

Tropical Timber Market Report

Volume 23 Number 9 1st – 15th May 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	3
Malaysia	3
Indonesia	4
Myanmar	5
India	6
Brazil	8
Peru	9
Japan	10
China	15
Europe	17
North America	19
Currencies and Abbreviations	22
Ocean Freight Index	22
Price Indices	23

Headlines

	<i>Page</i>
Gabon producers frustrated - no export shipments since April	2
Tree Crop Development Authority for Ghana	3
Production costs rising in Sarawak	4
Tougher penalties for forest crime in Myanmar	6
Tax reform slow to deliver benefits to Indian plywood manufacturers	6
Tax obstacles in the Brazilian forest sector	8
Japan increases veneer imports	13
US turning to Viet Nam for hardwood plywood	20

Top Story

Timber legality system for small enterprises

The Indonesian government has announced a timber legality certification programme specifically designed to for Micro, Small and Medium Enterprises (MSMEs).

This, according to the Director of Processing and Marketing of Forest Products at the Ministry of Environment and Forestry, will provide the same legal umbrella for MSMEs as currently provided by SVLK certification for large companies.

See page 4

Connect with ITTO:

Facebook: www.facebook.com/ittosfm/
Instagram: www.instagram.com/itto_sfm/
Twitter: https://twitter.com/itto_sfm
YouTube: www.youtube.com/ittosfm

Gabon producers frustrated - no export shipments since April

Producers in Gabon report that since April exports have been held up first by a strike by Customs Officers and recently by a series of other problems. The most recent problem has been that companies ready to stuff and seal containers have been unable to arrange inspections by Ministry of Forestry officials and Customs Agents as the courts have seized the official stamps used to confirm the inspection.

News circulating in trade circles is of the apparent ‘misplacement’ of a huge number of containers of kevazingo. Local analysts are at a loss to explain how so many containers could have gone missing.

On a brighter note the media in Gabon has reported that the management of the Gabon Special Economic Zone (GSEZ) will, through a system named ‘Tracer Nkok’, implement timber tracking in order to ensure transparency in the flow of logs entering the Nkok economic zone.

Tracer Nkok aims to ensure that only logs that meet due diligence requirements enter the Nkok area. Tracer Nkok will also provide due diligence technical support for zone operators .

<https://africtelegraph.com/gabon-bientot-un-bureau-de-certification-et-de-tracabilite-des-grumes-a-nkok/>

Gabon launches ship registry

The rain season is coming to an end in Gabon so harvesting and deliveries to the GSEZ will be ratcheted up once more.

Mills in Gabon’s Special economic Zone (GSEZ) are shield from fluctuations in log supply as the Zone has a large log storage area. It is estimated that the Zone can handle around two million cubic metres of logs annually.

In other news from Gabon, the Minister of Transport and Logistics has announced the country will launch its own International Ship Registry through a joint venture with Emirati Group Inter Shipping LLCC. It has been reported that offices will be opened in India and Greece.

See: <https://www.lexology.com/library/detail.aspx?g=21df2604-189b-4fa2-bd48-9f53c6f1677c>

US/China trade dispute undermining confidence

The likely impact of a prolonged trade dispute between China and the US is undermining the confidence of producers.

Over the past 12 months, even as China’s GDP growth slowed, demand for West African logs and sawnwood held up but the combined effect of tariff increases in the US and the expanding of anti-dumping tariffs is hitting China’s wood product exports to the US and this will inevitably lead to a slowing of orders for West African producers.

Shipments to European markets are beginning to slow as the usual holiday season lull in demand starts. Producers had respectable business levels in the EU market in 2018 and in the early part of this year demand was steady.

Last year there were increased exports of sawnwood to the EU with Gabon seeing a 15% rise in shipments, a 13% rise from Congo, a 15% rise from Ghana and a 5% rise in shipments from the DRC. However, sawnwood shipments from Ivory Coast fell 10%.

There was also a rise in log exports to the EU last year except for the 6% decline in shipments from Cameroon and the 21% drop from Equatorial Guinea. Most of the gains in EU imports of tropical logs last year were in France and Belgium.

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	300	300	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	350	350	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	340	290	245
Sapele	310	310	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	520
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	750
FAS scantlings	850
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

One-District, One-Factory initiative gets a boost

The Ghana government's One-District One-Factory programme will benefit from a deal between the Ghana Export-Import Bank (GEXIM) and US Export-Import Bank (EXIM) under which EXIM will provide guarantees for clients of GEXIM to source and procure machinery and equipment from the US.

There are currently 45 operational projects under the One District One Factory initiative with more than 150 under consideration.

The government has been urged to ensure local companies can benefit from incentive packages under the One-District One-Factory programme.

New Tree Crop Development Authority

A draft Bill for the establishment of a Tree Crop Development Authority (TCDA) has been prepared and will be submitted to Parliament.

The Tree Crop Development Authority (TCDA) will be charged encouraging commercial tree crops and with addressing the indiscriminate felling of trees in the country. To achieve this the Authority will regulate the activities of farmers in the tree crop sector. The focus will be on selected tree crops including rubber and rubberwood, coffee, cashew, coconut and oil palm.

Ghana currently exports rubberwood to Asian markets according to the Timber Industry Development Division of the Forestry Commission but would like to see raw material processed locally.

Oxford Business Group to help with production of 'Ghana 2020' report

The Ghana media has reported the Association of Ghana Industries has signed a memorandum of understanding with UK-based Oxford Business Group for assistance on producing 'The Report: Ghana 2020', which will highlight activities to boost the economy.

Ghana has in place three main approaches to spur growth the 'Planting for Food and Jobs' (PFJ), the 'One District One Factory' and recently 'Planting for Export and Rural Development'. The private sector involvement in all three is vital to the success of these initiatives.

See: <https://goldstreetbusiness.com/news/agi-signs-mou-with-oxford-business-group/>

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	580
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	350	363
Chenchen	431	479
Ogea	508	590
Essa	546	711
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	750↓
Avodire	2,833
Chenchen	764↓
Mahogany	1,103↓
Makore	790↓
Odum	1,708

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	341↑	640	641
6mm	412	535	604
9mm	373	446	560
12mm	529	463	480
15mm	450	380	430
18mm	450	422	383

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afrormosia	490	564
Asanfina	405	487↓
Ceiba	424	498↑
Dahoma	520	619
Edinam (mixed redwood)	475	571
Emeri	930	971↓
African mahogany (Ivorensis)	775	810↓
Makore	620	670↓
Niangon	832	970↑
Odum	700	841↓
Sapele	420	444↓
Wawa 1C & Select		

Malaysia

Seeking automation technology in China

The Johor State government aims to acquire advanced robotics technology from China to aid automation of the local furniture industry. To advance this a group from the State International Trade, Investment and Utilities Committee travelled to China to observe the technology at work in a factory in Hebei Province

Jimmy Puah Wee Tse, a member of the group said automation can reduce the local industry's dependency on foreign workers while at the same time delivering top quality furniture for the international market.

Improve trans-shipment competitiveness

Transport Minister, Anthony Loke Siew Fook, has said that the government intends to streamline regulations relating to import permits to make Malaysian ports more attractive and competitive in the trans-shipment sector so as to compete with ports such as Singapore and Hong Kong.

Production costs rising in Sarawak

Beginning this year timber companies in Sarawak had start paying a higher Rehabilitation and Development tax. The tax was increased from RM0.60 to RM5 per cubic metre in January this year. In addition to the revised tax, companies were required to pay a higher premium for hill species.

Hamden Mohammad, State Forest Department Director, said the higher premium, rehabilitation and development taxes will provide funds to strengthen sustainable forest management capability.

Analysts say many of the taxes and charges in the forestry sector have not been revised for decades but that the new charges have driven up log prices as producers try to pass on the higher costs. Japanese importers have signaled that prices of logs from Sarawak are soaring and are becoming uncompetitive in Japan which has made them to look for alternative sources such as PNG.

Planted forest area below target

The Sarawak State government's target of one million hectares of planted forest by 2020 cannot be met as, to date, only about 421,000 ha. has been planted.

The State government provided incentives to companies proposing forest plantations by allowing some of the licensed area to be planted with oil palm for just one rotation but this scheme did not work well.

The State government is now telling those with licenses for plantations who cannot meet the planting target to surrender their licenses if they are unable to continue to meet the new forest policy..

Sandakan – potential furniture hub

Sabah's Chief Minister, Mohd Shafie Apdal, has said the State government has identified Sandakan as a potential hub for the furniture industry and that he is in favour of this as it will help revive the coastal town. He emphasised that companies in Sabah will be encouraged to invest in downstream production to create employment opportunities for local people.

Plywood prices

Traders based in Sarawak reported the following export prices in April:

FB (11.5 mm)	US\$700 C&F
CP (3' x 6')	US\$530 C&F
UCP (3' x 6')	US\$620 C&F
Standard 4x8 panels	
Middle East	no update
South Korea	
(9mm and above)	US\$440 C&F
Taiwan P.o.C	
(9mm and above)	US\$410-420 C&F
Hong Kong	US\$450 FoB

Sarawak plywood import ban

No further news is available.

