Tropical Timber Market Report

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Headlines

Top Story

Promoting tropical timber in the EU

In the face of falling market share steps are being taken to expand tropical timber sales in the EU.

The European Sustainable Tropical Timber Coalition (STTC) continues its push its education and promotion efforts.

ATIBT, the International Tropical Timber Technical Association, is rolling out its 'Fair and Precious' marketing/branding initiative. This aims to expose consumers to the social, environmental and economic benefits of increasing demand for sustainably sourced tropical wood products.

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Central and West Africa

We apologise for not being able to provide an up-date from West and Central African producers in this issue of our report.

Calls to expand intra-African trade

A new report by the African Natural Resources Centre of the African Development Bank has stressed the importance of forest governance in boosting intra-African trade of wood products.

The report, 'Assessing forest law enforcement, governance and trade in Africa', says forestry contributes to the economic development, livelihoods and environmental sustainability of timber-exporting countries, mostly in Central Africa and timber-importing countries in West and North Africa. Though Africa hosts a considerable number of timber-exporting countries, most exports consist of primary products with little value addition.

The report recommends a regional programme for the promotion of legality in the African timber trade that would harness the benefits of expanded African sub-regional markets.

https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-natural-resources-centre/publications/

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	260	255	170
Ayous/Obeche/Wawa	260	250	225
Azobe & Ekki	265	265	180
Belli	295	295	-
Bibolo/Dibétou	195	175	-
Bilinga	260	260	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	250	190
Moabi	345	340	275
Movingui	230	230	170
Niove	175	160	-
Okan	240	240	-
Padouk	335	290	245
Sapele	310	300	245
Sipo/Utile	335	315	245
Tali	380	370	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1020
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	480
FAS fixed	480
Moabi FAS GMS	625
Scantlings	630
Movingui FAS GMS	440

Ghana

Timber exports register positive gains

The Timber Industry Development Division (TIDD) of the Forestry Commission has published the country's timber and wood export report for January 2018.

Ghana earned Euro19.35 million from the export of 31,289 cu.m of wood products in the first month of 2018. This represented year on year 9% increase in export values and an almost 2% increase in export volumes.

The major products shipped in January 2018 were air-dry sawnwood (71%), kiln-dried sawnwood (12%), billets (8%), sliced veneer (3%) and furniture parts. Most were exported to China (41%) and Indian (34%). The report also identified teak (34%), rosewood (34%), wawa (7%), ceiba (5%) and papao/apa (3%) as the leading species shipped.

Ghana/ EU test FLEGT license shipment

Late last year Ghana tested the Forest Law Enforcement, Governance and Trade (FLEGT) licensing system for timber export to Europe.

As exports to the EU are expected to be covered by the FLEGT licensing scheme this should put an end to concerns on the legality of export shipments as well as concerns that illegal timber enters the domestic market which has been a considerable challenge to address.

Ghana and the European Union (EU) members will convene a meeting of the Expert Group on FLEGT/ EU Timber Regulation (EUTR) in April 2018, in Brussels to review progress towards Forest Law Enforcement, Governance and Trade (FLEGT) licensing.

At the Brussels meeting the group will also review the outcome of a trial shipment of FLEGT licensed timber made last year in preparation for the Final Joint Assessment of the Ghana Legality Assurance System (GhLAS) set to be undertaken in May this year.

Ghanaian businesses confident in economy

The Institute of Economic Affairs (IEA) has surveyed business confidence specifically looking at changes between the first and second halves of 2017. In the first 2017 survey 77% of businesses expected Ghana's economy to grow while in the second survey 82% held the same view.

The optimism expressed by businesses, say analysts, can be attributed to the improved macroeconomic climate, a more stable exchange rate, reduced inflation and lending rates and the government initiative to lower power charges for manufacturers. According to the Ghana Statistical Service the economy grew by 8.5% in 2017 compared to 3.7% in 2016.

Boule Export prices

	Euro per m³
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	580
Niangon Kiln dry	630

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	316⬇	450
Chenchen	449	505
Ogea	473	596
Essa	413	525
Ofram	350	406

NB: Thickness

Export Sliced Veneer

Sliced face veneer	FOB Euro per m³
Arormosia	-
Asanfina	1,098
Avodire	1,177
Chenchen	789⬇
Mahogany	1,088⬇
Makore	913⬇
Odum	1,488⬆

Export Plywood Prices

Plywood, FOB	Euro per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	378	640	641
6mm	396⬇	535	626
9mm	345	446	560
12mm	470	463	480
15mm	450	402	430
18mm	405	417	383

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	490	564
Ceiba	240	195⬇
Dahoma	414⬇	530
Edinam (mixed redwood)	520	599
Emeri	380	428
African mahogany (Ivorensis)	843	1039⬆
Makore	775	975⬆
Niangon	620	675
Odum	918	841⬇
Sapele	700	750⬇
Wawa 1C & Select	360	446⬆

Malaysia

Election fever dominates domestic news

Malaysians will go to the polls on 9 May and election fever in the media has pushed business news to one side. However, international politics are having an impact on business sentiment as exporters fear a looming trade war between the United States and China.

Exporters benefit from US anti-dumping duties on Chinese plywood

US anti-dumping duties imposed on Chinese plywood imports have resulted in American buyers turning to Malaysia and Indonesia which has created an opportunity for exporters to raise plywood prices. Trade analysts feel that, in the short term, the winners will be SE Asian shippers while the losers will be consumers in the US.

Rise in thin plywood prices explained

The Japanese market for thin plywood is currently very active and prices have been steadily increasing. Buyers in Japan have offered an explanation for the increased demand for thin plywood. First, say buyers, the consumption tax will rise from 8% to 10% in October next year and this has spurred the building of new homes and an expansion of activity in home renovations. This, and the construction work for the 2020 Summer Olympic Games to be held in Tokyo, has increased demand for all construction materials.

The demand side pull combined with the supply side push from declining log production is impacting plywood production by Malaysian and Indonesian plywood mills. The combined effect of these issues is forcing up prices.

In contrast to rising demand for thin plywood, some buyers say the market for thicker plywood is dull.

Plantation strategies - Sarawak can learn from China

Sarawak Timber Association (STA) chairman, Wong Kie Yik, has suggested the state government should emulate the planted forest strategies and policies in China to attain State goals and ensure the sustainability of the State's timber industry. Wong said State strategies for plantation forests need to be scaled up.

During a study tour to Southern China by STA officials it was learnt that in China there is no royalty or cess on plantation logs and that the government provides infrastructure and supports research and development agencies and provides technical support and advice.

Plywood price update

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm) US$ 740 FOB
CP (3'x 6') US$ 550 C&F
UCP (3'x 6') US$ 650 C&F
Standard 4x8 panels
South Korea (9 mm and above) US$ 480 FOB
Taiwan P.o.C (9 mm and above) US$ 500 FOB
Hong Kong US$ 480 FOB

Indonesia

Plywood producers urged to capture the moment

The trade dispute between China and the United States has benefitted the Indonesian timber sector according to Purwadi Soeprihanto, Executive Director of Association of Indonesian Forest Concessionaires (APHI).

Soeprihanto said that, as of the end of the first quarter 2018, there was a 28% increase in processed wood shipments to the US as buyers there sought out suppliers to fill the gap left by China. The shift by US importers to Indonesian suppliers, especially of plywood, is expected to continue for the rest of this year said Soeprihanto

Furniture Industry denies abundance of plantation timbers

The Association of Indonesian Furniture and Handicraft Industry (HIMKI) has denied that Indonesia has abundant plantation resources. Media reports say HIMKI is of the opinion that stories on the abundance of plantation production have been generated only to encourage the government to allow plantation log exports.

According to Abdul Sobur, Secretary General of HIMKI, Indonesia is having to import timber from New Zealand, the United States, Sweden and Finland to satisfy domestic demand. He commented that imported timber is of high quality, competitively priced and for specific enduses while domestic plantation timbers are costly due to the extended distribution channel.

Call for revision of Forestry Law

The Vice Chairman of Commission IV of the House of Representatives, Viva Yoga Mauladi, is proposing revision of Law No. 19 of 2004 on Forestry as this does not reflect the principle of control and management of forest he said.

Yoga said, implementation of the current Forestry Act has allowed many changes to the forest through, for example, providing for forest area conversion. In addition, said Yoga, the fire management guidelines and approaches to indigenous and tribal peoples' rights are inadequately addressed.

Indonesian designers to exhibit in Italy

Twenty-seven Indonesian furniture designers will exhibit at the Milan Furniture Fair, Salone del Mobile Milano set to run 17-22 April.

