Tropical Timber Market Report

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The ITTO *Tropical Timber Market* (*TTM*) *Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

Contents

Top Story

Tropical wood continues to lose share in European flooring market

European consumption of real wood flooring (i.e. excluding laminates) remains flat and the role of tropical timber in this sector is declining.

The reasons for this include the shift to engineered flooring products, intense competition from Eastern European and Chinese manufacturers for market share, a progressive switch to oak at the expense of all other hardwoods, a glut in supply of cheaper laminates and non-wood alternatives, the development of new products and the inability of consumers to distinguish between real wood and look-a-likes.

See: Page 17

Headlines

Central and West Africa

Buyers committing to longer term contracts for West African timber

FOB prices for logs are stable and firm. This is because supplies are now much more tightly controlled in the major producer countries than in previous years.

Demand from local sawmills is high and millers have a steady business as international buyers are more confident to commit to longer term contracts to ensure they have an uninterrupted supply. This is rather different from a year ago when buyers were making short-term 'hand to mouth' speculative purchases.

The current buying pattern leads to price stability allowing producers to run longer term production schedules that keep costs in check and facilitates better stock management which minimises costs.

Market sentiment in EU is positive

Continental European buyers have started their vacations which will run to the end of August.

Demand in Europe is slower during the vacation season but the underlying market sentiment is positive and producers are expecting the present stability in demand and prices to continue into the second half of the year.

Competition between ports in Gabon

The new Olam managed port at Owendo in Gabon is fully operational. Traders comment that port charges at Owendo are higher than at the Bollore managed port but Olam have signaled they plan to review their rates to remain competitive.

In other news from Gabon, it is rumoured that some Chinese companies plan to sell their concession areas but this is yet to be confirmed. There is no further news on the staff changes in the Forestry Department in Gabon.

Active demand in Middle East

Middle East markets are reported as active and prices are trending firmer say producers. In contrast, South African buyers are reluctant to commit to new purchases and prices in this market are very competitive with meranti securing a large part of the available demand.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	245	240	160
Ayous/Obeche/Wawa	245+	240	190
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	185
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	230	205	-
Padouk	300	280	230
Sapele	290	280	220
Sipo/Utile	310	290	255
Tali	330	320	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	430
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	300
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	555
FAS scantlings	560
Padouk FAS GMS	870
FAS scantlings	990
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Expanding value added wood processing

The World Trade Organization recently organised a workshop in Accra to discuss how best to add value to raw materials before their export. This workshop attracted participants for both the public and private sectors.

This WTO initiative forms part of its focus on "Challenges in the multilateral trading system: perspective from West Africa". The programme aims to help countries that seek speedier industrialisation and need assistance on global investments and trade.

The new government in Ghana is committed to greater industrialisation and added value manufacturing to reduce its reliance on commodity markets.

In Ghana, processed wood products accounts for a major share of all timber exports but sawnwood is classified as ‘processed’ but has little added value. The intention of the government is to see companies invest in more downstream processing.

A reduction in import duties debated

The Ghana government has hinted of plans to drastically reduce import duties in an effort to minimise duty avoidance which the authorities suspect is significant. According to a government spokesperson, the reduction in duties would also enable the ports to become more efficient in clearing cargos.

Anthony Dzadzra, Director of Revenue, Policy Division at the Ministry of Finance, mentioned this idea during an informal meeting of the American Chamber of Commerce, USAID and the Ministry of Trade which focused on a new study of the impact of trade-related fees and charges on trade and revenue growth.

U.S Ambassador Robert P. Jackson encouraged Ghana to take advantage of the Trade Facilitation Agreement (TFA) to simplify customs and other border control procedures at the country’s ports. He added, this will reduce the cost and time of doing business across borders, increase economic growth and make Ghanaian goods more competitive in global markets.

The WTO Trade Facilitation Agreement was conceived as traders from both developing and developed countries have long pointed to the vast amount of “red tape” that still exists in moving goods across borders and which pose a particular burden on small and medium-sized enterprises. To address this, WTO Members concluded negotiations on a landmark Trade Facilitation Agreement (TFA) in 2013.

For more see: http://www.tfafacility.org/trade-facilitation-agreement-facility

The Organization for Economic Cooperation and Development estimates that implementing the TFA could reduce worldwide trade costs significantly with the greatest benefits accruing to African and other developing countries. Ghana has the potential to benefit significantly from this new opportunity.

The reduction of import duty was part of the campaign promises made by the new government during campaign elections last year. Early this year Ghana sought the approval of ECOWAS Regional Common External Tariffs (CET) which came into effect on 1February 2016, to review taxes downward to promote industrialization.

Boule Export prices

	Euro per m^3
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	570
Niangon Kiln dry	610↑

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	314↓	400
Chenchen	425	624
Ogea	467	604
Essa	439	645
Ofram	350	406

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

Export Sliced Veneer

Note, veneer prices are now reported in cubic metres

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	898↓
Avodire	897
Chenchen	691↑
Mahogany	1484↑
Makore	1223↑
Odum	1,070↓

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	361↓	610	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	332↓
Dahoma	360↓	382↓
Edinam (mixed redwood)	520	580
Emeri	380	510
African mahogany (Ivorensis)	870	889↓
Makore	685	720↓
Niangon	620↑	650
Odum	755	864↓
Sapele	765	720↓
Wawa 1C & Select	360-	420↑

South Africa

Efforts to coordinate recovery efforts in Cape area

Forestry and sawmilling executives in the fire-ravaged Southern and Eastern Cape areas, representatives of Forestry South Africa (FSA) and Sawmilling South Africa (SSA) have met to coordinate collaboration as efforts on recovery begin. One of the first tasks is to assist affected industries and develop plans to mitigate losses through salvaging as much timber and wood products as possible.

The recent fires cause widespread devastation. There has been extensive damage to plantations and one complete sawmill was burnt to the ground. The scale of the disaster is the one worst that the industry has experienced.

In terms of employment, there may be a short-term increase in job opportunities during the salvage operations and reforestation operations. However, in the medium to longer term and until the plantation rotations get back to normal some jobs may be lost.

The FSA, SSA as well as the South African Forestry Contractors Association plan to ensure that the interests of local businesses and jobs are protected. The South African Wood Preservers Association (SAWPA) will carry out research around the 'treatability' of burned poles.

http://saforestryonline.co.za/news/industry-rallies-recover-cape-fire-storm/

Outlook grim for consumers

Consumer confidence in South Africa slipped further extending one of the longest periods of negative sentiment.

The Bureau for Economic Research at Stellenbosch University conducts quarterly assessments on consumer sentiment and has said the current run of negative sentiment is the longest since the survey was launched in 1982.

In related news, the International Monetary Fund has warned the South African economy will become increasingly at risk to major shocks unless economic growth is revived. The IMF says South Africa's economic growth is projected to increase to 1% this year and just 1.2% in 2018.

Jason Muscant, Senior Analyst at the First National Bank Bureau for Economic Research, said the latest data show that consumers continue to be under pressure especially as food prices remain high which signals a drop in disposable income.

Malaysia

Ban on sawn rubberwood export

Malaysia has once again introduced a ban on the export of sawn rubberwood. The current ban came into effect 1 July. Over the past 20 years the government has periodically imposed and lifted bans on sawn rubberwood exports. The latest ban comes after Peninsular Malaysia furniture makers found it increasingly difficult to secure sawnwood for downstream processing. The ban comes as a relief to the furniture makers as the cost of sawn rubberwood has been rising steadily.

Last year, Malaysia's furniture exports totalled to RM9.53 billion, 4.2 per cent more than 2015's RM9.14 billion, making the country, the world's 9th largest furniture exporter.

Rubberwood furniture makers had a strong case when lobbying for the ban saying Malaysia had slpiped from 6th to 9th in the global ranking of furniture exporters.

The argument used by exporters of sawn rubberwood hinged on their success in attracting high prices from buyers in Vietnam and China. In 2016 Malaysian sawmillers exported sawn rubberwood valued at around RM300 million.

Speaking recently Minister Dr Wee Ka Siong added the ban will provide relief for the industry as recently the cost of the raw material had shot up to RM2,300 per tonne compared with RM1,600 previously. With the ban on export of local rubberwood put in place, furniture industry players are now working hard to win back the confidence of their overseas clients.

Drones rapid response to locate forest fires

Drones have been proven effective in trials in Miri and Kuala Baram districts of Sarawak to quickly assess the location and extent of forest fires. Rapid response arial surveillance using drones will be effective in locating the exact locations of any forest fires.

Last year, more than 1,700ha of land in the two districts were ravaged by fires and there is a danger of more fires this year. In past experience, all it takes is five days without rain and a forest fire could be sparked easily.

Hidden wealth in Sarawak

The Sarawak State government will establish a research council to coordinate efforts to explore the 'hidden wealth in the state's natural resources'. According to Chief Minister, Abang Johari Tun Openg, there is hidden wealth in the Sarawak forest resources that can be exploited.

The research council would be empowered with regulatory powers over research with the ultimate aim of benefitting the state's economy.

Plywood export prices

Plywood traders in Sarawak reported export prices:

Floor base FB (11.5mm)	US$590-610/cu.m FOB
Concrete formboard panels	
CP (3' x 6')	US$460-470/cu.m C&F
Standard panels	
Taiwan P.o.C	
(9mm and up)	US$450/cu.m FOB
Middle East	US$390/cu.m FOB

Indonesia

20,000 plus FLEGT licenses

Since the launch of the FLEGT Indonesia license scheme on November 15, 2016 Indonesia has issued 20,778 licenses for the export of wood products to the EU. These licenses were for products worth US$730 million and had a shipping weight of 343,000 tonnes.