<https://www.newsarawaktribune.com.my/sarawak-bans-import-of-plywood-of-6mm-or-more-thickness/>

Timber legality system for small enterprises

Rufi'i, Director of Processing and Marketing of Forest Products at the Ministry of Environment and Forestry (KLHK), has reported that the government's new timber legality certification programme for Micro, Small and Medium Enterprises (MSMEs) will provide the same legal umbrella for MSMEs as currently provided by SVLK certification for large companies.

The new scheme is targeting 400 groups comprising around 12,000 MSMEs in the forest production and processing sectors.

Purwadi Soeprihanto, Executive Director of the Indonesian Forest Entrepreneurs Association, said the Association welcomes this initiative by the government particularly as it deals with both downstream and upstream sectors. Academics have also welcomed the new initiative as this will help eliminate illegal timber from the domestic trade.

<https://ekonomi.bisnis.com/read/20190425/99/915672/fasilitas-s-lk-bagi-umkm-beri-kepastian-hak>

<https://ekonomi.bisnis.com/read/20190425/99/915732/sertifikasi-lk-umkm-bisa-cegah-kayu-ilegal>

Government to formulate carbon trading policy

The government, through the Ministry of Environment and Forestry (KLHK), is formulating a carbon market development policy plan. The preparation of this policy is important because Indonesia does not yet have a mechanism related to carbon trading, although, in reality, the practice of carbon trading has taken place.

<https://www.hukumonline.com/berita/baca/lt5cc84d6c04b20/pemerintah-susun-kebijakan-perdagangan-karbon>

Minister optimistic environmental management will improve

Minister of Environment and Forestry, Siti Nurbaya and Minister of Energy and Mineral Resources, Ignasius Jonan, signed a memorandum of understanding on collaboration in a wide range of areas.

The MoU covers forest reclamation and watershed rehabilitation, licensing arrangements under the control of the Minister of Energy and Mineral Resources sector, synchronised utilisation of forest areas, supervision of law enforcement, small scale mining control in order to control the use of mercury, control of pollution and environmental damage and climate change adaption. Siti Nurbaya said, this agreement will improve environmental management

Indonesia, South Korea in trade deal talks

According to Iman Pambagyo, Director General for Indonesia's International Trade Negotiations in the Ministry of Trade, said Indonesia and South Korea aim to complete negotiations for a Comprehensive Economic Partnership Agreement (IK-CEPA) this year.

He said both countries were committed to improving the deals in the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN-South Korea Free Trade Areas (ASEAN-South Korea FTA).

<https://www.thejakartapost.com/news/2019/05/05/indonesia-south-korea-target-to-complete-ik-cepa-talks-this-year.html>

Redistribution of unproductive forest land

Indonesia has large areas of unproductive state land (forest cover below 30%) and the Minister of Environment and Forestry, Siti Nurbaya Bakar, said it is proposed that some 978,000 ha. of such unproductive forest land will be redistributed for conversion.

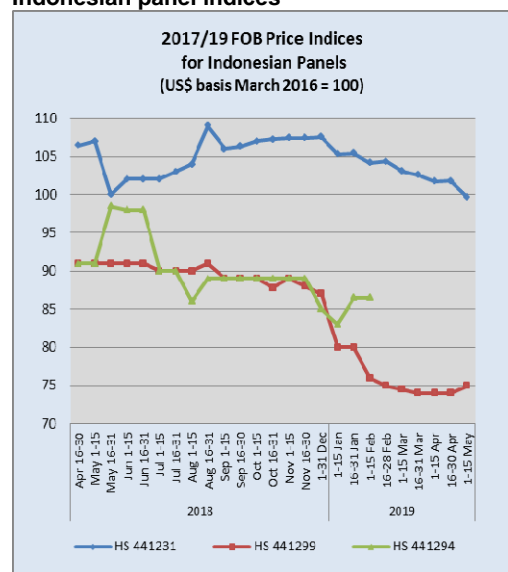
The unproductive forest land is located in 20 provinces with the largest areas being in five provinces, Papua, with an area of 271,105 ha, Central Kalimantan 225,436 ha, Maluku 160,473 ha, North Maluku 97,695 ha, and South Sumatra 45,712 ha.

The central government is preparing the necessary legislation which will require local governments to prepare plans for the allocation and use of the land.

<https://katadata.co.id/berita/2019/05/07/tak-produktif-lagi-pemerintah-bagikan-978-ribu-hektare-lahan-hutan>

<https://economy.okezone.com/read/2019/05/07/470/2052508/pemerintah-bagi-bagi-978-108-ha-lahan-nganggur>

Indonesian panel indices



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

Moratorium on natural forest harvesting permits to be extended

The government plans to extend the moratorium on the issuance of new harvesting permits in primary natural forest and peat land areas.

The Director of Inventory and Monitoring of Forest Resources in the Ministry of Environment and Forestry (KLHK), R.A. Belinda Arunawati Margono, said an extension of the Presidential Instruction Number 10/2011

will be arranged. This will mark the fourth time it has been extended.

<https://ekonomi.bisnis.com/read/20190508/99/920185/pemerintah-kaji-perpanjang-moratorium-izin-hutan-primer>

Myanmar

MFCC seeking approval for certification of pilot Gan Gaw FMU

The Secretary-General of PEFC, Mr. Ben Gunneberg, recently met the Deputy Director-General of Forest Department, Kyaw Kyaw Lwin, to discuss the cooperation between PEFC and the Forest Department of Myanmar.

While in Myanmar Mr. Gunneberg inaugurated a seminar held to report progress with the application from the Myanmar Forest Certification Committee (MFCC) for PEFC Membership. The seminar also reviewed progress on the pilot project to secure certification for one FMU.

Barber Cho, Secretary of MFCC, said that MFCC is seeking the approval of Forest Department to certify Gan Gaw FMU as a pilot project under the MFCC-PEFC cooperation arrangement.

Cho confirmed that the MFCC, as the national governing body for certification, had formally applied to PEFC for membership. He explained that, at present, there is no certified forest in Myanmar despite Myanmar's forest management system being well known.

International investors prefer international arbitration process

Representatives from nine US-based companies recently held discussions with the Myanmar Chamber of Commerce (UMFCCI). In response to the visit from the US companies the Minister of Commerce reaffirmed that all ministries will be adopting international trade rules and practices.

Earlier this year the UMFCCI conducted a course on arbitration in response to requests from many investors who want the international arbitration process to be adopted instead of the Myanmar Arbitration Act 2018.

Plans for new international container terminal in Ahlone township

The local media has reported on plans being prepared for a new international container terminal in Ahlone township, on the Yangon River. In April the Myanmar Investment Commission (MIC) granted permission for Adani Myanmar to develop, operate and maintain the Ahlone International Port Terminal.

Adani, registered in Myanmar and incorporated in Singapore as Adani Global Pte. Ltd. operates as a subsidiary of Adani Global Ltd.

See:

<https://www.irrawaddy.com/business/new-terminal-construction-begin-traffic-expected-rise.html>

Tougher penalties for forest crime

In a bid to protect the country's fast-dwindling forests last September the Myanmar parliament enacted a tougher forest law that threatens violators with up to 15 years in prison. Under the law forest officials can also be punished for accepting bribes or for being involved in the extraction, transfer or possession of illegally harvested logs or products manufactured from such logs.

Also, fines for minor offences have been raised to K30 million (US\$20,000) and trespassers living in forests must vacate their premises within one month of being served notice, according to U Zaw Min, Deputy Director General of the Forest Department.

According to the Forest Department, more than 143,000 tons of illegal hardwoods have been seized since the current administration took office three years ago.

Over the same period, it said, more than 20,000 alleged timber traffickers were arrested and 9,460 pieces of machinery and 1,163 chainsaws were seized.

<https://www.irrawaddy.com/news/burma/143k-tons-trafficked-timber-seized-3-years.html>

In a press release the Forest Department said that most of the seizures were made possible by its community-based system to monitor illegal logging and alert authorities.

The Myanmar Forest Department auctions about 80% of the timber it seizes. Barber Cho, Secretary of Myanmar Forest Certification Committee, said that the export of products manufactured from the seized timber is not allowed under existing Forest Department regulations and this ban is included in the framework of the Myanmar Timber Legality Assurance System.

