Tropical Timber Market Report

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Top Story

Tight supply of Vietnamese plywood

The supply of Vietnamese eucalyptus plywood for crating is becoming tight says the Japan Lumber Reports (JLR).

In Vietnam, construction of large plywood mills by Chinese companies continues. These plants purchase large volumes of eucalyptus veneer so plants manufacturing for the Japanese market are finding it difficult to secure raw materials.

Prices for Vietnamese plywood have climbed as high as US$310 per cu.m C&F and further increases are anticipated. This price is too much for the market in Japan says the JLR.

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Central and West Africa

Prospects improving FOB price increases

Producers in West and Central Africa are generally optimistic that the present stable market conditions will be maintained through the third quarter. The improving demand could deliver an opportunity for FOB prices increase especially for the favoured species such as okoume.

Okume sawnwood is currently in high demand in almost every market sector except Europe. A major okoume plywood manufacturer in Gabon has plans to increase production now that it has a more secure supply of peeler logs, an arrangement brokered by OLAM with Rougier.

As of mid June there was no news of how the Gabon government will address the sale of kevazingo logs and sawnwood. The kevazingo harvesting ban remains in place.

Firm demand for slabs and large sections

The trade in slabs and large sections is particularly good with' bois diverse' (okan, bilinga, gheombi and andoung) slabs in high demand. There is also strong interest in dabema merchantable grade. Indicative prices are as follows

200x200mm, 5-6 metre length at euro 350 per cu.m
150x150mm, 5–6 metre length at euro 320 per cu.m
100x150/200mm, 5–6 metre length at euro 320 per cu.m

Belli merchantable grade (50mm thickness x random width) is trading at euro 620 per cu.m.

Shippers in Cameroon struggling to get buyers to absorb raised export duties

Efforts by Cameroon government are being made to address what analysts call the chaos at Douala Port. The news is that a review will be made of operations at both Douala and Kribi Ports.

In other news from Cameroon, the abrupt increase in Customs charges which producers are trying to pass on to buyers is a major issue. This attempt to raise prices has not been well received by buyers but so far the level of trade does not seem to have been affected. Rumours continue to circulate that exporters are declaring lower grade logs in order to reduce Customs export charges.

Business is good in Middle East but shipping problems remain an issue

Producers report that business in Middle East countries is good and prices firm but say it is becoming increasingly difficulty to arrange freight from West Africa to Middle East countries.

This may be related to the severe problems at Douala Port where ships can face delays of up to 14 days. It is likely to take some time before the management and infrastructure problems at Douala will be solved. One serious problem is that extensive dredging of the port is necessary.

Exporters say there is demand now developing in North African countries such as Tunisia, Libya, Morocco and Egypt with sawn ayous and some of the denser species being favoured.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	170
Ayous/Obeche/Wawa	275	265	245
Azobe & Ekki	275	275	-
Belli	390	390	-
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	245	24%	-
Padouk	340	295	245
Sapele	310	300	245
Sipo/Utile	335	315	245
Tali	405	400	-

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	900
FAS scantlings	1020
Strips	640
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

Q1 2018 exports at year on year high

The volume of wood products exported from Ghana in the first quarter of 2018 amounted to 72,533 cu.m, 18% higher than in the corresponding quarter in 2017. The revenue earned was Euro51.48 million, also a significant increase of 30% over that in the first quarter of 2017.

The major drivers of this positive growth were exports of air and kiln dried sawnwood, plywood to regional markets, rotary veneer, curl veneer, billets and dowels.

2017 and 2018 first quarter exports

	2017 cu.m	2018 cu.m	% change
AD sawnwood	45,690	56,734	24
KD sawnwood	9,993	10,389	4
Plywood	4,547	4,657	2.5
Rotary Veneer	1,042	1,293	2.4
Curl veneer	1	2	na
Billets	3,801	8,459	123
Dowels	30	55	83
Others	7,429	4,231	-43
Total	**72,533**	**85,820**	**18**

Source: TIDD

The group 'Other" wood products in the table above include air-dried boules, kiln-dried boules and poles which there were exports in 2017 but not in the first quarter of 2018. On the other hand, there were no exports of furniture parts in the first quarter of 2017 but a cumulative total of 324 cubic metres was exported in the first quarter of 2018.

The most popular species exported included teak (52%), rosewood (9%), papao/apa (7%), ceiba (6%) and wawa(5%).

Together, China and India accounted for 78% to continue to be the leading market destination in the first quarter of this year, with African regional markets at 7% after Europe at 10%.

Average unit prices for wood products increased from Euro 546/cu.m in the first quarter of 2017 to Euro 600/cu.m in the first quarter of 2018.

Reafforestation received massive support

The Ghana government has embarked on an extensive reforestation drive across the country. The government has committed over GH¢300 million through the Forestry Commission and the Youth Employment Authority to fund a programme for the youth to plant trees across the country over a two-year period.

The programme will begin in June and will employ around 5,000 young people. The Chief Executive of the Forestry Commission, Mr. Kwadwo Owusu Afriyie, has been commended for initiating this youth reforestation programme.

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	580
Niangon Kiln dry	630

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3 CORE (1-1.9 mm)	Euro per m^3 FACE (>2mm)
Ceiba	332⬆	450
Chenchen	348⬇	505
Ogea	473	596
Essa	546⬆	525
Ofram	350	406

NB: Thickness

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Arormosia	-
Asanfina	1,098
Avodire	1,177
Chenchen	794⬆
Mahogany	2,437⬆
Makore	941⬆
Odum	1,417⬇

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m^3 Ceiba	Ofram	Asanfina
4mm	378	640	641
6mm	396	535	626
9mm	358⬆	446	560
12mm	470	463	480
15mm	450	400⬇	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m^3 Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	490	564
Ceiba	240	195
Dahoma	414	530
Edinam (mixed redwood)	520	599
Emeri	490⬆	564⬆
African mahogany (Ivorensis)	843	1052⬆
Makore	775	975
Niangon	530⬇	675
Odum	918	946⬆
Sapele	700	791⬆
Wawa 1C & Select	360	482⬆

Malaysia

Return to previous tax regime could lower production costs for furniture makers

The president of the Malaysian Furniture Council (MFC) has said the repeal of the Goods and Services Tax (GST) and the re-introduction of the Sales and Services Tax (SST) will not unduly impact the domestic furniture industry as exports are not taxed under the SST.

In terms of domestic demand, if the SST is reintroduced at 10% then there would be little change in retail prices for furniture. The up-side to the return to the previous tax regime is that production costs could fall as the SST is not applied to labour inputs.

The MFC expects Malaysia's furniture exports to expand around 5% from the RM10.14 billion recorded in 2017 on the back of firming demand in the US, China and the Philippines.

According to data from the Malaysia External Trade Development Corporation, the US remained the main furniture export market in the first four months of this year. In the same period furniture exports to China jumped over 50% year on year to RM92 million.

Concern for finances of Sabah logging companies due to log export ban

Sabah has imposed an interim ban on log exports and sacrificed a major source of income to ensure the domestic market enjoy adequate raw material supply. Mohd Shafie Apdal, Sabah Chief Minister, said the log export ban announced recently is temporary as a review will be undertaken to examine the logging and processing sectors.

Deputy Chief Minister and Industry and Trade Minister, Wilfred Madius Tangau, said the State Cabinet will examine how best to help local industries and create jobs for Sabahans while ensuring logging firms do not incur huge losses because of the ban.

The Sabah forest sector contributed around 7% of total State income in 2016 and earned just over RM2 billion from wood product exports. Analysts write "the wood-based industry in the State is dominated by primary processing mills many of which are operating well below capacity due to the shortage of logs".

The number of mills in Sabah has been steadily falling from nearly 400 in 2015 to below 200 in 2016 when the latest review was conducted.

Major plymill switching to plantation logs

Ta An, one of the main timber companies in Sarawak, has announced it will increase harvests of plantation logs to supply its plywood mill. Ta An has just over 35,000ha of plantations, mainly Acacia mangium, of which 22,000 ha are over 10 years old and can be harvested.

On prospects for 2018, Ta An expects higher demand for plywood in Japan especially for certified products. Last year over 90% of Ta An's plywood was shipped to Japan.

Indonesia

Indonesia and FAO to strengthen SVLK

The Ministry of Environment and Forestry and FAO will work together to help local enterprises cope with the requirements of the national timber legality assurance system (Sistem Verifikasi Legalitas Kayu-SVLK).

An agreement for a FAO-EU Forest Law Enforcement, Governance, and Trade (FLEGT) programme has been signed by the Director of Forest Product Processing and Marketing in the Ministry of Environment and Forestry and FAO's representative in Indonesia.

The agreement outlines how grants will be processed and made available to finance work by government institutions, the private sector associations and civil society organizations. The aim is to provide capacity building to stakeholders especially SMEs.

