina		490	564
Ceiba		405↑	564↑
Dahoma		424↓	528↓
Edinam (mixed redwood)		520	619↓
Emeri		475↑	564
African mahogany (Ivorenensis)		1045↑	979↑
Makore		775	874↑
Niangon		555	629↓
Odum		832↓	903↓
Sapele		700	903↑
Wawa 1C & Select		450↑	464↑

Malaysia**Exports down in first 8 months of 2018**

Malaysia's Minister of Primary Industries, Teresa Kok, recently reported that wood product exports in 2018 are likely to be lower than the RM23.21 billion in 2017. Between January and August 2018 the value of exports declined almost 6% to RM14.6 billion compared with the same period in 2017. Wooden furniture contributed almost RM5 billion to 2017 export earnings.

The decline in 2018 exports has been put down to the weak global economy, the trade dispute between the US and China and because weather conditions in the main production area of the country were bad for much of the year.

In related news, Awang Tengah Ali Hasan the Second Minister for Urban Development and Natural Resources, disclosed that for the period January to August 2018 the Sarawak timber sector registered export earnings of RM3.58 billion. This was a decline of around 14% from a year earlier.

The Minister said the decline in Sarawak export earnings was mainly due to the reduction in the supply of natural forest logs and the inability of current mills to process smaller diameter plantation logs.

He also said that up to August 2018 the production of logs from the natural forest fell 18% from 3.8 million cubic metres in the first eight months of 2017 to 3.1 million cubic metres in the same period of 2018.

Large scale reforestation planned for Sabah and Sarawak

Sabah Chief Minister Mohd Shafie Apdal has announced that the State Government will undertake large scale reforestation to ensure wood supplies for industries in Sabah.

The aim is to create a resource base that will attract investors especially furniture makers in Peninsular Malaysia. Plans are being drawn up for planting a mixture of valuable hardwoods such as red seraya, meranti as well as fast growing timbers such as eucalyptus and acacia.

Shafie said the State Government would play a role in supplying wood for furniture manufacturing and priority would be given to furniture factories in order to encourage more high quality furniture manufacturers to Sabah.

In related news, the Sarawak Forest Department has announced they will begin a large-scale forest landscape restoration (FLR) programme this year. Director Hamden Mohammad said the priority is to plant indigenous species such as belian, meranti, keruing, selangan batu, engkabang, kapor and other local species on degraded areas within licensed harvesting areas. The state government has RM10 million for this initiative.

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US\$720 FOB
CP (3' x 6')	US\$560 C&F
UCP (3' x 6')	US\$660 C&F
Standard 4x8 panels	
South Korea (9 mm and above)	US\$450 C&F
Taiwan P.o.C (9 mm and above)	US\$430 FOB
Hong Kong	US\$450 FOB
Middle East (thick panels)	US\$435 FoB

Indonesia**No duty relief for Indonesian panel exports to US**

The US has rejected Indonesia's request for import duty relief for woodbased panel products citing its review of the Generalized Systems of Preference (GSP).

The Director of Bilateral Negotiations in the Indonesian Ministry of Trade, Ni Made Ayu Marthini, said that the US has informed him that a further review will be conducted this year. Indonesia had requested that some commodities be re-introduced into the GSP facility.

In response to the US decision Gunawan Salim of the Indonesian Wood Panel Association (APKINDO) explained that Indonesian woodbased panel products are very competitive in the US and as such the revocation of the GSP facility is not expected to have much effect on export volumes.

US\$12 billion forestry sector export earnings

Siti Nurbaya, the Minister of Environment and Forestry (KLHK), reported that the timber trade and forestry activities in 2018 contributed US\$12.17 billion in foreign exchange earnings. This, she said, was the highest recorded over the last 10 years.

She expressed satisfaction with this achievement figures and applauded forestry sector enterprises for improving their management and marketing.

Siti announced that in 2019 efforts will be focused on several issues including maintaining the balance of environmental sustainability in development, increasing the economic contribution of the sector through new business developments and a circular economy as well as strengthening the foundation for development of the sector.

See: <https://www.wartaekonomi.co.id/read209918/sektor-kehutanan-sumbang-devisa-us12-miliar.html>

Export volumes rise but earnings remain flat

The Chairman of the Indonesian Sawmill and Wood Working Association (ISWA), Soewarni, has pointed out that while export volumes are increasing export earnings remained stagnant in 2018 because of weaker price structures in international market for processed wood products from Indonesia.

Soewarni forecast that 2019 exports earnings from processed wood products are likely to be little changed from the previous two years.

Soewarni hinted that part of the explanation lies in the falling prices for timber from Indonesia's domestic Industrial and community plantations. However, he pointed out that prices for products from natural forest timbers remain firm.

'Common but Differentiated' responsibilities concept agreed in PAWP

Nur Masripatin, Indonesia's chief negotiator said the government welcomes the adoption of the Paris Agreement Work Programme (PAWP), the outcome of a meeting in Katowice, Poland.

Indonesia pushed for a balanced and comprehensive work programme and supported the concept of 'common but differentiated' responsibilities and capabilities. Indonesia hopes the PAWP will address the many threats from climate change including threats to efforts to alleviate poverty, to achieve sustainable development and to protect the environment.

See:

<https://en.antaranews.com/news/121372/indonesia-welcomes-agreement-to-adopt-paris-work-programme>

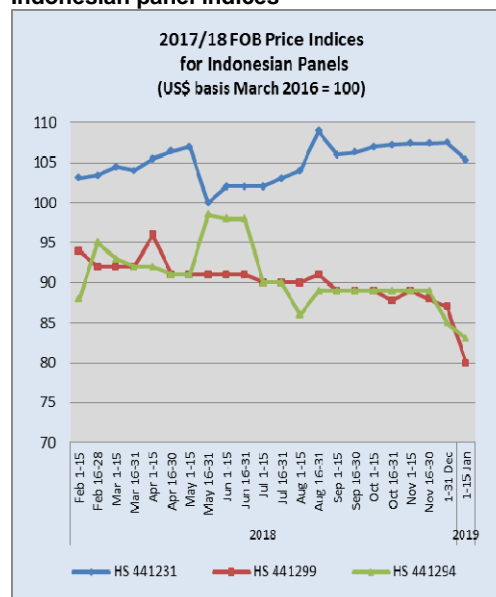
Trade deals a way to minimise impact of tariffs on competitiveness

Indonesia's trade deficit, which topped US\$7.5 billion in November, is of great concern and the government is searching for new ways to boost exports. Part of the problem, said Enggartiaso Lukita the Minister of Trade, are the tariffs imposed by importing countries on Indonesian products. To address this the Minister called for the negotiation of more trade agreements.

Currently the government is negotiating trade deals with Mozambique, Tunisia, Morocco and the European Union but he pointed out that negotiations are progressing slowly.

The Trade Minister estimated that year on year export growth in 2018 would be only 7.5% noting that this is well below the 11% target for 2018 which was already well below the 16% growth in 2017. The main reason cited for the poor performance was the global economic turmoil.

Indonesian panel indices



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

Myanmar

Reduction in log harvest will take account of domestic needs

Ohn Win, Minister for Natural Resources and Environment, has said the government plans to reduce teak and hardwood production by the end of the 2019-20 financial year but the reduction will take account of domestic raw material needs and also the requirements of the Myanmar Timber Enterprise (MTE).

Forest cover only 40-plus percent

According to the Central Statistic Department forest cover in Myanmar was 44.54% in 2013-14 but had declined to 41.3% by the end of the 2017-18 financial year.

A continuous decline has been observed in recent years. Forest cover was recorded at 44.54% in the 2013-14 FY, 43.73% in the 2014-15 FY, 42.92% in the 2015-16 FY, 42.11% in the 2016-17 FY and 41.3% in the 2017-18 FY.

Peace in Kachin and Shan states opens way for more illegal logging

The local media in Myanmar has quoted people living and working in the Kachin and Shan States as saying the illegal timber border trade became more apparent since the Myanmar Armed Forces announced a 4-month truce in the two states.

Separately, it has been reported that during the financial year of 2016-17 over 50,000 tons of illegal timber was confiscated of which 20% was in Kachin State. From 2000 to 2014, 119,298 tons of illegal timber was seized in Kachin.

Analysts are of the opinion that timber buyers in Yunnan Province, which borders Myanmar, were not aware that Myanmar had banned the export of logs and hand-sawn flitches so continued to buy these products and process this timber for the domestic and international markets. Exporters in Myanmar face many hurdles with exports of teak products to the EU and question why the authorities in the EU are silent on teak exports from China.

New road and bridge to China

The Myanmar Ministry of Construction has announced a deal has been negotiated for construction of a new road and bridge near the existing Goke Hteik railway viaduct in western Shan State which will boost trade between China and Myanmar.

The Ministry says a local company, Oriental Highway Co. the China Harbour Engineering Co. Ltd. and the China Communications Construction Co. Ltd. will undertake the work at an approximate cost of US\$100 million.