Log Tender Price for April 2019

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	96.2	3,395
SG-5	192.3	2,735
SG-6	185.00	2,345
SG-7	745.00	1,992

Price for other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	1,875	882
Kanyin	2nd	2,942	750
Pyinkado	2nd	47.00	703
In	2nd	-	-

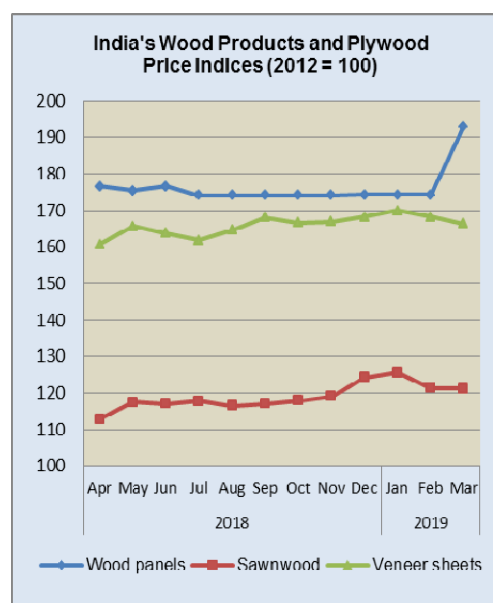
India

Higher particleboard prices lifts price index

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for March 2019 rose to 120.0 from 119.5 for the previous month. The index for manufactured wood and cork products rose by almost 1% due to higher prices for panel products and wooden boxes/crates.

The annual rate of inflation based on monthly WPI in March 2019 stood at 3.18% compared to 2.93% for February.

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

Analysts comment that consumer sentiment is weakening and this is driving down consumption of a range of products. The decline in consumer spending is said to be because income growth has slowed in both urban and rural areas where farm output is well below average.

It is anticipated that once the general election is over the government will move to boost consumption.

See:

http://economictimes.indiatimes.com/articleshow/69210037.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Tax reform slow to deliver benefits to major plywood manufacturers

The Indian media has an interesting commentary on the impact of the Goods and Services tax (GST) in the plywood sector in the country. Much of the plywood manufacturing is in the hands of small and medium sized plants and many of these have found ways to avoid taxes, something the large well established brand name factories could not do.

The Indian plywood sector is categorised as mostly 'unorganised' small units having a 75% share of the market with the so-called 'organised' companies such as Century Ply boards and Green Ply Industries making up the balance.

The introduction of the GST was supposed to level the playing field driving the established but moderately sized mills in the 'unorganised' sector pay tax rates .

The hoped for change in the sector has been slow coming as only a fraction of the sales from the 'unorganised' sector mills are invoiced thus attracting tax. The greatest benefit of the GST to the 'organised' sector mills has been the reduction in overall taxes.

See: <https://www.dnaindia.com/business/report-plywood-firms-see-a-flat-future-despite-gst-lift-2739674>

Plantation teak prices

Against a slightly firmer rupee/dollar exchange rate and rising oil prices, importers and distributors are closely monitoring developments as their operating costs are rising. However, C&F prices for plantation teak landed at Indian ports remain within the range as shown in the previous report.

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575

Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

Locally sawn hardwood prices

Prices for imported sawn hardwoods remain unchanged.

Sawnwood 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

Prices continue as previously reported.

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

Indicative prices for some imported timbers are shown below.

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

Weakness in the construction sector has hit demand for wood based panels especially plywood. In the furniture sector plywood producers are seeing an oversupply of MDF.

Several of the big MDF producers have cut production some by as much as 70%. 12 months ago the reconstituted panel sector was attracting considerable investment but now things have changed.

On a brighter note, shipments of veneer from Gabon for plywood assembly continue smoothly and recent reports indicate that veneer shipments from Guyana are increasing.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	69.00
6mm	92.00
9mm	115.00
12mm	143.00
15mm	190.00
18mm	201.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	35.00	50.00
6mm	52.00	66.00
9mm	66.00	81.00
12mm	81.00	95.00
15mm	95.00	115.00
19mm	111.00	132.00
5mm Flexible ply	70.00	

Brazil

Furniture production bucks the trend

According to the Brazilian Institute of Geography and Statistics (IBGE), while overall industrial production fell in March 2019 after a slight increase in February, production in the furniture sector rose 5.3% in March compared to February.

Production in the industrial sector as a whole declined just over 6% in May 2018 and in the furniture sector there was a drop in first quarter production despite the good numbers in March.

Tax obstacles in the forest sector

A meeting was recently held between representatives of the Center for Timber Producers and Exporters of Mato Grosso State (CIPEM), the Federation of Industries of Mato Grosso State (Fiemt) and Mato Grosso State Secretariat of Finance (SEFAZ) recently to discuss tax and fiscal policy issues that are negatively impacting development of the forest sector in the state.

A major concern was the tax level on logs in the Circulation of Goods and Services (ICMS) regulation. Discussions on this have been ongoing since last year and CIPEM is discussing with the state government ways to secure tax breaks for the small forestry and timber companies that make up 90% of forestry sector in the state.

A second issue discussed concerned the wood identification fee which has risen from just over R\$2 per cubic metre to more than R\$10 meaning entrepreneurs pay around R\$600 for each truck load of wood instead of the R\$90 collected in the past.

The SEFAZ explained that these charges are set out in the Law 235/2005 and that SEFAZ has no authority to change this, the only solution would be the approval of the new law which is under consideration.

CIPEM expressed concern on the many issues holding back the forestry sector especially as the forestry sector represents the fourth largest economy in Mato Grosso state.

Agribusiness exports in Mato Grosso do Sul

In the State of Mato Grosso do Sul in the Amazon region agribusiness exports delivered revenues of US\$1.13 billion in the first quarter of 2019 accounting for over 90% of all export earnings. The forest products sector is the most outstanding say analysts generating an almost 50% share of total revenue.

ABIMCI meets German importers

The German Timber Trade Federation (GD Holz) invited the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) to participate in its importers meeting.

ABIMCI had the opportunity to interact with more than 100 German importers and took the opportunity to brief them on the Brazilian timber sector, the prospects for future supply, quality certifications and timber origin tracking.

During the event wide ranging trade issues were discussed especially the current supply situation, product quality, trade and technical barriers, documentation issues on product origin (EUTR, Due Diligence, etc.) and evaluation of CE certification.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	206
Ipê	115
Jatoba	111
Massaranduba	110
Muiracatiara	109
Angelim Vermelho	91
Mixed redwood and white woods	

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	830
Ipê	430
Jatoba	402
Massaranduba	386
Muiracatiara	360
Angelim Vermelho	238
Mixed red and white	190
Eucalyptus (AD)	142
Pine (AD)	162
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	535
4mm WBP	422
10mm WBP	349
15mm WBP	415
4mm MR	295
10mm MR	270
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	218
15mm MDParticleboard	252
15mm MDF	

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,421
Jatoba	865
Massaranduba	841
Muiracatiara	848
Pine (KD)	199

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 ³
Pine Plywood EU market, FOB	311
9mm C/CC (WBP)	290
12mm C/CC (WBP)	270
15mm C/CC (WBP)	268
18mm C/CC (WBP)	

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,795
Jatoba	1,436

Source: STCP Data Bank

Remove regulatory barriers to attract investment

The Minister of Economy, Carlos Oliva, announced that a Bill will be presented to Congress aimed at eliminating barriers to expansion of the forestry, aquaculture and tourism sectors.

The Minister warned that quick results may not be possible as attracting domestic and international investment takes time but this Bill will lay the foundation for improvement over the next decade. The forestry sector has enormous potential for growth, said the Minister

Private sector promotes forestry project in Ucayali

The D&C Group, a diversified group of companies whose objective is to create opportunities and employment for the people of Peru, is promoting an afforestation project on around 50,000 hectares in Ucayali.

This initiative has been outlined by Samuel Dyer, Group President who said the project will be implemented through the Pro-Ucayali business group and will have a public-private structure.

The D&C Group has a 1,000 ha experimental plot in Ucayali and is now seeking the legal framework to extend the project which will ultimately provide resources for small and medium-sized companies.

Dyer said that this project will utilise available technologies and will be structured to be profitable, unlike many other plantation efforts that have resulted in scattered plots from which it was unprofitable to harvest and transport. He said plantations in this project will be no more than a 100km from the propose site for processing.

Bi-oceanic rail link

The regional governor of Ucayali, Francisco Pezo, announced that his administration will promote the construction of a rail connection with the Brazilian state of Acre. This would form a part of the Bi-oceanic Train that will link Peru and Brazil.

During a 2013 meeting between Bolivia's President Evo Morales and his Chinese counterpart Xi Jinping, the concept of this project was conceived to link the Atlantic and Pacific Oceans through a rail link known as the Central Bi-Oceanic Railway.

The pre-investment study carried out by the Ministry of Transport and Communications suggests the railway will link the ports of Santos in Brazil and Ilo in Peru. Pezo revealed that the Development Bank of Latin America has shown interest in supporting further work to develop plans for the rail link.

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	604-641

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	951-978
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	542-561
Dominican Republic	671-681
Marupa 1", 6-11 length KD Asian market	551-591↓

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic Mahogany	-
Virola	253-266
Spanish Cedar	339-379
Marupa (simarouba)	218-228

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	349-379↑
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 Lupuna plywood	389-412
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**Survey – economy worsening for the first time in six years**

A government survey during the first quarter 2019 shows the Japanese economy “worsening” for the first time in more than six years reinforcing the view that Japan may have entered a recession in the first quarter 2019. This calls into question the wisdom of raising the consumption tax in October.

The main economic indicators indicate that risks to exports due to the US/China trade war and weak domestic demand undermined business confidence and investment plans. Exports are estimated to have declined by 1.5% and capital spending by 1.8%.

