# Tropical Timber Market Report

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## Contents



## Headlines



## Top Story

**LCA provides foundation for new tropical wood promotion campaign**

A group of Netherlands Timber Trade Association (NTTA) members is planning to use the findings of two recent Life Cycle Assessment (LCA) projects as the basis of a campaign to promote greater use of sustainable tropical timber.

The campaign will target civil engineers, and focus on both sustainable tropical timber's environmental benefits, in relation to climate change mitigation, renewability and low environmental impacts and its technical, design and low maintenance attributes.

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## Central and West Africa

### Markets take a breather

Producers report a few minor prices changes for recent sawnwood shipments but log prices have stabilised after the recent bout of weakness for a few species.

Analysts report a pause in the general upward trend in prices and volumes that buoyed the markets through until the end of September. Producers are hoping that the current slowdown in forward orders for China is only a temporary phase as importers and merchants re-balance landed stocks.

The anti-dumping duties the US has imposed on plywood imports from China have resulted in a drastic decline in plywood imports which will impact China's demand for logs. While this would affect Asia/Pacific log suppliers more than African exporters, some African shippers are already noticing a slight slowdown in orders for okoume logs.

### Kevazingo in the news again – exports likely to continue

The latest news from Gabon is that the government has decided not impose the 6 month moratorium on felling, processing and export of kevazingo. It appears that the government plans to consult with the larger millers to select those which may be authorised to process and export this valuable timber which is in very high demand in China.

Kevazingo is CITES listed and inspections and monitoring are to be strengthened to ensure exports are compliant with the CITES regulations.

Rains are still affecting production in Cameroon and Gabon is also now experiencing rains in the north of the country and the south will some be affected.

### Generally slow demand all round

The markets in the Middle East continue to be firm and active but producers report that European demand is still dull with no sign from buyers of any sudden increase in orders.

US demand for tropical timbers from Africa is low and seems unlikely to improve even though house starts continue to rise.

For South Africa, prospects for new business appear bleak as the government is not in a position to stimulate demand in the private sector or to release funds for planned infrastructure projects. The forthcoming elections may help to stabilise the situation but, in the meantime, timber trading both domestically and imports is reported at very low levels.

Viewing the fourth quarter market prospects it appears that the subdued market activity will prevail where importers are cautious and exporters ready themselves for stable prices but marginally lower forward sales.

**Log export prices**

| West African logs | FOB Euro per cu.m | | |
|---|---|---|---|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 215⬇ | 215⬇ | 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 | 190 |
| Moabi | 330 | 300 | 235 |
| Movingui | 210 | 200 | 160 |
| Niove | 175 | 160 | - |
| Okan | 230 | 205 | - |
| Padouk | 300 | 275 | 210 |
| Sapele | 260⬇ | 260⬇ | 220 |
| Sipo/Utile | 290 | 270 | 200⬇ |
| Tali | 330 | 320 | - |

**Sawnwood export prices**

| West African sawnwood | FOB Euro per cu.m |
|---|---|
| Ayous FAS GMS | 425⬇ |
| Bilinga FAS GMS | 530 |
| Okoumé FAS GMS | 430 |
| Merchantable | 320⬆ |
| Std/Btr GMS | 350 |
| Sipo FAS GMS | 540 |
| FAS fixed sizes | 560⬆ |
| FAS scantlings | 560 |
| Padouk FAS GMS | 880⬆ |
| FAS scantlings | 1000⬆ |
| 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

### First half export round-up

Ghana earned euro 82.9 million from the export of 152,652 cu.m of wood products in the first half of 2017. This represented an 25% decline in export earnings and a 21% decline in export volumes compared to the first half of 2016.

June exports totalled 35,700 cu.m, down almost 6% year on year. June primary product exports, comprising poles and billets, earned euro 3,779,262 from 12,462 cu.m, representing 8% of total wood product export volumes in the first half of the year.

June exports of secondary wood products comprising sawnwood, plywood, boules, veneer and kindling formed the bulk of wood product exports and earned euro 76,301,287 from a volume of 134,140 cu.m.

In Ghana, tertiary wood products are defined as processed mouldings, flooring, dowels and furniture parts and June export earnings totaled euro 2,814,038.