Export markets for V-Legal and FLEGT Licensed wood products January-June 2018

	V-legal licenses	Weight tonnes	FOB 000's US$
Asia	51.231	5,151,812	4,087,110
N. America	19.2	375,674	926,245
EU	19.521	297,519	702,013
Oceania	5.731	123,640	208,756
Africa	2.777	401,916	173,888
S. America	471	15,363	16,401
Other EU	478	8,643	13,862

Source: http://silk.dephut.go.id/index.php

EU and Indonesia launch EU-Indonesia 'Blue Book 2018'

Indonesia and the EU recently launched the EU-Indonesia 'Blue Book 2018', an annual report of development cooperation between the European Union and Indonesia. Analysts write that "the theme of the 'Blue Book 2018' is Climate Change which reflects Indonesia's and the EU's commitment to addressing the negative impacts of climate change."

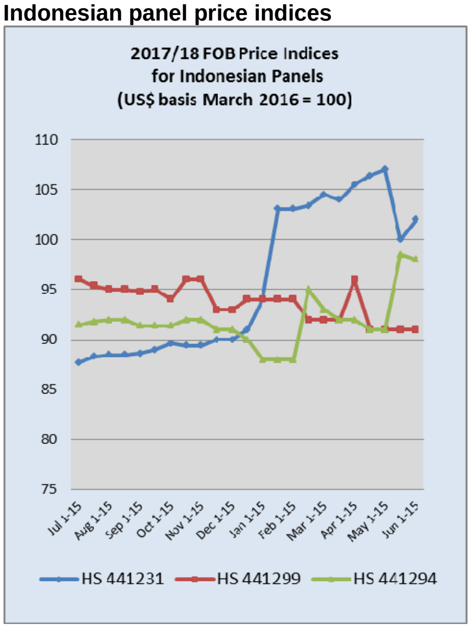
A press release from the EU says "The EU has been supporting several initiatives in Indonesia at the national and sub-national level in transforming the development approach and reducing the carbon footprint.

The EU Support to Climate Change Response (EUR 6.49 million) project supporting Aceh Province has introduced the practice of climate-smart and dynamic agroforestry for degraded land, conducted in-depth studies on renewable energy and on carbon-rich peatland protection and has successfully developed innovative mechanisms at district level for payment for ecosystem services tailored for environmental protection and forest conservation by utilising a Village Fund.

At the national level, the project developed the Capacity Building and Technology Needs Assessment (CBTNA) to gather, evaluate, prioritise, and update information on capacity building and technology needs for reaching climate change targets set out in the Paris Agreement ratified by Indonesia. At the provincial level, the project supported the "Greening" of the Provincial Development Plans (RPJMD) to reflect climate change commitments and targets in the official planning and budgeting framework governing provincial policies of the next five years."

For more see:
https://eeas.europa.eu/delegations/indonesia/45119/eu-and-indonesia-highlight-cooperation-climate-change-and-environment_en

Indonesian panel price indices



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

Myanmar

Exporters overwhelmed by requests for documents verifying legality

Myanmar exporters to the EU are reporting that they are being asked to provide more and more documents to mitigate the risk of illegal timber entering the supply chain.

Exporters complain that they have been asked to provide all the documents described in a dossier compiled by the FLEGT Technical Advisor to the Forest Department.

This dossier, it is understood, illustrates to importers how records are kept along the entire supply chain from harvest to port of exit. The intention behind the dossier was to explain what documents are produced throughout the supply chain.

Barber Cho, Secretary of Myanmar Forest Certification Committee, explained that the purpose of the dossier is being misunderstood by EU Competent Authorities as it was not the intention that records of each step in the supply chain would be submitted to exporters. Cho pointed out that some of the documents mentioned are in support of credible traceability.

In related news, according to the Myanmar Timber Merchants Association, a 10-member delegation will visit Brussels this month to explain the current traceability and legality compliance system in Myanmar.

According to U Myo Min, the advisor to the association and a delegation member, the delegation will explain that the national traceability procedure consists 30 steps.

The delegation will comprise officials from Forest Department, Myanmar Timber Merchants Association, the FLEGT Technical Advisor and representatives from the private sector and civil society organisations.

Myanmar meets all LDC graduation criteria

Myanmar has met all three eligibility criteria for the first time to graduate from Least Developed Country (LDC) status according to the assessment mentioned in the recent Report of Committee for Development Policy (CDP) of the United Nations.

This was reported at a meeting of the United Nations Economic and Social Council, Committee for Development Policy held in March but the official notification was only recently released.

This is the very first time Myanmar meets all LDC graduation criteria since it was listed in LDC in 1987. If Myanmar continues to meet at least two out of the three criteria again in the 2021 Triennial Review by sustaining its current development momentum, it will pave the way for Myanmar to graduate from the LDC status in the following years.

World Bank - economy set to grow almost 7% next year

According to Ellen Goldstein, World Bank Director for Myanmar, the government's efforts to accelerate reforms and to modernise the financial sector could mean that the economy may grow almost 7% next year. This was made known at the launch of the latest Myanmar Economic Monitor that the medium term outlook for Myanmar remains positive despite some risks.

Goldstein praised the government's efforts to conclude the Myanmar Sustainable Development Plan which could serve as a platform for resolving conflicts that jeopardise sustained growth.

See:
http://www.worldbank.org/en/country/myanmar/publication/myanmar-economic-monitor-reports

June teak auction prices

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	23	4,509
SG-5	9.3	3,650
SG-6	23	2,770
SG-7	374	2,245

In addition to the regular open auction there was a Special Open sale in June at which 1,036 tons of low grade teak logs were sold at an average price of US$1,626 per H. ton.

India

Marayoor Forestry Department auctions 34 tons of sandalwood

The latest e-auction of sandalwood conducted by the Marayoor, Kerala Forestry Department earned Rs281.10 million from the sale of around 34 tonnes of sandalwood logs. Marayoor sandalwood is of high quality and is used in the international cosmetic and perfume industries.

There has been a visible decline in the illegal smuggling of sandalwood from the Marayoor forests with only nine cases prosecuted in 2017. Illegal felling is still common in private forests but has fallen in other areas following the successful control by the police and forestry officers.

For more see:[' Red sanders can be grown like any other crop' - The Hindu]

Plantation teak prices

Demand for imported logs continues unchanged but imports are still affected by the withdrawal of credit facilities. Another factor impacting imports has been the weakness of the rupee.

The rupee has fallen against the US dollar by around 5% over the past month making imports more expensive. Analysts write that "under these circumstances any rise in C&F prices is ruled out". The trade feels that the normal banking facilities could be restored by the end of July.

Plantation teak prices

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth

Locally sawn hardwood prices

Traders are under pressure from suppliers to raise prices but say this is not possible because of stiff competition amongst traders who are offering alternative timbers coming from Guyana and Gabon for example.

As is usual, consumers look at price and what is suitable for the enduses and are less inclined to follow tradition.

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

The consensus in the trade is that more and more end-users are moving away from using Myanmar teak as they find cheaper alternate species good enough for their purpose.

The trading patterns are changing with teak and gurjan slipping into the history book because of delivery issues and prices compared to alternatives.

Gurjan is being replaced by peeler quality logs from Guyana and imports of okoume veneers have encouraged some factories to switch completely over to new source.

Indian companies are expanding veneer production in Gabon. However, Indian endusers still equate red coloured veneer with strength which has driven some millers to using pigments to colour pale imported veneers.

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%) ex-warehouse 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

Domestic plywood update

As the prospects are for more rupee weakness which will drive up raw material costs millers are intending to raise plywood prices by between 5 to 10% from 1 July 2018.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	57.00
6mm	77.00
9mm	97.00
12mm	120.00
15mm	160.00
18mm	167.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	29.00	42.00
6mm	43.00	55.00
9mm	55.00	67.00
12mm	67.00	79.00
15mm	80.00	96.00
19mm	92.00	109.00
5mm Flexible ply	57.00	

Brazil

Furniture output shows healthy growth but below average in major furniture producing states

April was a good month for the Brazilian furniture industry. Output increased across the country. However, while the average national growth in output was 13.5% in comparison with April last year, in Paraná output expanded just 9% and in Rio Grande do Sul just 8%.

Between January and April this year, while national furniture production grew 10%, in Paraná it was only 7% and in Rio Grande do Sul only 5% year on year. Over the past 12 months the furniture industry across the country recorded an 11% increase in production.

Controlled price structures compromises competitiveness

The Center for Timber Producers and Exporters of Mato Grosso State (CIPEM) has warned the minimum prices for forest products set by the State Secretariat of Finance (SEFAZ-MT) through Administrative Ordinance “Portaria” Nº 052/2018, may compromise the commercial competitiveness of timber production of Mato Grosso state compared to other states.

To address this CIPEM has initiated a dialogue with SEFAZ-MT emphasising that the state government should consider the approach taken in other competing states saying, if the current structure is maintained there will be an increased risk of weakened competitiveness.

CIPEM requested and was granted a suspension of Portaria 052/2018 until a review can be conducted without any immediate change in the basis of the tax Circulation of Goods and Services). Forestry represents the main economic activity in 44 municipalities in the Mato Grosso State so disruption of industrial activity could undermine State revenues.

Growth of tropical timber exports

Carrefour International Du Bois, considered one of the largest wood products fairs, was held in late May and entrepreneurs from Mato Grosso State participated in search of new technologies and markets.