Private consumption, which was supporting the economy, also fell. Worries are also mounting that the US/China trade war will further affect the Japanese economy and that the US may take a tough stance on its trade talks with Japan.

Private consumption falls and risks to economy grow

Following the disappointing economic performance in the third and final quarters last year, it appears that private consumption weakened in the first quarter of 2019.

The second half 2018 decline was put down to the combined impact of a series of natural disasters and a drop in exports especially to China but the overall decline was tempered as private consumption held up. This changed in the first quarter when private consumption fell and this was felt by importers.

It remains to be seen if the increased government spending and the up-beat mood of consumers as they welcomed the new Reiwa Era has boosted spending. But the consensus amongst analyst is that the far greater risk for the Japanese economy is the escalating trade friction between the US and China.

When global tensions rise there is the usual flight of foreign currency to the Yen and already the Yen has appreciated against the US dollar, bad news for Japan's exporters.

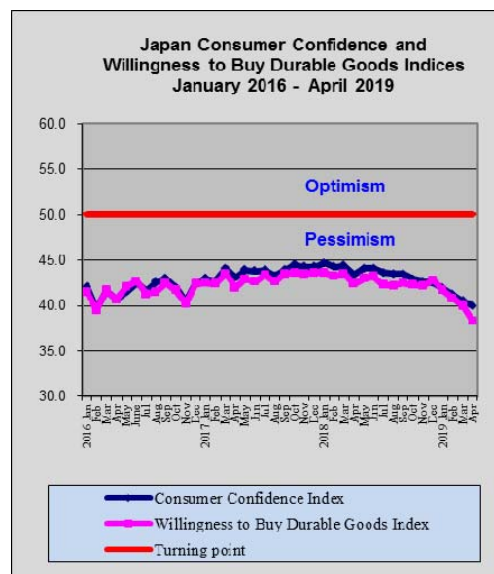
If predictions of a contraction in growth in the first quarter 2019 are proven correct it is likely there will be calls for a delay in the consumption tax hike scheduled for later this year.

3 year low for consumer confidence

The April Consumer Confidence Survey conducted by the Cabinet Office shows consumer confidence declined to the lowest level in more than three years. The overall index fell to 40.4 in April from 40.5 in March. This put the April index at the lowest since February 2016.

Among the other indices, the index reflecting households' inclination to buy durable consumer goods declined in April along with those measuring expectations on employment, livelihood and income growth.

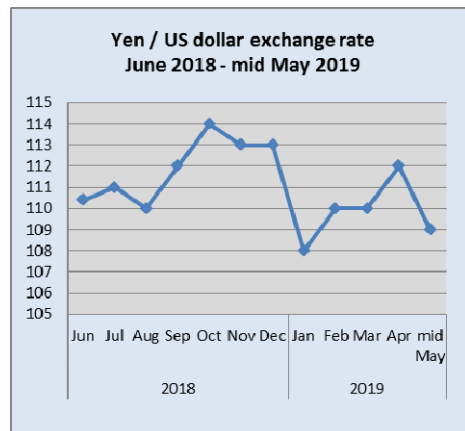
See: <https://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>



Data source: Cabinet Office, Japan

Global uncertainty - a rush to Yen

Amid escalating trade tensions between the US and China the Japanese currency appreciated against the US dollar with the US\$/Yen falling to around 109 on 10 May.

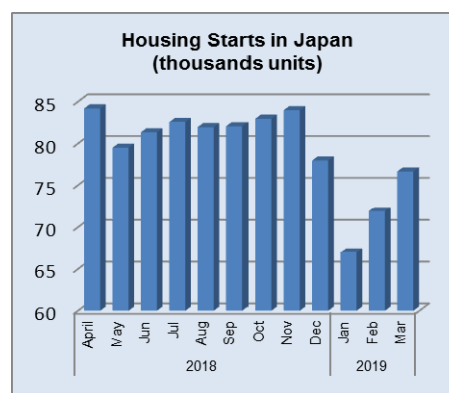


Millions discovered as old homes demolished

The latest housing survey from the Ministry of Internal Affairs and Communications says that in 2018 the number of homes in Japan increased by 1.8 million to 62.4 million of which 53.7 million or about 86% were occupied at the time of the survey. Of the remaining 14% a large proportion of these were classified as abandoned.

The owners of abandoned and dangerous old houses are required to demolish these structures and when owners cannot be located the authorities will undertake the work. The domestic press reports that it is not uncommon, during the demolition, for hidden cash to be found. Apparently, around Yen 600 million of hidden cash was found and handed to the Tokyo Metropolitan Government last year.

<https://www.stuff.co.nz/life-style/homed/latest/112493313/why-are-so-many-houses-sitting-empty-in-japan>



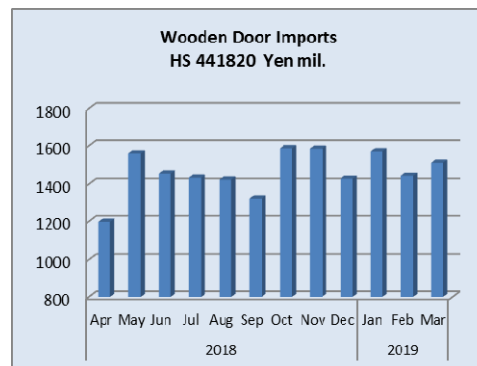
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

Year on year, the value of Japan's March wooden door imports rose 26% and compared to the value of imports in February there was a 5% jump in March. First quarter 2019 imports of wooden doors were 6% higher than in the same period in 2018.

In March the top shippers of wooden doors to Japan were China, the Philippines and Indonesia. China accounted for 60% of March imports of wooden doors followed by the Philippines (22%) and Indonesia.

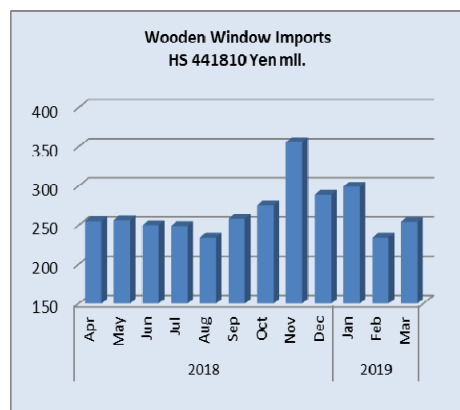


Data source: Ministry of Finance, Japan

Wooden window imports

Following the year on year decline in the value of wooden window imports in February, March year on year imports continued down, falling 11%. However there was a slight up-tick in the month on month imports (+8%). First quarter 2019 imports of wooden windows were little changed from a year earlier.

Some 70% of Japan's March imports of wooden windows were supplied by China (41%) and the US (33%). Shipments from Sweden contributed another 2-3% with the balance being shipped from mainly manufacturers in the EU.



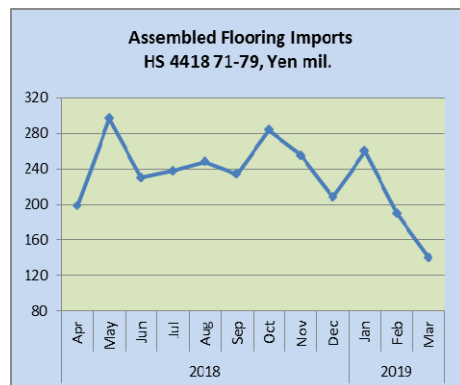
Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

The value of assembled flooring imports nosedived in February and the downward trend extended into March with year on year imports dropping a further 26%. The month on month trend was no better with an over 25% decline recorded.

March imports of wooden flooring were predominately of HS441875 which was 97% of all categories of wooden flooring imports. March imports were dominated by shippers in two countries, Indonesia and China. Shipments from Indonesia accounted for 46% of all March imports of wooden flooring and shipments from China added a further 44%. In previous months shipments from Thailand were significant but this was not so in March.

First quarter 2019 imports of assembled flooring were 15% below that in the first quarter 2018.



Data source: Ministry of Finance, Japan

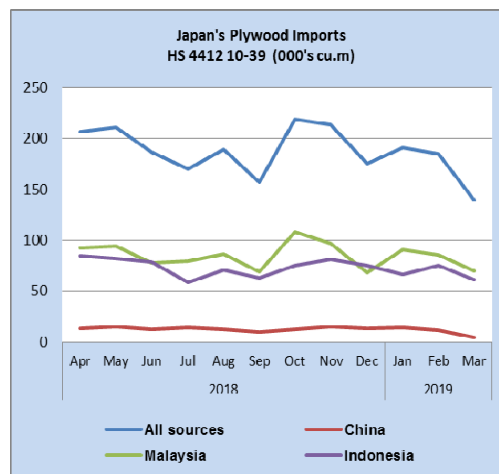
Plywood imports

Japan's March 2019 plywood imports dropped below 150,000 cubic metres, a record low. Plywood demand remains firm and more of the domestic demand is being met from domestic production from domestic raw materials as well as imported veneer. Year on year March import volumes were 13% down and month on month March imports fell a massive 24%.