At a recent meeting, Michael Bucki of the European Commission Delegation in Jakarta, reminded that the EU timber regulation has three principles:

- it prohibits placing in EU markets timber products which have not been verified legal
- it requires EU merchants importing wood products for the EU market to conduct 'due diligence' procedures;

- it requires EU operators to archive all data of their suppliers and buyers

Dr. Rufiie of the Ministry of Environment and Forestry noted that FLEGT licensed wood products shipped to the EU have a competitive advantage but that there are other factors that contribute to determining the competitiveness of a product, such as design, quality and price. This is why Indonesian manufacturers must continue to assess competitors in Vietnam and Malaysia for example as they will be vying for a larger share of the EU market.

Challenge to dominance of China in the US market

The potential of Indonesian wood-based product exports to the United States is huge and much more can be done to increase exports to this market according to Arifin Lambaga, President of PT Mutuagung Lestari.

According to Arifin, the US market for imported wood products is around US$2 billion annually of which shippers in China account for about half with Indonesia only capturing around 10% of this huge market.

With the introduction of tighter formaldehyde emission regulations, Arifin said Indonesian exporters have an opportunity to increase exports to the US and take market share from China.

The US government, through the Environmental Protection Agency (US-EPA), has issued updated regulations on the emission of formaldehyde from composite wood products which include hardwood plywood veneer core, hardwood plywood composite core, particleboard and MDF.

Craftsmen to get help meeting cost of SVLK certification

Sudarto, the Director of the Food, Wooden Goods and Furniture Directorate in the Ministry of Industry has said government policies on the SVLK need to be simplified so as not to be a burden for manufacturers, especially the SMEs. It is understood that the Ministry of Industry, Ministry of Environment and Forestry, Ministry of Trade and the Ministry of Finance plan to review this issue.

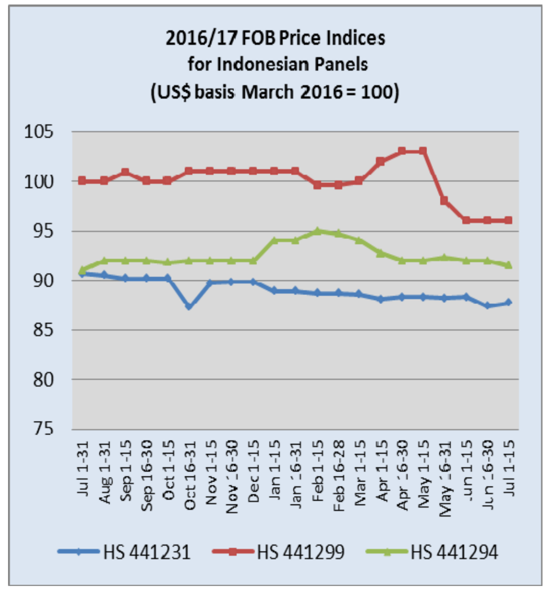
Sudarto said a contribution to cover the cost of SVLK certification will be provided directly to SMEs which have export potential but are unable, in the short-term, to meet the cost of certification.

It has been estimated that a furniture maker needs find around Rp 40 million to cover the cost of certification but this is a very heavy burden for small companies and is out of proportion to the value of exports they could hope to achieve.

Austrian private sector keen to support Indonesia

KADIN Austria, the Austrian Chamber of Commerce and Industry, supports timber Industry and Infrastructure development. A spokesperson from KADIN Austria has said the Chamber was ready to support Indonesia's development process especially in infrastructure development, power plants, the timber industry and vocational training.

In addition, KADIN Austria will promote Indonesia's FLEGT licensed wood products. The Permanent Representative of Indonesia in Austria, Darmansjah Djumala, has reported that Austrian consumers appreciate the wide range of wood products from Indonesia, especially outdoor furniture.



Myanmar

Private sector SMEs to get help from new DFID programme

A UK-funded programme called the 'DaNa Facility' has just been launched. DaNa is Burmese for "prosperity". The aim of this programme is to reduce poverty and increase incomes by fostering a strong business environment conducive to the creation of jobs and economic opportunities especially for SMEs.

At a press briefing arranged by the British Chamber of Commerce Myanmar, Peter Brimble, the DaNa team leader, said grant window is to be launched in August to attract companies with projects to strengthen value chains and promote inclusive economic growth with an emphasis on businesses in agribusiness, community forestry, garments and textiles.

The DFID website says this initiative was first launched in May 2016 as one of three components of DFID's "Business for Shared Prosperity" (BSP) programme. DFID is supporting activities of the Myanmar government's objectives and policies on economic development, which includes the Livelihoods and Food Security Trust Fund and trade and investment activities through the World Bank Group.

Brimble said the main issues for Myanmar's include inadequate infrastructure and energy, limited financial services (especially for SMEs). He also mentioned that Myanmar government's approach at present is mainly regulatory with few programmes for new entrepreneurs which DaNa hopes to address.

For more see: https://www.dai.com/our-work/projects/burma-dana-facility

Trade deficit balloons

Myanmar's trade deficit in the first three months of this fiscal year totaled just over US$1 billion as imports exceeded exports

Data from the Ministry of Commerce shows that the trade value was over US$7.128 billion compared to the US$1.262 billion for the same period last year. For the first three months of this fiscal year Myanmar 's exports totaled US$2.855 billion while imports were US$4.273 billion. The impact of the log export ban on export earnings is significant.

Priority areas for investment announced

The Myanmar Investment Commission (MIC) has announced priority areas for investment by both domestic and foreign entrepreneurs. These include: agriculture, livestock and fishery, export promotion, import substitution, power, logistics, education, health care, affordable housing construction and establishment of industrial estates

Analysts write that the timber industry trade and industry is not included although it contributed significantly to job creation and export earnings in the past.

Despite not being included in the investment promotion campaign the timber sector (through the Myanmar Timber enterprise) is expected to contribute 37 billion Kyat to the 2017-18 budget revenues. MTE is one of the five commercial state institutions that are set to contribute to state income:

Minister - illegal felling and smuggling continues

Corruption in the forestry sector and the extent of illegal trade in timber has captured the attention of the Parliament with the submission of a proposal by a member of parliament to strengthen the action to combat the illegal logging. Analysts write that this is aimed at corrupt authorities and weak law enforcement.

The parliament is also debating the new Forest Law to replace the old law of 1992. Some civil groups are requesting greater consultation before the law is submitted to the parliament but this has drawn comments from parliamentarians that they represent all constituents in Myanmar.

U Ohn Win, Minister of Natural Resources and Environmental Conservation has reported that K53.10 billion was earned from auctions of 50,245 tonnes of seized illegal teak and hardwood during fiscal 2016-17.

However, the Minister has said illegal felling and smuggling across the border continues and suggested that local officials must be involved.

A system has been introduced to reward those reporting illegal logging with reports saying informants will get 20% of the auction price of the seized timber and if the information leads to the arrest of illegal loggers then a 30% payout will be made.

But informing on criminals is very dangerous. Between 2002 and 2003 eight people in Myanmar have died, including a Forestry Department Deputy Director, 42 others have been injured confronting illegal loggers and smugglers.

June teak tender prices

Grade	H.tons	Average US$/H.ton
SG-1	6.8	6,020
SG-2	33.3	3,885
SG-4	84.7	3,440
SG-5	54.2	2,555
SG-6	98.0	2,348
SG-7	146.5	1,960

India

Business leaders ask for more time to implement GST

On 1 July India replaced its numerous federal and state taxes with a single Goods and Services Tax (GST). This replaces more than a dozen central and state levies including factory-gate, excise duty, service tax and local sales tax and is India's most daring tax reform in 70 years.

Analysts say the single GST will cut red tape and increase tax revenues. The Finance Minister said the change will stimulate growth but business leaders have asked for more time to implement changes. Many SMEs do not have access to the internet to register on the GST network.

Under the GST goods and services will be taxed under four basic rates - 5%, 12% 18% and 28%. Some food items are exempted from GST but will still be subject to existing taxes.

The GST rates for timber and plywood have been set at 18% and 28% respectively. The private sector feels both rates are too high and have appealed for their review.

If a review is undertaken the private sector says it should reflect a reduction over the old VAT. The rate of VAT was not uniform throughout India varying from State to State.

The change to GST could impact prices for imported timber and logs. Analysts write that it appears Customs Officers will assess import duty on the basis of baseline prices provided by their head office.

The changes in tax rates and duties will eventually filter down to changes in C&F and wholesale prices.

Auctions in Western Indian

Auctions have been concluded at various Forest Department Depots in the North and South Dangs and Valsad Divisions. Approximately 8,000 cubic metres mostly teak logs were put up for sale the balance were hardwoods such as Adina cordifolia, Gmelina arborea, Pterocarpus marsupium, Acacia catechu and Mitragyna parviflora.

Since imported plantation teak logs are mostly of small girth buyers of domestically sourced logs are keen to secure larger girth as recovery rates are higher and the wood quality is superior.

The flow of freshly felled teak logs has been good and this will prompt the authorities to mount another auction in the near future. Prices secured at the latest auction are shown below:

Quality	Rs. Per cu.ft
Grade A ship building	3000-3200
Grade B ship building	2700-2900
Grade A large girth	2500-2700
Grade B large girth	2400-2500
Grade A long	2100-2200
Grade B long	2000-2100
Grade A 15ft & up	1750-1850
Grade B 15ft & up	1650-1750
Grade A 12ft & up	1500-1600
Grade B 12ft & up	1400-1500
Grade A 8-10ft.	1300-1400
Grade B 8-10ft	1100
Small girth low quality	900

Good quality non-teak hardwood logs also attracted firmer prices than at the previous sale.

Top quality non-teak hardwood logs 3-4m long having girths 91cms & up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium attracted prices in the range of Rs.800-1000per cu.ft. Medium quality hardwood logs were sold at between Rs500-700 and low grade logs sold for Rs.300-400 per cu.ft.