According to CIPEM local forestry sector entrepreneurs picked up many tips on trading in international markets. Encouragingly, it was learnt that global purchases of tropical wood products are expected to expand around 30% this year, well above the forecasts made by CIPEM at the beginning of this year.

Brazilian wood panels exports increase

Exports of Brazilian made wood-based panels in the first quarter of 2018 totaled US$73 million, an increase of 14% over the same period last year.

Between January and March of this year the main markets for woodbased panels were Latin America (11% increase, equivalent to US$39 million) and North America (21% increase, US$17 million).

In terms of volume, exports of woodbased panels totaled 308,000 cubic metres in the first quarter of this year, an increase of 8.5% over the same period in 2017.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	222
Jatoba	122
Massaranduba	124
Miiracatiara	125
Angelim Vermelho	117
Mixed redwood and white woods	102

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	931
Jatoba	461
Massaranduba	438
Muiracatiara	437
Angelim Vermelho	403
Mixed red and white	264
	219
Eucalyptus (AD)	159
Pine (AD)	185
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	585
10mm WBP	476
15mm WBP	404
4mm MR	462
10mm MR	338
15mm MR	312

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	250
15mm MDF	283

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1483
Jatoba	939
Massaranduba	846
Muiracatiara	819
Pine (KD)	196

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)	332
12mm C/CC (WBP)	314
15mm C/CC (WBP)	295
18mm C/CC (WBP)	292

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,628
	Jatoba	1,450

Source: STCP Data Bank

Peru

Imports of wooden furniture continue to decline

In the first quarter of 2018, Peru's imports of wooden furniture totalled US$11.7 million, a drop of 13% compared to the same period of last year.

Brazil was the main supplier at US$7.5 million which represented 68% of total furniture imports in the quarter. China followed at US$6 million then Chile at US$400,000.

Peru's main importers of wooden furniture in the first quarter were Sodimac, the home improvement chain of the Falabella Group, (US$4.3 million) then Homecenters Peruanos (under its banner Promart) at US$2 million. Consolidated imports of these two home improvement retailers accounted for 54.8% of the total wooden furniture imported to Peru.

Technology to fight deforestation in San Martín

Control and surveillance for an early warning of deforestation was boosted by a decision of the sixth meeting of the Regional Forestry Board convened by the Regional Environmental Authority (ARA) of San Martin to use drones.

This initiative will streamline monitoring efforts in areas that are under strong pressure from illegal loggers and will also be utilised in areas of timber and non-timber forest concessions.

A monitoring unit and geographic information system by Amazónicos por la Amazonia for surveillance in private and community conservation initiatives in San Martín was demonstrated thanks to the support of World Resources Institute.

ADEX - work of the forestry board will add value to Peruvian forests

The Minister of Agriculture and Irrigation, Gustavo Mostajo, has stressed the importance of encouraging the reform of the forestry sector to avoid unsustainable and illegal activities such as the cultivation of coca leaf and informal mining.

ADEX Vice President, Erik Fischer in supporting the Minister statement said the wood processing sector needs th support of many public institutions.

Mining companies ready to support reforestation

Representatives of commercial miners have expressed their willingness to continue supporting agricultural projects and reforestation in the areas where they operate. This was announced during the 1st Agrominera Convention that took place recently.

During the event, officials of mining companies and two regional governors commented on the coordination they have been carrying out for some years on self-sustainable projects related to agriculture and forest reforestation in the mountains of the country.

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)	205-217

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	979-1098
	Asian market	1085-1115
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

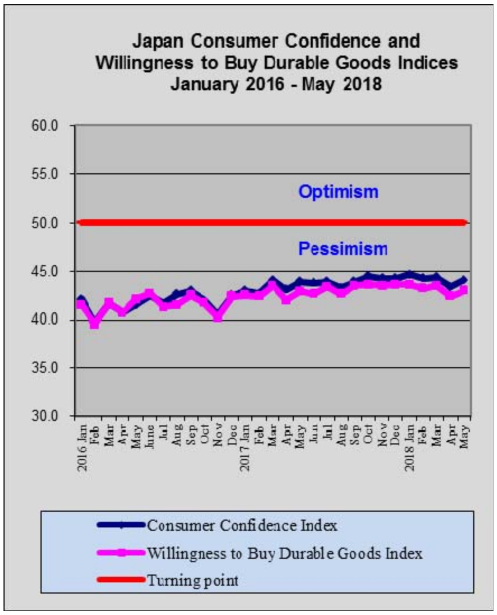
Japan

Risk of recession could be avoided if private consumption picks up

The economic contraction in the first quarter of this year brought to an end the eight consecutive quarters of growth, the longest sequence of growth since 1986.

Japan's GDP shrank 0.6% on an annualised basis in the first quarter, driven down by weak private consumption. If the second quarter data is also negative then Japan will be in a technical recession which will put more pressure on the already embattled prime minister. However, most analysts think recession can be avoided as the latest monthly data suggest consumption is picking up again as demand in the US and EU is firm.

On the downside, Japanese workers' inflation-adjusted real wages were unchanged in April from a year earlier putting arise consumer spending at risk. The April weakness follows a modest increase in real wages in March. This latest data will disappoint the Bank of Japan as it struggles to meet its 2% inflation target.

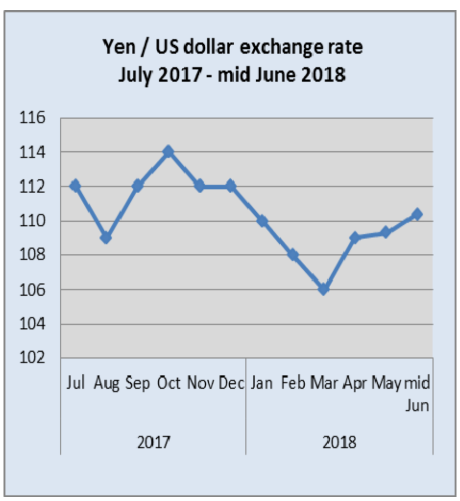


Data source: Cabinet Office, Japan

Domestic politics unsettling yen exchange rate

In mid-month and after the Trump/Kim summit the dollar strengthened against the yen rising from 109.70 to 110.30 as it became apparent the summit was a success. The US Federal Reserve raised interest rates for the second time this year in June and this gave the dollar a boost.

Analysts point out that the main risk to the yen is domestic politics as there appears to be a leadership battle looming because of recent scandals involving the prime minister. A change at the top of the ruling party may spell the end of 'Abenomics' the 'loose monetary policies that have kept held the yen down and boosted exports.



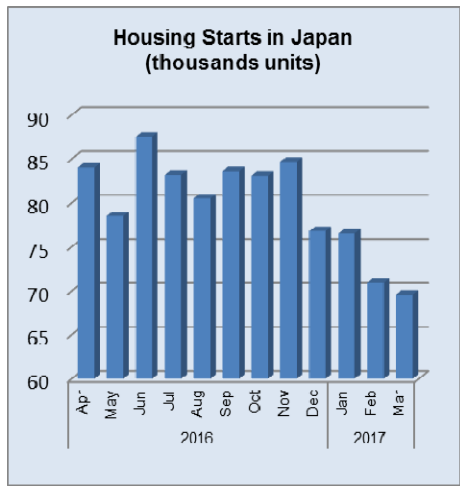
Boost to pre-owned home market

As new home prices in the main cities in Japan continue to rise more first time buyers are beginning to look at the less expensive pre-owned home market. For the last several years, the market for pre-existing homes in Tokyo has been expanding while growth in sales of new homes has been more subdued.

Buying a pre-owned home and arranging for renovations can be a difficult and risky. Until recently it was difficult to find specialists able to assess the structural integrity of old homes. This has now changed and could breathe new life into the pre-owned home market.

A consortium of the ten biggest Japanese housing developers in Japan have come together to form a 'Quality Housing Stock Association' and this offers a service to inspect and certify the quality of a pre-existing home. This service will give buyers more confidence in distinguishing good old properties from bad.

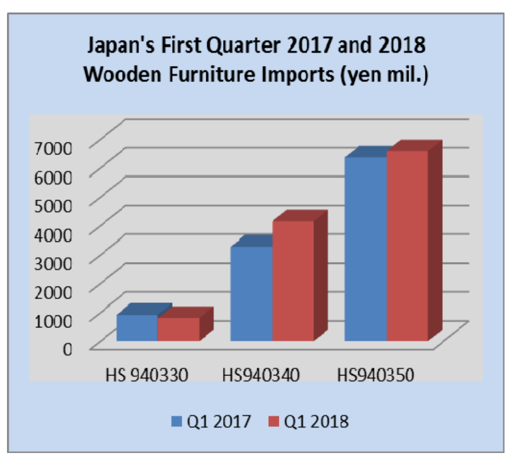
The Association announced last year that it would provide free defect insurance to consumers buying a pre-owned home built by one of its ten members. For five years after purchase, new owners will be eligible for up to 10 million yen in compensation to repair any major defect.



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

Furniture imports

In the first quarter of 2018 the value of imports of wooden kitchen and bedroom furniture was higher than in the first quarter of 2017. However, the value of wooden office furniture imports over the same period declined.