The Creative Economy Agency (Bekraf), along with the Indonesian Furniture Designers Association (HDMI), have gathered creative works by local designers for the fair.

Joshua Simanjuntak, a Bekraf marketing specialist says the aim is to highlight unique Indonesian styles utilising local techniques and materials. Salone del Mobile Milano is one of the largest furniture trade fair in the world.

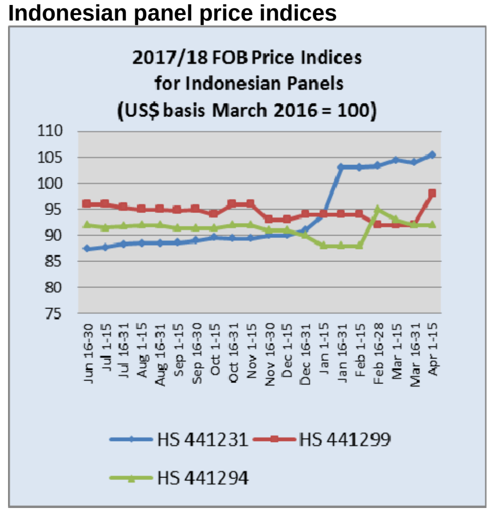
Now easier for foreigners to work in Indonesia

The government has issued a new Presidential Regulation (No. 20/2018) on the hiring of foreign workers in order to simplify the permit application process. The most significant change, say analysts, is the removal of the mandatory Expatriate Placement Plan (Rencana Penempatan Tenaga Kerja Asing, or RPTKA).

A report from Indonesian Investments says Hanif Dhakiri, Indonesian Minister of Manpower, is optimistic that a more efficient and simpler permit application process for foreign workers will result in rising foreign direct investment in the country. This will then also lead to more employment opportunities for the local population.

See: https://www.indonesia-investments.com/news/todays-headlines/new-regulation-makes-it-easier-for-foreigners-to-work-in-indonesia/item8713

Indonesian panel price indices



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

Myanmar

Independent third party certification soon to be operational

According to Barber Cho, Secretary of Myanmar Forest Certification Committee (MFCC), independent third party certification will be introduced very soon. He said that auditor training has been given to the potential certification bodies, three domestic and one international.

He further explained that the MFCC is strengthening the Myanmar timber legality assurance system (MTLAS) through which legality compliance assessment reports will be issued independently by the certification bodies.

The MFCC has three objectives; to support due diligence requirements in the EU for compliance with the EUTR, to contribute to VPA negotiations and to ensure the MTLAS is robust enough to satisfy requirements in other export markets.

Sharp decline in timber exports

Statistics from Ministry of Commerce show that the country exported US$11.9 billion during the period 1April 2017 to 28 February this year. Industrial products took the top spot at US$5.468 billion followed by agricultural products (US$2.525 billion), minerals (US$1.253 billion) and maritime products (US$561 million). The export of forest products stood at just US$179 million.

In fiscal 2016-17, the export of teak products was around 35,600 tons earning around US$110 million. In addition 190,000 tons of non-teak products were shipped earning US$160 million. However, the export value for the same range of products in fiscal 2017-18 at US$179 million (for 11 months) falls far short of the value in the previous year.

Analysts write that for the year as a whole there could be an almost 40% decline recorded. The two year data confirms that share of value of export for teak products ranges between 40-45% while the volume is just 15 to 20% as the unit price of teak products are attracting high prices.

Development of Thilawa Port to improve export competiveness

A bulk terminal located at Thilawa will be developed and operated by the International Bulk Terminal (Thilawa) Co .(IBT). IBT has been jointly established by Lluvia, a domestic agri-processing company and Japan-based Kamigumi.

The International Finance Corportation has agreed to provide a loan of US$15 million to contribute to the construction of the international bulk terminal at Thilawa. This bulk terminal will be one of the first in the country and will have a capacity of more than one million metric tonnes.

When in operation it is expected that transport and logistics costs will be lowered which will improve the competitiveness of Myanmar's supply chain.

In the near future the port will be able to handle bulk grains as well as non-agricultural commodities. The lack of specialised and efficient bulk handling facilities forces producers and traders to containerise bulk commodities, which increase costs.

Asian Development Outlook report positive on Myanmar

According to the 'Asian Development Outlook 2018' report Myanmar's economy is projected to grow steadily over the next two years as economic reforms, strong global growth and higher foreign investment drive growth. The Bank report says it expects the agricultural sector to grow faster than manufacturing.

https://www.adb.org/publications/asian-development-outlook-2018-how-technology-affects-jobs

March teak auction prices

Grade	H.tons	Average US$/H.ton
SG-1	23	6,209
SG-2	6.4	4,555
SG-4	45	3,760
SG-5	67	2,980
SG-6	88.5	2,350
SG-7	266.5	1,655

India

High housing stocks holding down prices

The Indian housing sector has been affected by the introduction of the new real estate law RERA, demonetisation and the introduction of the standard Goods and Services Tax (GST). The combined impact of these developments has resulted in a slowdown in construction as well as housing demand.

According to a recent survey by JLL India, thousands of homes remained unsold across of India at the end of 2017 with Mumbai, Delhi-NCR, Chennai, Hyderabad, Pune, Bengaluru, Kolkata the worst affected.

In 2017, just over 40% of new homes in the medium price range were sold which helped developers reduce their stock of units. Analysts report that in the main cities home prices have not moved for months being held down by the high level of unsold properties.

Draft forest policy revisions open for comment

The Indian Ministry of Environment, Forest and Climate Change (MoEFCC) has released proposals for a new National Forest Policy which signal a change in emphasis from a community/environment approach to one focusing on timber and forest-based industries. In 2016, changes were proposed by MoEFCC but these were withdrawn as it appeared to contradict the Forest Rights Act.

Analysts write "while there is merit in discussing new concepts such as economic valuation of ecosystem services, forest certification and a national forest ecosystem management information system, for example, there is no need for a complete shift in policy".

For more see:
https://thewire.in/environment/national-forest-policy-draft-2018-takes-one-step-forward-two-steps-back

Imported plantation teak prices

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

Demand for imported plantation teak logs continues at the same level as in the past few months but traders report there has been a slowdown in deliveries from importers due as credit facilities have been affected by the recent financial scandal involving Indian Banks. Analysts say access to working capital has been affected and this has impacted the volume of imports.

As previously reported the quality and girths of plantation teak logs has been declining since the end of last year.

Locally sawn hardwood prices

Prices for locally sawn hardwoods remain unchanged.

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

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

Imported sawn Myanmar teak

Prices for imported Myanmar teak remain unchanged.

Myanmar teak prices

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

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

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

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1350-1450
Sycamore	1500-1650
Red Oak	1600-1750
White Oak	2200-2250
American Walnut	4250-4500
Hemlock clear grade	1200-1400
Hemlock AB grade	1200-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price range depends mainly on lengths and cross-section

Plywood manufacturers raise prices to test market reaction

Plywood manufacturers are reporting that prices for peeler logs are trending higher as are chemical prices. Adding to the pressure to increase plywood prices are rising labour charges. To compound the difficulties faced by manufacturers, transport costs are also going up due to the higher cost of fuel.

These developments have prompted plywood manufacturers to be looking to raise prices by 10%. With immediate effect prices have been raised by about 5% to test market reaction.

The key to securing prices to off-set rising costs will be improved demand in the real estate sector. Analysts say "with the beginning of the financial year and a more disciplined structure in the realty sector, plywood producers are expecting an improvement in demand".

Current prices are shown below.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	54.00
6mm	72.50
9mm	92.00
12mm	113.00
15mm	151.00
18mm	157.50

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	27.50	40.00
6mm	41.00	52.00
9mm	52.00	63.00
12mm	63.00	75.00
15mm	76.00	91.00
19mm	87.00	103.00
5mm Flexible ply	54.00	

Brazil

Deforestation rate declines in 2017

According to the Ministry of Environment, deforestation continues to fall in the Amazon. After increases in deforestation rates in 2015 and 2016 there was a 16% reduction in 2017.

Between August 2016 and June 2017 clear cutting, as registered by the Project for Satellite Monitoring Deforestation in the Legal Amazon (PRODES) in the National Institute for Space Research (INPE,) forest clearing amounted to 6,624 sq.km.

The decline in deforestation, said the Minister, was the result of the monitoring agencies having adequate funds to conduct the work in the field. He explained that deforestation can only be controlled through active inspection and monitoring.

The ideal is that the standing forest is worth more than an alternative land use and until that is assured there is a need to continuously safeguard the forest through monitoring and inspection and legal action against those breaking the law.