Compared to the first quarter of 2018 plywood imports fell 6% in the first quarter of 2019.

As usual, the top three suppliers Malaysia, Indonesia and China continued to dominate plywood imports but all three saw March shipments drop.

Shipments from Malaysia and Indonesia, the two biggest suppliers, fell 26% year on year in March 2019 and shipments from China were also down 10% year on year. More startling was the month on month shipments from all three main suppliers with China witnessing a 60% decline only just beating the 64% decline in shipments from Vietnam which was beginning to gain market share.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80

	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	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
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2

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>

Increasing imports of veneer

Import of South Sea hardwood veneer for manufacturing plywood has been increasing since second half of 2018. Import of veneer from Malaysia and Indonesia in November 2018 was over 2 million square metres and the import in February 2019 was almost the same.

After Sabah, Malaysia banned log export since May 2018, log supply shifted to PNG and at the same time, import of veneer from Malaysia and Indonesia increased to supplement short supply of tropical hardwood logs.

Tropical hardwood log import in 2018 was 153,407 cbms, 4.5% more than 2017 out of which logs from PNG were 76,394 cbms, 164.5% more.

This is about a half of total log import. Logs from Sabah dropped by about 50% with about 37,000 cbms. Logs from Sarawak were about 40,000 cbms, slight drop from 2017.

After Sabah's log export ban, log import was expected to drop sharply but PNG increased to fill the gap.

Japanese hardwood plywood manufacturers have been testing many species from various sources and at the same time, they increase using hardwood veneer from Malaysia and Indonesia. Some trading firm has established supplying 10 containers of veneer a month (about 800 cbms in log base).

Total veneer import in 2017 was 11,000,000 square metres then that in 2018 was 13,000,000 square metres. The import for January and February in 2019 was 3,520,000 square metres, which is more than one fourth of total import of 2018.

South Sea (tropical) logs

Log market prices in Japan on both Malaysian and PNG are firm. Log importers are asking Malaysian log suppliers not to increase log prices any more as further increase lose log market in Japan.

Malaysian log suppliers are facing increase of minimum wage and harvest tax. Log import this year has been stable mainly from PNG but future is uncertain as there are rumors that Sarawak, Malaysia may reduce log export quota from present 20% in summer and may stop export eventually. With Sabah continuing log export ban and if Sarawak stops log export, PNG is the only source left.

Japanese plywood mills increase import of hardwood veneer to supplement log shortage.

Wood demand projection by Forestry Agency

The Forestry Agency held demand projection meeting in March 22. There are different opinions for rush-in demand before the consumption tax hike in October by source and item.

With such expectation, there may be oversupply by start-up of new plywood plants and import products.

Projection of new housing starts by 12 private think tanks is 920,000 units in 2019 and 880,000 units in 2020. Domestic log demand for lumber manufacturing for the second quarter would decline but increase for third quarter.

Log demand for plywood will increase with three new plants including LVL starting up. Domestic log export in January decreased for three major markets of China, Korea and Taiwan. Particularly export for China dropped by 34.8% from January 2018.

North American log demand may decrease after the second largest Douglas fir cutting sawmill, Toa quit last year and competition with others like European laminated lumber gets severe.

Demand for North American lumber for the second and third quarter decreases compared to 2018.

For European lumber for the second and third quarter, depressed redwood laminated lumber may recover some but inventory adjustment is priority matter. Import of redwood lumber keeps declining while domestic laminated lumber mills will increase production toward fall demand.

Plywood demand now is pausing but is expected to recover after holidays in early May while the supply of softwood plywood will increase by start-up of new plants. Imported plywood orders will decline for the second quarter with ample inventories but will increase in the third quarter after the inventories decline. Radiata pine logs and lumber import will decrease after April due to demand slow period of crating lumber.

Tropical hardwood lumber import in 2018

Import of laminated free board in 2018 was about 10% less than 2017 because the demand in Japan stagnated and the inventories stayed high and the prices were down. Meantime, on the supply side, the cost increased by higher planted species and investment to deal with environmental problems so the orders from Japan dwindled. Meantime, lumber for DIY stores like falcate had steady import.

Chinese red pine and Indonesian mercusii pine lumber decreased. Laminated free board from Thai increased. The volume is small yet but it has high standard so the demand should increase little by little.

Hardwood lumber's problem is inflating prices due to shortage of quality logs in producing regions like Malaysia and Indonesia.

Processed lumber mainly for interior use also decreased except for Vietnam. In China, by environmental restrictions, many manufacturing plants were either intensified or shutdown so the supply decreased by about 12%.

Forestry Agency subsidizes wood fence

The Forestry Agency has started subsidizing wood fence and wood decking of residential and non-residential buildings by allocating supplementary budget of 2019. Amount of budget is 1,509,970,000 yen.

Maximum amount of subsidizing of wood fence is five million yen and of decking and door is ten million yen. Wood used for this purpose is either domestic or imports. Appropriate treatment for durability is required by part where wood is used.

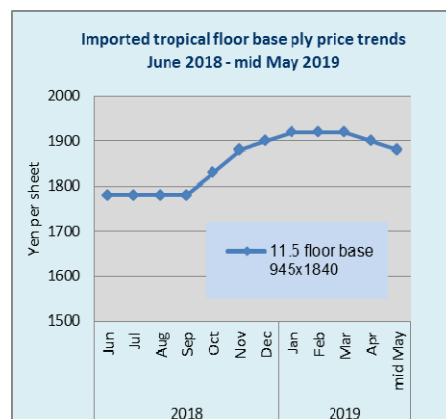
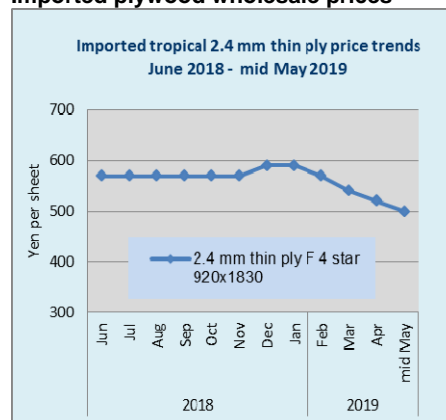
Conditions for subsidy is 0.05 cubic metres per part or 0.02 cubic metres per one metre of wood is used in case wooden fence or other exterior facility. In case of other facilities like decking, post, gate door, board walk and car port, more than 0.2 cubic metres of wood must be used. Used wood must be legally proven wood based on the Clean Wood law.

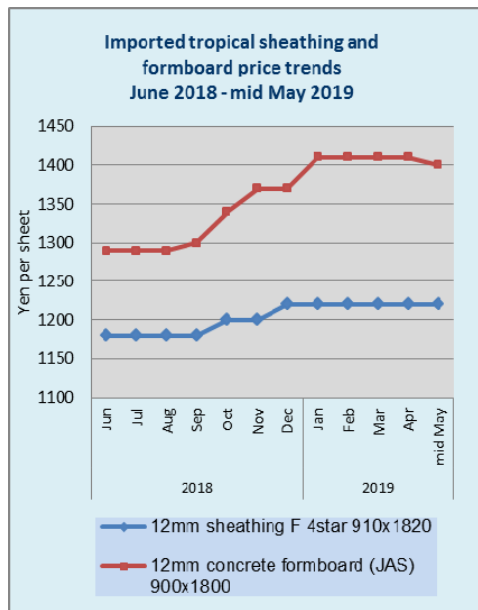
Once legality is proved, subsidised amount for wood fence is 30,000 yen per one metre and 300,000 yen per cubic metre for wood decking.

Furthermore, in case legally proven wood supplier is registered dealer based on Clean Wood law, subsidized amount for wood fence is 40,000 yen per one metre and for wood decking is 40,000 yen per one cubic metre.

In case all related dealers from log supplier, lumber mill, processed facility, distributor and contractor are registered based on Clean Wood law, preferential deal is applied as 50,000 yen per one metre of wood fence and 500,000 yen per one cubic metre of wood decking. Maximum amount of subsidy is five million yen for wood fence and ten million yen for wood decking.

Imported plywood wholesale prices





China

Wood product exports hit by US tariffs

On 13 May China's State Council announced increased tariffs on US\$60 billion of US imports (some 5,140 products) which are already attracting retaliatory tariffs. The new tariffs will come into effect 1 June. This follows the decision by the US to raise tariffs on US\$200bn of Chinese products.

In setting a 1 June deadline for the introduction of the higher tariffs both sides have created a window for negotiations as there are nearly three weeks until the tariffs would apply to shipments leaving each country.

Analysts in the UK have assessed the likely cost to US importers of the tariff increases. Top of the list is telecommunications equipment where tariffs could add US\$19 billion to the cost of imports. The cost increase on wooden furniture imports could be as much as US\$3 billion and that on seats with wooden frames around US\$2.5 billion.

For more see: <https://www.bbc.com/news/business-48196495>

Softwood logs dominate at Taicang port

Log imports through Taicang Port in Jiangsu Province totalled 7.85 million cubic metres in 2018 and were valued at US\$1.2 billion.