Data source: Ministry of Finance, Japan

As was the case in the first quarter of 2017, wooden office furniture imports accounted for around 8% of all wooden furniture imports followed by wooden kitchen furniture at around 30%. The main wooden furniture item imported into Japan is bedroom furniture which regularly accounts for around 60% of all wooden furniture imports.

Office furniture imports (HS 940330)

Since August 2017 the value of Japan's wooden office furniture imports (HS940330) have been slowly rising reflecting improving business confidence and corporate spending.

Office furniture imports

	Imports Mar 2018 Unit, 000's Yen
S. Korea	1011
China	123799
Taiwan P.o.C	9890
Vietnam	9227
Thailand	2398
Singapore	1516
Malaysia	8249
Indonesia	6061
Sweden	-
Denmark	1037
UK	428
France	1078
Germany	6795
Switzerland	-
Portugal	22307
Italy	11671
Poland	21343
Turkey	-
Lithuania	1860
Slovinia	-
Slovakia	3607
USA	26803
Mexico	3583
Total	262663

Data source: Ministry of Finance, Japan

The value of March 2018 imports were some 35% above the low in August 2017. March saw a sharp decline in shipments of wooden office furniture from China. In previous months shipments from China regularly accounted for around 70% of all wooden office furniture imports but in March this year shipments accounted for less than 50%.

Month on month, imports of wooden office furniture dipped just 3% despite the big decline in shipments from China and were supported by significant increases in imports from Portugal and Poland.

Year on year, Japan's imports of wooden office furniture in March were at around the same level as in March 2017.

Kitchen furniture imports (HS 940340)

Year on year, the value of Japan's March 2018 imports of wooden kitchen furniture were 25% higher but compared to levels in February 2018 March imports were down 6%.

Manufacturers in the Philippines have steadily gained market share and in March this year were the number one shipper of wooden kitchen furniture to Japan accounting for around 50% of all wooden kitchen furniture imports by value.

Vietnam is the second ranked supplier of wooden kitchen furniture to Japan and in March accounted for over 30% of Japan's imports of this category of wooden furniture.

Kitchen furniture imports

	Imports, Feb 2018 Units,000's Yen
China	112433
Taiwan P.o.C	309
Vietnam	441868
Thailand	30583
Malaysia	17886
Philippines	669966
Indonesia	10061
Denmark	-
UK	-
Belgium	-
France	-
Germany	9647
Italy	10562
Finland	2249
Poland	-
Romania	-
Canada	7201
USA	17692
Total	1330457

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The sharp downward correction in February in the value of Japan's imports of wooden bedroom furniture extended into March. Year on year, wooden bedroom furniture imports in March were down 20% and compared to levels in February there was a 17% decline.

This downward trend has been a familiar pattern with wooden bedroom furniture imports in Japan. Every year the value of bedroom furniture dips around in the first and second quarters and then picks out later in the year.

In March this year there was a steep fall in the value of imports of wooden bedroom furniture from China (-29%) but still manufacturers in China account for almost half of the value of all Japan's wooden bedroom furniture imports.

Vietnam was the second largest shipper of wooden bedroom furniture in March this year and the combined shipments from China and Vietnam account for over 90% of Japan's imports of bedroom furniture.

Bedroom furniture imports

	Imports, Mar 2018 Units, 000's Yen
S Korea	-
China	923746
Taiwan P.o.C	8696
Vietnam	732992
Thailand	85789
Malaysia	53051
Indonesia	10307
Cambodia	-
INDIA	258
Sweden	-
Denmark	2133
UK	-
BELGIUM	212
France	245
Germany	-
Italy	8891
Poland	37009
Austria	-
Romania	3657
Estonia	-
Ukraine	1979
Bosnia Herzegovina	393
USA	-
Total	1869358

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

Demand shifting to domestic wood

It becomes apparent that worldwide demand for wood products has kept growing year after year so the export prices by the suppliers continue to climb.

Besides wood products' prices, other cost like oil price rose to US$70 per barrel, the highest in three and half years, which pushes cost of ocean freight, various chemical products prices like adhesive for plywood and laminated lumber.

Looking at sources of wood products supplying countries, North American logs and lumber prices jumped up by active lumber market with high housing starts in the U.S.A. so the export prices soared and the supplying volume declines.

European lumber is the same as the demand is expanding worldwide, particularly by China and North America.

Hardwood plywood prices from Malaysia and Indonesia soar to US$560 per cbm C&F, US$30 jump at one time. Japan used to be the largest importing country of radiata pine logs from New Zealand but now China is dominant player by far so Japan has to follow China prices. Chilean radiate pine lumber has steady demand in Japan but Japan is not able to buy enough volume in competition with other markets.

In short, Japan is no longer dictating the desired purchase prices or importing volume.

In this situation, domestic wood is reviewed again. Domestic products are nothing to do with exchange rate of foreign currencies so the cost is closely forecasted.

In recent years, subject of large investment for manufacturing domestic wood has been mainly plywood plants but now large size sawmills have been built one after another after sawmills receive steady lumber orders when supply of imported wood products is unstable and the prices of foreign products continue climbing.

Good example is Cypress Sunadaya, which used to be major North American yellow cedar lumber manufacturer but after supply of yellow cedar becomes desperately low, it changed to domestic cypress as there is mounting demand for domestic cypress sill. It consumes over 10,000 cbms of cypress a month.

According to the survey made by the Japan Forest Products Journal, there are about 40 sawmills in Japan, which consume more than 60,000 cbms of logs a year and total log consumption by these is about 5,000,000 cbms.

Since total log consumption by all the sawmills in Japan is about 16,000,000 cbms, these large ones takes about one third of total sawmills. Number of sawmills, which consume logs over 100,000 cbms a year is about 20 in Japan. By species, cedar is by far the largest.

Chugoku Lumber's Hyuga mill consumes about 440,000 cbms of logs a year then it is preparing the second mill, which will consume about 300,000 cbms so total log consumption would be close to one million cbms including other plants like laminated lumber and biomass power plant.

National forest business plan for 2018

For fiscal year of 2018 (April 2018 through March 2019), total sales of logs are 2,596,000 cbms, 0.6% more than 2017 and total sales of standing timber are 3,199,000 cbms, 10.5% more. System combined sales of national forest logs and private logs will be 37 cases from 21 cases in 2017.

To back up settlement of new forest management system, which will start next year, large lot with long term of harvest and sales of National Forest resources is newly considered.

Plan to build new logging road system is 152 kilometers, 41 kilometers less than 2017 because of reduced supplementary budget and acreage of thinning is 110,000 hectares, 10,000 hectares less.
Plantation area is 5,100 hectares, 13.3% more than 2017.

National Forest has been trying to reduce the cost of replantation by introducing containerized nursery trees. In 2016, two million containerized nursery trees were planted then in 2018, plan is to plant six million trees.

New forest management system, which will be introduced in 2019, is for private forest. To support such system, national forest will introduce timber harvest in large scale and much longer period it has never done before. Concrete schedule has not been disclosed yet but so far, timber system sale can be extended for five years so this new system should be much longer than this.

Climbing radiata pine log prices

Radiata pine log export prices from New Zealand have been rising. The prices for China finally passed over US$150 per cbm C&F. Log prices for Japan are also climbing with higher ocean freight.

Present prices for China are US$151-152, about US$4 higher than last month. Log arrivals in China for March and April marked record high level with steady shipments. Port log inventories maintain at about five million cbms. New Zealand log suppliers had held the export prices for some time but seeing strong demand in China, they decided to increase the prices.

Log prices for Japan are about US$160 per cbm C&F, US$5-6 higher than April. Ocean freight is one of major reasons of price increase. There are a limited number of ships for Japan and higher crude oil price pushes freight up. Exchange rate has been weakening, which pushes yen log cost up higher so sawmills are in tougher spot. Crating lumber demand is slowing after April.

Future is hard to predict but normally China market slows down in June and July by seasonal reason so steep price hike may ease.

South Sea (tropical) logs and lumber

Log market prices in Japan are holding unchanged. There is no chance that log prices soften as export prices continue climbing. Supply of keruing for lumber is very tight so that the market is looking for semi-finished products.

Products like window frame are made by South Sea hardwood lumber but after availability of such lumber is hard to come by, the demand is shifting to laminated free board made by mercusii pine, acacia and radiate pine.

Demand of free board is expanding for DIY stores and falcate product is getting popular because the prices are lower than mercusii pine.

New move is that Japanese cedar logs are exported to China, which is processed into laminated free board and is shipped back to Japan, which competes with falcate lumber

Tight supply of Vietnamese plywood

Supply of Vietnamese eucalyptus plywood for crating is getting tight so the distribution volume in Japan is dropping considerably.

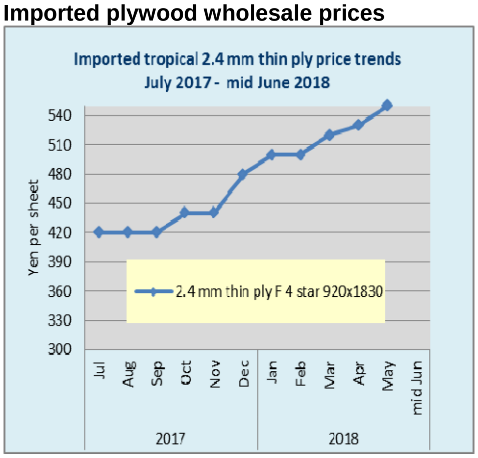
In Vietnam, construction of large plywood mills by the Chinese capital has started one after another. In April, plywood plant with monthly production of 25,000 cbms has started operation near Hanoi and another one with monthly production of 12,000 cbms will start up in coming summer also near Hanoi.