Cash boost for Amazon Fund

An agreement has been signed by the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Brazilian Development Bank (BNDES) for the funding of environmental inspection activities.

Through the agreement the Amazon Fund will receive around R$140 million to prevent, monitor and combat deforestation and to promote conservation and sustainable use of forests in the Amazon. It has been reported that implementation will begin in 2020 with the provision of logistics in the form of vehicles and aircraft.

The Amazon Fund is coordinated by the Ministry of the Environment (MMA) and is charged with environmental monitoring and control, land management and promotion of sustainable management of production activities in the Amazon.

Portugal - a growing market for Brazilian wood products

Importers in Portugal are expected to increase timber imports in the coming years due a shortage of domestic resources the result of recent devastating forest fires. This was stated by the Association of Wood and Furniture Industry of Portugal (AIMMP) and is seen as an opportunity for the Brazilian exporters.

According to AIMMP, Brazil's trade with Portugal could be made more efficient if the many small sized importers in Portugal could come together as a consortium and place few but large sized contracts which would be cost effective in terms of transport and payments.

February a good month for furniture exporters

February was a very good month for exporters in Rio Grande do Sul, one of the major furniture producing states. February furniture exports expanded almost 30% compared to a month earlier to US$14.2 million according to the Market Intelligence Institute (IEMI). This increase mirrors the trend nationwide as total February exports jumped to US$53 million.

Rio Grande do Sul is the second largest furniture exporter behind Santa Catarina State which accounted for 27% of all furniture exports in February. The main export markets for shippers in Rio Grande do Sul State were the United Kingdom, 16% of export values for January and February followed by Uruguay with 15% and Peru with 15%.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	224p
Jatoba	126
Massaranduba	128
Miiracatiara	128
Angelim Vermelho	119
Mixed redwood and white woods	108

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	965p
Jatoba	477
Massaranduba	445
Muiracatiara	446
Angelim Vermelho	406
Mixed red and white	269
	227
Eucalyptus (AD)	161
Pine (AD)	186
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	588
10mm WBP	480
15mm WBP	427
4mm MR	479
10mm MR	355
15mm MR	330

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	252
15mm MDF	303

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1446
Jatoba	912
Massaranduba	826
Muiracatiara	799
Pine (KD)	190

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)	322
12mm C/CC (WBP)	303
15mm C/CC (WBP)	284
18mm C/CC (WBP)	282

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,563
	Jatoba	1,450

Source: STCP Data Bank

Peru

Ex SERFOR head now Environment Minister

Peru's new President, Martin Vizcarra, has said his cabinet will continue the pro-business policies of his predecessor. The President's choice for Environmental Minister, Fabiola Munoz the former head of Peru's SERFOR, has been greeted cautiously by environmental activists because she spearheaded the effort to have sawnwood shipments to the US released after suspicions some of the timber was illegal.

Sawnwood shipments in 2017 subject to investigation

The Government has recently received a request from the US Office of the Trade Representative of the United States for details of some shipments of sawnwood to the US and Puerto Rico in 2017.

Analysts write that the companies that shipped the timber in question have a good track record so an investigation should provide an opportunity to show the performance of the companies that export to the North American market.

In 2017 around 75% of exports to the US were made by three companies, two of which have FSC forest certification.

Adding value to wood residues

The Pucallpa CITEforestal in the Technological Institute for Production (ITP) is a specialised technical body within the Ministry of Production. This agency has recently provided training on log residue utilization to small and medium enterprises in the timber sector in Ucayali. Participants learned how to add value to forest and mill residues that are usually discarded or sold as firewood.

The use of waste wood represents an opportunity to added value since it aims to transform waste into saleable items.

Residues offer an opportunity for entrepreneurs and carpenters in the region to improve incomes through innovative use of residues.

Export Sawnwood Prices

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

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

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	191-204

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	342-371
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1304-1391
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1059-1089
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Japan

Business sentiment close to 10 year high despite short term risks to growth

The Bank of Japan's (BoJ) quarterly 'Tankan' survey points to declining confidence on the part of major companies, a reversal of the trend in the previous survey. For small and medium sized companies which account for considerable employment in manufacturing, their assessment of prospects in the medium turn have become more pessimistic

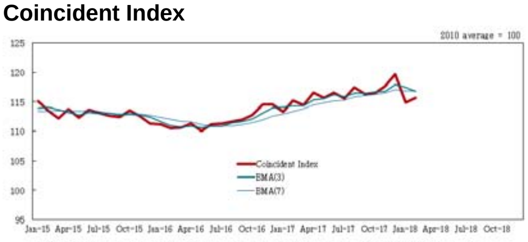
Amongst the major companies sentiment worsened for the first time in two years in just over two years and analysts put most of the damage on the strengthening yen and fears of a trade war between the US and China.

The Japanese government is concerned that a strengthening yen and global trade friction could undermine the economic progress that has been achieved through its export led growth strategy which has benefitted from improved global growth.

A strong yen drives down the competitiveness of Japanese exports and also undermines overseas profits in terms of yen.

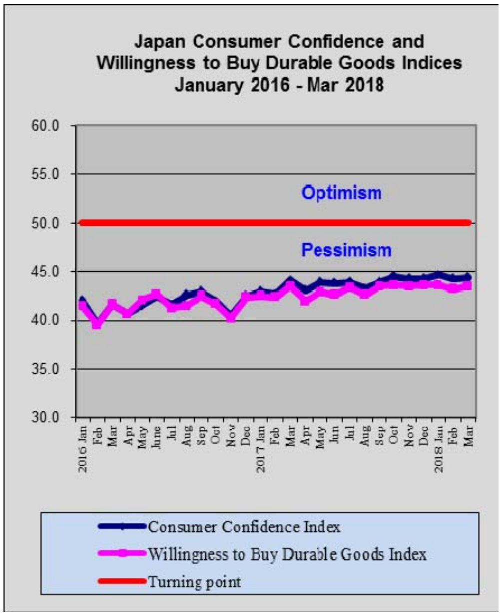
However, the latest survey from the BoJ should be viewed in the context of improvements that have been achieved in economic growth in Japan The prime index for business sentiment is still close to the highest in over a decade. In Japan, the coincident index, which reflects the current economic activity, rose confounding forecasters.

Coincident Index



Source: http://www.esri.cao.go.jp/en/stat/di/di-e.html

Consumer confidence indices



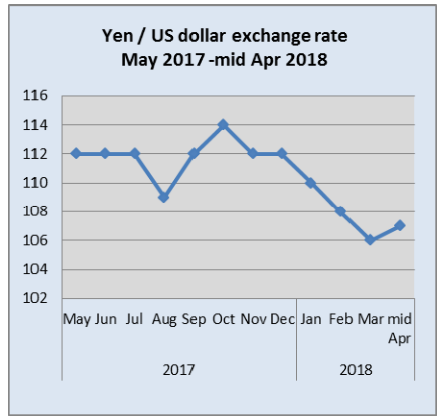
Weak yen policy likely face criticism from US

The Japanese government is preparing for tough negotiations with the US government which is determined to redress trade imbalances.

In particular, Japanese officials are worried that the US will target the country's weak-yen policy which is helping exporters and supporting economic improvement. If the recent trade deal with South Korea is any guide, currency devaluation will be on the negotiating table. Last month in talks between the US and South Korea currency policies were discussed.

If Japan's Prime Minister is faced with questions on the yen weakness he will have great difficulty in convincing the US that a weak yen is good for both countries and not a source of the US deficit.

Analysts write that Japan accounts for less than 10% of the US trade deficit but even the idea that the currency will be a topic of discussion is driving the yen up. The strongest argument for Japan is that over the past 20 years there has been a marked change in the Japan/US economic relationship from Japanese companies exporting to the US to being major investors in the US to market directly to US consumers.

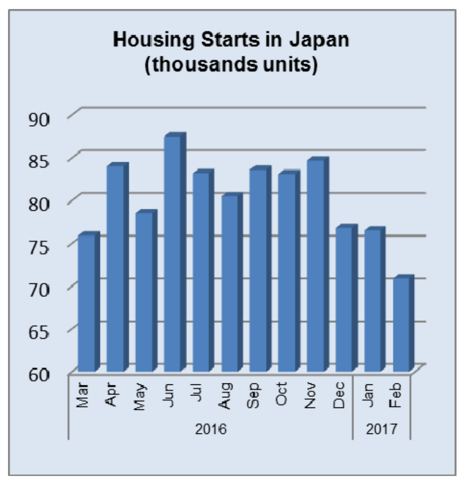


Affordable homes in Tokyo

Surprisingly, rents for homes in Tokyo are well below that of other major cities around the world and rents have remained at much the same level over the past 10 years. If anything, there has been a downward pressure on rents.