Data source: Ghana Foresrty Commission ,TIDD

**State finances get a boost as oil production ramped up**

A report from the Bank of Ghana shows that oil revenues more than doubled between the second half of 2016 and the first half of this year as production was increased. Output levels have risen steadily since the start of a new well in August 2016.

The rises in output and revenue have allowed the government to expand contributions to the Petroleum Holding Fund, the Ghana Stabilisation Fund and the Ghana Heritage Fund which serves as a savings pool for future generations.

For more see: http://www.oxfordbusinessgroup.com/economic-news-updates?country=54035

**Private sector confidence at new high**

The Association of Ghana Industries (AGI) newsletter for the second quarter of this year points to rising business confidence. The AGI business barometer for the second quarter of 2017 jumped to the highest since 2012 reflecting a significant change in confidence.

Behind the rise was the easing of the tax burden on businesses which lowered the cost of doing business. Also the drop in interest rates help push the index higher.

Expectations of Government's One-District-One-Factory initiative aided by US$1.5 billion Chinese financing also boosted expectations in the private sector.

For more see:
http://agighana.org/uploaded_files/document/1ecb3d37056e8d2b38c57cac38086646.pdf

**Boule Export prices**

| | Euro per $m^3$ |
|---|---|
| Black Ofram | 400 |
| Black Ofram Kiln dry | 482 |
| Niangon | 530⬇ |
| Niangon Kiln dry | 620 |

**Export Rotary Veneer Prices**

| Rotary Veneer, FOB | Euro per $m^3$ | |
|---|---|---|
| | CORE (1-1.9 mm ) | FACE (>2mm) |
| Ceiba | 315⬆ | 400 |
| Chenchen | 425 | 468 |
| Ogea | 467 | 604 |
| Essa | 439 | 500 |
| Ofram | 350 | 406 |

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

**Export Sliced Veneer**

| Sliced face veneer | FOB Euro per $m^3$ |
|---|---|
| Arormosia | - |
| Asanfina | 815⬇ |
| Avodire | 897 |
| Chenchen | 951⬆ |
| Mahogany | 915⬇ |
| Makore | 783⬇ |
| Odum | 917 |

**Export Plywood Prices**

| Plywood, FOB | Euro per $m^3$ | | |
|---|---|---|---|
| BB/CC | Ceiba | Ofram | Asanfina |
| 4mm | 355⬇ | 586 | 641 |
| 6mm | 550 | 535 | 626 |
| 9mm | 407 | 474 | 560 |
| 12mm | 470 | 463 | 480 |
| 15mm | 450 | 356 | 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 | 209 | 280 |
| Dahoma | 380 | 494⬆ |
| Edinam (mixed redwood) | 520 | 580 |
| Emeri | 380 | 510 |
| African mahogany (Ivorensis) | 870 | 1033⬆ |
| Makore | 685 | 730 |
| Niangon | 620 | 650 |
| Odum | 755 | 936⬆ |
| Sapele | 700 | 857⬆ |
| Wawa 1C & Select | 370 | 441⬆ |

## South Africa

**Business will remain quiet until housing market recovers**

Consumer confidence is at an all-time low in South Africa as near zero economic growth, high unemployment and political uncertainty weighs on sentiment. Against this backdrop it is not surprising that the housing market is severely depressed.

Recently released data shows the extent of the problem; year on year, approved plans for homes over 80 sq.m are down 27%. There has been a sharp drop (26%) in approvals for apartments and an over 50% decline in approvals for other residential buildings.

On top of this, approvals for non-residential buildings as well as for renovations are both down from a year earlier. The collapse of the housing market is impacting the timber and hardware sectors.

**Meranti windows face tough competition in low-medium income home segment**

It is no surprise that domestic pine mills are seeing stock levels rise beyond anything they have experienced and sales prices are coming under pressure. The woodbased panel market is suffering the same as the sawnwood market and there has been a fair amount of discounting as producers try and rebalance stocks.

In contrast, demand for American hardwoods has been surprisingly steady with good demand for white oak and ash. There has also been some demand for walnut. Also, traders report good business in European timbers especially spruce and larch including engineered beams.