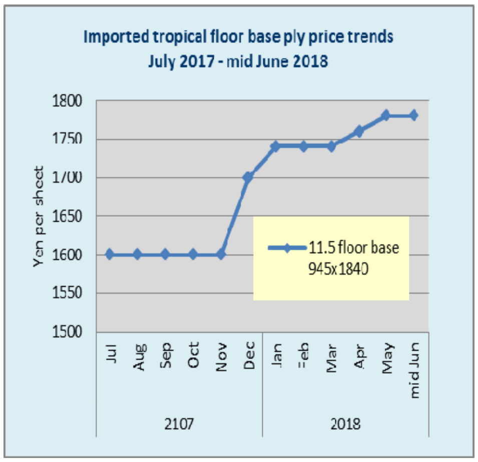
These plants purchase eucalyptus veneer in large volume as raw material so smaller plants manufacturing for Japan market are not able to have enough veneer.

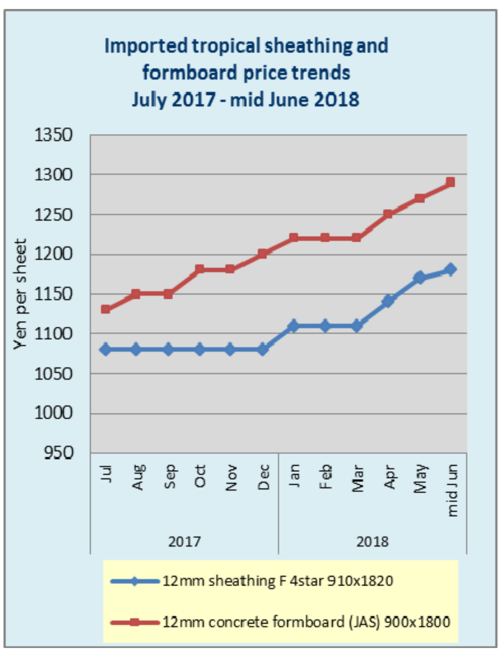
The large plants use both eucalyptus and acacia veneer but a majority is eucalyptus. Manufactured products are interior materials for trailer and base materials for floor heating for the U.S.A. and Korea. These items are much higher priced so the large plants are unlikely to manufacture low priced crating plywood for Japan market.

Purchase competition of raw material veneer pushes plywood prices up as high as US$310 per cbm C&F and further increase is expected. This level of price is way too much for the market in Japan. The importers in Japan think that this is not temporarily price increase but by structural change so future supply is very uneasy.

Imported plywood wholesale prices





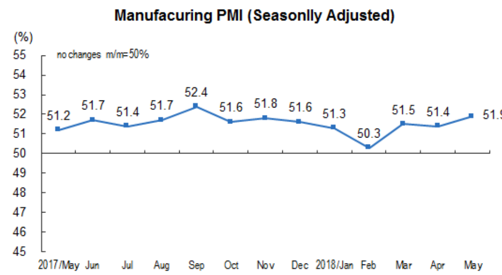


China

Manufacturing output remains strong

China's National Bureau of Statistics has reported that in May the manufacturing purchasing managers index (PMI) was 51.9 percent, an increase from the previous month. Since the beginning of the year the PMI has been improving.

Steady domestic demand and rises in commodity prices contributed to the improvement in the manufacturing PMI according to Zhao Qinghe, a statistician at China's National Bureau of Statistics. Economic data from China is being closely watched amid trade tensions between China and the US.



Source:
http://www.stats.gov.cn/english/PressRelease/201806/t20180601_1601906.html

Among the five sub-indices comprising the PMI, the production index, new orders index and supplier delivery time index were higher than the threshold (50) while the main raw materials inventory index and employed person index were lower.

New orders index was 53.8 percent, an increase of almost 1% month-on-month and was in the expansion range showing that manufacturing output is still expanding.

Rise in 2017 sawnwood imports

According to data from China Customs, 2017 sawnwood imports totalled 37.35 million cubic metres valued at US$10.06 billion, a year on year increase of 16% in volume and 24% in value. The average price for imported sawnwood was US$269 per cubic metre, up 6% on 2016.

Sawn softwood imports in 2017 surged but sawn hardwood imports declined.

Of total sawnwood imports, sawn softwood imports rose 41% to 25.05 million cubic metres, accounting for 67% of the national total. The average price for imported sawn softwood was US$195 per cubic metre, up 10% year on year.

Sawn hardwood imports fell 14% to 12.30 million cubic metres because China's sawn hardwood imports from Russia fell 48%, Russia has restricted its birch exports. The average price for imported sawn hardwoods was US$422 per cubic metre, up 21% year on year.

Of total sawn hardwood imports, tropical sawnwood imports were 6.68 million cubic metres valued at US$2.526 billion, up 16% in volume and 19% in value and accounted for 18% of the national total.

The average price for imported tropical sawnwood was US$378 per cubic metre, a year on year increase of only 2%.

China's sawnwood imports in 2017

Volume	2017 mil. cu.m	% change 2016-17
Total sawnwood imports	37.35	16
Sawn softwood	25.05	41
All sawn hardwood	12.3	-14
of which tropical	6.68	16

Value	2017 US$ mil.	% change 2016-17
Total sawnwood imports	10064	24
Sawn softwood	4876	55
All sawn hardwood	5188	4
of which tropical	2526	19

Data source: China Customs

Average sawnwood prices, 2017

	2017 Av. Prcie US$/cu.m	% change 2016-17
Average sawnwood price	269	6
Sawn softwood logs	195	10
All sawn hardwood logs	422	21
of which tropical	378	2

Data source: China Customs

Substantial growth in 2017 sawn softwood imports from Finland

China's 2017 sawn softwood imports surged 41% to 25.05 million cubic metres, accounting for 67% of total softwood sawnwood imports. The average price for imported sawn softwood was US$195 per cubic metre, up 10% year on year.

Russia still was the main sawn softwood supplier to China in 2017 and China's sawn softwood imports from Russia rose 32% to 14.28 million, accounting for 57% of the national total.

Because Finnish government and Finnish Sawnmills Association have been implementing a "Wood from Finland" promotion programme sawn softwood exports to China accelerated to a year on year increase of 88%. China's sawn softwood imports from Brazil, the US and Ukraine also surged.

The average prices for imported sawn softwood from Finland, Brazil and Germany declined 3%, 4% and 4% respectively.

Main countries shipping sawn softwood to China

	sawn softwood imports cu.m	%change 2016-17
Total imports	25,050,000	41
Russia	14,280,000	32
Canada	5,000,000	29
Finland	1,710,000	88
Sweden	910,000	45
Chile	690,000	-7
USA	620,000	829
New Zealand	430,000	20
Brazil	320,000	3500
Germany	200,000	30
Ukraine	110,000	545

Data source: China Customs

2017 Average sawn softwood prices from top 10 suppliers

	Average price US$/cu.m	%change 2016-17
Russia	183	10
Canada	193	23
Finland	229	-3
Sweden	227	4
Chile	244	3
USA	197	9
New Zealand	254	1
Brazil	206	-4
Germany	207	-4
Ukraine	186	8

Data source: China Customs

Lower sawnwood hardwood imports from Canada

Canada disappeared from the list of main countries shipping sawn hardwoods to China because its most of sawn hardwood were exported to the US. However, China's sawn softwood imports from Canada rose 29% to 5 million cubic meters in 2017.

Main countries shipping sawn hardwood to China

	Sawn hardwood imports cu.m	%change 2016-17
Total imports	12,300,000	-14
Thailand	4,820,000	16
USA	2,580,000	-9
Russia	1,300,000	-48
Vietnam	540,000	17
Gabon	420,000	42
Philippines	330,000	5
Indonesia	310,000	16
Malaysia	290,000	9
Romania	270,000	24
Germany	190,000	17

Data source: China Customs

Average sawn hardwood prices from top 10 suppliers

	Average price US$/cu.m	%change 2016-17
Thailand	316	3
The USA	614	22
Russia	276	31
Vietnam	330	0
Gabon	553	-2
Philippines	141	1
Indonesia	860	6
Malaysia	376	2
Romania	373	0
Germany	407	11

Data source: China Customs

Rise in Thailand's sawnwood exports to China

Of total sawn hardwood imports, tropical sawnwood imports were 6.68 million cubic metres valued at US$2.526 billion, up 16% in volume and 19% in value and accounted for 18% of the national total. The average price for imported tropical sawnwood was US$378 per cubic metre, a year on year increase of only 2%.

Thailand still is the main source of tropical sawnwood exporter to China. Just 5 countries supplied over 92% of China's tropical sawnwood requirements in 2017 namely, Thailand (72%), Gabon (6%), Philippines (5%), Indonesia (5%), Malaysia (4%).