Behind the 'affordable home' scenario, the envy of urbanites in London, New York and Paris, is the continued pace of new home starts. Tokyo adds around 100,000 new homes annually which exceeds demand even given the pace of migration from rural areas.

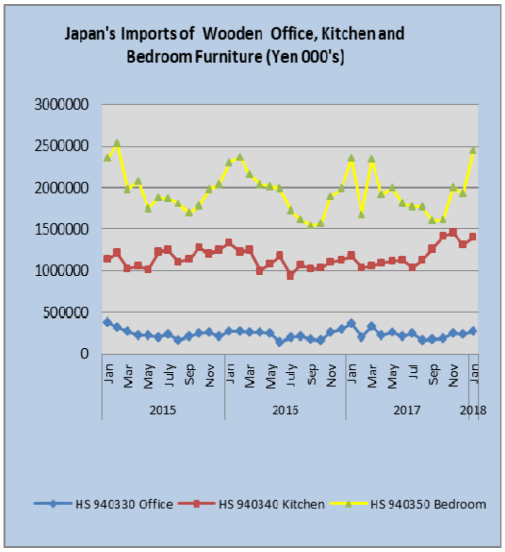
These new homes are mainly high rise, there is nowhere in Japan to build dormitory cites, a common approach in other parts of the world. This means that home size has not been affected; in fact data show that the average home size in Tokyo is increasing despite increased housing density.



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

Furniture imports

The value of Japan's January 2018 wooden furniture imports all trended higher. A sharp increase in month on month imports of kitchen furniture was particularly noticeable. Imports on wooden office and bedroom furniture also trended higher in January compared to levels recorded for the previous month.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Since the low reported for August 2017 Japan's imports of wooden office furniture have risen for 5 consecutive months. January 2018 imports were up 11% compared to a month earlier but January imports were down 27% compared to levels in January 2017.

Office furniture imports

	Imports Jan 2018 Units, 000's Yen
S. Korea	338
China	210938
Taiwan P.o.C	4435
Vietnam	1582
Thailand	1868
Malaysia	4984
Sweden	238
Germany	4046
Switzerland	1547
Portugal	8906
Italy	15804
Poland	10016
Lithuania	1266
Slovinia	233
Slovakia	1982
USA	5016
Mexico	233
Total	273432

Data source: Ministry of Finance, Japan

The top four shippers of wooden office furniture (HS 940330) to Japan in January 2018 accounted for almost 90% of all imports of this category of furniture. China was the largest supplier at 77% of the total in January followed by Italy, Poland and Portugal.

Of the top 4 shippers only Italy saw a drop in sales to Japan in January. Shippers in the EU accounted for around 16% of Japan's wooden office furniture imports in January.

Kitchen furniture imports (HS 940340)

There was a sharp rise in Japan's imports of wooden kitchen furniture in January 2018. Month on month, import values rose 7% and year on year January 2018 imports were 19% higher. The Philippines is emerging as the major supplier of wooden bedroom furniture to Japan.

Shippers in the Philippines have consistently shipped to japan but the 45% share of January imports of wooden kitchen furniture is significant. Vietnam is the other main supplier and in January its share of imports of this category of furniture was 36%. China is the third ranked shipper.

Kitchen furniture imports

	Imports, Jan 2018 Units,000's Yen
China	170372
Taiwan P.o.C	389
Vietnam	509549
Thailand	31033
Malaysia	12240
Philippines	632008
Indonesia	3603
Denmark	1924
France	858
Germany	27542
Italy	11204
Finland	1198
Romania	1493
Canada	910
USA	1560
Total	1405883

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

While January 2018 imports of wooden bedroom furniture were only 4% higher than in the same month in 2017 there was a 27% increase on month on month imports.

Japan's imports of wooden bedroom furniture dipped in the second quarter of 2017following the trend observed for both 2017 and 2016 but since the low in September 2017 import values for wooden bedroom furniture have been rising. In January this year there was a 13% increase in shipments from China, the number one supplier, a 45% increase in shipments from Vietnam, the number two supplier and a threefold increase in shipments from Malaysia.

Bedroom furniture imports

	Imports, Jan 2018 Units, 000's Yen
China	1301284
Taiwan P.o.C	16378
Vietnam	860285
Thailand	99556
Malaysia	102267
Indonesia	11548
Cambodia	1991
Sweden	5938
Denmark	1133
UK	258
France	2178
Italy	5422
Poland	32776
Romania	422
Estonia	1979
Ukraine	2747
USA	634
Total	2446796

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

Challenge of (domestic) afforestation

The Forestry Agency has stopped the policy of long range harvest with thinning and changed to clear cutting and afforestation since 2013 and speeds up this policy. However, problems arose main harvest and ensuing reforestation.

In last several years, replanted area is only 20,000 hectares for the area of 50,000 hectares of main harvest. Main reasons of difficulty of reforestation are labor shortage, shortage of nursery stock, lack of subsidy and damages by deer but the largest reason is unwillingness by forest owners.

There is no solution to this problem. There is subsidy of 68% of reforestation cost yet owners need to spend 300,000-500,000 yen per hectare. It is owners' decision if they are willing to reinvest for reforestation but it is not attractive investment after log prices dropped. For owners, there are plenty of other investments as compared to long range investment of 50 years until trees grow and harvest.

Another problem is secret felling. After log prices increased in Miyazaki prefecture, there are many robbing of trees which owner is not aware so such forestland is left without reforestation.

The new forest management law requires timber owners to reforest after harvest as obligation with penalty but there is no case of penalty so far.

Whenever timber is harvested, the owner needs to file harvest plan to the government and it is required to describe how the owner plans to do of harvested area. Other than reforestation plan, natural regeneration is another choice for the owner. If trees grow in certain density and height after five years, it is acknowledged as natural regeneration but there are many hectares of unmanaged land covered with nothing but bushes.

Newly introduced forest management system is supposed to put main harvest and replantation as one unit. Local government is assigned management right from unwilling timberland owners and ask highly motivated neighboring owners to manage and replantation is obligation but for owners, cost of replantation is deducted from revenue of sales of timber.

After all, there is no incentive for the owners to invest for replantation. This is serious issue for future of forest management in Japan.

South Sea (Tropical) lumber and logs

Plywood mills South Sea hardwood log inventories continue scarce. The mills are willing to pay higher prices if quality logs are available but it is hard to see any recovery of log supply so mills are looking for other species but meranti.

Market prices of Sarawak meranti regular log C&F are 12,000 yen per koku or higher and Sabah kapur log prices are 16,000 yen or higher.

Demand for concrete forming panel made by South Sea logs is not so active but because of tight supply of imported panels, certain amount of orders continue coming in for domestic plywood mills.

Logs from PNG and Solomon Islands are heavily bought by Chinese so Japan has very little chance to buy.

Demand for imported laminated free board is slow but the supply from producing regions is declining because of tight log supply. The market prices are holding steady.

North American log import in 2017

Total volume of logs imported from the North America in 2017 was 2,604,825 cbms, 6.7% less than 2016.

Decrease by species is 133,000 cbms of Douglas fir, 5.2% less but in percentage, hemlock was the largest by 25.7%. Also decrease of Sitka spruce by 19.0% and yellow cedar (cypress) by 16.2% is large.

Decline is not only by demand decrease but by climate factor in the North America and also by hot North American lumber market, which pushed the prices sharply in the second half of the year.

Despite starts of wood based units in 2017 increased by 8.1%, log import decreased, which means the market relies less on the North American logs. Lumber demand declined as structural laminated lumber with European lamina and domestic logs took larger share in lumber market.

Douglas fir supply from the U.S.A. was 1,589,015 cbms, 8.3% less than 2016 and from Canada was 820,203 cbms, 1.4% more. This is two straight years' increase from Canada. Compared to 2015, it is 31.7% increase.

With countervailing duty and anti-dumping duty imposed on Canadian softwood lumber, robust lumber market in the U.S.A and resultant higher log prices were expected from the beginning of the year so that the Japanese Douglas fir cutting sawmills increased purchase of Canadian Douglas fir logs together with softwood plywood mills in Japan but unexpected severe winter weather and the worst forest fires reduced log production and the prices soared.

IS sort FAS prices in July 2017 were $860 per M Scribner then it shot up to $1,040 in January 2018.

Hemlock and yellow cedar grow in high elevation so heavy snow delayed start of logging.