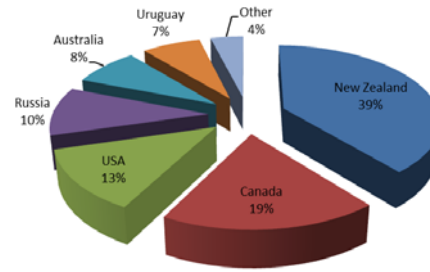
Of the total, 98% were softwood logs, mainly imported from New Zealand (39%), Canada (19%), USA (13%) and Russia (10%). The main softwood log species were radiata pine (43%), spruce and fir (11.5%), douglas fir (11.4%) and larch (4%).

Russia sawnwood dominates imports at Taicang Port

Sawnwood imports through the port in 2018 amounted to 500,000 cubic metres valued at US\$106 million, mainly imported from Russia (89%) and Canada (10%).

The main sawnwood species were spruce and fir (58%) and pine (33%).

Main softwood log sources



Data source: China Customs

Plans for timber mills in Russian Far East

It has been reported that the China Forestry Group Corporation (CFGC) will build mills in the Russian Far East to supply wood products for China. The project is expected to consume around 3 million cubic metres of logs and export finished products to China. Russia's Khabarovsk will be considered as one of the possible production bases.

The CFGC is a large scale wood processing enterprise set up by nine enterprises directly under the State Forestry Administration in 1996.

The Group is supervised by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), its business covers the whole process from forest resources, exploitation and utilisation. The Group delivers tree seeds and seedling and has also entered the forest tourism sector.

Currently the Group has more than 150 international forestry enterprises and has cooperated with New Zealand, Russia, Canada and some South East Asian countries.

See: <http://www.cfgc.cn/>

Changzhou laminate flooring sells well on "Belt and Road Initiative" markets

According to the latest statistics from Changzhou Customs, the value of Changzhou laminate flooring exports in the first quarter of 2019 rose 20% to US\$31 million, accounting for 30% of the national total.

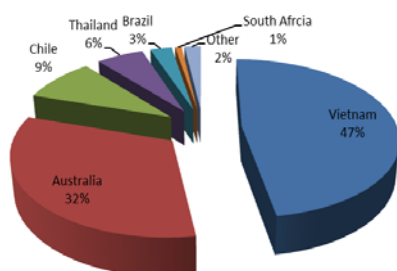
Changzhou city is one of the important bamboo, wood and grass product exporting bases and there are more than 200 laminate flooring and wooden moulding enterprises.

The shortage of high-quality wood, domestic overcapacity and international market barriers have become a serious problem for the Changzhou flooring industry in recent years. In response more flooring is being exported to ' Belt and Road Initiative' countries.

Rise in China's wood chips imports

China's wood chips imports were 12.84 million tonnes valued at US\$4.264 billion in 2018, a year on year increase of 12% in volume and 19% in value.

Main suppliers of wood chips



Data source: China Customs

Vietnam became the largest supplier shipping 6.13 million tonnes valued at US\$918 million, up 30% in volume and 32% in value year on year. Australia was the second largest supplier shipping 4.17 million tonnes valued at US\$863 million, a year on year increase of 8% in volume and 21% in value. These two countries account for about 80% of total imports.

Decline in China's plywood exports to US

China's plywood exports in 2018 were 11.34 million cubic metres valued at US\$5.55 billion, a year on year increase of 4% in volume and 9% in value.

China's plywood is exported to more than 200 countries and markets have become more diverse. The proportion of China's plywood exports to the top 9 countries made up just 51% of the national total in 2018. China's plywood exports to US fell in 2018 as did exports to S. Korea

	Exports cu.m	Year on year % change	Average Price US\$/cu.m
Total	11,338,100	4	489
USA	1,273,100	-22	843
Philippines	1,022,100	14	371
UK	754,400	19	449
UAE	674,100	-1	321
Japan	641,200	-5	459
Vietnam	501,100	25	439
Israel	331,300	7	429
Thailand	323,800	6	341
South Korea	308,500	-34	436

Data source: China Customs

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

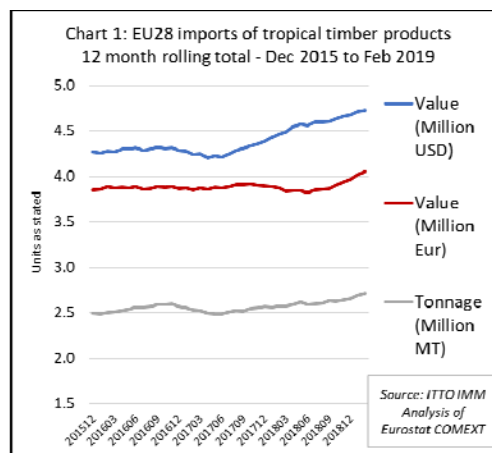
Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

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
Afromosia	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



The rise in EU imports of tropical timber in the second half of 2018 and the first quarter of 2019 was driven by several products groups. EU imports of tropical sawnwood, which have been highly volatile in recent years, regained ground lost during the slump in the second half of 2017.

EU imports of wood furniture (excluding seating) from tropical countries have been rising slowly and consistently since the start of 2017, driven by Vietnam and India.

Imports of tropical charcoal and plywood have also been rising during this period. Most tropical charcoal is derived from Nigeria and Cuba. The rise in tropical hardwood plywood imports is concentrated in product from China and Indonesia, the latter partly boosted by FLEGT licensing. (Chart 2).

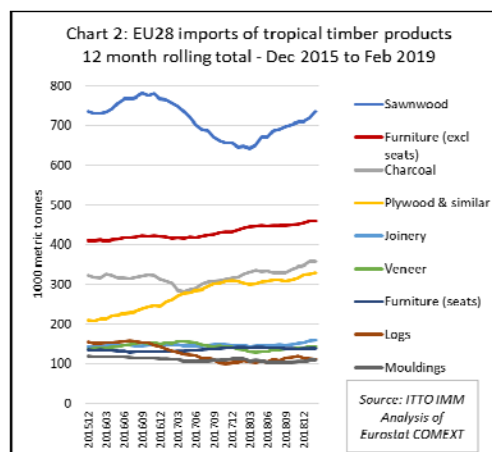
Europe

EU tropical timber imports rising since mid-2018

ITTO's analysis of Eurostat year-end data showed that the total value of tropical wood imports into the EU increased slightly in 2018, although at a slower rate than imports from non-tropical countries tropical wood continued to lose share last year (ITTO MIS Volume 23 Number 4 16-28 February 2019).

Closer analysis of monthly data to end February 2019 reveals a slightly more positive picture, showing that EU imports of tropical timber products began to rise more strongly, both in quantity and value terms, in the second half of 2018.

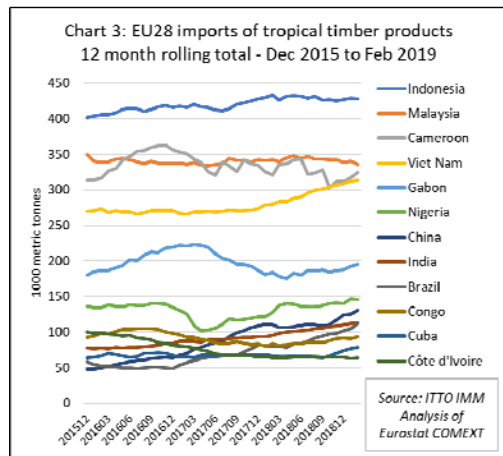
EU imports began to rise earlier, from the start of 2017, in dollar terms as the euro strengthened significantly against the US currency between December 2016 and February 2018 (Chart 1).



While imports of plywood from Indonesia have been rising, EU imports from Indonesia across all product groups were flat in 2018 and have remained so in 2019. So too have imports from Malaysia.

EU imports from Cameroon have been extremely volatile in recent times, with the overall trend downward. However, there was a slight uptick in imports from Cameroon at the start of 2019.

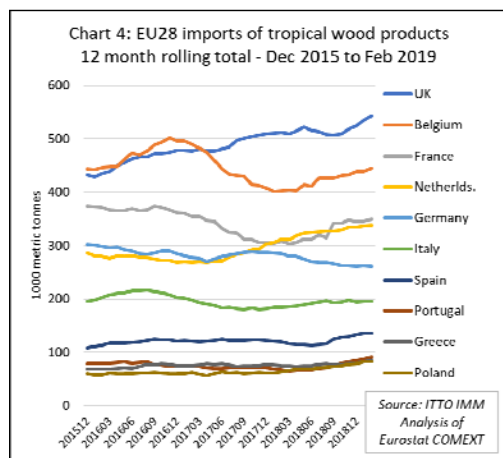
EU imports from Vietnam, nearly all furniture have been rising steeply since the start of 2018 and this trend continued into the New Year. After a long period of very slow trade, EU imports from Brazil, mainly of decking, have been recovering in the last six months. (Chart 3).