Marayur sandalwood - Rs11 million per tonne

The mood amongst buyers was very upbeat for the recent sandalwood auction say analysts. This was the first auction after the GST came into effect and was held 12 and 13 July. Some 70 tonnes of sandalwood in more than 200 lots was offered.

With the introduction of the standard GST the tax rate rose to 18% from 14.5% (previously the value added tax).

Analysts write that buyers response at the past auction was very subdued as a result of uncertainty surrounding the so-called 'demonetisation' of high value currency notes last year.

Over the past weeks representatives of major buyers and temples visited the sandalwood sales divisions to register their participation in the auction. At the latest auction there was greater interest on the part of buyers representing temples. While not major buyers, analysts interpret the increased presence of religious organisation buyers as indicative of the falling availability of sandalwood from other, sometimes illegal, sources.

At this auction 33.5 kg of first quality sandalwood (Vilayat Buddha) was offered, the first time in five years. In addition, 69 kg of sandalwood root, 11.7 tonnes of Jai Pokal (10th class) and 14.8 tonnes of mixed chips (13th class) were included in the auction.

Though sandalwood auctions are also being conducted at Shimoga and Mysuru in the state of Karnataka, Marayur sandalwood is considered top in quality for high oil content thus prices are high.

It has been reported that the average price of Marayur sandalwood is Rs.11 million per tonne whereas it is around Rs.57 million in Shimoga and Mysuru. Sandalwood from Mysuru is considered second quality compared to sandalwood from Marayur.

Imported plantation teak

Demand for imported plantation teak logs remains stable and Indian buyers are benefitting from a stronger rupee.

Prices have not changed over the past two weeks but could be affected by the 18% GST. As price changes evolve these will be reported. Prices prior to the introduction of GST are shown below

Imported 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 cross section

Locally sawn hardwood prices

Prices for hardwoods milled from imported logs are unchanged but sales are subject to a GST of 18%. This will inevitably lead to new price structures in the coming months.

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

Myanmar teak prices

There were no reports of price movements over the past two weeks.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7500-8500
Teak B grade	5250-5750
Plantation Teak FAS grade	4000-4500

Price range depends mainly on length 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

Plywood prices

Plywood Ex-warehouse	Rs. per sq.ft
4mm	48.00
6mm	64.00
9mm	81.00
12mm	99.00
15mm	132.00
18mm	139.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	23.50	35.00
6mm	35.50	45.00
9mm	45.00	55.00
12mm	55.00	66.00
15mm	67.00	80.00
19mm	76.00	90.00
5mm Flexible ply	47.50	

40 million saplings planted – target exceeded

The Forest Department in Maharashtra State has said it exceeded its target of planting 40 million saplings across the state. As of 11 July 45.4 million saplings – 32.3 million in forest areas and 13.1 million in non-forest areas – had been planted by 13,14,554 participants. Most saplings were planted at Chandrapur, Ahmednagar, Nashik, Palghar, Pune and Yavatmal.

This effort was part of the Van Mahotsav (Tree Planting Festival), an annual tree plantation festival held from 1-7 July across India.

This festival takes place in all the States of Union of India and the present government policy is pressing for increasing the present forest cover of 21% to 33%.

For more see: http://www.festivalsofindia.in/Van-Mahotsav/Index.aspx

Brazil

Reducing illegal deforestation

The Mato Grosso State Government has established a committee to monitor compliance with the goals set forth at UNFCCC COP21 in Paris. Mato Grosso has committed to reduce illegal deforestation to zero by 2020 and also to take action to contribute to efforts to address global warming.

A project submitted by the Center for Timber Producers and Exporters of Mato Grosso (CIPEM) was selected for support. The CIPEM initiative aims to adapt wood frame technology to native timber species for civil construction.

The aim is to strengthen the industry, generate economic and social development and contribute directly to the goal of expanding the area under sustainable forest management in Mato Grosso state from 2.8 to 6 million hectares by 2030.

Building systems designed around wood have numerous environmental benefits because wood is a fully renewable material that captures and traps greenhouse gases. Systemised building systems of the type being proposed reduce building costs and minimise the amount of residues during the construction.

This CIPEM project will attempt to utilise species that currently have little or no commercial value and will also see more forests protected and greater efforts made on combating illegal deforestation.

No duty on imports of sawnwood

On 30 June the United States government announced details of its annual review of the General System of Preferences which included the renewal of duty free imports of HTS 4409.10.05 (Coniferous wood continuously shaped along any of its ends, whether or not also continuously shape along any of its edges or faces). This was seen as a victory by the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) which had been lobbying hard for the renewal.

This means Brazilian exports of this product to the US market will continue without import tax which could have become 3.2% if the renewal was not approved.

This decision guarantees the continuity of the duty-free treatment for the product for 5 years. If, after 5 years, US imports from Brazil exceed 150% of the competitiveness limit in US dollar or 75% of the total volume imported by the US, this benefit will be automatically revoked.

ABIMCI had considerable support in its efforts to secure this decision by the US. The Ministry of Foreign Relations, the Ministry of Development, Industry and Foreign Trade, the Presidency of the Republic and Apex-Brazil, the Federation of Industries of the State of Paraná (FIEP), the Brazil and the United States Business Council (CEBEU) and National Confederation of Industry (CNI) all contributed to this success.

Investment opportunities in the US timber sector

ABIMCI, in collaboration with the Federation of Industries of Paraná (FIEP), participated in the Select USA Summit sponsored by the US government in June.

The event, led by the US Department of Commerce, focused on promoting business development with US companies. The meeting addressed trade opportunities and market potential and highlighting issues such as the favorable environment for conducting business, legal security and investments practiced in the country.

Parallel to the federal government's participation, various U.S. states promoted their inward investment programmes and representatives of several American companies explained how the current US administration approaches inward investment.

Representatives of ABIMCI participated in specific meetings with US trade representatives and with the Director General of the 'Select USA programme' which aims to encourage business opportunities in the timber industry.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	210
Jatoba	117
Massaranduba	117
Miiracatiara	120
Angelim Vermelho	114
Mixed redwood and white woods	99

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	926
Jatoba	464
Massaranduba	434
Muiracatiara	431
Angelim Vermelho	387
Mixed red and white	256
Eucalyptus (AD)	217
Pine (AD)	156
Pine (KD)	177

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	591
10mm WBP	452
15mm WBP	403
4mm MR	500
10mm MR	373
15mm MR	344

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	260
15mm MDF	342

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1429
Jatoba	920
Massaranduba	771
Muiracatiara	737
Pine (KD)	189

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)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,564
	Jatoba	1,467

Source: STCP Data Bank

Peru

Strengthening inter-institutional cooperation

The National Forest Conservation Programme for the Mitigation of Climate Change in the Ministry of Environment and the Forest and Wildlife Resources Monitoring Agency (Osinfor) have signed an addendum to strengthen Inter-institutional cooperation. The objective is to promote good practices in the management and legal and sustainable use of forests to contribute to their conservation. The programme covers native and forest communities as well as forest concessionaires.

Potential and opportunities in forest plantations

Where does Peru want to be in the next 25 years in terms of forest plantations? This question served as the guide to a discussion at a workshop that resulted in the publication "Forest plantations in Peru: reflections, current status and future perspectives".

The workshop was organised by the Peruvian office of the Center for International Forestry Research (CIFOR), the German GIZ (through its ProAmbiente II programme) and the Peruvian Society of Environmental Law (SPDA).

The publication provides an overview of the current state of the forest plantation sector in Peru and offers a common vision for the medium and long term.

Manuel Guariguata, CIFOR Regional Coordinator for Latin America, said "It is the synthesis of the visions and opinions of many specialists, present ideas, options and reflections on what has worked and what has not. It aims to revitalise the issue of forest plantations as a potentially important alternative for the economic and forestry development of the country, in an environmentally and socially sustainable way".

The publication touches on technical, institutional, capacity building, financing and incentive aspects related to the forest plantations sector.

Workshops begin to elaborate National Forestry and Wildlife Plan

The Ministry of Agriculture and Irrigation (Minagri), through the National Forest and Wildlife Service (Serfor), has initiated the first round of departmental workshops involving stakeholders in the management of forest and non-timber resources, wildlife, ecosystem services as well as research and technology in the process of building the National Forestry and Wildlife Plan.

These workshops will allow Serfor to define the strategic themes of the forestry and wildlife sector as well as locate and contact stakeholders related to the sector to compile their contribution and ensure their participation in the process. The second round of nine macroregional workshops will be held in August.

Serfor wishes to incorporate three key elements: fostering and ensuring wide participation; demonstration of institutional commitment and the vision for modern and productive growth of the sector.

Export Sawnwood Prices

	US$ per m3
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 m3
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933 ⬆
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD	
Mexican market	421-462

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	237-255
Spanish Cedar	316-368
Marupa (simarouba)	185-198

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 m3
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		1296-1380
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1058-1098
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

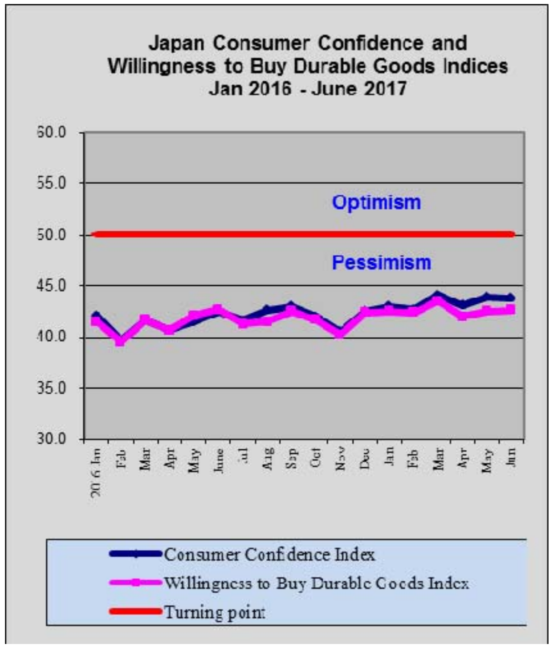
Japan

Consumer confidence index cannot snap pessimism

Consumer sentiment in Japan deteriorated in June for the first time in two months according to Japan's Cabinet Office. The consumer confidence index, which tries to assess households' expectations for living conditions over the next six months, fell. Analysts write that this decline reflects consumers believing that prices will rise.