North American lumber import in 2017

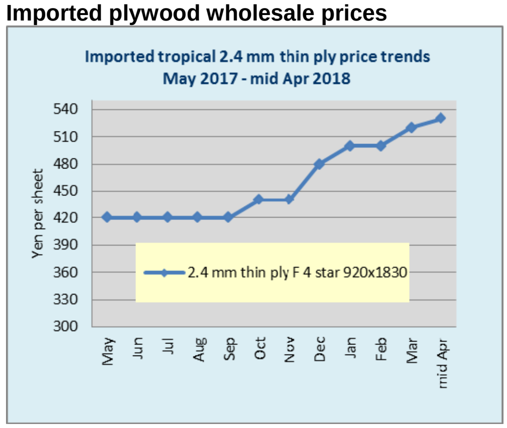
Import volume of North American lumber in 2017 was 2,199,239 cbms, 1.6% less than 2016. This is four consecutive years' decline. SPF lumber increased by 1.8% but Douglas fir volume remained the same as 2016 then volume of hemlock, spruce and yellow cedar (cypress) decreased considerably.

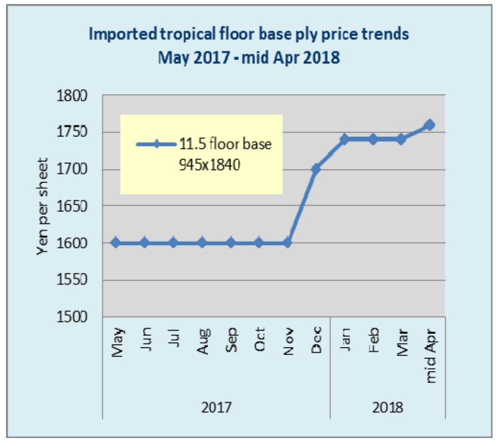
Reasons of decline are hot North American lumber market and higher prices for China then progress of demand decline for traditional lumber use in Japan.

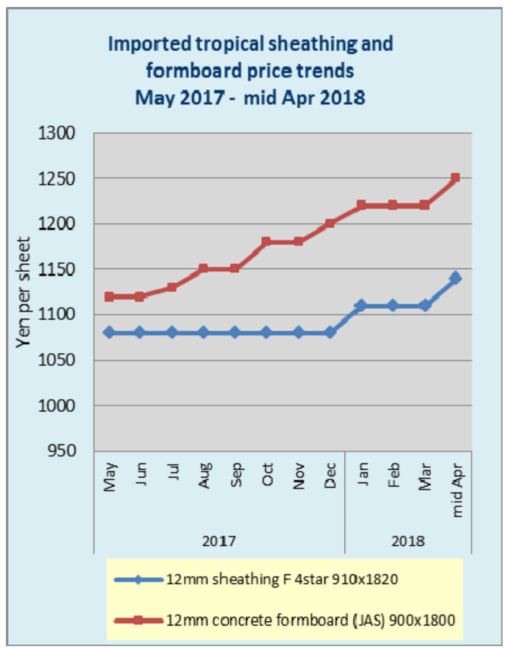
Import of SPF lumber was the highest since 2013 but it is 13.7% less than 2013 and compared to the peak of 2008, it is 16.5% less. 2x4 housing starts continues high but the main type is apartment so that use of 2x4 lumber per unit is much less than detached unit. SPF lumber had been superior in cost performance but now supply stability is shaky with higher prices, the users are looking for substitutions.

Hemlock declined largely by 15.0%. Compared to 2013, decline is 37%. Hemlock lumber has competitive edge to Douglas fir lumber but number of suppliers is limited so the supply stability is not as good as Douglas fir. Hemlock lumber took share of Douglas fir lumber but severe winter weather and forest fires reduced the supply volume so attempt to grab larger share of Douglas fir lumber market failed. Yellow cedar lumber supply dropped much more than hemlock by 20.5%.

Imported plywood wholesale prices







China

Ministries merged – a new State forestry and Grassland Administration

As a result of the most recent national institutional reform a State Forestry and Grassland Administration (SFGA) has been established replacing the State Forestry Administration (SFA).

The main function of SFGA is to supervise and manage the development, utilisation and protection of forests, grasslands, wetlands, deserts and flora and fauna resources. In addition, the new agency will be responsible for environmental protection and rehabilitation, afforestation and greening and manage all nature reserves and national parks.

The SFGA falls under the Ministry of Nature and Resource and has assumed responsibility for functions that were previous spread across the Ministries of Land and Resource, Housing and Urban-Rural Development, Water Resources, Agriculture and the State Oceanic Administration.

The establishment of SFGA is aimed at integrating supervision and management of forest, grassland and wetland, strengthen the protection of ecological system, accelerating the establishment of a nature reserve system within the national park system to guarantee national ecological security.

See:http://english.forestry.gov.cn/ and
http://www.forestry.gov.cn/main/69/content-1090744.html

Wood products hit by US tariffs

The US Trade Representative has issued a list of products to which a 25% tariffs will be collected. The list covers some 1300 products imported into the US from China valued at about US$50 billion.

Wood products that now attract tariffs include wood products machinery and furniture parts. Analysts in China say inclusion of HS84193250, 84412000, 84413000, 84414000, 84418000, 84419000, 84209920, 84399910, 84399950 and parts of seats (94019015) and parts of seats of cane, osier, bamboo or similar materials (94019025) , as well as kiln dried wood (84193210) is of great concern.

In retaliation China unveiled a list of products imported from the United States for a possible additional tariff of 25% just hours after the United States released its list of Chinese products subject to an additional 25 percent tariff.

The list of products, defined by 8-digit subheadings of the Harmonized Tariff Schedule of the United States (HTSUS), can be found at:
https://ustr.gov/sites/default/files/files/Press/Releases/301FRN.pdf).
See also:
http://news.ifeng.com/a/20180404/57303903_0.shtml

Standard for built-in made wooden furniture

A standard for custom made wooden furniture built into new homes has been released and implemented in Shanghai.

The standard addresses the link between house building and built-in furniture and aims to protect consumers by ensuring consistency between design and finished products.

The formulation and implementation of the standard fills a gap in the process of home building with built-in furniture and provides a legal basis for protecting the rights and interests of consumers as well as setting a standard for promoting safety in the home.

The standard address control of harmful emission and introduces the concept of total quantity control from design stage.

China’s furniture imports at a record high

According to the China National Furniture Association the value of China’s furniture imports in 2017 rose 16% to US$3.052 billion, a record high for the past ten years. The cities accounting for the highest level of consumption of imported furniture were Shanghai, Guangdong, Beijing, Jiangsu and Tianjin.

The value of furniture imports through Shanghai and Guangdong grew 35% and 17% respectively and these two account for over 50% of total national furniture imports.

Analysts write that the driving force behind the rise in furniture imports was the significant growthin domestic furniture production costs. Prices for all inputs into furniture such as timber, steel, foam, leather, adhesives and hardware are continuing to rise. For example prices for foam skyrocketed 70% and prices for leather jumped 30% in 2017. Furthermore, logistic and labour costs have increased sharply and the recently introduced environmental protection regulations have pushed up production costs.

Analysts expect China’s furniture imports will continue to increase over the coming years and note that the pace growth of furniture imports is higher than that of furniture exports.

China’s furniture industry continues to grow at a relatively high level in terms of domestic production. There were about 6,000 major furniture manufacturing enterprises in 2017, an increase of 439 compared with the previous year. The turnover of the top furniture manufacturing enterprises in 2017 topped RMB906 billion.

At present, Chinese furniture products are still in the middle and low end of the value chain in the international markets.

The government and associations aim to nurture a number of outstanding enterprises with international influence, create a number of internationally recognised industry enterprises, further enhance the influence and competitiveness of the furniture industry and consolidate and improve its position in the international arena.

Compared with well-known furniture brands in Europe and the United States there is not a furniture brand in China that is recognised worldwide.

Quarantine imported logs from Japan

According to Zhejiang Entry-Exit Inspection and Quarantine Bureau, 11 insects pests have been found in logs imported from Japan through Huzhou Port. One adult species of Agrilus genus and 3 adult longhorns have been found. These have been identified as *Agrilus spinipennis, Semanotus japonicas, Callidiellum rufipenne and Semanotus bifasciatus*. This is the first time *Agrilus spinipennis* and *Semanotus japonicas* have been found in the country.

These four insects are important tree stem borers and all have potential hosts in China as the environment is similar to their original habitat. The authorities fear that if the spread they can be easily colonise in China. The batch of imported logs has been treated to prevent the spread of these potential pests.