Imports vary widely between member states

Trends in tropical timber imports tend to vary widely at national level, although the latest upturn in imports has been quite well distributed across the EU. Of the largest destination countries, only Germany registered a decline in direct trade of tropical timber at the start of this year (and as noted in the last issue of ITTO MIS, a feature of Germany’s trade in tropical timber is that most is now sourced indirectly from other EU countries).

Imports increased sharply into the UK in the opening months of 2019 and were also rising in Belgium, France, Netherlands, Spain, Portugal, Greece and Poland. Imports remained flat in Italy however (Chart 4).



The recent upturn in tropical timber imports is rather surprising as, to a large extent, it is against broader economic trends in the EU. The value of the euro and the British pound eased against the dollar in 2018 and remain at historically low levels, acting as a drag on imports.

EU domestic demand still buoyant

According to the EU’s Spring 2019 Economic Forecast, issued on 8th May, “economic activity in the EU slowed further in the second half of 2018 as growth in the global economy and trade weakened amid tightened global financing conditions, unresolved trade tensions, high uncertainty, and as a result of exceptional weakness in the manufacturing sector that extended into the start of 2019.”

The Forecast identifies a wide range of factors that “weighed on sentiment” in the EU, including “disruptions in the car manufacturing sector, social tensions, policy uncertainty, as well as uncertainty related to Brexit.” Overall, GDP growth in the EU is forecast to moderate from 2.1% in 2018, to 1.4% this year and to remain at this lower level in 2020.

On the other hand, according to the Forecast, “domestic demand has been less affected. Employment growth, which has so far remained resilient, is expected to continue in the euro area, but at a slower pace.

Combined with rising wages, muted inflation and supportive fiscal measures in some Member States, job creation should continue to underpin household spending this year and next. At the same time, low financing costs should help to at least partly offset the negative impact of lower sales expectations on investment”.

The relative resilience of domestic demand goes some way towards explaining the rise in tropical timber imports in the EU in recent months. It has been enough to encourage importers that have been holding stocks at relatively low levels for many months back into the market.

Equally, some cooling in global demand against the background of slowing economic growth in China and the trade dispute with the US, has made international prices for hardwood products more attractive to European buyers. The growing global competitiveness of Vietnam and India is also becoming more evident as these countries are increasing penetration of the EU wood furniture market.

The particularly strong growth in the UK market in the opening months of 2019 is surprising given the high levels of uncertainty in the UK economy created by Brexit.

Both new construction and building renovation markets, the latter being critical for hardwoods, were slowing at the end of 2018. The UK economy appears to have grown weakly in the first quarter of 2019, with the services and manufacturing purchasing managers index hovering only slightly in expansionary territory amid soft new orders.

Latest surveys from the Construction Products Association (CPA) and Federation of Master Builders (FMB) are slightly more positive. The CPA’s State of Trade Survey for the first quarter 2019 shows continued growth in UK sales of construction products and materials, while the FMB’s survey demonstrates better expectations for small and medium sized builders.

However, the surveys also indicate that the political and economic situation is holding back product manufacturers' capital investment in the UK, particularly in commercial offices, industrial factories and high-end residential.

Feedback from the UK hardwood trade indicates that buying remains quite cautious, although trade data suggests some importers may have carried out stockpiling in the weeks immediately before 29 March 2019, the original date of UK departure from the EU. It may be that imports tailed off in March and April after the decision to delay the official Brexit date until 31 October.

The growth in Belgium tropical timber imports this year is driven mainly by sawn timber and decking products and mainly reflects Belgium's key role as a distributor of tropical timber to other parts of the EU. This has become more pronounced with the move to Just-in-Time purchasing and EUTR implementation which discourages manufacturers and smaller distributors from direct imports from the tropics.

Prospects for consumption of tropical hardwood within Belgium itself are not promising. There was sluggish but stable economic growth in Belgium last year but household spending is falling with declining consumer confidence. Economic sentiment is falling in the run-up to federal elections in May.

The market in France is turning around slowly after several years of stagnation. Fourth-quarter GDP growth was modest but resilient, stable from a quarter earlier despite the social unrest of last year's 'gilets jaunes' protests.

Domestic demand was hit by the demonstrations, with a decline in household spending. Market sentiment was improving in France in the first quarter of this year and fiscal policy is helping to prop up private consumption. However, growth is likely to be constrained against the backdrop of global trade tensions and lingering Brexit-related uncertainty.

The Italian market remains subdued and is still adjusting to the long-term effects of the economic crisis of a decade ago, with fewer manufacturers processing a narrower range of species and fierce competition for business.

The bigger hardwood importers and distributors now favour smaller just in time ordering, as end users try and keep stock to a minimum and order only what they immediately need to process.

The Italian economy continues to struggle weighed down weak domestic demand which is driving down industrial output and sales and contributing to low business confidence. As for households, worsening consumer confidence and a deterioration in the labour market point to subdued spending patterns.

In other news, the Italian government endorsed China's Belt and Road Initiative in late March, in the hope of receiving substantial infrastructure financing.

Spain's hardwood market dipped after the summer break in 2018 with importers blaming instability both internally and externally.

At home, the issue of independence for Catalonia has not gone away, state budgets are not approved and indecision about potential new mortgage taxes affected investment in the housing sector. Generally, importers have reacted by maintaining stock at low levels and buying only essential items on a "just in time" basis.

However, there are also positive signs in Spain. Industrial production rebounded solidly in January and the services sector is stable. Private consumption is quite solid, propped up by healthy employment growth and higher purchasing power thanks to low inflation. There was a slight upturn in Spain's imports of tropical products at the end of 2018 and in the first two months of 2019.

The Netherlands still stands out as a growth area for the EU market. In the final quarter of last year, the Dutch economy accelerated on the back of firming domestic demand and an improved trade balance.

Economic growth is expected to moderate in the Netherlands during 2019 as the external environment becomes more challenging, but domestic demand should remain robust on the back of fiscally expansionary policies.

Turnover in the Dutch construction sector increased 10% to a 10-year high last year. The total number of new home starts was stable, with 70,000 building permits issued, the same as in 2017. That is some way below pre-crisis levels, when around 80,000 new permits were given every year, but still implies good levels of consumption this year in the finishing sectors important to hardwoods.

North America

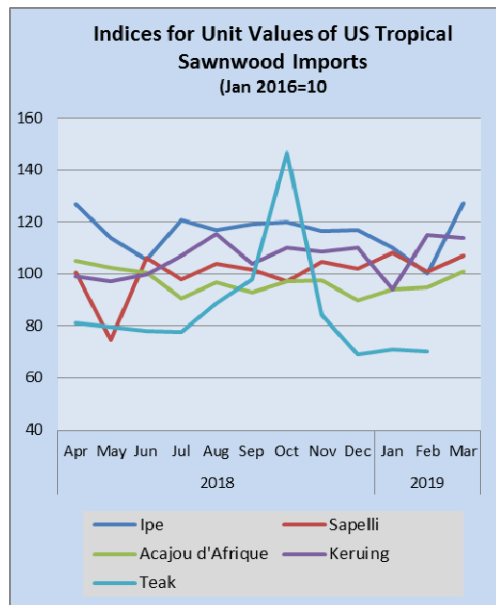
Sawn tropical hardwood imports dip after the strong January

U.S. imports of sawn tropical hardwood remained ahead of 2018 volumes in March despite an 8% dip from February. Imports are up 21% through the first quarter compared to last year.

Imports of most hardwoods declined in February and March after a very strong start to the year.

Ipé and keruing imports both fell by nearly a third in March but remain well ahead of 2018 year-to-date totals. Balsa imports rose by 25% in March and sapelli rose 61%. Both are 10% up year to date.

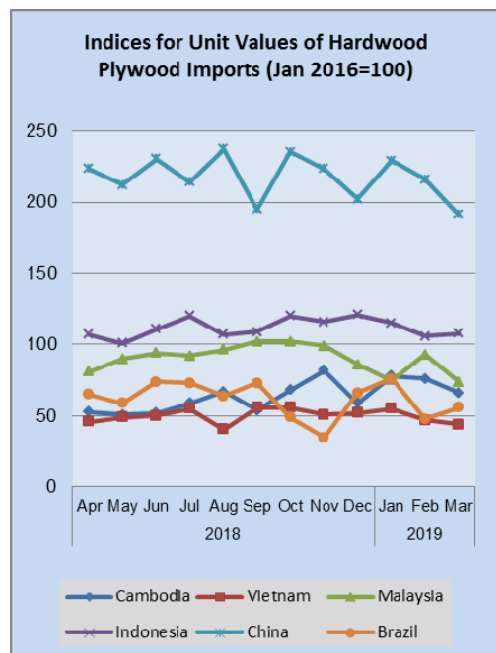
Imports from Brazil remained steady in March and are up by 30% for the year, while imports from Ecuador gained by 25% in March and are up 10% for the year.



Data source: US Census Bureau, Foreign Trade Statistics
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

US turning to Viet Nam for hardwood plywood

While U.S. imports of hardwood plywood are flat, imports from Viet Nam are growing rapidly amid declines in the China trade.



Data source: US Census Bureau, Foreign Trade Statistics
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

Total plywood imports rose 3% in March to 189,486 cu. metres, while imports from China fell by 39% from February and are less than half that of March 2018. Imports from China are down 39% year to date.