December tender prices

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	1.7	6,906
SG-2	64.1	5,570
SG-4	157	4,960
SG-5	70.9	3,755
SG-6	174.4	3,490
SG-7	688.2	2,335

Prices for other hardwood logs

Species	Quality	H.ton	US\$ Average/ton
Kanyin	1st	1182	797
Kanyin	2nd	3,715	656
Pyinkado	2nd	983	703
In	2nd	361	360

India

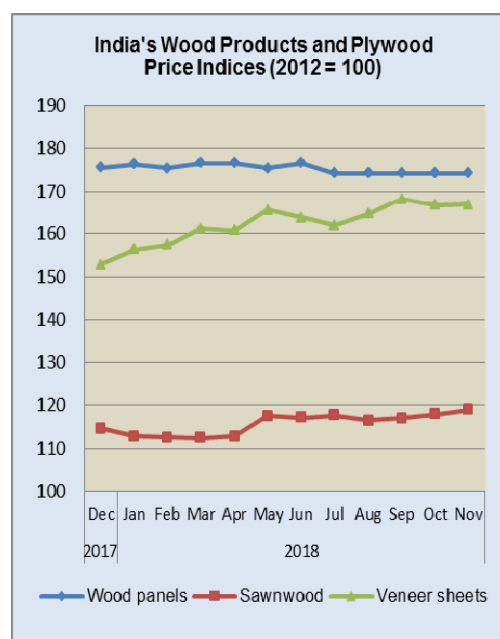
Sawnwood price index moves higher

India's official wholesale price index for all commodities (Base: 2011-12=100) for November 2018 released by the Office of the Economic Adviser to the government rose to 121.8 from 121.7 for the previous month. The annual rate of inflation based on monthly WPI in November 2018 was 4.64% compared to 5.28% for the previous month.

The November price index for 'Manufacture of Wood and of Products of Wood and Cork' group rose by 0.6% to 133.5 from 132.7 for the previous month due to higher price of sawnwood particleboard and other panel products.

The press release from the Ministry of Commerce and Industry can be found at:

<http://eaindustry.nic.in/cmonthly.pdf>



Data source: Ministry of Commerce and Industry, India

Surge in sawnwood imports

The Indian trade magazine 'Plyreporter' recently carried a story on the rise in sawnwood imports in 2018.

Data from India's Directorate General of Commercial Intelligence and Statistics (DGCI&S), says Plyreporter, is showing that sawnwood imports in 2018 were over 40% more than in the previous year. In previous years Indian manufacturers relied on imported logs for raw materials largely because of the high duties on imported sawnwood but since 2015 the value of sawnwood imports has almost doubled.

The Plyreporter article says that much of the good quality imported sawnwood finds its way to southern India. Hardwood sawnwood is imported from Malaysia, Vietnam, Myanmar, USA and African countries whereas softwood sawn is shipped from Canada, Europe and the USA.

While sawnwood imports have shown impressive growth imports of logs have also increased registering an almost 7% rise in the last fiscal year.

For more see:

<http://www.plyreporter.com/article/30474/sawn-timber-import-posts-44-growth-in-fy-2018>

Plantation teak prices

The Rupee/US dollar exchange rate has held steady at Rs.70 to the US dollar and traders are anticipating that the Rupee will stay at around this level bringing some relief after the period of exchange rate volatility at the end of 2018. CIF prices for imported plantation teak remain at levels reported at the end of November.

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

Demand for imported sawnwood is firm and the stabilisation of exchange rates has widened margins made by importers. Prices for imported hardwood sawnwood continue as previously reported.

awnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,750-1,950
Kapur	2,200-2,400
Kempas	1,550-1,750
Red meranti	1,450-1,550
Radiata pine	850-950
Whitewood	850-950

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

Myanmar teak prices

In an effort to secure steady supplies of good quality Myanmar teak several importers have visited suppliers in Myanmar only to find that the business environment is not conducive for expanded shipments. The importers hope that the Myanmar authorities will introduce policies and export rules that boost trade.

Indian millers operating in Myanmar are shipping mainly to international markets with only small volumes being available for Indian buyers but complain that the business environment is tough in Myanmar.

Sawnwood (Ex-yard)	Rs. per cu.ft.
Myanmar Teak (AD)	
Export Grade F.E.Q.	14,000-20,000
Teak A grade	9,000-10,000
Teak B grade	7,000-8,000
Plantation Teak FAS grade	4,000-6,000

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Prices for sawn hardwood imports have remained steady since the previous report.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1,650-1,800
Sycamore	1,800-2,000
Red Oak	1,900-2,000
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	1,500-1,600
Western Red Cedar	2,200-2,400
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

Plywood market

Analyst report that the supply and demand for wood based panels is still out of balance such that supplies are increasing faster than the growth in demand. While there is firm activity in the real estate and construction sectors panel production has expanded too fast. Part of the problem is that while the number of new housing units may be increasing but the floor area of these new homes is getting smaller.

In the medium term there is enough activity in the rehabilitation of slum dwellings and the government's Housing for All scheme that panel demand should steadily increase.

It is not only plywood manufacturers who are under pressure; MDF and particleboard makers face the same situation with new factories coming on stream before there is a market.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	63.00
6mm	84.00
9mm	105.00
12mm	130.00
15mm	175.00
18mm	183.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	31.50	46.00
6mm	47.00	60.00
9mm	60.00	73.50
12mm	73.50	86.00
15mm	87.00	105.00
19mm	101.00	120.00
5mm Flexible ply	63.00	

Severe air pollution problems in major cities

The state-run Central Pollution Control Board (CPCB) has reported that air pollution has reached emergency levels in New Delhi.

At one point in early January the PM2.5 reached 440 about 11 times higher than the safe level. According to the CPCB, an Air Quality Index (AQI) level from 201 to 300 is considered poor, 301 to 400 is very poor and 401 plus is severe.

The situation is alarming in many other cities such as Mumbai, Kolkata and Pune.

See: <https://weather.com/science/environment/news/2019-01-04-new-delhi-india-air-quality-emergency-pollution>

Activists are promoting the creation of micro forests in 200 medium and major cities of India as a means of boosting oxygen in the air but this will not lower the PM2.5 levels.

Brazil

1 billion trees by 2030

Brazil aims to restore 12 million hectares of forest by 2030 to partially address the loss natural vegetation on around 20 million hectares especially on the border of the so-called Legal Amazon, the Mata Atlântica forest and Cerrado ecosystem region.

To support the government's aim a campaign led by the Nature Conservancy (TNC) wants to plant one billion trees in the country.

The TNC campaign called "Restaura Brazil" aims to generate public interest and seek support from the private sector through partnerships and support from other NGOs and government agencies.

Wood preservation companies advancing self-regulation

Brazilian wood treatment companies will be adopting a so-called Self-Regulation Programme (Qualitrat) in order to provide better services to consumers.

The Qualitrat initiative was developed by the Brazilian Association of Wood Preservers (ABPM) in partnership with the Technological Research Institute (IPT) and the Totum Institute.

Under the Qualitrat programme participating companies agree to introduce internal control procedures and accept rigorous evaluation in order to secure a seal of approval. According to the Totum Institute certification criteria includes legal integrity, quality management, environmental management, labour, health and safety management as well as ethical commitments and social responsibility.

Export turn-around in 2018

According to the Brazilian Association of the Mechanically Processed Wood Industry (ABIMCI), the Brazilian solid wood industry experienced positive signs of recovery towards the end of 2018, a major turn-around after consecutive declines over the past eight years. This was achieved despite an uncertain global economic environment and the devastating Brazilian truck drivers' strike in mid-2018.

However, while export volumes have been rising profit remain flat because of rising production costs and poor infrastructure.

Regardless these difficulties ABIMCI says exports in 2019 are likely to continue to grow especially as a high proportion Brazil's wood products for export are certified legal.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	205▲
Jatoba	114▲
Massaranduba	110▲
Muiracatiara	110▲
Angelim Vermelho	108▲
Mixed redwood and white woods	90▲

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	827▲
Jatoba	421▲
Massaranduba	396▲
Muiracatiara	384▲
Angelim Vermelho	362▲
Mixed red and white	237▲
Eucalyptus (AD)	187▲
Pine (AD)	142▲
Pine (KD)	164▲

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m ³
4mm WBP	523▲
10mm WBP	415▲
15mm WBP	347▲
4mm MR	406▲
10mm MR	292▲
15mm MR	268▲

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDParticleboard	219▲
15mm MDF	250▲

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipe	1455
Jatoba	891
Massaranduba	841
Muiracatiara	825
Pine (KD)	200

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)	326
12mm C/CC (WBP)	309
15mm C/CC (WBP)	292
18mm C/CC (WBP)	288

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,686
Jatoba	1,434

Source: STCP Data Bank

Peru

Improving forest management with DataBOSQUE software

After more than three years of work supported by the German Corporation for International Cooperation (GIZ) Peru's National Forestry and Wildlife Service (SERFOR) was handed DataBOSQUE software which will facilitate reliable timber tracking. DataBOSQUE was developed in close cooperation with the private sector and public forestry institutions at the national and regional levels.