In June, two of the four components of the survey, overall livelihood and income growth recorded declines while the indices for employment improved but the index for willingness to buy durable goods, of particular interest to furniture exporters was little changed.

See: http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html



Data source: Cabinet Office, Japan

Trade deal between Japan and EU

Japan and the European Union have agreed to proceed with the details of a trade deal which will mean trade between two of the world's largest economies will be tariff free. The sectors which proved the most difficult to agree on were Japanese cars to the EU and EU agricultural goods into Japan.

In addition the two economic power houses have agreed the outlines of a complementary "Strategic Partnership" which will involve cooperation on many global issues. These deals send a clear message that the EU and Japan are committed to free-trade even as the US touts protectionism.

Rescue operations in flood hit Kyushu

Large parts of Kyushu, one of Japan's four main islands, was hit by torrential rain over a 4 day period in early July. One of the worst hit villages experienced record rainfall of 515 millimeters over a 24-hour period. Across the area affected there have been landslides and floods. The death toll from heavy rain and flooding stood at 27 on 15 July but many people are still missing.

Video footage and photographs taken by residents as they escaped showed collapsed homes, destroyed bridges and extensive flooding.

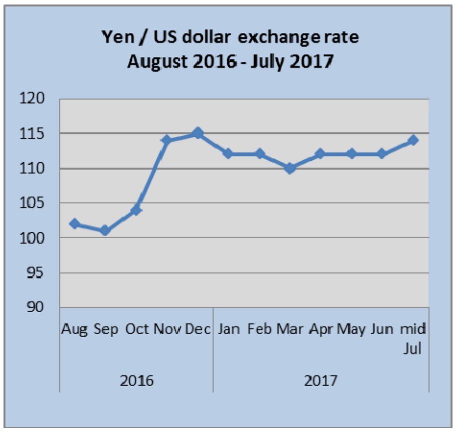
The combination of extreme rainfall, shallow rooted cedar plantations on steep mountain slopes and the ever present danger of landslides proved a deadly combination. Floodwater carrying logs and debris smashed houses, businesses and schools.

Weak yen and stronger economy places BoJ at a crossroad

Towards the end of last year there were signs that the Japanese economy was beginning to show signs of expanding driven mainly by manufacturing and services.

This positive economic outlook has meant that policy makers at the Bank of Japan (BoJ) have a difficult time ahead as they try and maintain a weaker yen in an economic environment that would suggest the yen should firm against major currencies.

The BOJ's reluctance to consider fiscal tightening against a background of a stronger economy has kept the yen at levels applauded by exporters but it is difficult to see how long this can be maintained.



Import round up

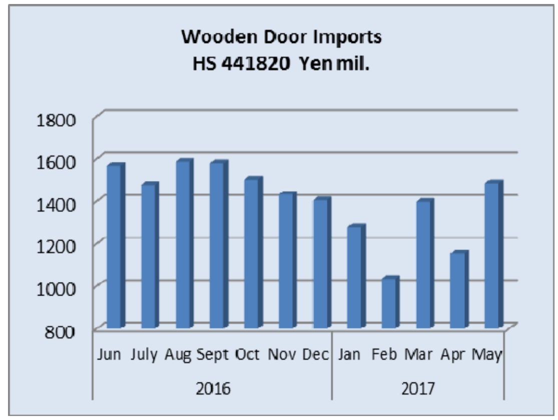
Doors

In the final quarter of 2016 the value of Japan's wooden door imports fell sharply and the downward trend in imports continued until a turn-a-round was observed in March this year. But the reversal did not last long as April 2017 imports dropped.

May import data from the Ministry of Finance shows the value of wooden door imports jumped to the highest level for this year and not far off the peak in 2016. The erratic trend in wooden door imports does not reflect the trend in housing starts which have trended higher this year.

Year on year, May wooden door imports were about the same as in May last year but month on month they jumped 28%.

China and the Philippines accounted for around 75% of all wooden door imports in May, a pattern that has been maintained for many months. Other small suppliers were Malaysia and Indonesia.

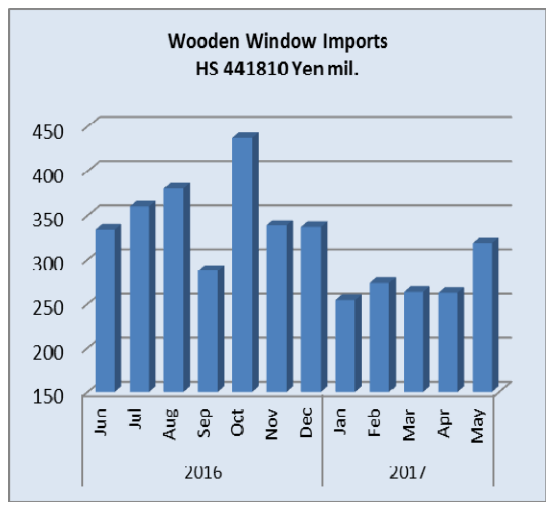


Data source: Ministry of Finance, Japan

Windows

In contrast to the volatile wooden door imports, Japan's imports of wooden windows was flat for the first four months of 2017 rising only in May. Year on year, the value of May 2017 wooden window imports fell 13% but month on month they rose 21%.

As was the case with May wooden door imports, Chnan and the Philippines were the major shippers accounting for around 67% of May 2017 imports. The other major supplier was the US which contributed 22% to the value of May wooden window imports to Japan.



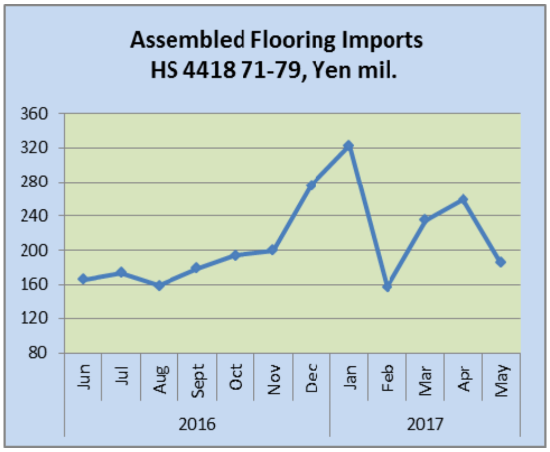
Data source: Ministry of Finance, Japan

Assembled flooring

After the unexpected decline in assembled flooring imports recorded in February this year coming after a period of a sustained upward trend, there was a rebound in March and April but May data shows that, once again the trend has reversed.

Year on year, May 2017 assembled flooring imports were down 18% and month on month imports were down a massive 28% almost match the low recorded in August last year.

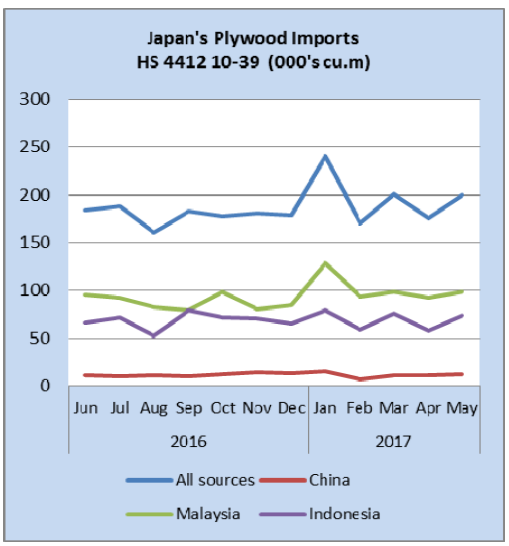
Shippers in China and Indonesia accounted for almost 80% of Japan’s May 2017 imports of assembled flooring with Thailand and Malaysia contributing another 8**%.**



Data source: Ministry of Finance, Japan

Plywood

The figure below shows the trend in imports of plywood (HS 441210/31/32/33/34 and 39). Three shippers, Malaysia, Indonesia and China continue to dominate the Japanese market for imported plywood.



Data source: Ministry of Finance, Japan

Shipments of plywood within HS 441231 account for the bulk of Japan’s plywood imports and three exporting countries, Malaysia, Indonesia and China account for almost all Japan’s plywood imports.

Year on year May plywood imports into Japan were up 11% and there was also a rise in month on month impprts (+14%).

In May,as is usually the case, Malaysian shippers provided the largest volume of plywood to Japan. Year on year, Malaysia’s May shipments were up 5% and month on month there was an equal rise (+5%). Indonsia’s May deliveries to Japan were up 20% year on year and rose 28% compared to levels in April this year.

China’s shipments of plywood to Japan are rather modest at around 12,00 cum. per month and there was no noticeable change in either year on year or month on month shipments of plywood to Japan from China.

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

		China	Malaysia	Indonesia
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	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

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

Yamanashi prefecture promotes use of FSC certified local wood

Yamanashi prefecture organized to promote using Yamanashi prefectural FSC certified wood for the 2020 Tokyo Olympic Games and it has started recruiting business groups to participate this campaign.

The plan is to supply 3,500 cbms of prefectural thinning wood to build temporary facilities for the Olympic Games. They are 2,500 cbms of larch, 800 cbms of cedar and cypress and 200 cbms of others. The purpose of this campaign is to promote using Yamanashi wood not only for the Olympic Games but for general wood markets.