Imports from Viet Nam in the first quarter 2019 are at levels three times that of 2018 and are surpassing that of any other country. Imports from the other largest suppliers, Indonesia and Russia, were down 25% and 2%, respectively in the first three months of the year.

Tropical veneer imports recover in March

After a sluggish start in 2019, U.S. imports of tropical hardwood veneer jumped by 19% in March to a level some 25% better than March 2018. Imports from China and Italy gained in March but are still well behind last year to date.

Imports from Ghana were down 19% in March but are still well above those of last March. Imports from Cote d'Ivoire grew sharply after a weak February.

Moderate growth in flooring imports

U.S. imports of hardwood flooring grew by 3% in March but are about 2% behind March of last year. Imports from China fell by 45% to the lowest level since April 2017.

Year-to-date imports from China are down by 41% and imports from Malaysia also fell sharply after several strong months. Imports from Brazil gained 59% in March and are up nearly 150% year to date, while Malaysian imports are up nearly 60%.

Imports of assembled flooring panels improved by 19% in March with Canada, Indonesia, Viet Nam and Thailand all gaining strongly as trade with China declines. Imports from each of the four countries rose by around 30% while imports from China dropped 61% in March.

Moulding imports remain in slump

U.S. imports of hardwood moulding rebounded only mildly after historically weak numbers in January and February. Imports rose 4% in March to a level about 20% below that of March 2018.

Imports from Malaysia fell by nearly 60% in March but were offset by gains from nearly all other trading partners. Imports are behind that of 2018 by 29% through the first quarter of the year.

Economic growth - startling

The U.S. economy grew at a faster pace than expected in the first quarter and posted its best growth to start a year in four years.

First-quarter gross domestic product expanded by 3.2%, the Bureau of Economic Analysis said in its initial reading of the economy for that period.

It was the first time since 2015 that first-quarter GDP topped 3%. Exports rose 3.7% in the first quarter, while imports decreased by 3.7%.

Unemployment at lowest in 50 years

Hiring in the U.S. was strong for the second straight month in April and unemployment fell to a new 50-year low, easing concerns that a slowing global and U.S. economy could dampen job growth.

Employers added a booming 263,000 jobs according to the U.S. Department of Labor, beating forecasts of 190,000.

The unemployment rate fell from 3.8% to 3.6%, lowest since December 1969, but that was because nearly 500,000 Americans left the labour force, which includes people working and those looking for jobs.

Fed leaves rates unchanged, says “it will remain patient”

U.S. Federal Reserve Chairman Jerome Powell played down recent weakness in U.S. inflation as possibly “transitory,” and gave no indication officials were weighing an interest-rate cut despite pressure from the White House.

Powell, who’s been slammed by President Donald Trump for not doing more to support the economy, told reporters after the Fed left its main rate unchanged that the policy stance is “appropriate right now” and “we don’t see a strong case for moving in either direction.”

The Federal Open Market Committee instead repeated language from its previous meeting, saying it “will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate.” The unanimous 10-0 decision left the target range for the benchmark federal funds rate at 2.25 percent to 2.5 percent.

Boost from tax overhaul has run its course

U.S. consumer sentiment dipped in April as consumers’ economic outlook weakened and as they considered that the positive impact of the tax overhaul has run its course. The University of Michigan’s preliminary consumer sentiment survey slid to 96.9 in April, from 98.4 the previous month.

Despite the modest decline, sentiment over the past 30 months remains higher than any other time since the 1997-2000 US economic expansion. The report also showed the impact of the 2018 US tax overhaul on consumer sentiment has “all but disappeared.”

See: <http://www.sca.isr.umich.edu/>

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.

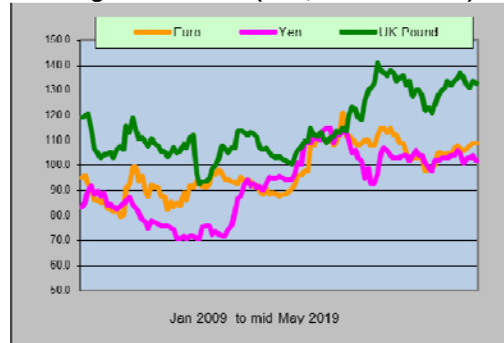
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 May 2019

Brazil	Real	3.993
CFA countries	CFA Franc	583.33
China	Yuan	6.8783
EU	Euro	0.8911
India	Rupee	70.57
Indonesia	Rupiah	14415
Japan	Yen	109.34
Malaysia	Ringgit	4.1645
Peru	New Sol	3.32
UK	Pound	0.7718
South Korea	Won	1188.78

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



Abbreviations and Equivalences

Arrows ↓↑	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF	Cost insurance and freight
C&F CNF	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Weather and boil proof
MT	Metric tonne
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
June 2018 – mid May 2019

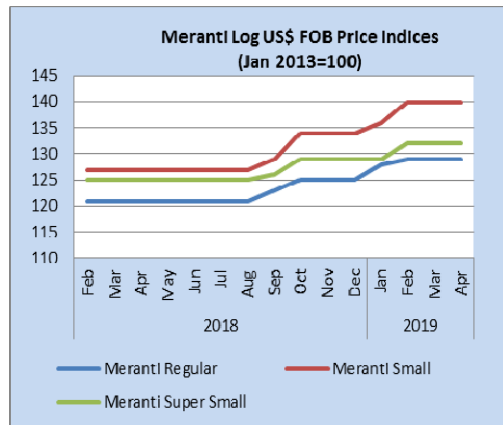


Data source: lloydlist.maritimeintelligence.informa.com

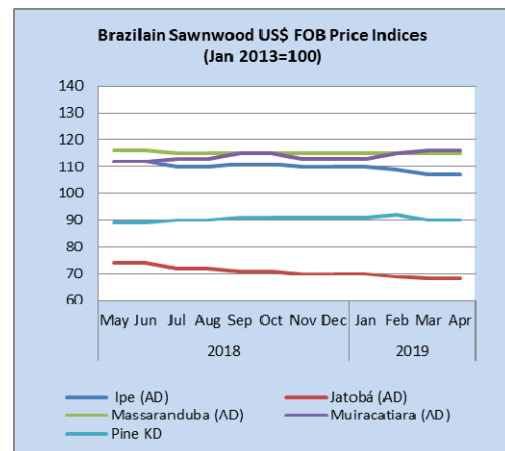
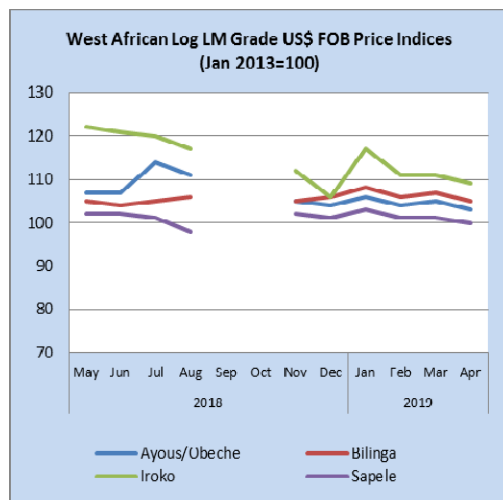
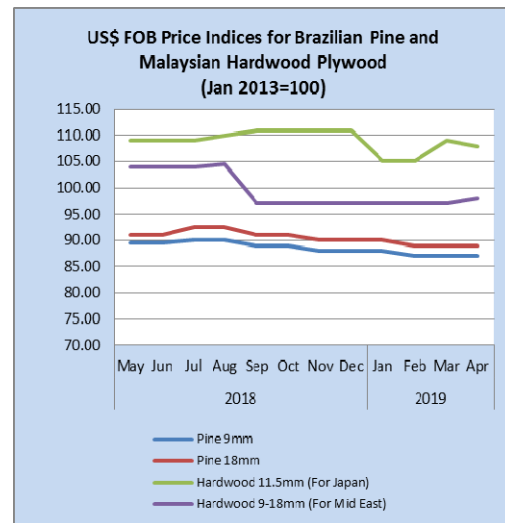
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

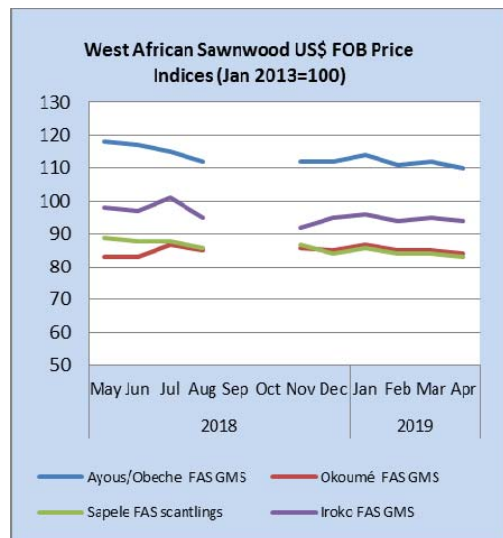
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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/