Distribution of this software will be free and a series of training events have been arranged jointly by SERFOR and GIZ aimed at training trainers in the different Amazonian regions (Loreto, Ucayali, Madre de Dios, San Martín and Junín).

Most deforestation occurs in plots under 5 hectares

Peru's Ministry of Agriculture and Irrigation, together with the Ministry of Environment, reported in December last year that deforestation in 2017 in the Peruvian Amazon was 155,914 hectares. Compared to a year earlier this represented a 5.3% decline.

It was reported that the majority of the forest loss occurred in plots under five hectares and 60% of the deforestation was concentrated in the Departments of Ucayali, Madre de Dios, Huánuco and Loreto. The area of Peru's Amazonian forest in 2017 was reported as 68,577,351 hectares.

Wikipedia writes "Most Peruvian territory is covered by dense forests on the east side of the Andes, yet only 5% of Peruvians live in this area. More than 60% of Peruvian territory is covered by the Amazon rainforest, more than in any other country."

See: https://en.wikipedia.org/wiki/Peruvian_Amazonia

Chilean officials share experiences in forest management

In order to share and exchange successful experiences in the forestry sector of Peru and Chile, officials of the National Forestry Corporation and the National Forestry Institute of Chile, visited officials and producers in the forestry sector in Cajamarca the capital and largest city of the Cajamarca Region as well as an important cultural and commercial centre in the northern Andes.

During their stay in Cajamarca, Chilean officials presented the history of their country's forestry development, from the depredation of their forests to the installation of forest plantations, as a resource to improve the environment, generate ecosystem services and contribute to improving the quality of life of the Chilean producers.

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	556-599

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	534-599▲
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD Central American market	939-963
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	522-555▲
Dominican Republic	671-681▲
Marupa 1", 6-11 length KD Asian market	534-598▲

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic Mahogany	-
Virola	266-379▲
Spanish Cedar	339-379▲
Marupa (simarouba)	216-224

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	346-374
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
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.	370-393

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	523-545
2x13x75cm, Asian market	732-815

Japan**Business leaders anticipate a turbulent year ahead**

The trade conflict between the United States and China and the likely impact of the consumption tax increase this year are weighing heavily on business leaders in Japan.

At a news conference the chairman of the Japan Chamber of Commerce and Industry, said there is little companies can do to protect against a downturn in global growth, the result of Britain's planned departure from the European Union or the U.S.-China trade conflict. Keidanren Chairman, Hiroaki Nakanishi, voiced similar concerns in his New Year news conference.

In a New Year press release the Keidanren Chairman focused on the business groups' vision for the coming years saying "As we look back over the year just ended, it is fair to say that although in Japan the economy continued to grow gradually and consistently, the international environment is undergoing a dynamic transition, and we have entered an uncertain world in which digital technology is bringing major changes not only to the economy but to the foundations of society itself.

Our challenge is to create a future for Japan in the midst of these changes. Last November, Keidanren published Society 5.0: Co-creating the future.

(see <http://www.keidanren.or.jp/en/policy/2018/095.html>)

This is a proposal that aims to share wisdom and insights and strengthen cooperation among industry, academia, and government to create a new human-centered society. It is also a declaration of intent for how Keidanren will act in the years to come.

The central concept of the proposal is Society 5.0, based on the idea that human society is moving into a fifth stage. Following on from the Hunting Society, Agrarian Society, Industrial Society, and Information Society, the fifth stage will be an Imagination Society, in which a combination of the digital transformation and the imagination and creativity of diverse people will make it possible to solve the problems facing society and create new values.

Some people have voiced concerns about the darker aspects of digitalization, warning of a loss of jobs, growing social disparities caused by data hoarding, and the arrival of a surveillance society where there is no privacy. But I believe that effective use of Internet of Things and artificial intelligence will liberate people from repetitive, mundane tasks: this will allow them to harness their true human creativity and create a new society of the future using cutting-edge technology.”

KEIDANREN (Japan Business Federation) is a comprehensive economic organization with a membership comprised of 1,376 representative companies of Japan, 109 nationwide industrial associations and 47 regional economic organizations.

In contrast – think-tanks have positive view for 2019

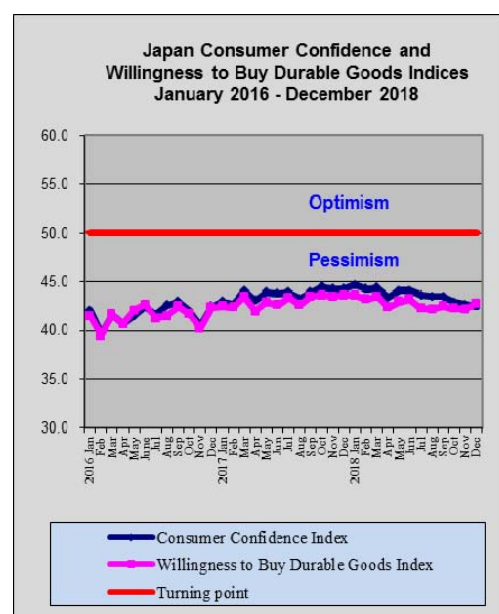
According to the Bank of Japan’s December Economic Survey of Enterprises (Tankan) the overall assessment of business conditions by large manufacturers is positive. In the face of all the negative news it is easy to overlook the resilience of Japan’s economic growth which is currently on track to become the longest in the postwar era.

Looking forward to 2019 the majority of the published economic outlook reports conclude that the domestic economy will continue to grow but by no more than 1% in 2019.

The most mentioned threat to the economy is the planned tax hike set for October this year. If past experience is a guide sales will surge prior to the date of increase and then consumers will reduce spending.

For more see:

<https://www.japantimes.co.jp/news/2019/01/02/business/economy-business/economic-outlook-2019-uncertainty-japans-economy-amid-planned-tax-rise-global-slowdown/#.XDKomyczbIU>



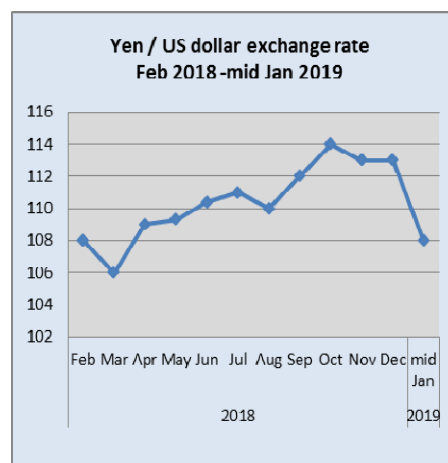
Data source: Cabinet Office, Japan

Yen strengthened as global stocks tumbled

The Japanese yen began the New Year at a high against the US dollar and the strengthening continued through to mid-month. The yen has surged more than 5% in the past five weeks on concerns over the direction of the global economy.

Once again, in times of perceived risk, the Japanese yen becomes a safe-haven because, although overall economic growth has not been strong, the political situation is stable and Japan has a sizeable current account surplus.

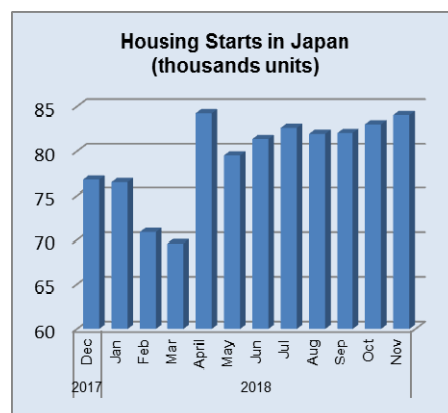
The yen has traditionally been the 'go-to' currency in times of heightened risk because traders believe Japanese investors with money offshore will move their funds when markets become unpredictable.



3 consecutive monthly declines in house built for rent

November housing starts were down just under 1% from a year earlier to 84,213 units. Starts for owner-occupied houses grew 2.5% in November and those for housing for sale jumped 6%. While these numbers are encouraging there was a sharp drop (almost 7%) in the starts for housing for rent, the third monthly consecutive decline.

In an effort to avoid tipping the economy into recession the Japanese government has announced plans for tax breaks for housing and automobiles aimed at mitigating the anticipated drop in sales when the consumption tax is raised from 8% to 10% later this year.



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

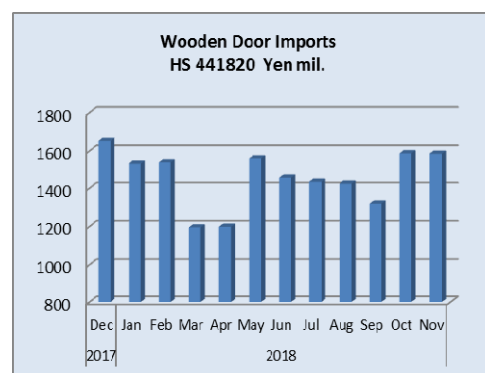
Import round up

Doors

Wooden door imports up to Nov 2018

As in previous months over 90% of September 2018 wooden door imports were from 4 sources, China, the Philippines, Indonesia and Malaysia.