China's tropical sawnwood imports from Laos fell 30% but average price for tropical sawnwood from Laos rose 62%.

Main countries shipping tropical sawnwood to China

	Sawn hardwood imports cu.m	%change 2016-17
Total imports	6680000	16
Thailand	4820000	16
Gabon	420000	42
Philippines	330000	5
Indonesia	310000	16
Malaysia	290000	9
Cameroon	130000	41
Peru	70000	15
Congo-Brazzaville	50000	30
Laos	48000	-30
Cambodia	41000	-2

Data source: China Customs

Average tropical sawnwood prices from top 10 suppliers

	Average price US$/cu.m	%change 2016-17
Thailand	316	3
Gabon	553	-2
Philippines	141	1
Indonesia	860	6
Malaysia	376	2
Cameroon	579	-15
Peru	796	-5
Congo-Brazzaville	586	-10
Laos	1334	62
Cambodia	338	8

Data source: China Customs

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

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

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
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

Firming demand for plywood in EU but sales suffer from supply problems and price rises

The European plywood market faces a combination of buoyant demand, mounting competition for product from other leading consumer countries plus persistent supply delays and constraints among key producers, notably tropical suppliers.

In fact, tropical suppliers actually saw their exports to Europe fall in the first quarter of 2018. The overall result of these factors has been rising prices, increasing caution about forward buying and, if not shortages, longer lead times and difficulties, as one importers said, ‘in planning ahead and obtaining the right volumes at the right time’.

Concerns have also been raised in the industry once more about mis-marking of Chinese plywood imports in terms of timber species mix and recommended application labelling. This has been voiced particularly by the UK Timber Trade Federation (TTF), which has consequently issued new product performance and content checking protocols for its members.

Boost from European construction

The key driver of European plywood demand has been the continuing buoyant state of construction across most of the EU. This is underpinned, according to market monitor and analyst Euroconstruct, by generally robust wider economic performance, low interest rates, migratory flows, particularly into urban centres, and the latent demand that has built up due to the building investment backlog since the economic crisis.

The latest Euroconstruct report, published on June 11 and charting building sector development in its network of 19 European countries describes their current construction growth as “exceptional”. It adjusts its estimate for 2017 expansion of the industry, forecast in November last year at 3.5%, to 3.9%. This gives the industry turnover of euro1.52 trillion, comprising 49% new build and 51% renovation, repair and refurbishment. It also predicts, with building levels still 20% off their 2007 market peak, that there is more growth to come through 2018 (2.4%) into 2019 (1.9%).

“Never before have all Euroconstruct countries’ building industries grown for two years in a row,” states the report.

Fastest 2018 construction expansion is expected in Hungary, forecast at a rate of 24.6%, Ireland 11.1% and Poland 9.9%, with the worst performance in a ‘barely positive’ UK market, where poorer economic performance is expected to keep growth down to just 0.1%.

Having said that, the UK will remain the third biggest construction market in Europe, with a value of euro210.9 billion, after Germany (euro332 billion) and France (euro216 billion), but ahead of Italy (euro169.4 billion).

New residential construction has recently been the main engine of European construction growth, increasing last year by 10%. That rate, says Euroconstruct, will halve in 2018, but civil engineering will take over as the key market driver, expanding 5%.

This, said one importer, will be positive for plywood demand, as will growth in renovation, which, Euroconstruct says, will 'continue for a long time and on average exceed and be more stable than growth in new construction'.

Solid plywood demand, rising prices

Against this background, European plywood importers variously describe demand ranging from 'stable and sound' and 'at a good level', to 'strong and strengthening'.

Most companies said sales were solid across the range, although Malaysian generally and Indonesian marine plywood were highlighted as being particularly sought after.

At the same time, all importers had issues with supply in different degrees. "There have been delays from everywhere, for various reasons," said one leading continental operator. "Overall supply is short, making it difficult to plan," confirmed a UK company. "Mills are also often running very late."

The problems with Indonesian and Malaysian supplies are largely attributed by European importers to the long and severe wet season and its impact on harvesting and log transport, with mills consequently running short of logs.

The weather and raw material supply situation has since improved, but a report in the European trade press early April said that in some regions 'logging roads are still muddy and log hauling is difficult', adding that it could take a further month before the situation returned to normal.

Plywood prices for both Malaysia and Indonesia in the EU are reported to have increased by 30% in the last six months.

Until recently, supply from Brazil was described by European importers as 'no better or worse than usual', but the recent nationwide truckers strike over high fuel prices is expected to cause continuing delays in delivery of raw material to mills and finished product to port.

President Temer ultimately made concessions to the strikers and industrial action was called off end of May, but the country was left with a significant backlog of undelivered cargo and the action is now expected to dent GDP.

Increased competition from US buyers for Malaysian and Indonesian product is also said to be impacting availability and price in Europe.

"Traditionally, US buyers have sourced Asian hardwood plywood imports most heavily from China [worth $1.12 billion last year], but their requirements are now such that they've been exploring other sources, including Indonesia and Malaysia," said a European importer/distributor.

"Whether US anti-dumping and countervailing duties on Chinese hardwood products, activated in December, will heighten this trend remains to be seen."

China's plywood trade disrupted by domestic environmental controls

Meanwhile Chinese plywood supply is reported by EU importers to be disrupted by tough new national environmental controls, which are forcing mills to interrupt production to upgrade or replace emission and waste treatment technology. Here prices are reported to have risen 10% in the last six months.

"Inspectors have been visiting our Chinese supplier mills now for months, and we've seen regular stoppages as they improve their systems," said one importer/distributor. "And recently there were more in Linyi and Pizhou."

"Stoppages also increased in Qingdao as part of the authorities moves to improve the local environment for June's Shanghai Cooperation Organisation meeting," said another leading EU importer.

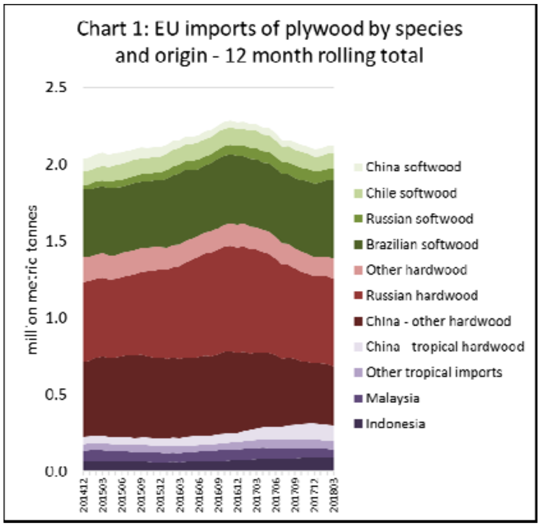
Some European traders maintain that one reason for the pollution crackdown is to rationalise and concentrate the plywood industry, forcing smaller producers to close.

One European importer/distributor, however, insisted this was not the prime objective. "We visit regularly and are convinced it's motivated by a genuine desire to reduce the industry's environmental footprint and help meet climate change targets," he said. Importers added that they generally back China's action as underpinning its overall environmental credibility.

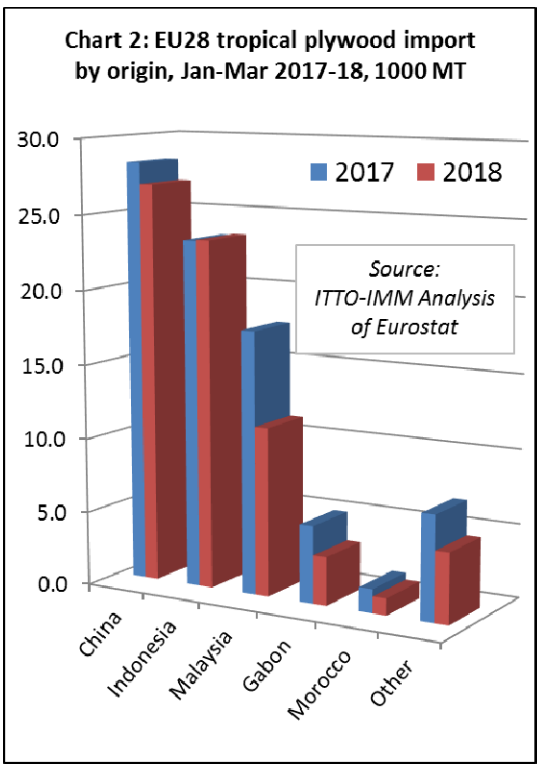
As for the situation with Russian hardwood plywood supplies to the EU, an importer summed it up as 'more or less OK'. "But there have been some issues with a lack of trucking capacity," he said.

EU plywood imports up 5% in first quarter

Analysis of latest trade figures for plywood supply to the EU tally with importers' comments. Total EU plywood imports have picked up a little this year, hitting 686,000 cu.m in the first quarter, nearly 5% more than the same period in 2017. However, supply constraints have meant that imports are still well below levels prevailing two years ago in 2016. (Chart 1).



Lack of supply has been a significant drag on EU imports of tropical hardwood plywood this year. Imports from all the EU's leading tropical suppliers except Indonesia declined in the first quarter of 2018 (Chart 2).