After the Olympic Games are over, built facilities are remanufactured for public buildings in Yamanashi prefecture as the Olympic legacy.

The prefecture has been developing system sales of FSC certified wood sine 2015 for use of the Olympic Games. Ohtuki city junior college's wooden school building completed this year and 142 cbms of wood from the city and 383 cbms of larch from system sales.

Plan is to supply FSC certified wood in log form to build temporary facilities like village plaza. The prefecture invites business groups in 2017 and 2018 and concludes the agreement and recommend to the Olympic organizing committee. Once it is accepted by the committee, the prefecture will start supplying thinning logs.

Total area of FSC certified forest in Yamanashi prefecture is 143,000 hectares, which is one third of total FSC certified forests in Japan.

90% of Japan's Fukushima forest now radiation free – logging to resume

Fukushima prefecture is where destroyed nuclear power plant is on the coast. Fukushima Prefecture Wood Cooperative Union analyzed present status of radiation dosage in Fukushima prefecture disclosed by the Nuclear Regulatory Agency and reached conclusion that 90% of forest area in the prefecture is now free of radiation.

Log harvest activities in the prefecture have been recovering. Log auction markets and large sawmills cutting local logs install automatic radiation measuring censor to confirm logs are safe. This should reduce damages by harmful rumors and the prefecture tries to expand log harvest and generate demand.

Presently log harvest in the prefecture is done based on the guideline, which allows log harvest if radiation dosage in the area is less than 0.5 micro Sievert.

The prefecture checks surface radiation dosage of lumber once every three month at sawmills and result is prefectural lumber is safe for health and environment.

The Fukushima Prefecture Wood Cooperative Union has been confirming radiation free areas on the map, where log harvest is safe and the area has been steadily expanding so the Union advertises the fact and keeps asking to use prefectural logs to the markets.

The Union marks the safe areas where aerial monitoring of radiation dosage is less than allowable level, which is made regularly by the Nuclear Regulatory Agency since the earthquake, which destroyed the Nuclear Power plant.

Actually measurement is done in more than 150,000 points and the forest area where radiation is less than 0.5 micro Sievert is now 90.7%. It was 88.9% in 2015.

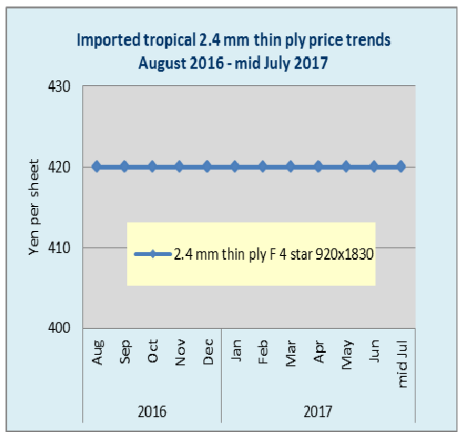
Niigata plywood mill uses more local logs

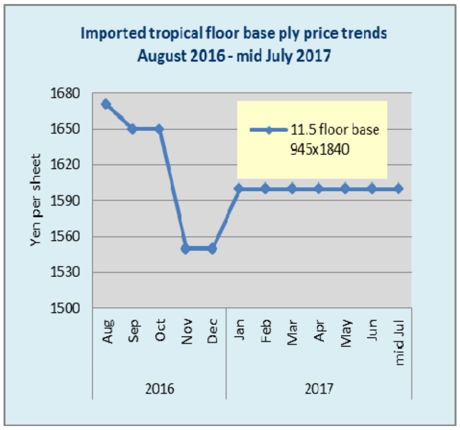
Niigata Gouhan Shinko Co., Ltd. (Niigata prefecture), one of few South Sea log users in Japan for plywood manufacturing. This is originally 100% South Sea log peeling plywood mill but with declining supply of South Sea logs with high log price, it has been using more local cedar logs to manufacture so called eco plywood. It is combination of local cedar and South Sea hardwood.

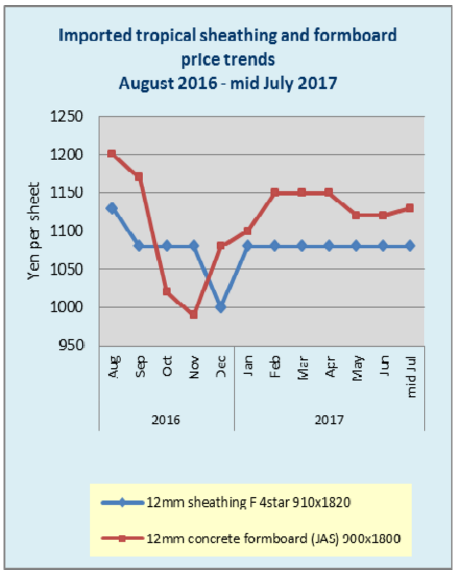
In total production of 4,400 cbms a month, eco plywood is 2,500 cbms so monthly cedar log consumption is 3,300 cbms. It also manufactures plywood with cypress and hardwood for interior use.

Now it decided to install new ring barker to deal with larger cedar logs. Reason is that there are many laminated lumber manufacturing plants in the area so eventually it competes with such mills in log procurement, which use more small cedar. At the same time, forests will produce more large diameter logs in future.

Imported plywood wholesale prices







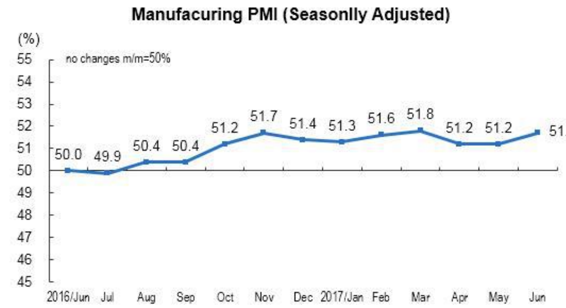
China

Manufacturing output continues to expand

China's manufacturing purchasing managers index (PMI) moved higher in June touching almost 52 points, an increase from the previous month. In releasing the June PMI the National Bureau of Statistics (NBS) said the pace of expansion in manufacturing had accelerated.

It is now more than 12 months since the PMI was above 50, the threshold separating expansion from contraction. The NBS data tracks mainly larger and primarily state-owned enterprises.

The PMI for large-sized enterprises was 52.7 points, up 1.5 points from May and continued to be higher than the threshold. The PMI for medium-sized enterprises was 50.5 percent, down almost 1 point from the previous month but managed to stay in the expansion range. Small sized enterprises are still finding it tough as reflected in a PMI of just 50.1points.



Reduction in VAT

As of 1 July 2017 the value-added tax rate structure as determined in the State Council has been simplified from the previous 4 rates 17%, 13%, 11% and 6%.

The four VAT rates have resulted in many practical and compliance problems for taxpayers as they need to properly classify their supplies to ensure that they charge the correct VAT rate. The standardisation of the VAT rate will help to partially relieve taxpayers from these difficulties.

Value-added tax rates on agricultural products (including logs) and natural gas will fall from 13% to 11%.

Rise in total output value of China's forestry industry

According to the State Forestry Administration (SFA), in the first half of 2017 the total output value of China's forest industry rose 7.4% to RMB 2.77 trillion. The total value of China's foreign trade in wood product rose 11% to US$71 billion.

The increase has been put down to recent policy changes which promoted the national forestry and forest industries. In the first half of 2017, in compliance with the 13th Five-Year Plan for Forest Industry Development, regional plans have been released by 11 national departments.

National policies promote optimising the structure and productive capacity of enterprises in the sector. In the forestry sector an emphasis has been placed on forest tourism. In the first half of 2017 the numbers of tourist visiting forest areas rose 17% to 700 million and this generated an income of around RMB550 billion.

In the second half of 2017 the SFA will continue to accelerate the development of the wood processing industries through providing macro-economic guidance and support.

In addition, timber industry demonstration zones for leading enterprises will be further promoted. In terms of specific measures, the SFA will speed up the establishment of the national forestry industry investment fund and the so-called emerging forestry strategic industries development fund projects.

The SFA will promote the establishment of China forest products exchanges, tackle negative market access issues, launch a national timber/environmental product development project and strengthen major forest products brand development.

Timber transportation from Manzhouli

A train with 3,500 cubic metres of timber recently made its first trip from Manzhouli Station directly to Jiangxi Ganzhou Station. Imported timber from Russia can now be transported directly to Jiangxi, Ganzhou. Point to point the train takes about 3 days from Manzhouli to Ganzhou, around half the time taken by trucks and at a much lower cost.

It is anticipated that timber from Manzhouli will eventually be transported by train to Shandong paving the way for Russian timber to cost effectively reach inland and coastal China. Transport by train has the added advantage that delivery schedules can more accurately be established, an issue that has caused confusion when trck transport has been used.

Trends in China's domestic demand for wooden flooring

The demand for wooden flooring in China has increased in recent years to become a significant market for producers. However, the development of the domestic market for wooden flooring has been hampered by a persistent shortage of timber raw material for manufacturing and this has led to sharp price increases in the domestic market.

Analysts in China have assessed the likely future trends in China's domestic flooring market.

Development, research and innovation

Many enterprises have begun to manufacture wooden flooring utilising new materials and are promoting their products as environmentally-friendly, comfortability and suitable for recycling.

Popularity of formaldehyde free flooring

Formaldehyde free flooring is becoming increasingly demanded and the importance of this will grow.

Promotion of bamboo flooring

As a renewable resource, timber and bamboo grow fast and can be manufactured into first rate flooring. Currently bamboo flooring is not very popular because of a lack of consumer awareness and weak promotion efforts.

Qulaity

Chinese consumers have expressed concerns over cracking and mould growth, problems that arise if the flooring is inadequately dried and processed. This is a technical issue that can be overcome and efforts are needed on promotion.