Year on year, November 2018 wooden door imports were down 7% but there was little change in the value of November imports compared to that in October. While the value of December 2018 imports of wooden doors is not yet available the indications are that the final quarter will not deliver any surprises.



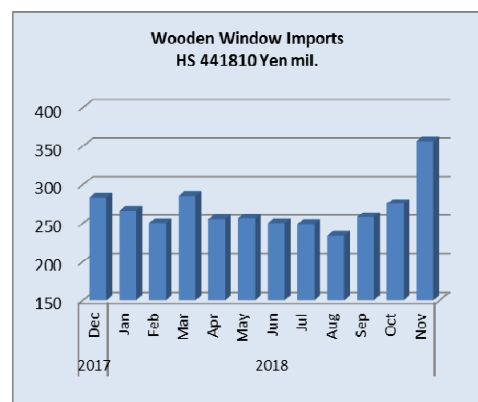
Data source: Ministry of Finance, Japan

Windows

Wooden window imports up to November 2018

There was a sharp rise in wooden window imports in November 2018. Year on year the value of imports was up 15% and compared to a month earlier imports jumped around 30%. In past year there has been an increase in wooden window imports towards year end but the surge in November imports is higher than in previous years.

Three suppliers accounted for most of Japan's imports of wooden windows, with the US and China supplying around 30% each of total imports followed by the Philippines.

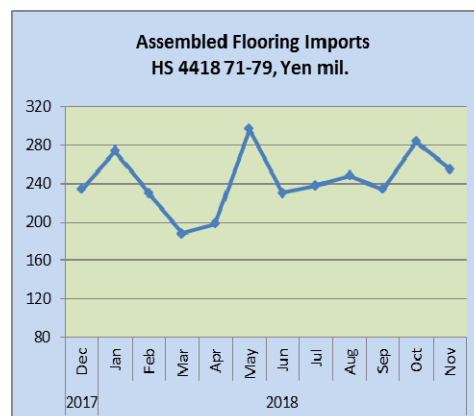


Data source: Ministry of Finance, Japan

Assembled wooden flooring imports up to November 2018

Year on year the value of November 2018 imports of assembled wooden flooring were flat but a 3% decline was observed compared to levels in October.

As in previous months HS441875 accounted for over 70% of all assembled wooden flooring imports with most coming from China followed by Indonesia, Malaysia and Thailand.

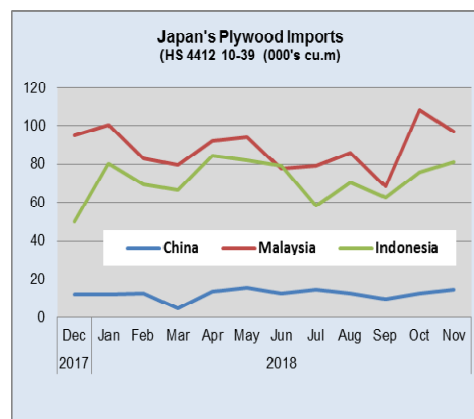


Data source: Ministry of Finance, Japan

Plywood imports up to November 2018

Japan's plywood imports average around 200,000 cubic metres monthly with most coming from Malaysia and Indonesia. Shippers in China consistently contribute about 15% to total plywood import volumes.

In 2018 monthly shipments of plywood from Vietnam have been consistently higher than those from China. In 2016 Vietnam was shipping around 8,000 cubic metres monthly to Japan and this increased to monthly shipments of around 10,000 cubic metres in 2017.



Data source: Ministry of Finance, Japan

For 2018, monthly shipments topped 15,000 cubic metres with November shipments coming in at a record 20,000 cubic metres.

HS441231 is the main category of plywood imports into Japan accounting for over 80% of all arrivals in November.

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	65.0
	Jul	10.6	100.0	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	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1

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>

TPP took effect on December 30

TPP (Trans-Pacific Partnership Agreement) was signed on March 2018 by eleven countries. Import duty on Canadian SPF lumber will drop from present 4.8% to 2.4%.

Also import duty on OSB will drop from 5-6% to 2.5-3.0%, a 50% reduction. Malaysia is a member country but by delay of domestic ratification, new rule will take effect sometime in 2019. Import duty on tropical wood products and hardwood plywood will drop from 6-10% to 3-5%.

Agreement by six countries of Canada, New Zealand, Australia, Mexico, Japan, Singapore took effect on December 2018 but five remaining countries of Vietnam, Malaysia, Chile, Peru, Brunei will notify completion of domestic procedures then will take effect after sixty days.

Canadian SPF lumber, OSB and New Zealand softwood plywood are the items import duty is reduced by 50% since December 30, 2018 then the same rate will continue for next fifteen years then the duty will be totally eliminated since April 1, 2033.

On tropical hardwood products and hardwood plywood, the duty will be reduced by 50% since time of effectuation then after 16 years, the duty will be abolished.

The Economic Partnership Agreement (EPA) between Japan and EU (European Union) is targeting to take effect on February 1, 2019. By this, import duty on European lumber and structural laminated lumber will be reduced.

EPA between Japan and EU was signed in July 2018 and if domestic procedures and notification are completed in December, it will be enacted on February 1, 2019. Main affected products are SPF lumber (4.8%), structural laminated lumber (3.9%) and OSB, particleboard (5.0-6.0%).

The duty will be reduced step by step for seven years then will be totally abolished after eight years. If it takes effect on February 1, 2019, the duty will be reduced by 0.3-0.8% every year then will be zero on April 1, 2025.

Growing use of domestic cypress

Domestic log supply had been continuously declining since 1968 and bottomed out in 2002 then started climbing. Increase was mainly cedar and cypress had continued declining and it was under 2 million cbms in 2006. Cypress log supply started increasing in 2009, seven years after cedar started increasing. In 2017, it recovered more than supply in 1997 when it was 2,660,000 cbms. Reason that cedar recovered faster as cedar lumber demand increased. Then plywood mills started using more domestic cedar.

Use of cedar by plywood mills in 2002 was only 48,000 cbms then it has been doubling year after year and it was 1,060,000 cbms in 2007. During all these years, cypress supply for lumber had been flat and use by plywood mills was negligible.

It was 2007 when cypress was first appeared in statistics with 6,000 cbms. It increased to 80,000 cbms in 2009. Cypress logs for lumber also increased after North American cypress supply decreased sharply. Cypress log use for plywood continued increasing and reached 300,000 cbms in 2017.

Stock of planted trees as of March 2017 was 3,346,330 cbms out of which cedar was 1,943,600 cbms, 57.6% then cypress was 738,985 cbms, 22.4%. Geographically, cedar grows north end of main island of Japan but northern limited of cypress is about 150 kilometers from Tokyo so it is not as popular as cedar.

Domestic softwood plywood market

The manufacturers' inventories of softwood plywood declined for the first time in nine months. As of October end, they were 183 M cbms, 13,800 cbms less than September end.

The demand started improving since middle of October mainly for direct users like major precutting plants then inn November, the orders from medium and small precutting plant increased. The movement in wholesale distributing channel is also improving and they expect more active movement toward December. On top of busy demand for structural plywood, movement of non-structural panel like floor base also gets busy, which resulted in overall higher shipment. Up until middle of October, with increasing inventories and spotty low price offers, the market was cautious to purchase but low offers disappeared by the end of October and the manufacturers tried to tighten the market by holding sales prices firmly.

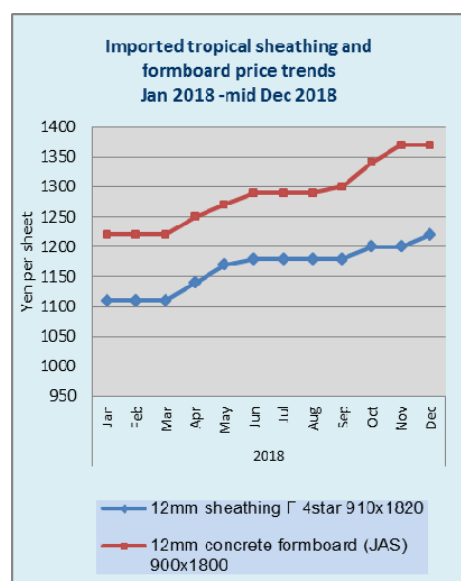
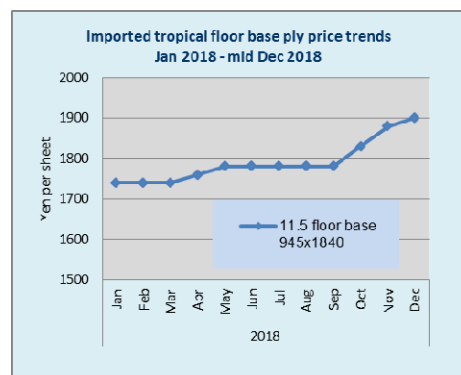
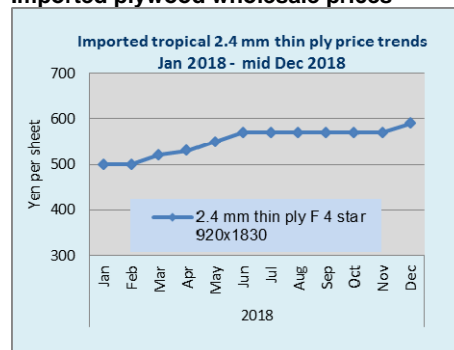
Plywood

Softwood plywood production in October was 263,500 cbms, 1.6% less than October last year and 4.4% more than September. The shipment was 279,600 cbms, 2.4% more and 15.8% more. This is the highest monthly shipment volume. Demand increase for non-structural panel is major reason of the increase. The inventory dropped and further drop is expected in December. Drop of softwood plywood inventories was the first time after nine months.