The volume of EU plywood imports from Indonesia increased only slightly, by 0.3% to 23,000 tonnes, in the first quarter of 2018. However, import value from Indonesia fell 10.9% to euro23.9 million during the period.

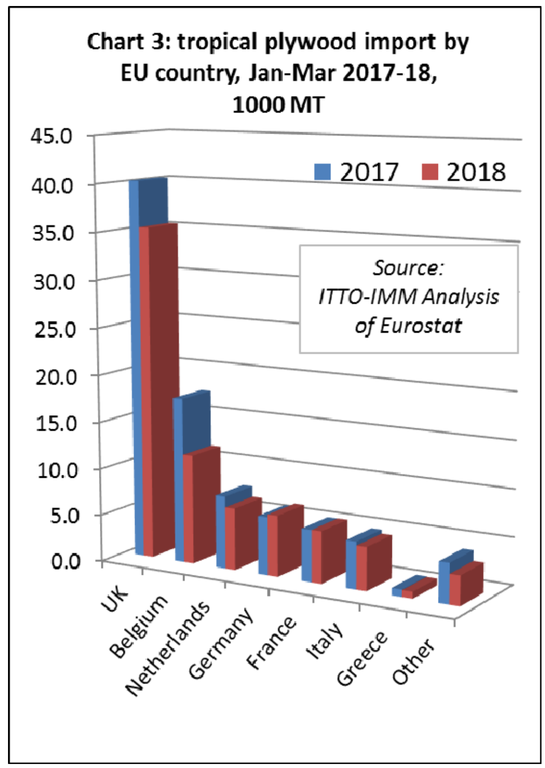
In the first quarter of 2018, EU imports of tropical hardwood plywood from China contracted 16.5% by value to euro16.5 million and 5% in volume to 26,900 tonnes, and Malaysia's were down 40% to euro8.4 million and 36% to 11,350 tonnes.

Imports from Gabon were 37% lower by value at euro4.6 million and 37.5% by volume to 3,250 tonnes, and from Morocco down 29% by both value and volume to euro1.9 million and 1,137 tonnes.

Together with other sources, this meant total first quarter EU tropical plywood imports were 23% lower by value at euro61.9 million and 15% by volume to 74,029 tonnes.

By individual EU country, in the first quarter of 2018, imports of tropical plywood declined in the UK by 12% to 35,331 tonnes, Belgium by 34% to 11,630 tonnes, Netherlands by 15% to 6,601 tonnes, Italy by 8% to 4,592 tonnes and Greece by 7% to 723 tonnes.

In contrast, German imports increased 5% to 6,480 tonnes and French imports were up 32% to 5,530 tonnes in the first quarter of 2018. (Chart 3).



EU first quarter imports of 'other' (i.e. non-tropical) hardwood plywood from Russia, China, Ukraine, Belarus, Bosnia Herzegovina, Uruguay and Brazil and other suppliers were 276,042 tonnes, a 2% gain against 269,471 in the first quarter of 2017.

Softwood imports, primarily from Brazil, Russia, Chile, China, South Africa, Uruguay, Canada and Norway, were 335,590 m3 in the first quarter of 2018, 13% more than the same period in 2017.

Plywood importers comments on FLEGT licensing

Asked about FLEGT licensed Indonesian plywood, importers interviewed for this market report said it had not had significant impact on their purchasing or sales.

One commented that this was related to lack of supply from Indonesia generally. Another said that they had recently seen an upturn in demand for marine ply from Indonesia. “But that’s been due primarily to the excellent quality from our suppliers,” he said.

Importers also cited customer’s preference for FSC and PEFC certification, with FLEGT licensing regarded as a ‘bonus form of legality verification’. “We still don’t believe that enough is known about FLEGT licensing or the wider FLEGT Voluntary Partnership Agreement initiative in the marketplace, particularly in terms of its-on the ground impacts in the supplier country,” said an importer.

“We still need more communication on FLEGT generally, with awareness greater among our customers of Indonesia’s long-established SVLK timber legality assurance system, which became the TLAS of its FLEGT VPA, than FLEGT itself. Certainly, little is known of the sustainability aspects of FLEGT licensing.”

UK TTF Managing Director David Hopkins took up the themes of awareness and market impact of FLEGT licensing at the recent FLEGT Independent Market Monitoring Trade Consultation in Nantes, France at the end of May. He urged the EU industry to press their national governments to accept a FLEGT licence as evidence of full compliance with their timber purchasing policy, which currently only those of the UK and Luxembourg do.

“We actively promote the fact to the market that the UK government accepts a FLEGT licence as ‘Category A’ proof of legality and sustainability on a level with what we regard as branded certification businesses, FSC and PEFC,” he said.

The UK TTF has also taken steps to ensure Chinese plywood satisfies standards claimed in documentation and labelling. After a year-long review of the market, it has now established a new ‘plywood framework’ within its compulsory Responsible Purchasing Policy.

This demands that UK TTF members ensure third-party testing of glue bonds and obtain all relevant paperwork on suppliers’ factory production controls. The TTF stipulates too that all packs should be marked with product technical class and timber species used. It has also started a market education programme to tackle ‘ignorance about plywood classes and their application’.

Cautious optimism about future EU plywood demand

Looking to the future, despite recent supply issues and price hikes, EU importers say that they remain cautiously optimistic to upbeat about prospects for the rest of the year.

Demand in coming months was variously predicted to be ‘stable’ to ‘robust’ and customers are reported to be broadly accepting the reasons for price rises.

“When they see it’s across the market and effectively out of our hands, they pay the increase,” said one company.

Supply from Asia is also expected to improve as the dry season improves raw materials flows and Chinese mills complete implementation of the new environmental rules.

There is also some positive news from France’s Rougier Group, whose African operations entered creditor protection earlier this year.

Speaking at the Carrefour International du Bois exhibition at the end of May, Romain Rougier said that, while the Group is exploring various options for its troubled Cameroon operations, it is determined to stay in Africa in the form of its successful and growing Gabon business, which includes its 37,000m3 per year plywood mill.

Underscoring this commitment, Rougier used the French show to launch Mokalam, a new range of thermally modified cladding from Gabon based on okoumé and fraké, with plans to add further species.

North America

Tropical sawnwood imports down but values up in April

U.S. imports of sawn hardwood (temperate and tropical) declined in April for the third consecutive month to 66,749 cu.m. The volume of tropical sawn hardwood imports was unchanged from the previous month at 17,484 cu.m., while the value of imports grew by 2%.

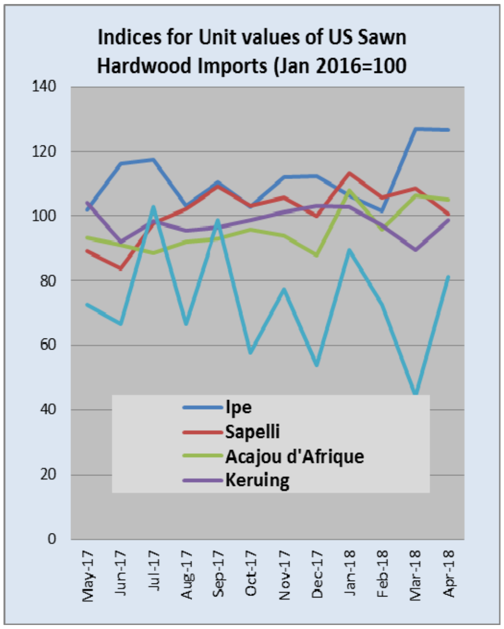
Year-to-date, tropical hardwood imports were down 12% compared to 2017. The overall decline in tropical sawnwood year-to-date is mainly due to lower balsa and sapelli imports. Changes in year-to-date imports varied greatly by species. Jatoba imports were up significantly from 2017 along with keruing, while sapelli, acajou and virola declined.

In April, balsa imports increased but imports of most other tropical hardwood species declined month-on-month. Only cedro and acajou sawnwood imports increased from March, while meranti was unchanged.

In a recent survey by the Import/Export Wood Purchasing News (June/July 2018) most imported wood suppliers agreed that U.S. demand was strong, especially for African species.

The rising euro to U.S. dollar exchange rate has increased prices for US buyers. Several respondents reported higher domestic transportation (trucking) costs and delays at export ports in Africa.

For US hardwoods,the consulting firm Forecon reports consistent and good demand from US manufacturers. US hardwood prices have increased in 2018, but this is in part due to strong demand in exports markets (Asia and Canada).



Data source: US Census Bureau, Foreign Trade Statistics
Note: Indices are derived from Customs values and exclude shipping, insurance and duties

Canada imports more tropical sawnwood from Brazil
Canadian tropical sawnwood imports increased 10% in April, while year-on-year imports were a quarter lower than at the same time last year.

The month-on-month increase was largely in imports of mahogany. Sawnwood imports from Brazil increased in April, making Brazil Canada's third-largest source of imports after the US and Cameroon.