Rise in prices for wood panel

The authorities in China are working to improve air quality through monitoring and control of industrial enterprises.

Currently, inspection teams from the Ministry of Environmental Protection have been assigned to Beijing and Tianjin and 26 other cities in Hebei, Shandong, Shanxi and Henan Provinces.

Inspection and monitoring will be carried out in each city during 2017 according to information provided in the Air Pollution Prevention and Supervision Scheme. Inspections of wood based panel producers are underway and the sector is expected to undergo a major transformation as it moves to meet national environment standards and realise green development.

The downside to the strict environmental regulations is that panel prices have started to rise as factory output falls and as some factories are forced to close.

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	28000-40000

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	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

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

Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Europe

Tropical wood continues to lose share in European flooring market

European consumption of real wood flooring (i.e. excluding laminates) remains flat and the role of tropical timber in this sector is declining. This is apparent from combined analysis of Eurostat trade data and the latest market report by the FEP (European Federation of the Parquet Industry) released on 16 June 2017 at the Federation’s annual general meeting in Budapest, Hungary.

Prior to the global financial crises, nearly 20 million sq.m of the 100 million sq.m of real wood flooring manufactured in Europe was faced with tropical hardwood. Another 20 million sq.m was imported directly from the tropics.

However, in the last decade a host of factors have conspired to drastically reduce the role of tropical wood in this sector, including the shift to engineered flooring products, intense competition from Eastern European and Chinese manufacturers for market share, a progressive switch to oak at the expense of all other hardwoods, a glut in supply of cheaper laminates and non-wood alternatives, the development of new and improved look-alike surfaces, and an increasing focus on legality due diligence and certification.

Drawing on information from member companies and affiliated national associations, FEP provides detailed data on real wood consumption and production in 16 European countries covered by the FEP.

This data shows that consumption increased 1.7% in 2016 to 77 million sq.m in the 16 FEP countries, building on a 0.5% gain in 2016. It also shows that production in these countries increased 2.5% to 65.6 million sq.m, with notable gains in Poland, Sweden, Austria, Germany, France and Spain (Chart 1).

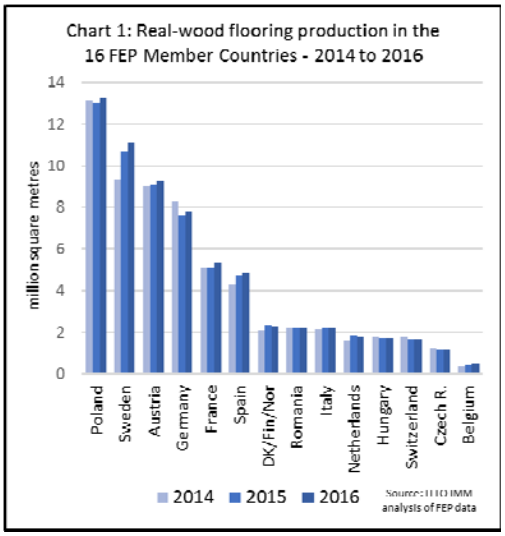


Chart 1: Real-wood flooring production in the 16 FEP Member Countries - 2014 to 2016

According to FEP, in 2016 multilayer parquet floors accounted for 80% of wood floors manufactured in the 16 FEP countries, up from 79% in 2015 (the majority comprising three-layer parquet). Solid wood flooring accounted for 18% of production, down from 19% in 2015, while mosaic accounted for 2%.

Data in the FEP annual report also indicates that total real-wood flooring production in the EU28 as a whole increased 2.4% from 76.9 million sq.m in 2015 to 78.7 million sq.m in 2016.

Combining this with Eurostat trade data, which shows a 3.9% decline in imports and a 5.5% rise in exports by the EU in 2016, consumption within the trading block appears to have declined slightly, by 0.5%, during the year (Chart 2).

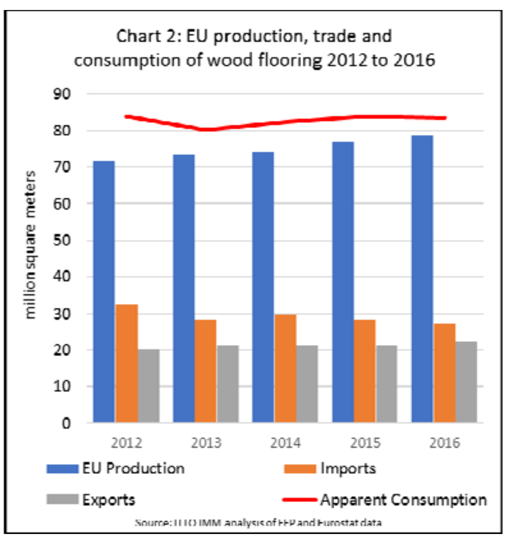


Chart 2: EU production, trade and consumption of wood flooring 2012 to 2016

The combination of FEP and Eurostat data shows that the share of all real-wood flooring supplied into the EU single market by domestic manufacturers was 74.4% in 2016, up from 73.2% in 2015 and from 68.6% in 2012.

This analysis confirms that external suppliers into the EU continue to lose share in the wood flooring sector. Eurostat data also reveals that, amongst external suppliers to the EU, tropical countries are rapidly losing share to temperate countries.

EU28 imports of real wood flooring from the tropics declined 18% to 3.46 million sq.m in 2016. Imports from China also fell in 2016, by 8% to 15.9 million sq.m.

In contrast, imports from Ukraine increased 28% to 3.99 million sq.m, 21% from Switzerland to 1.28 million sq.m and 25% to 1.2 million sq.m from Bosnia. The continuous shift away from tropical suppliers of real-wood flooring is made apparent in Chart 3.

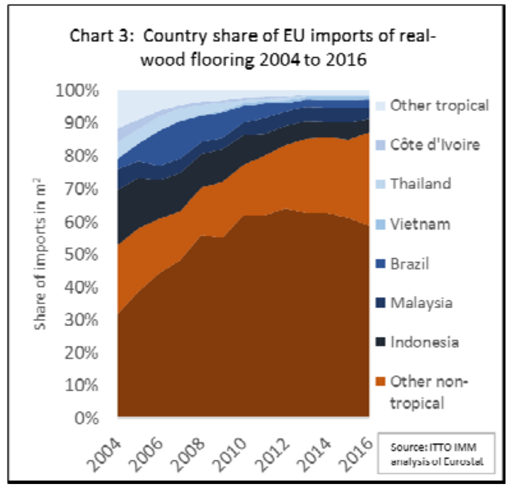
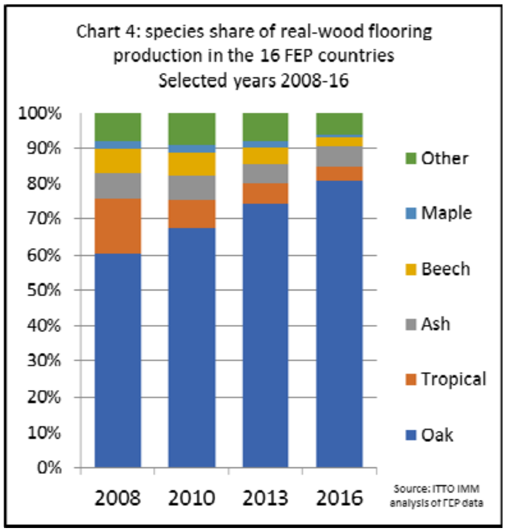


Chart 3: Country share of EU imports of real-wood flooring 2004 to 2016

FEP data highlights the increasing reliance on oak in the EU wood flooring sector, a factor which is both a result of, and serves to reinforce, the dominance of domestic suppliers in the EU market. The share of oak surfaces in European real-wood flooring production increased from 77.7% in 2015 to 80.8% in 2016.

Meanwhile the share of tropical timber fell from 4.5% to only 4.1%. Beech also fell from 3.8% to 2.5% and maple from 1% to 0.6%. In fact, the only timber other than oak to increase share was ash, rising from 5.6% in 2015 to 5.7% in 2016, mainly because it is regarded as a cheap oak substitute. (Chart 4).



The dominance of oak in flooring and the wider market for interior furnishings is now acknowledged to be a serious problem for the European hardwood sector. FEP observed in their annual report that "the growing shortage of oak as primary raw material source remains a major concern and has to be stressed once again".

Similarly, the American Hardwood Export Council (AHEC) in their report of the Interzum show in Cologne, Germany, during May noted that "for some importers, oak (mostly from European sources) has increased from 50-60% of their hardwood business to 80% or more in recent years. Most of the hardwood traders AHEC spoke to expressed concern about the unhealthy nature of the situation and would like to see more demand for other species".

Laminates share of European flooring sector on the rise

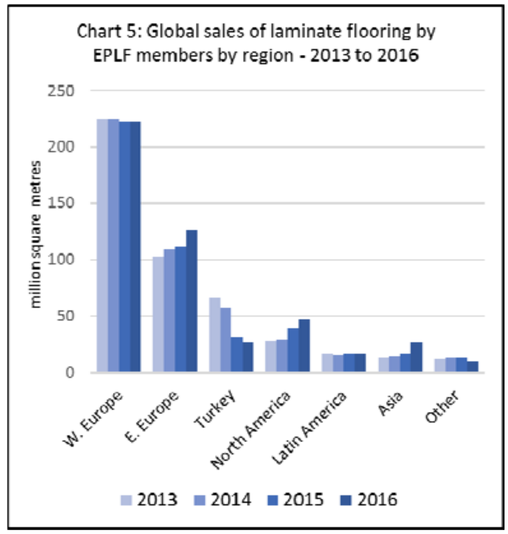
Another issue touched on in the FEP report is the challenge for real wood flooring from laminates and non-wood substitutes. The sheer scale of this challenge was made clear from data published in May 2017 for the Annual General Meeting (AGM) of the Federation for European Producers of Laminate Flooring (EPLF).