Market of imported plywood shows some improvement in movement but it lacks real strength yet. Distributors had kept buying domestic inventories because of high export prices by the suppliers but low cost inventories are all gone now so the inventories are now all high cost items. Therefore, the bottom prices have kept moving up little by little but there is still large gap between actual cost and market prices.

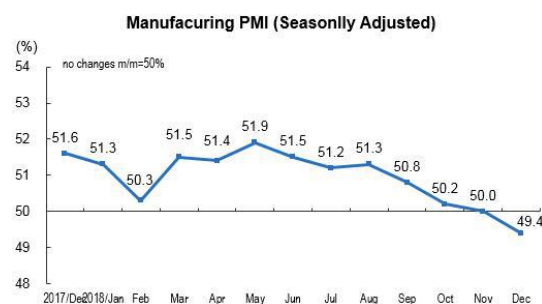
There is no strength in the market to push the prices up to the cost level. The importers are now cautious to procure future cargoes because of gap between high cost and stagnant market prices in Japan.

Imported plywood wholesale prices



Purchasing Managers Index (manufacturing) for December 2018

In December 2018, the official China manufacturing purchasing managers index (PMI) fell below 50 for the first time in the past 12 months reflecting a slowing of manufacturing activity. An index of 50 is the threshold between positive and negative sentiment.



Source: National Bureau of Statistics of China

The press release from the National Bureau of Statistics mentions that PMI for medium and small sized enterprises were both below 50.

See:

http://www.stats.gov.cn/english/PressRelease/201901/t20190103_1642836.html

Many of the leading indicators for the Chinese economy continue to show weakness on both the export and domestic manufacturing front. Weakness in domestic demand has been much more pronounced than anticipated.

The Chinese government has in place measures aimed at boosting disposable income through tax adjustments. There has also been talk of incentives for SMEs to try and avoid job losses. On the international trade front it seems as if some import tariff will be lowered.

While many observers anticipate a protracted economic slowdown, judgements on the direction of the economy solely on the manufacturing PMI can be misleading as this does not include construction which is covered in the non-manufacturing PMI. China's PMI for all sectors was still above 50 in December 2018 from 52.8 in the previous month.

See: <https://thediplomat.com/2019/01/can-chinas-economy-weather-a-contraction-in-manufacturing-activity/>

Huge array of new national standards released

A large number of national standards for forestry and wood and non-wood forest products has been released by the State Forestry and Grassland Administration and will be effective as of 1 May 2019.

The newly published standards mainly addresses monitoring environmental benefits, mine site restoration, afforestation on saline and alkaline land, desertification

forest certification, research on new plant varieties, forest fruit quality, carbon storage, fire prevention, pest control, wood processing seedling cultivation and planting.

For more see:

<http://www.forestry.gov.cn/lykj/1716/20181212/173141261235912.html>

and

http://www.greentimes.com/greentimepaper/html/2019-01/07/content_3328965.htm

China-Europe Wood Industry Committee established

A China-Europe Wood Industry Cooperation Summit was recently hosted by the China National Forest Products Industry Association (CNFPIA). A China-Europe Wood Industry Committee was established at the Summit in order to promote wood products trade along Belt and Road countries and the development of the China railway express.

European counties have abundant forest resources and the China-Europe Wood Industry Committee aims to help tap these resources to meet the huge demand in China for wood products. The Committee will organise business exchanges, exhibitions and forums as well as market research.

At the same time it will collect, analyse and report domestic and foreign wood industry information, provide industrial information services to help enterprises explore trade opportunities.

The committee will play a role as a secretariat and an information service centre providing information on market dynamics, price indices, stocks in Chinese ports as well as market data analysis.

The Committee also intends to explore options for an investment and financing platform between China and European countries.

Weaker demand for high value 'redwoods'

Many timber suppliers in the Shanghai Furen timber market are complaining that demand for timber for furniture making has suddenly become very quiet. In fact, some have noted that furniture factories are closing early for the New Year celebrations with workers already heading home.

Redwood (rosewood) furniture has a high status in China and is favored by middle-class consumers but, say analysts, demand has slowed over the past two years because of the slowdown in the economy. This slowdown has affected young generation middle class consumers who are now facing growing financial challenges. Analysts write "the Chinese redwood furniture consumption power is now not strong."

Oversupply of low quality and alternatives to rosewood has undermined demand and even furniture made from the top species has fallen such that demand for Myanmar padauk, blackwood and rosewood in the Furen market has dropped by more than 30% compared to last year.

Also, from the beginning of 2018 shipments of sandalwood have steadily falling. There have been only a few sandalwood shipments per month seen at the Furen market. Most of the material which can be sold is short and small diameter logs at price RMB80-90,000 yuan per ton. The long logs with diameter above 30cm priced at about RMB300,000 per ton are not moving because manufacturers cannot pay such high prices while demand is weak.

Some affordable redwood substitute species have performed better such as tulipwood (*Dalbergia frutescens*) (also *Dalbergia decipularis*). Some merchants have reported that the price for tulipwood is generally around RMB10,000 per ton.

Tulipwood is recognised in China as one of the 29 national standard redwood species and has the unique characteristics of a true redwood say importers. Analysts say that given the current weak demand for redwood furniture it is the low priced tulipwood which is attracting consumers.

See: <http://www.chinatimber.org/news/67676.html>

Traders concerned on rising prices for US hardwoods – Furniture makers know they can absorb these prices

The trade friction between China and the United States has been on everyone's mind in 2018, especially manufacturers which rely on US hardwoods as raw material for their production.

The immediate impact of the trade conflict has been the decision in China to raise import duties on US timber which has pushed up landed costs. Also, importers complain that Customs clearance is taking much longer than before which results in higher container demurrage which adds to the landed cost.

Driven by rising costs prices for US hardwoods have been rising for example the price for red oak 2 inches thick, FAS grade was RMB7500 per cubic metre at the beginning of 2018 but had risen to RMB8500 yuan per cubic metre by November 2018. Prices for ash 1-2 inches thick, FAS grade had risen from RMB6-6800 yuan per cubic metre to RMB7-7600 yuan per cubic metre in the same period.

Most traders have cut their purchases of US timber and 2018 imports were 50% lower than a year earlier.

While on the one hand the increased cost of US timber has seriously undermined the enthusiasm of some domestic timber dealers who fear that the rise in US timber prices will lead to a complete loss of market competitiveness, there are others who see that domestic enterprises set up to utilise US hardwoods have little opportunity to switch to other species. In contrast, there are some importers who are increasing purchases anticipating even higher tariffs in the near future.

These importers realise that the price of the timber used in furniture making is a very small part of the overall cost which is mainly influenced by labour, design and overhead costs. Against this background the rise in US timber prices will not have a significant impact on the overall cost of furniture making.

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

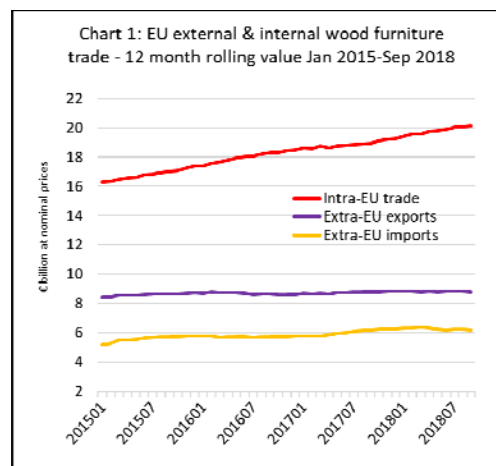
Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
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 internal wood furniture trade rises but external trade is flat

The latest Eurostat trade data for EU wood furniture trade indicates that the trends as reported by ITTO MIS in September 2018 (Volume 22, Number 18) have continued; internal EU trade is rising, whereas external trade is broadly flat, both on the import and export side (Chart 1)



Source: ITTO/EU IMM analysis of Eurostat

Internal EU trade in wood furniture, which increased 4% to €19.3 billion in 2017, increased a further 6% in the first nine months of 2018. The rise in internal EU trade is driven mainly by exports from Poland, particularly to Germany, and from the Netherlands to several neighbouring countries including Germany, France and Belgium.