Canadian retaliatory tariffs on US imports include plywood
In late May the US administration announced tariffs on Canadian, Mexican and EU aluminium and steel imports. Canada retaliated with a plan to impose trade restrictions for various products from the US including plywood and upholstered seating:

- Plywood, consisting solely of sheets of wood (other than bamboo), each ply not exceeding 6 mm thickness: Other, with both outer plies of coniferous wood
- Other plywood, veneered panels and similar laminated wood
- Other seats, with wooden frames: Upholstered

These countermeasures are set to take effect on 1 July and remain in place until the US lifts its tariffs on Canadian steel and aluminium. Mexico has also announced retaliatory tariffs on US exports targeting mainly agricultural and steel products.

Timber Innovation Act supported by group of Senators
The recently proposed Timber Innovation Act received support from a bipartisan group of Senators. The bill had been introduced to the US Senate in 2017 and would direct the Department of Agriculture (USDA) to conduct research and development, education, and technical assistance to facilitate the use of innovative wood products in wood building construction in the US

US building codes currently do not recognise 'novel' wood products such as mass-timber as official constructional materials leaving the product without a standard rating system for fire and earthquake resistance, quality and other safety standards.

The Senators in support of the bill say that when approved it will create jobs in rural areas, encourage sustainable building construction, and encourage more forest management in areas at risk of large wildfires.

Most mass-timber is made from softwoods but in Europe beech hardwood cross-laminated timber (CLT) has been manufactured and used. In the U.S. research and development is underway to utilise tulipwood and other low-value hardwood species for mass-timber in construction.

American Hardwood Environmental Profile updated
The American Hardwood Export Council (AHEC) has updated the sustainability information provided with shipments of sawn hardwood to export markets. Last year the Association developed a system for US exporters to create a comprehensive report that aligns with the EU Timber Regulation (EUTR) and this has been accepted in other countries with due diligence requirements such as Australia and Japan.

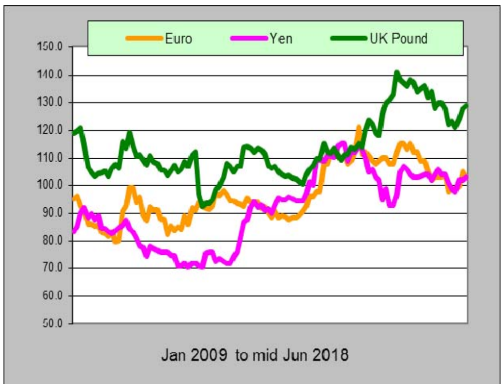
AHEC has updated the system to cover multiple shipments within one document and provide forest regeneration calculations. With one document US exporters can provide their customers with information on the legality and sustainability of the hardwood species and quantitative data on the environmental impacts of delivering it anywhere in the world.

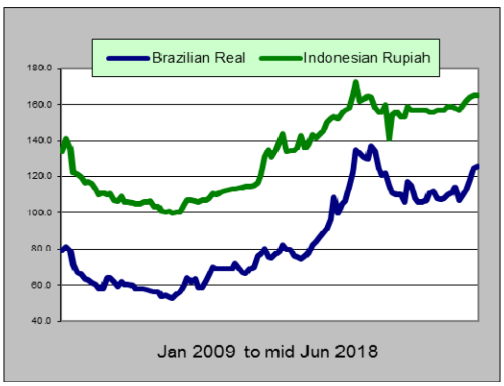
Dollar Exchange Rates

As of 10 June 2018

Brazil	Real	3.7119
CFA countries	CFA Franc	556.46
China	Yuan	6.4035
EU	Euro	0.8486
India	Rupee	67.47
Indonesia	Rupiah	13930
Japan	Yen	110.38
Malaysia	Ringgit	3.9842
Peru	New Sol	3.29
UK	Pound	0.,7474
South Korea	Won	1076.86

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



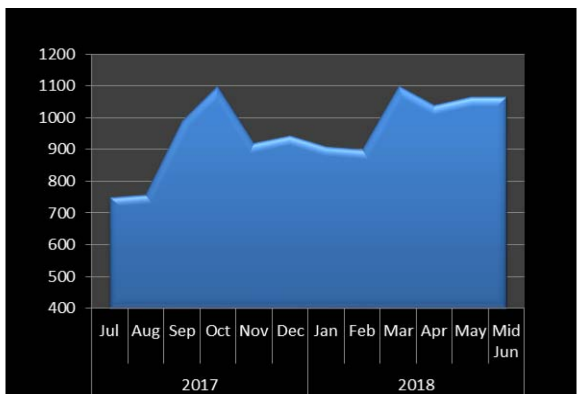


Abbreviations and Equivalences

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
July 2017 – mid June 2018

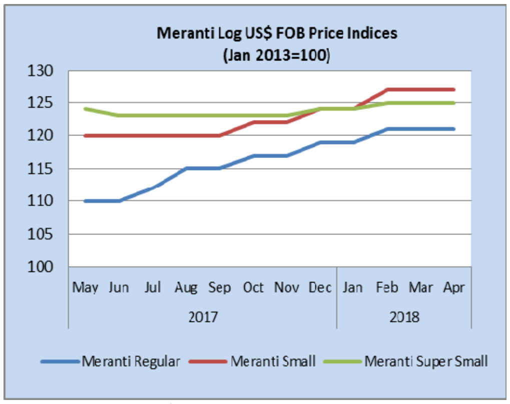


Data source: Open Financial Data Project

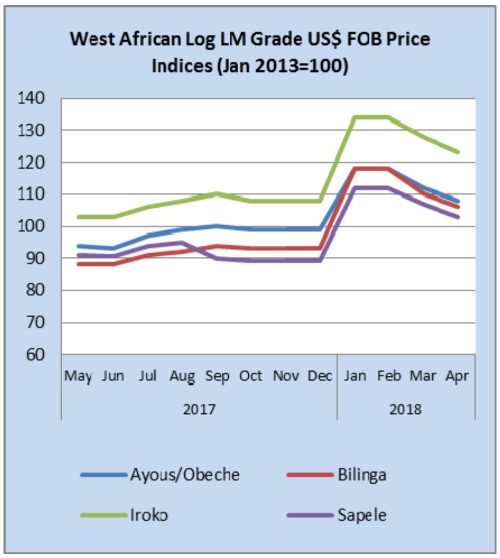
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

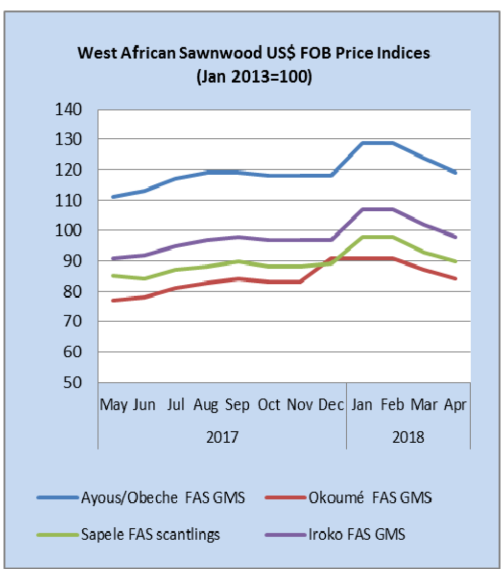
The following indices are based on US dollar FOB prices

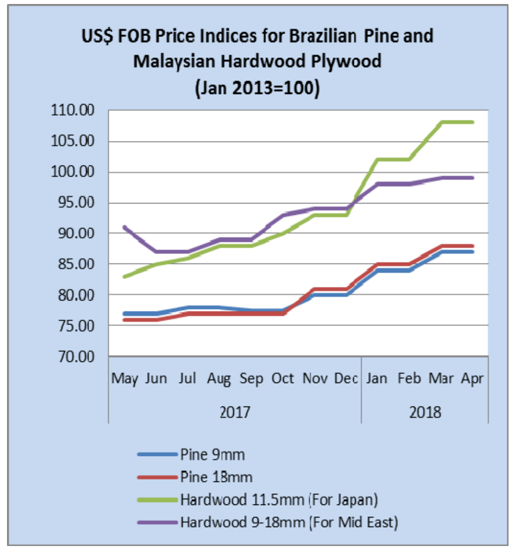


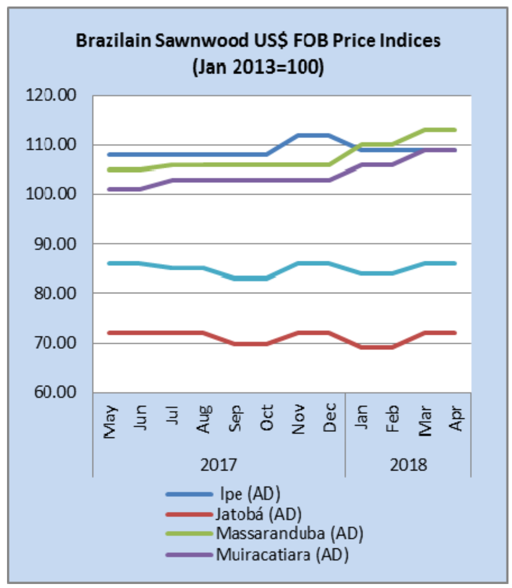
Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties.. The raised ‘asking’ prices have not been accepted in full by buyers.







Note: Jatobá is mainly for the Chinese market.

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