Laminate flooring composed of HDF with a high resolution printed image and embossed to provide texture has been substituting for hardwood flooring now for well over a decade.

However, the surface finishes continue to improve and have become so convincing that, as the FEP comments; "it is becoming increasingly difficult for consumers to differentiate parquet from competitive flooring alternatives with a wood look surface."

In contrast to the generally static market for real wood flooring, EPLF members reported a 5.5% increase in sales in 2017. Sales by European laminate manufacturers, at 477 million sq.m last year, now dwarf those of the real wood flooring sector.

While EPLF members sales in Western Europe increased by only 0.5% in 2016, to 223 million m2, they increased 14% to 126 million m2 in Eastern Europe, with strong growth in Poland (+11%), Russia (+17%), Ukraine (+20%) and Romania (+27%). (Chart 5).



European panels sector creates challenges for tropical wood

Of the wide range of panel products used in Europe, only plywood is sourced in any volume from outside the region. For this reason, the wood panels sector in Europe is mainly of interest to tropical countries for the important role it has played to drive development of tropical wood substitutes.

In addition to the competition to hardwood flooring from HDF-based laminate flooring referred to in the previous section, OSB is an important competitor for construction plywood while MDF has taken a rising share of the EU interior decorative mouldings market, often replacing lighter tropical hardwoods such as wawa/ayous.

The EU panels sector also remains a key source of innovation in the international forest products sector and continues to extend applications into new areas, often at the expense of tropical wood products.

For example, a new process launched in 2011 to acetylate MDF has created a product that can be used for exterior applications, with a 50-year guarantee above ground and 25 years in ground, which now competes directly with tropical hardwood products in exterior applications.

A less direct impact of the European panels sector on the tropical wood trade, but perhaps just as important, is the central role it plays to promote the wider sustainability agenda in European market.

As a product based on wood fibre either from certified forests in Europe or from off-cuts and other waste material, Europe's panel manufacturers have had a strong incentive to promote the FSC and PEFC labels.

They have also been at the heart of European policy initiatives to improve waste efficiency and promote the circular economy and cascaded use of wood.

All these various themes were featured at the European Panel Federation (EPF) AGM held in Porto, Portugal, on 29/30 June 2017. The EPF is one of the more influential wood industry associations in Europe. The organisation represents members in 25 countries including the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The industry has an annual turnover of about 22 billion Euros, employs over 100,000 people directly and includes more than 5,000 enterprises in Europe.

In a review of the industry delivered to the event, the EPF Managing Director reported that production in European wood-based panels continued to recover slowly from the downturn following the global financial crises.

Total production increased by 1.8% in 2016, to 55.6 million cu.m, still well below the level in excess of 70 million cu.m recorded in 2008 before the global financial crises.

Production increased in 2016 across all the main product categories including particleboard (+0.8% to 30.2 million cu.m), MDF (+2.0% to 12 million cu.m), OSB (+6.9% to 5.4 million cu.m), softboard (+4% to 4.6 million cu.m), and plywood (+2.5% to 2.9 million cu.m).
The only panel for which production did not increase in 2016 was hardboard which declined 5.6% to 0.5 million cu.m.

At the AGM, members of the EPF endorsed priority areas for future action to strengthen the market for European panels and secure the future of the association:

E1 Compulsory – to seek EU legislation that endorses the E1 standard for formaldehyde emissions as the minimum requirement for panels placed on the EU market (E1 adhesives are required to have less than 0.75 formaldehyde parts per million).

New Standard – to lead a project to define a single low formaldehyde emission standard to arrest the proliferation of different limit levels around the world and to facilitate trade.

Image – to profile the wood-based panels industry as a leader in Europe's drive towards a circular economy and resource efficiency, especially focusing on the Cascade Use of Wood and its benefits.

Construction – to increase the use of wood-based panels in construction, thereby growing the market whilst helping to mitigate climate change due to wood's carbon storage qualities.

Africa – to share European experience of the production, certification and marketing of wood-based panels with the leaders of this growing market, thereby becoming a future reference point.

Communications – to develop a new communications model, including a new website, to bring EPF's messages and activities to members, internal and external stakeholders, and to the general public.
Certification – to add the voice of EPF members to the call for wood to come from certified and sustainable sources, with no associated unnecessary bureaucracy and cost.

Biomass – existing industries to be safeguarded via a level playing field, free from market distortions, allowing the EU's Circular Economy and Renewable Energy Directive to work in harmony.

Federations – EPF to maintain and increase its profile towards EU and national institutions working with members, related wood-working industry federations and NGOs.

Safe Finances – to achieve all of the above within a balanced budget, ensuring the member contributions and additional income cover expenses.

Acetylated wood strives to gain European market foothold

The latest financial report of Accsys Technologies plc suggests that acetylated wood, often cited as a competitor to tropical wood in high exposure applications, is making slow headway in the European market. The Dutch-based modified wood producer recorded an 18% sales volume increase in the year ended March 31, 2017, but also a loss before tax of €4.4m (2016: €0.5m loss).

The 18% sales growth of Accoya acetylated wood saw volumes increase to 39,790 m3 in the year, with a 31% rise in the second half of the period. Sales by Medite of Tricoya panels increased by 32% to 5,806 m3 last year.

Given the level of ambition for the accoya and tricoya products, these volumes are still quite restricted. Accsys claims that the potential market for Accoya and Tricoya exceeds 2.6 million m3 annually – a very large figure which implies the company has ambitions to capture a large share of the existing European market for timber in external applications and to expand into other regions.

Accsys observes that "Accoya captures the market share in those applications which require rot, insect and water resistance, i.e. primarily outdoor products. The Group is focused on the higher-value end of these applications, where the dual qualities of durability and dimensional stability offered by Accoya are most highly valued."

Target applications for Accoya include windows, doors, decking and cladding and for Tricoya include facades and cladding, soffits and eaves, exterior joinery, wet interiors, door skins, flooring, signage and marine uses.

ATIBT planning one-stop tropical wood website

The ATIBT (International Tropical Timber Technical Association) is building a one-stop website giving performance and other use and specification data for tropical timber species. This complements the ITTO LUS species database launched in 2015.

See: http://www.tropicaltimber.info/

The organisation, which has won support for the initiative as a project of the Sustainable Tropical Timber Coalition (STTC), says the goal is to make it easier for the trade to sell tropical hardwood, and for end users and specifiers to select the right material for the job. The aim is also to broaden application of tropical wood by increasing market confidence in using it in more areas and more ambitious projects.

ATIBT has asked national European trade federations to back the site, to support translation and provide 'catalogues' of popular species in their market. Most have agreed.

The site is modelled on www.boistropicaux.org, which is operated by French trade association Le Commerce du Bois.

The ATIBT site will incorporate pictures of species and applications, underpinned with technical specification data from the Tropix database of French-based agricultural research organisation CIRAD.

The new facility will also provide links to complementary online sources, including the joint ETTF/ATIBT www.timbertradeportal.com legality assurance and business link website, which is sponsored by ITTO, and the species specification guide at www.houtdatabase.nl .

The new ATIBT site should be complete by the end of July.

North America

US ipe imports remain strong

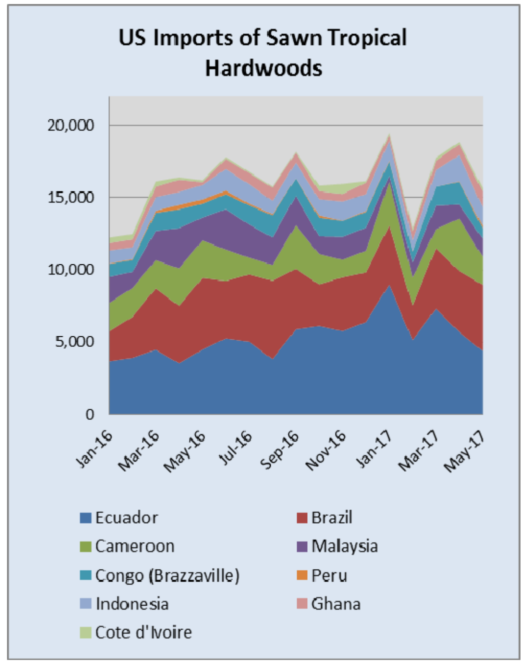
The US imported 66,772 cu.m. of sawn temperate and tropical hardwood in May, down 19% from April. The value of imports declined by 9% to US$42.0 million.

Tropical sawn hardwood imports decreased 14% from April to 19,170 cu.m. The value of tropical imports was US$21.3 million and accounted for just over half of all US sawn hardwood imports in May. The year-to-date volume of imports was up 13% compared to May 2016.

Imports of most major tropical species were down in May with the exception of ipe (3,640 cu.m.), keruing (1,119 cu.m.) and mahogany (698 cu.m.). Sapelli sawnwood imports almost halved from April to 2,176 cu.m., but year-to-date imports were higher than in May 2016.

US imports from Brazil increased to 4,586 cu.m. in May, mainly due to higher ipe imports. Over 3,000 cu.m. of ipe worth US$6.9 million were sold to the US market in May.

Indonesia and Malaysia each exported around 1,260 cu.m. of sawnwood to the US in May. Keruing and meranti imports from Malaysia increased from the previous month, while imports from Indonesia declined. Imports from Cameroon fell to 1,930 cu.m. in May due to lower volumes of sapelli and acajou d'Afrique.



Source: US Department of Commerce, Foreign Trade Statistics

Cameroon expands sapelli sawnwood exports to Canada

Canadian imports of tropical sawnwood were worth USUS$2.18 million in May, up 12% from April. Year-to-date imports increased 5% from May 2016.