Guangzhou Yuzhu International Timber Market Wholesale Prices

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

Expanded sales of tropical wooden furniture but market share drops

There was plenty of tropical wood furniture to be found at the first two big European furniture exhibitions of 2018 – the IMM interiors fair in Cologne, Germany (IMM-Cologne), and the January Furniture Show at the NEC in Birmingham, UK (JFS-Birmingham).

Judging by the stand listings, tropical timber products were also set to have a strong presence at the biggest international show of them all, the Milan Furniture Fair from April 17-22.

Among the 2,000 exhibitors at the latter (including 650 from outside Italy), companies were listed from Brazil, India, Indonesia, Vietnam and, leading the way with a total of 12 stands, Thailand. In addition, said organising federation Federlegno Arredo, judging by previous Milan shows there were set to be more tropical products on European importers', distributors', designers' and manufacturers' stands.

At the German and UK shows, plantation teak and mahogany furniture made a particularly strong showing, while other prominent tropical species included acacia, mango, munggur/suar (*Albizia saman,* also called Rain Tree).

At both events, there seemed to be a fashion too for recycled tropical timber products, with tables and storage units made from a range of species recovered from old doors, flooring, decking and even boats. Indian companies seemed to be particularly favoured, with their style currently in fashion, said exhibitors.

"Originally these recycled pieces looked recycled, with a deliberately rustic finish," said one UK designer-importer. "But now, manufacturers, under our guidance, are working the wood more and going for more sophisticated, polished styles."

In fact, furniture from tropical countries has been performing reasonably well in the European market for the last four years.

There was a slight dip in EU imports in 2016, which some attributed to the impact on wider consumer confidence caused by the UK's vote to leave the EU, although others said it was small enough (under 3%), to have been 'normal trade fluctuation'. But business picked up again last year as EU imports rebounded 7% to euro1.75 billion. (Chart 1).

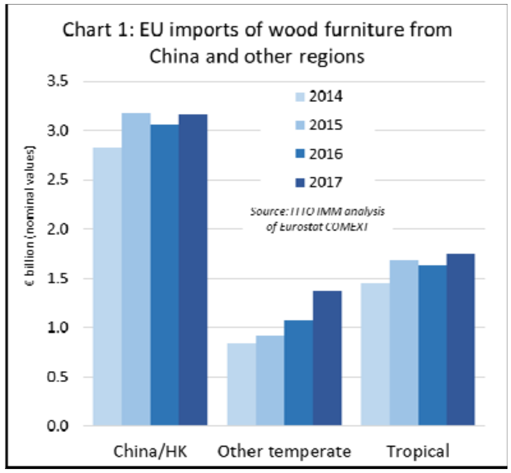


Chart 1: EU imports of wood furniture from China and other regions

Increasing competition in furniture market

However, looking more closely at the figures and wider sales trends, the news for tropical wood furniture in the EU is not quite as good as it might at first seem. Given the increasingly vigorous post-recession growth of the EU furniture market, said exhibitors and trade association representatives at the UK and German shows, you might have expected tropical products to have done better and have more of a profile at trade fairs.

The fact is – and the statistics support the anecdotal feedback from the trade – tropical suppliers have not been keeping pace with the competition in the EU, either from other EU import sources, or more significantly the EU's own robust and dynamic furniture manufacturing base. So, while they may have grown overall sales in recent years, they have lost market share to rival producers.

According to latest figures, EU imports from temperate timber furniture suppliers in the last four years rose 66%, from euro 830 million in 2014 to euro 1.38 billion last year.

Amongst the largest increases in wood furniture imports from temperate countries last year came from the Ukraine, up a further 67.7% to euro 133 million, Bosnia, up 14.9% to euro 218 million, and Serbia, up 13.7% to euro 127 million.

A further major hike in 2016, from euro 62 million to euro 150 million, is also shown in EU imports from the US, all destined for the UK.

However, this figure needs closer examination as it could be the result of large distributors changing sourcing policy, or a change in reporting of products against furniture customs code.

Other big rises came from ‘other temperate’ producers, up 35.5% last year, notably from Turkey and Switzerland.

EU domestic furniture sector recovery and growth

The biggest shift in the EU furniture sector in recent years has come in the degree of market self-sufficiency, with European manufacturers taking more of their domestic national and intra-EU trade. Further underlining their growth and increasing competitiveness, they are also exporting more.

According to the European Furniture Industries Confederation, the sector was hard hit in the international downturn from 2007, seeing turnover fall from euro136 billion to euro90 billion and shedding 280,000 jobs. Since then, however, it has seen sales recover to euro96 billion and its workforce to rise to over 1 million again.

In 2010, EU furniture suppliers achieved intra-EU trade turnover of euro 15.3 billion from, while exports were valued at euro 6.4 billion and imports at euro 5.9 billion, delivering a euro 500,0000 trade surplus. By the end of 2017 the intra-EU trade figure had jumped 26% to euro19.2 billion, while exports hit euro 8.8 billion. With total imports having grown only to euro 6.3 billion, this pushed the trade surplus to euro 2.5 billion in 2017, five times the level of 2010.

Several reasons are given for the success and development of the EU furniture industry. One is the maturing of investment from Western Europe into manufacturing in former Soviet bloc Eastern European countries, led by big brands such as IKEA. From being principally production satellites for companies like the latter, the plants are reported increasingly to have developed their own identity and market momentum.

An illustration of this is the latest market development project from the American Hardwood Export Council (AHEC). As part of its strategy to grow European sales of US red oak, it has linked with leading Polish furniture designer Tomek Rygalik. He has worked with leading international labels, including IKEA, and is now design director for major Polish producers Paged and Comforty.

In the AHEC project, Tomek Rygalik is creating a US red oak furniture collection, which the Americans hope will not only sell well and help promote the species in Poland itself, but also in the latter’s Western European furniture export markets. The goal is also to fire the interest of other Polish designers.

Embracing technological change boosts EU furniture sector productivity

Increasingly advanced computer-controlled and automated manufacturing has also benefited European producers, boosting their productivity, cutting overheads and reducing the relative labour cost advantages of competitors, such as those in Asia.

“The increasing migration of European furniture sales online additionally favours a local manufacturing base,” said a German designer/producer. “It is better placed to meet the short lead times demanded by today’s EU internet retailers and consumers.”

Whether it also benefits domestic EU producers that sell in-fashion timber furniture species in the EU market such as oak is more debatable. There’s no doubting oak’s overwhelming dominance of the sector – in the latest development underlining this, it is reported that one of the Europe’s biggest retailer/producer brands is currently looking to sign up a supplier of up to 140,000 cu.m this year.

But while European manufacturers may be close to sources of European oak supply, there are few limits placed on oak log export outside the EU. This is despite efforts by manufacturers in France, in particular, to lobby their government to curb log exports, notably to China.

It’s also notable that EU furniture producers import large quantities of US white oak and that Asian producers also have ready access to this material. In fact, a number of companies at the IMM-Cologne and JFS-Birmingham exhibitions were showcasing EU-designed ranges manufactured in US white oak by joint venture or subcontractor partners in South East Asia, notably Vietnam.

“Source locally” a key theme of EU manufacturers

There seems to be a growing preference in the EU market to ‘source local’, particularly in the design and specifier sectors. This is mainly to support homegrown forest and timber-using industries - although EU furniture manufacturers and retailers like to take credit for the reduced transport miles and carbon footprint implied. This is despite several recent LCA studies of wood furniture undertaken by AHEC showing that environmental impacts incurred during the transport phase are significantly less than those incurred during the processing and manufacturing phases.

In practice the carbon footprint of wood furniture is often more dependent on the quantity and mix of energy used to convert and dry the wood, and the energy efficiency of the manufacturing operation, than on shipping even when materials need to be transported over large distances.

Nevertheless, the “source local” theme will feature at the Carrefour International du Bois show scheduled for 30th May to 1st June this year in Nantes, France.

The four-year-old 'Le Bois Français' campaign will once more have a prominent presence and there will be significant regional French timber industry representation. In the UK, the Grown in Britain initiative, which is supported by such leading furniture retail brands as Heal's and Marks & Spencer, is now in its fifth year and said to be still increasing its impetus.

Underlining just how competitive the EU furniture market is, even China has recently struggled to increase sales. EU imports of wood furniture from China rose 12% to euro3.17 billion in 2015, but since then have plateaued around that level.