Wood furniture production is rising in Poland, while more imports into the EU from outside the region are now being funnelled via the Netherlands.

Meanwhile the pace of EU wood furniture exports to non-EU countries, which were flat at €8.7 billion in 2016 and 2017, continued at the same rate in the first nine months of 2018. EU exports to the USA, China and Russia have increased slightly this year but these gains have been offset by declining exports to Switzerland, Norway, Canada and UAE.

Wood furniture imports into the EU from outside the region increased 9% to €6.3 billion in 2017. Import value in the first nine months of 2018 was €4.7 billion, 1.6% less than the same period in 2017. After a strong start last year, imports slowed a little from May 2018 onwards.

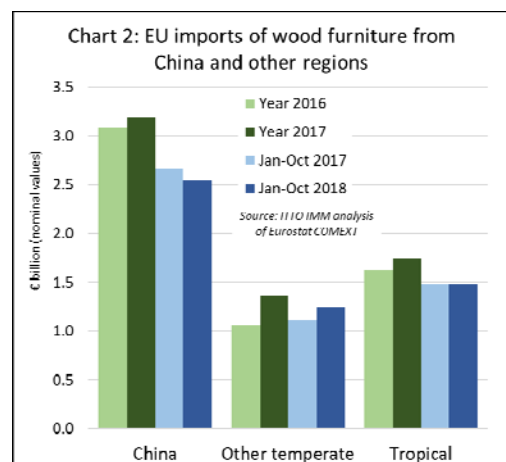
Fall in EU wood furniture imports from China and the tropics in 2018

After making gains in 2017, EU wood furniture imports from China, by far the largest external supplier, fell 5% to €2.55 billion in the first 10 months of 2018.

During the same period, EU imports of wood furniture continued to rise from other temperate countries, mainly

those bordering the EU. EU imports from these countries increased 11% to €1.25 billion in the first 10 months of 2018, building on a 28% gain recorded the previous year. The biggest gains in 2018 were made by Ukraine, Belarus, Russia, USA, Bosnia, and Turkey.

After a slow start to the year, EU imports of wood furniture from tropical countries picked up pace in the second half of 2018, and totalled €1.49 billion between January and October 2018, slightly exceeding the 2017 level (Chart 2).



Source: ITTO/EU IMM analysis of Eurostat

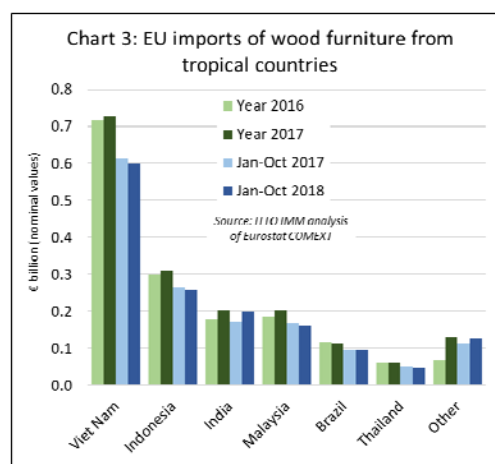
In recent years China's competitiveness in the EU wood furniture market has been impeded as prices have risen on the back of growing Chinese domestic demand and new laws for pollution control pollution in China.

EU furniture importers also continue to question the variable quality of product imported from China and some have struggled to obtain the legality assurances required for EUTR conformance when dealing with complex wood supply chains in China.

The main South East Asian supply countries have all followed a similar trajectory in the EU wood furniture market in the last two years. A rise in EU imports in 2017 was followed by a decline in 2018.

After increasing 1% to €730 million in 2017, EU imports from Viet Nam fell 3% to €599 million in the first ten months of 2018. Imports from Indonesia increased 4% to €111 million in 2017 but fell back 4% to €257 million in the first ten months of 2018. Imports from Malaysia increased 10% to €203 million in 2017 and were 4% down at €163 million in the first ten months of 2018.

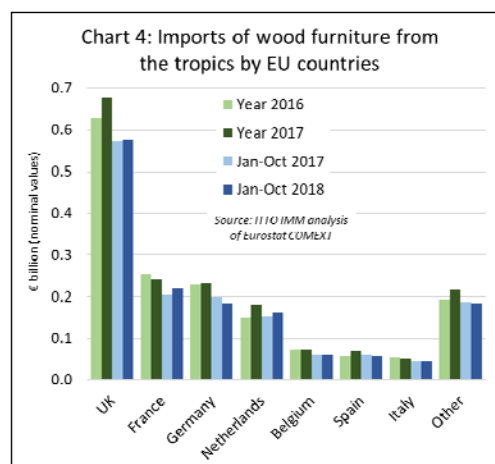
In contrast, EU wood furniture imports from India have continued to rise, up 15% to €199 million in the first ten months of 2018 after a 12% increase to €202 million for the whole of 2017. Imports from Brazil were €57 million in the first ten months of 2018, matching the 2017 level (Chart 3).



Source: ITTO/EU IMM analysis of Eurostat

There were also shifts in the destinations for wood furniture imported into the EU from tropical countries in the first ten months of 2018. Imports in the UK, the largest market, were €577 million between January and October 2018, 1% more than the same period in 2017. There were also rising imports in France (+8% to €219 million) and Netherlands (+6% to €163 million).

However, in the first ten months of 2018 these gains were offset by falling imports of tropical wood furniture in Germany (-9% to €182 million), Belgium (-3% to €61 million), Spain (-7% to €57 million), and Italy (-2% to €44 million) (Chart 4).



Source: ITTO/EU IMM analysis of Eurostat

IMM report examines impact of FLEGT licensing in furniture sector

With further support, development and communication of FLEGT and FLEGT licensing can play a role to underpin tropical timber product market share in the highly competitive European furniture sector.

This is according to the latest survey by the Independent Market Monitor (IMM), an ITTO project funded by the EU (see www.flegtim.eu).

The core aim of the IMM scoping study of procurement in the EU furniture industry is to gauge the sector's perceptions of the value, impacts and process of sourcing

products from supplier countries engaged in the FLEGT VPA process.

The latest report is based on individual country surveys undertaken by the IMM's network of correspondents in seven lead importing countries. These were the Netherlands, UK, Germany, France, Italy, Spain and Belgium, which between them account for 83% of all furniture imported into the EU from VPA partner countries.

The key rationale of the survey is that assembled wood furniture consistently comprises 40% of the value of EU timber and wood products sourced from FLEGT VPA partner countries. So, canvassing furniture sector opinions of the VPA initiative and FLEGT licensing offers valuable lessons for the development of EU market awareness and penetration of VPA-sourced and licensed.

“[The aim is] to provide a preliminary assessment of the current and potential role of FLEGT licensing to improve market access for wood furniture from VPA countries in the EU, and to recommend a strategy to optimise the benefits of FLEGT licensing [in this respect],” states the report.

The study was also designed to provide a comprehensive baseline of perceptions and impacts of the FLEGT VPA initiative in the wood furniture sector in order to generate recommendations for IMM's long term monitoring of the industry.

The report recognises that VPA country furniture and furniture product suppliers face a ‘crowded and fiercely competitive market’ in the €36 billion EU furniture arena. The EU furniture industry comprises an estimated 130,000 companies. 87% of wood furniture sold in the EU market is also made in Europe.

The basis of the survey comprised semi-structured interviews with 47 European companies, representing the spectrum of business type, from very large furniture retailers, to medium-sized manufacturers and distributors. Between them these imported indoor and outdoor furniture, plus wood furniture components and raw materials. They had sourced from a combined total of nine of the 15 VPA-engaged countries and altogether dealt with over 850 individual foreign suppliers.

The companies were asked about their perceptions of quality, price, lead times from order to delivery, logistics (the ease of moving products) and the range of products available from various countries and regions.

When asked to compare these variables on a country-by-country basis, it was clear that both western and eastern European EU countries were perceived as most competitive across the range of factors considered. The third-most competitive region identified was that of non-EU countries in Eastern Europe. Viet Nam, Indonesia and China were perceived to be the next-most competitive.

The survey included questions on purchasing policies. Around one-quarter (11 of 47) of the companies interviewed did not have written environmental purchasing policies.

For those that did have policies, the dominant feature was a requirement for “legality” or legal compliance regarding wood origin or trading (20 companies); the remainder (16 companies) were pro-certification, with a preference for the Programme for the Endorsement of Forest Certification and/or the Forest Stewardship Council.

Products licensed under the EU FLEGT initiative were valued by 45% of those interviewed (typically those sourcing from Indonesia). An additional 19% of those interviewed stated that FLEGT licensing could play a role in their purchasing decisions if it were available in other countries.

Overall, the companies interviewed were positive towards the FLEGT process, although the lack of availability of licensed products from countries other than Indonesia was a common concern. Some respondents expressed doubt that the FLEGT process had led to on-the-ground improvements in forest governance.