The import growth was almost entirely in sapelli sawnwood. While US imports of sapelli were down, Canadian sapelli imports more than doubled from April to USUS$783,259. Cameroon was the main source of sapelli imports at USUS$675,939. The remainder of the sapelli came to Canada via the US.

The second-largest import was virola, imbuia and balsa combined, imported mainly from the US and a smaller share from Brazil. No balsa sawnwood was imported directly from Ecuador in May.

Canadian mahogany imports increased significantly in May to USUS$145,435. The mahogany sawnwood came from Mexico, Brazil and Cameroon.

Canada raises interest rates

Following the US Federal Reserve's interest rate hike in June, Canada's central bank raised its rate for the first time in seven years. The overnight lending rate was raised from 0.5% to 0.75%.

The central bank is optimistic about the Canadian economy, which suffered after the oil price plunged in 2014 and 2015. Business investments, employment and Canadian exports are up despite uncertainty around trade negotiations with the US, including on sawn softwood.

The IMF's latest assessment of Canada's economy warned of significant risks to Canada's economy, including a sharp downturn in the housing market, high household debt, US protectionism and a further decline in oil prices.

Preliminary anti-dumpting duties announced for Chinese hardwood plywood

In June the US Department of Commerce announced its affirmative preliminary determination in the antidumping duty investigation of imports of hardwood plywood from China.

The preliminary antidumping rates are 114.72% for Shandong Dongfang Bayley Wood Co. Ltd., no duties for Linyi Chengen Import and Export Co. Ltd., 57.36% for the non-selected respondents eligible for a separate rate, and 114.72% for all other producers and exporters in China. Cash deposits based on these preliminary rates are now required, except for Linyi Chengen Import and Export Co. Ltd.

The petitioners for the antidumping investigation are six US hardwood plywood producers who form the Coalition for Fair Trade in Hardwood Plywood. The American Alliance for Hardwood Plywood criticized the duties, their effect on American jobs, and the method by which the duties were calculated. The Alliance represents American importers, distributors and manufacturers of hardwood plywood, along with other US companies.

In 2012 an investigation into dumping to hardwood plywood from China was terminated. The termination was appealed by the Coalition, but a federal judge upheld the decision.

EPA withdraws formaldehyde emission rule for extended compliance dates

The Environmental Protection Agency (EPA) has withdrawn a rule that would have extended several dates for wood composite producers to comply with formaldehyde emission standards for composite wood products.

The EPA had published the compliance extension rule in May, but after receiving negative feedback from industry the rule was withdrawn in July. The original, tighter compliance dates published in the December 2016 final rule on formaldehyde emissions will remain in effect.

The EPA also published a rule in July that would remove a provision prohibiting early labeling of products compliant with the formaldehyde emission standards.

The proposed rule would allow companies to voluntarily label standard-compliant products as soon as compliance is achieved. The rule will become effective in August, unless negative feedback is received during the public comment period.

https://www.epa.gov/formaldehyde/formaldehyde-emission-standards-composite-wood-products

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.

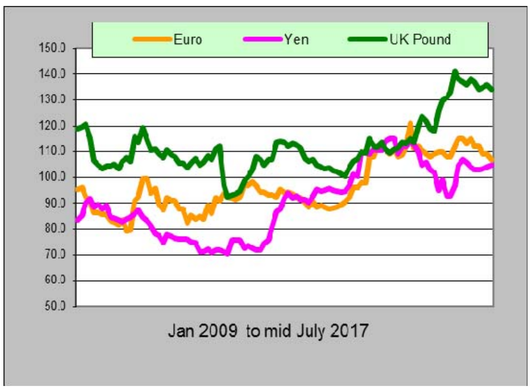
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

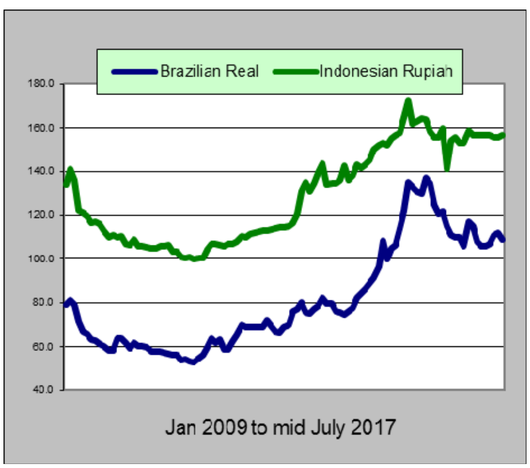
Dollar Exchange Rates

As of 12 July 2017

Brazil	Real	3.2076
CFA countries	CFA Franc	572.94
China	Yuan	6.7878
EU	Euro	0.8762
India	Rupee	64.45
Indonesia	Rupiah	13332
Japan	Yen	113.17
Malaysia	Ringgit	4.2935
Peru	New Sol	3.2515
UK	Pound	0.7762
South Korea	Won	1133.32

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, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

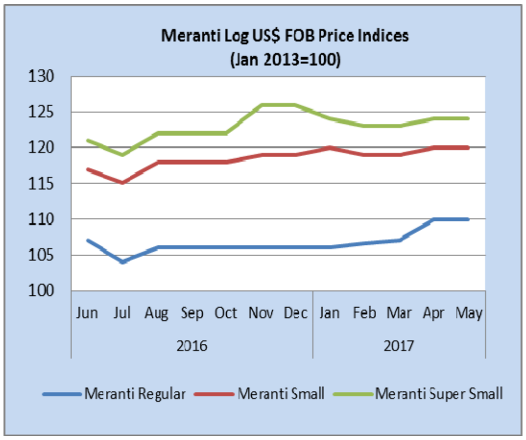
Baltic Supramax Index
August 2016 – mid July 2017

Data source: Open Financial Data Project

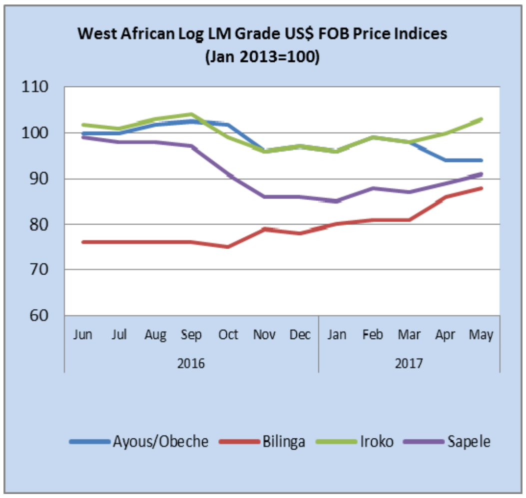
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

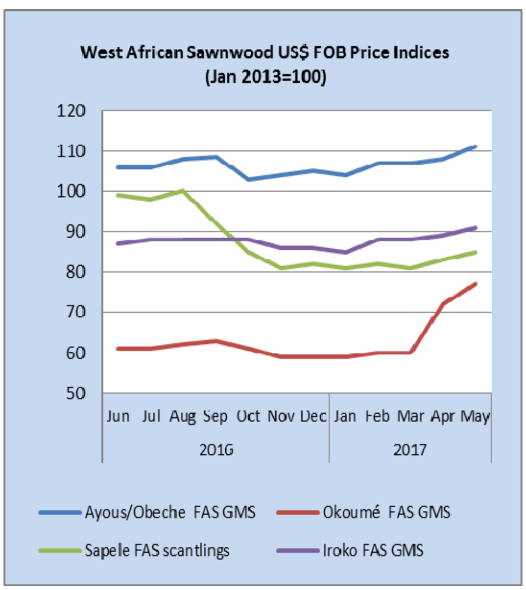
Price indices for selected products

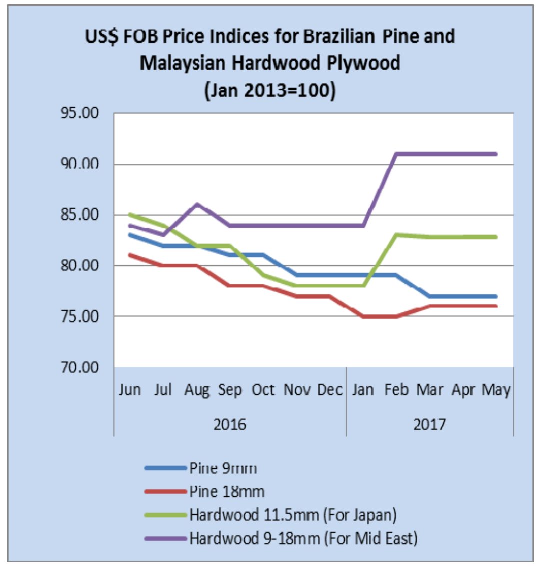
The following indices are based on US dollar FOB prices

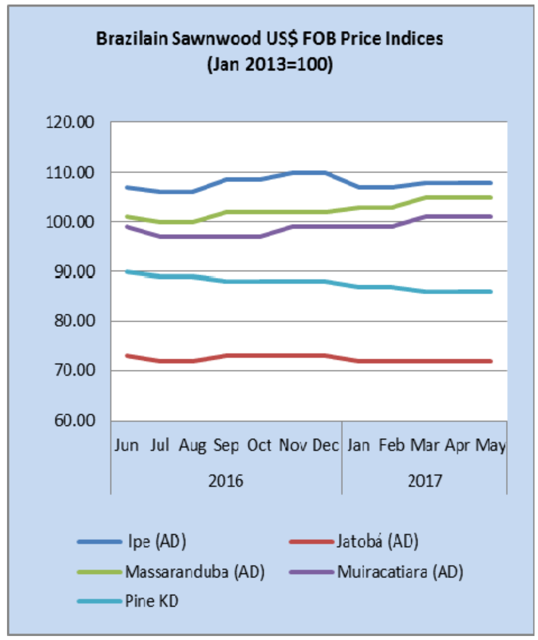


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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