Leading tropical suppliers of wooden furniture to the EU

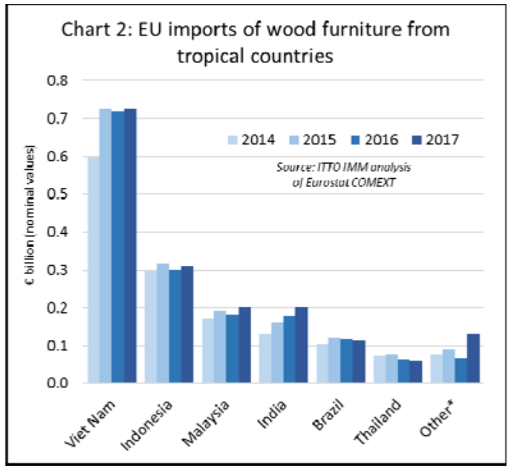
In terms of the leading tropical furniture suppliers to the EU, imports from Vietnam and Indonesia have followed a similar trend; rising relatively strongly in 2014 but slowing since. EU imports from Vietnam increased just 1.3% to euro 730 million last year, while imports from Indonesia increased 3.7% to euro 310 million. (Chart 2).

There was better news for Malaysia. After dipping 5% in 2016 to euro 184 million, EU imports from Malaysia recovered 10.3% to reach euro 203 million last year. EU imports from India have experienced more consistent year on year growth since 2015, with trade rising an additional 12.3% to euro 202 million in 2017.

After relatively static performance for four years, EU imports from Brazil and Thailand both saw decreases in 2017, down 5.3% and 3.4% to euro 112 million and euro 61 million respectively.

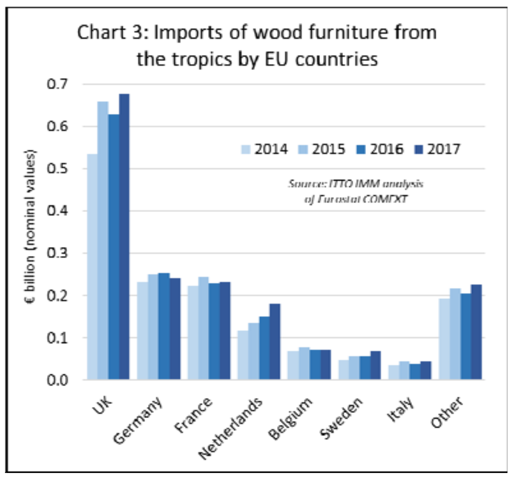
The biggest increase last year, albeit from a modest base of euro 69 million, came in EU imports from 'other tropical countries', up 87.8% to euro 130 million. Contributions to this rise came from Singapore, which is channelling furniture to the EU from elsewhere in South East Asia, and from the UAE and Qatar.

EU imports of wood furniture from the two Middle Eastern countries jumped from under euro 1 million in 2016 to a combined total of nearly euro 36 million last year. This increase all went to the UK and is either an error in the customs statistics or could indicate a switch in sourcing by major retailers or distributors.



In terms of EU importers of furniture from tropical countries, the leading buyers have stayed in the same order by sales value since 2014.

The UK remains the largest buyer, with imports up 8% last year at euro680 million, having dipped 4.5% in 2016. Germany is in second place, despite a 4.2% downturn in imports last year to euro 240 million. Next is France, with imports up 2.4% at euro 230 million, the Netherlands, up 20.5% at euro 180 million (another anomalous requiring further scrutiny), Belgium up 2.4% at euro 70 million, Sweden up 23.7% at euro 70 million, and Italy, up 10.4% at euro 40 million. Other EU importers increased their combined total 9.1% to euro 230 million in 2017. (Chart 3).



Tropical timber market promotion in the EU

In the face of falling market share, proactive steps are being taken to consolidate and grow tropical timber product sales in the European market.

The European Sustainable Tropical Timber Coalition (STTC), comprising timber importers, traders, end-users and retailers, plus public and private sector specifiers and procurement personnel, continues its market education and promotion efforts.

A key aim is to ensure that sustainably sourced tropical timber products receive due and fair consideration in business and public sector procurement policy. The core message is that ensuring a healthy, viable market for the timber will drive the spread of sustainable forest management in tropical countries.

The STTC has recently been reviewing its activities, working with various partners in the industry. Aims include becoming more effective and efficient in delivering key market data and also focusing more on monitoring trade flows of sustainably sourced tropical timber into Europe.

ATIBT, the International Tropical Timber Technical Association, also continues to roll out its Fair & Precious marketing/branding initiative.

This too aims to educate the market on the wider social, environmental and economic benefits of increasing demand for sustainably sourced tropical timber and wood products.

All businesses along the supply chain can use the Fair & Precious brand on their products, provided they pledge to source third party-accredited legal and sustainable goods and material and 'commit to respecting social, environmental and economic concerns in their activities, subject to audit by third-parties approved by the Fair & Precious ethics committee'.

Whether the EU FLEGT VPA initiative and FLEGT licensing has the potential to underpin the tropical timber market is still a matter of debate.

Indonesia, the first country to issue FLEGT licences, did see its timber furniture sales to the EU rise marginally last year to euro310 million. However, they have been around that figure for the last four years, so, say importers, offer no real clue on the market impact or perceptions of licensing.

A key conclusion of discussions at IMM-Cologne and JFS-Birmingham, and of the EU FLEGT Independent Market Monitor (IMM) trade consultation held in London during March, is that there is still a need for more market education and communication about the wider FLEGT initiative.

Several exhibitors at the UK and German shows and participants at the trade consultation acknowledged they knew little about it. They seemed particularly surprised by the scope of licensing systems and the extent of the forest reforms implemented as part of the FLEGT process.

At the IMM London trade consultation, Kate Towler, Assistant Manager Sustainability and Responsible Sourcing at retail giant John Lewis, said that companies like hers needed to know more 'human stories' behind FLEGT which they could relay to their personnel and consumers.

But she did conclude that the consultation had provided 'knowledge of the further capabilities of the [EU FLEGT VPA initiative and FLEGT licensing] beyond just legality assurance'. "This is something I will be looking into further with the possibility of positioning FLEGT within our internal timber sourcing policy," she said.

At the same IMM event Andy Duffin, Operations Director of one of the UK's leading timber importers and distributors James Latham, cautioned that the emphasis in promoting FLEGT should not be on selling a licensed product, but on selling the product first and as licensed second.

"I believe that the real issue behind tropical timber's loss of EU volume market share is lack of promotion of products before schemes," he said. "No one buys or sells FLEGT. We need to sell balau products, for instance, that are also FLEGT-licensed. Environmental issues are key, but they are side-lined if no-one wants the product."

North America

Keruing sawnwood imports rise twofold in February

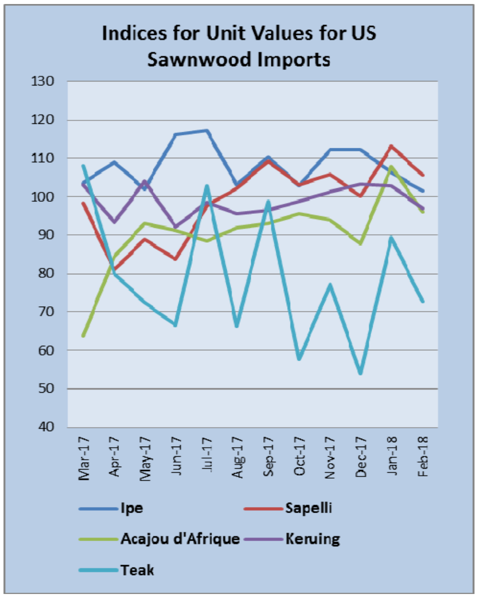
The U.S. imported 80,012 cu.m. of temperate and tropical sawn hardwood in February, up 18% from January, but the value of imports was down. The volume increase was in several temperate species, while tropical sawn hardwood imports declined to 17,820 cu.m. Year-to-date tropical hardwood imports were down 7% compared to February 2017.

The largest month-over-month decline was in imports from Brazil. Imports of almost all species from Brazil fell, with ipe sawnwood imports decreasing 15% from January to 2,627 cu.m. Fewer than 200 cu.m. of Brazilian mahogany were imported, down from 1,345 cu.m. in January.
Sawnwood imports from Malaysia on the other hand doubled from January due to higher keruing imports.

Canadian tropical sawnwood imports recover

Following three months of lower imports, Canadian imports of tropical sawnwood increased to US$1.5 million in February. Still year-to-date imports were down by almost one third from February last year.

Imports from most major supplier countries declined month-over-month except for imports from Congo (formerly Zaire), Malaysia and the U.S. Imports from the U.S. accounted for one third of total tropical sawnwood imports.Over 40% of February imports were "other tropical" i.e. not captured in the HS codes that specify species.