The chief benefit identified for those favourably disposed towards FLEGT licensing centred on the linkage with the EU Timber Regulation and the simplified due-diligence process.

Outlook for tropical timber in the European furniture trade

The study asked interviewees for their views on the outlook for tropical timber in the European furniture trade.

Forty-three percent considered that the market for tropical wood furniture would grow or stabilise in the next decade and 32% thought demand and volume would shrink (25% expressed no opinion).

The wide range of alternative materials and consumer and specifier attitudes towards tropical timber were seen as the main negative drivers.

Fashion largely drives the style and design of wood furniture, with end consumers destined to buy 80% of production. A complex web of interconnected drivers determines the choice of wood and accompanying colours and features. Consumers, retailers and manufacturers have a huge range of options for materials and the choice of wood in furniture per se is no longer guaranteed.

The report concludes that *‘licensed timber alone will not reverse the trends that are [negatively] impacting on tropical wood in Europe’*. However, it does have value and a role to play here, *‘as a tool to be utilised to form part of the process of building confidence in tropical timber in a wider [strategy] that might help maintain market share’*.

This strategy, the report notes, would also require a wider range of players' involvement, including 'major retailers, trade associations, national governments, NGOs, architects, and other opinion formers'.

Wood furniture market perceptions of FLEGT licensing, the report concludes, are that it "lacks the glamour of third party SFM certification where sustainability is the main focus" which currently limits its consumer-facing role. At the same time, the report suggests FLEGT licensing can offer "assurance to business-to-business buyers operating at the base level of responsible purchasing".

Report recommendations

- Minimise the bureaucracy involved in the process of importing FLEGT-licensed timber to maximise the business benefits for operators.
- Encourage those companies not yet using FLEGT-licensed timber to do so.
- Demonstrate the benefits of the FLEGT-licensing scheme in Indonesia to build trust.
- Clarify within the trade the impacts and achievements of FLEGT-licensed timber and timber legality assurance schemes.
- Speed up the introduction of FLEGT-licensed timber supplies from other VPA countries

For more details, including full report download: <http://www.flegtimm.eu/index.php/reports/76-imm-eu-furniture-sector-scoping-study-flegt-can-impact-european-furniture-market-2>

ETTF Secretariat shifts from Netherlands to Germany

The secretariat of the European Timber Trade Federation (ETTF) is moving from the Netherlands to Berlin. The move follows the announcement that André de Boer is stepping down as ETTF Secretary General in 2019, handing over the reins to Thomas Goebel, Chief Executive of German Timber Trade Federation GD Holz.

The first quarter of 2019 will see a transition process, with Mr Goebel officially taking on the role by April 1, combining it with his position at GD Holz.

Mr de Boer, who is a commercial lawyer by profession, is a regular ITTC delegate and member of ITTO's Trade Advisory Group, and has often chaired the ITTO Market Discussion. He took over at the helm at the ETTF ten years ago after its formation from an amalgamation of European timber trade bodies prior to that he was Managing Director of the Netherlands Timber Trade Federation (VVDH) for 20 years. His time at the ETTF, he said, has been both challenging and exciting.

"The European timber importing sector in this period has had to adapt to major changes; concentration of the industry and a decline in tropical timber trade, as well as

the implementation of the EU Timber Regulation," he said. "But the trade has evolved and moved with the times, and at the same time the ETTF has gained relevance throughout the international market as advocate of a legal and sustainable, but also a commercially significant and dynamic industry.

"We are now an integral part of the conversation on climate change and the development of a low carbon bioeconomy. There's also recognition at government level that a commercially viable forestry and timber industry is integral to maintenance of the forest resource; it's widely accepted that it's a case of use it or lose it."

Mr. de Boer said now was the time to hand over to a new team to take the organisation forward and exploit the opportunities to grow the European timber market.

Mr. Goebel said he looked forward to his new role. "The ETTF has equipped itself well to master the challenges and realize the opportunities to come for the timber trade and is well placed to further strengthen representation of its members interests," he said.

In another strategic move for the future of the ETTF, its annual general meeting in 2018 decided that it should join the European Confederation of Woodworking Industries, Brussels-based CEI-Bois, where a key focus will be helping develop a new timber trade segment.

"CEI Bois, with its close connection to the EU in Brussels, will further serve the interests of the trade through this separate trade pillar, in which the ETTF will play a leading role," said Mr. Goebel. "It's decisive that we develop this facility."

At present the ETTF has 18 member associations in 16 countries.

ISO publishes chain of custody standard for wood products

ISO (the International Organization for Standardization) has published a new, voluntary standard for chain of custody (CoC) of wood and wood-based products (together with cork and lignified materials other than wood, such as bamboo, and their products).

While the standard does not cover forest management, it can be used to transfer information about the source of the wood-based product.

According to ISO, the standard is intended to enable tracking of material from different categories of source to finished products and has several purposes. It can facilitate business-to-business communications by providing a common framework that allows businesses to "speak the same language" when describing their chain of custody system.

Purchasers can use the standard document to evaluate the information they receive from suppliers to help identify suitable input material.

This information can then be used together with a set of specified criteria to determine whether a product/input material fulfils the conditions for the intended use.

Other standards and certification schemes can use the standard as a reference regarding chain of custody systems.

More details see:

<https://www.iso.org/obp/ui/#iso:std:iso:38200:ed-1:v1:en>

North America

USTR requests consultations with Peru over OSINFOR

The Office of the U.S. Trade Representative has requested consultations with Peru under the Environment Chapter of the U.S.-Peru Trade Promotion Agreement (PTPA) to "discuss and attempt to resolve" concerns about Peru's decision to move its Agency for the Supervision of Forest Resources and Wildlife (OSINFOR) under its Ministry of Environment.

Some observers, including Democratic members of the U.S. House of Representatives Ways and Means Committee, believe this action goes against Peru's commitment to maintain OSINFOR as an "independent and separate agency."

Article 18.12.1 of the PTPA calls for consultations to begin promptly after a request and provides 60 days for the parties to resolve the dispute. If the dispute is not resolved, the U.S. may trigger a range of other dispute settlement procedures under the PTPA.

In response to this action, Democratic leaders of the Senate Finance and House Ways and Means Committees supported the move.

Partial shutdown of government stalls reporting of economic and trade data

The inability of US President Donald Trump and the US Congress to agree on funding levels has resulted in a partial shutdown of several U.S. government agencies that has lasted for weeks.

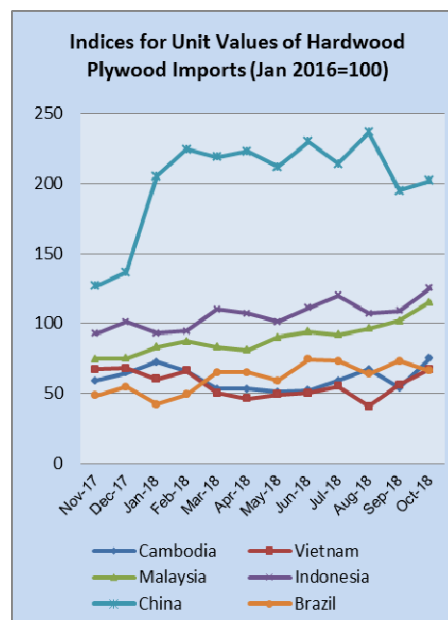
Among the government operations affected are the Department of Agriculture, the Census Bureau and the Department of Commerce, which are responsible for the collection and reporting of extensive economic and trade data. November data scheduled to be released January 8 on US imports including hardwood plywood, veneer, moulding, flooring, and furniture will not be made available until the shutdown has ended.

Additionally, crop reports, housing reports, and other US government reports on the economy may be delayed as the shutdown continues. The shutdown was triggered in December due to a dispute over the Trump Administration's demand for funds for a wall along the U.S.-Mexico border.

US hardwood plywood imports plunged in October

The volume of U.S. imports of hardwood plywood decreased by 79% in October to 50,876 cubic metres, by far the lowest amount imported in any month this decade.

Declines were across-the-board, with Chinese and Russian imports both falling over 90% from September as well as compared with last October. Year-to-date imports by the U.S. are down 19% versus 2017, with imports from China down 77%.



Data source: U.S. Census Bureau, Foreign Trade Statistics

Veneer imports slide

US imports of tropical hardwood veneer fell off by 18% in October to a level just below that of October 2017. While the pace has slowed, year-to-date imports still outpace 2017 by 37%. Imports from China gained 31% in October and are ahead by 51% year-to-date over 2017.

Flooring rebounds after weak September data

U.S. Imports of hardwood flooring rose by more than one third in October, returning to strong levels after a lull in September. Year-to-date imports are up by 37% over 2017 with Chinese imports up by 60% and Brazilian imports up by 70%.

Assembled flooring rose more modestly in October, gaining 10% from September. Year-to-date imports are 9% above 2017.

New furniture orders remain strong

New furniture orders in October 2018 increased 7% over new orders reported in October 2017, according to the most recent Smith Leonard survey of residential manufacturers and distributors.