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics
Note: Indices are derived from customs value and exclude shipping, insurance and duties

Formaldehyde emission limits, testing and labelling
As the June 1, 2018 deadline approaches for the main requirements of the EPA's Formaldehyde Emissions Standards rule, trade associations are offering guidance for manufacturers and importers of composite wood products, component parts, and finished goods containing composite wood products, such as furniture.

The Composite Panel Association offers a comprehensive overview including all compliance dates on their website at https://www.compositepanel.org/public-policy/formaldehyde-standards-tsca-title-vi.html

The American Home Furnishings Alliance is offering two webinars in April. The first webinar reviews the responsibilities of third-party certifiers and composite board manufacturers relating to the new June 1 deadline, while the second webinar is addressed at the downstream users in the supply chain including fabricators and importers.

The EPA offers information and resources for industry on its website in the section "Resources for Rule Compliance" at https://www.epa.gov/formaldehyde

Furniture industry escapes Trump tariffs
In early April the Trump administration announced $50 billion of new tariffs largely targeted at China. The tariffs appear not to directly affect imports of furniture, components or textiles used in furniture manufacturing in the U.S. Machinery and tools for wood processing and furniture production may be affected by the tariffs. A date has not been set for when the tariffs will go into effect. China responded by announcing tariffs on U.S. exports to China.

Canadian wood product industry applauds CP-TTP
Canada's wood product industry predicts better access to key global export markets, especially in Asia. The remaining members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – agreed to a revised trade deal after the U.S. under the Trump administration abandoned the agreement.

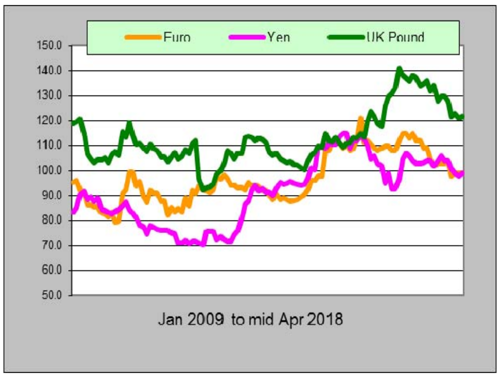
The Forest Products Association of Canada expects the following reductions in tariffs on Canadian wood exports:
31% tariff to Vietnam for certain kinds of wood, going down to 0% starting Year 1 of the agreement.
40% tariff to Malaysia for plywood, down to 0% by Year 6. 10% tariff to Japan for wood products, going down as low as 5% in Year 1 and 0% as early as Year 11.

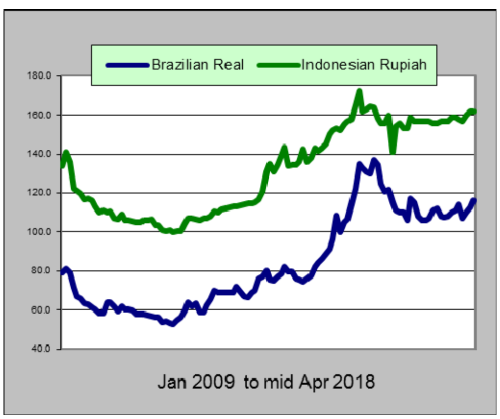
Dollar Exchange Rates

As of 10 April 2018

Brazil	Real	3.4096
CFA countries	CFA Franc	530.67
China	Yuan	6.2835
EU	Euro	0.8094
India	Rupee	64.94
Indonesia	Rupiah	13745
Japan	Yen	107.20
Malaysia	Ringgit	3.8716
Peru	New Sol	3.21
UK	Pound	0.7054
South Korea	Won	1064.83

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





Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF	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

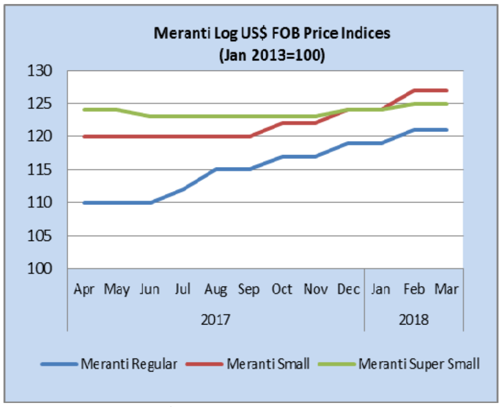
Baltic Supramax Index
May 2017 – mid April 2018

Data source: Open Financial Data Project

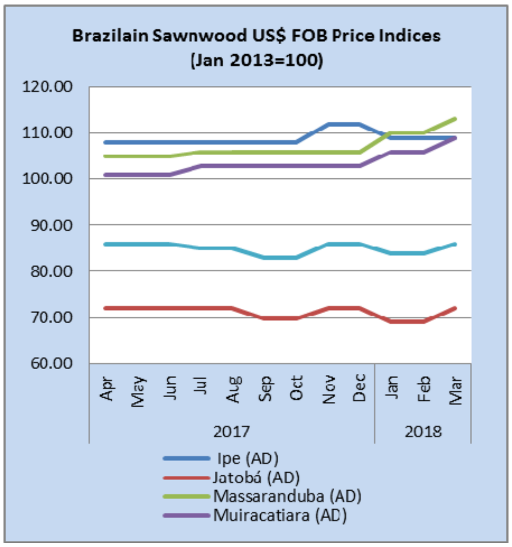
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

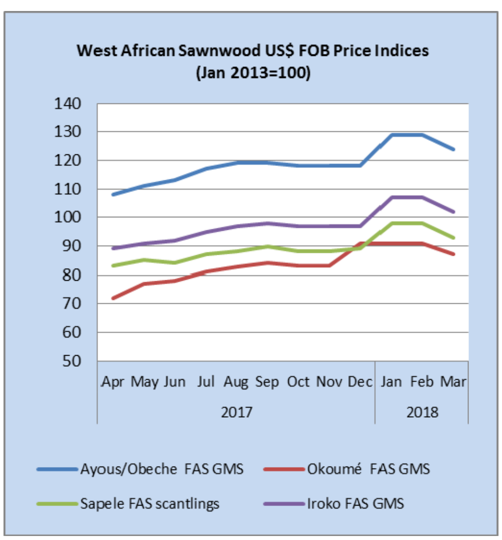
The following indices are based on US dollar FOB prices

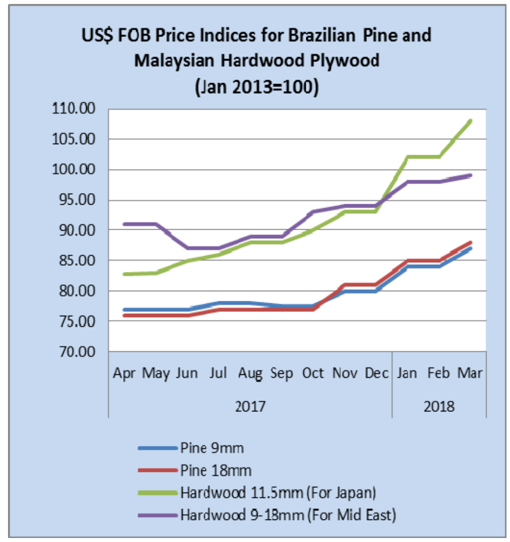


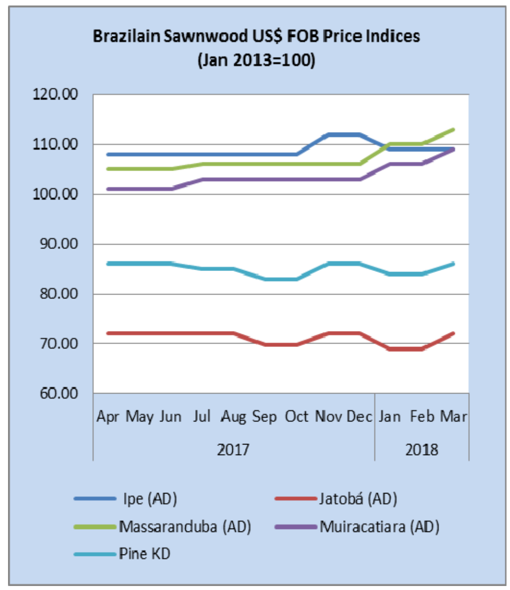
Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties and the stronger euro. It is unlikely the raised ‘asking’ prices will be accepted in full by buyers.







Note: Jatobá is mainly for the Chinese market.

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