While September's 9% increase compared to a 10% decrease in the previous year, the October results compared to an 8% increase reported for October 2017 versus October 2016.

The 7% increase for October followed increases of 9% in the last two months as well as 5% increases in the previous three months.

Year to date, new orders remained 6% ahead of the same period a year ago, with some 68% of survey participants reporting increased orders year to date.

Shipments in October were 3% higher than October 2017 shipments. Shipments remain 3% ahead of last year through October. Some 66% of the participants reported increased shipments year to date.

Backlogs increased 5% again in October, the same increase as reported in September. Backlogs were 14% ahead of October 2017, the same level as reported last month. With orders exceeding shipments through the 10-month period and backlogs this high, Smith Leonard expects shipments to make up some ground in the last two months of the year.

See: <http://www.smith-leonard.com/2018/12/27/december-2018-furniture-insights/>

Cabinet sales down

According to the Kitchen Cabinet Manufacturers Association's monthly Trend of Business Survey, participating cabinet manufacturers reported a decrease of 9.4% in November sales compared to October. Every category took a hit with stock sales down 4.1%; semi-custom sales down 12.2%; and custom down 10.4% compared to October.

Cabinet sales showed an increase of just 0.3% for November 2018 compared to the same month in 2017. Stock sales increased 7.4%; semi-custom sales decreased significantly at 8.1%; and custom sales increased 2.2% compared to November 2017.

Year-to-date cabinetry sales through November 2018 are up slightly, at 2.1% according to participating manufacturers. Stock sales are up 4.7%; semi-custom sales continue to decrease with a downturn of 1.5%; and custom sales up 4.6%.

See: <https://www.kcma.org/news/press-releases/november-18-trend-business-press-release>

US Job growth surges

The U.S. economy added 312,000 jobs in December. Job growth nearly doubled from November, when the economy added 176,000 jobs. Wages rose with average hourly earnings up 3.2% over the previous year, up from 3.1% in November.

It was the third consecutive month that wages rose more than 3%, strengthening evidence that the tightening economy is delivering bigger payouts to workers.

Unemployment ticked up slightly, to 3.9%, up from 3.7% in November, as more people began looking for work. The labor force participation rate in December was 63.1% in December, up slightly from 62.9% in November, signaling

that rising wages might be starting to draw prospective workers from the sidelines.

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.

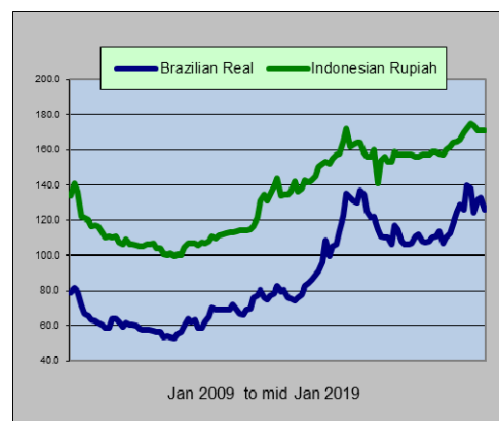
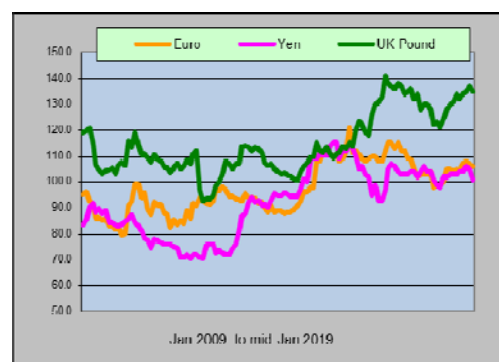
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 January 2019

Brazil	Real	3.7105
CFA countries	CFA Franc	568.67
China	Yuan	6.7885
EU	Euro	0.8696
India	Rupee	70.46
Indonesia	Rupiah	14055
Japan	Yen	108.42
Malaysia	Ringgit	4.09
Peru	New Sol	3.34
UK	Pound	0.7844
South Korea	Won	1117.79

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

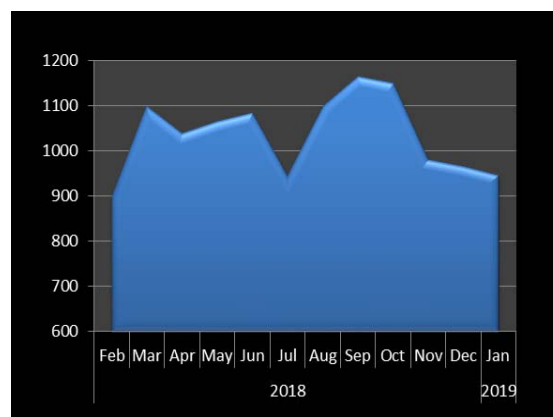


Abbreviations and Equivalences

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
February 2018 – January 2019

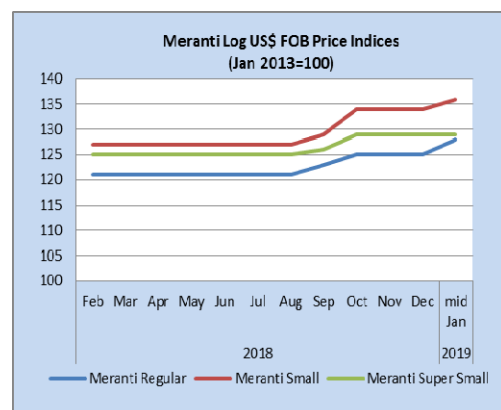


Data source: lloydlist.maritimeintelligence.informa.com

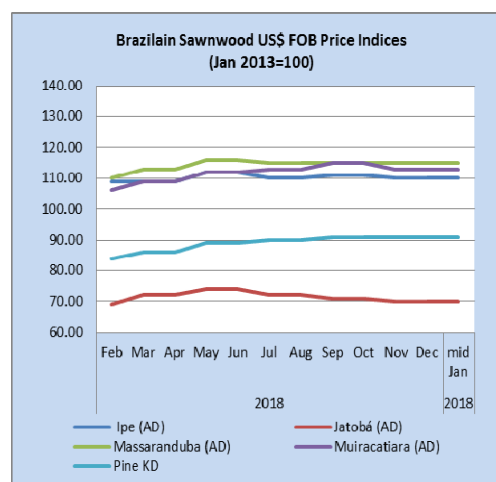
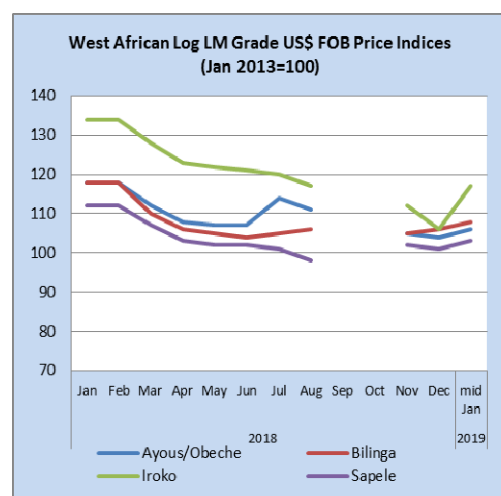
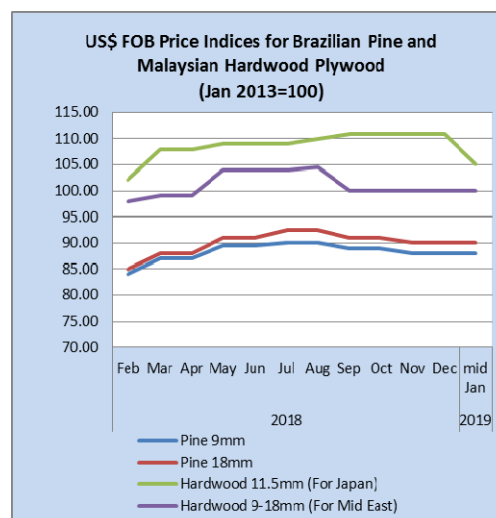
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

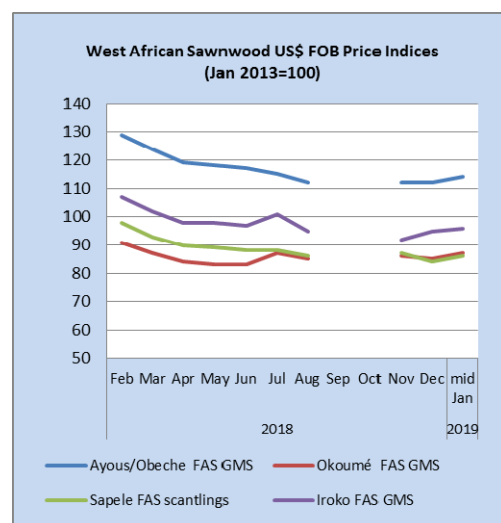
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



West African log and sawnwood price indices will be updated when prices become available.

To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

http://www.itto.int/en/mis_registration/