Of concern is the falling demand for meranti due to the drop in housing activity. Meranti windows are mainly for the high end of the housing market where construction has slowed. While the slowdown in building has affected the lower end of the market to a lesser degree, demand in this segment is for aluminum windows not meranti.

The perennial problem of supply continuity for African timbers continues. Until this can be addressed South African importers remain reluctant to commit if they cannot be assured of a consistent supply.

**Timber products to reduce the environmental impact of buildings**

"South Africa was the first African country to develop a 'green' building rating system and today has a number of rated green building projects" according to authors of a new life-cycle study.

A recent investigation reported in the South African Journal of Science compares the environmental impact of different roof truss systems in South Africa. More than 70% of all sawnwood in South Africa is used in buildings, especially in roof structures where light steel is a competitor.

Using a simplified life-cycle assessment approach a team compared several roof truss systems used in low to medium-income homes in South Africa. The results show that the two timber systems had overall the lowest environmental impact.

See: http://www.sajs.co.za/potential-south-african-timber-products-reduce-environmental-impact-buildings/philip-l-crafford-melanie-blumentritt-c-brand-wessels

## Malaysia

**Restrictions on foreign workers lifted**

The Malaysian media has reported that Deputy Home Minister, Nur Jazlan Mohamed, has said a decision has been taken on allowing export oriented manufacturers to employ more foreign workers. However, the press coverage is contradictory with some saying the government policy on restricting foreign workers has been lifted while others say a change in the regulation is being considered.

The rational for change is based on a World Bank report which it is claimed says a 10% net increase in low-skilled foreign workers would raise real gross domestic product by 1.1% as the wages for these workers keep overall wages down which, in turn, lowers prices and production costs and boosts exports.

For more see:
https://www.themalaysianinsight.com/s/18051/

In related news the World Bank has revised up Malaysia's gross domestic product growth forecast for this year to 5.2% from the 4.9% in June.

Faris Hadad-Zervosof the World Bank said the Bank expected growth in Malaysia to trend higher as long as the economy remains open and as long as global economic growth continues.

**Clean Air Regulations to impact new companies**

Malaysia's Environmental Quality (Clean Air) Regulations 2014 or CAR 2014 sets out to control emissions of air pollutants from various industrial operations and timber industries are included in CAR 2014 depending on the operations and processes it adopts as well as the type and amount of pollutants it produces.

Existing factories were given a five-year grace period (until June 2019)to comply but new enterprises and new installations in existing factories must comply with CAR 2014 immediately.

Analysts report the timber industry will face many challenges in complying with this regulation. To help address this the Malaysian Timber Council has organised a seminar to enable stakeholders to better understand CAR 2014 and sharing industry best practices.

**Idea for a pulp mill in Sarawak raised once again**

After leading a Sarawak delegation to visit a factory at Kunda in Estonia, Deputy Chief Minister, Awang Tengah Ali Hasan, said Sarawak has the potential to develop a mechanical pulp mill to utilise forest plantations.

The idea for a pulp mill in Sarawak has been raised over the past several years but this latest visit to a chemi-thermomechanical pulpmill has rekindled interest in Sarawak.

#### Aim to end illegal logging by 2020

The Sarawak Forest Department hopes to eliminate illegal logging by 2020, said its Deputy Director, Jack Liam. However, he said this was a challenging task due to the state's vastness and the fact that the perpetrators were getting very smart in avoid detection.

The Forest Department was collaborating with other government agencies especially the Marine Police, General Operations Force (GOF), Sarawak Forestry Corporation (SFC) as well as the Malaysian Maritime Enforcement Agency (MMEA) to achieve its target.

Until the end of September, 9,093 cubic metres of logs with an estimated royalty value of RM591,370 had been seized along with assets including a ship, trucks, excavators and tractors.

#### Sabah exports

The Sabah Department of Statistics released data which showed export of timber products dropped by 3.7% in first half of 2017 as compared to the same period last year. This year the value first half exports was RM785,474,320 compared to RM815,920,456 last year.

**Export value, Ringgit**

| | 2017 | 2016 |
|---|---|---|
| Sawnwood | 193,069,558 | 159,168,850 |
| Plywood | 470,168,390 | 535,113,001 |
| Veneer | 58,383,021 | 58,256,332 |
| Moulded timber | 24,581,257 | 20,957,387 |
| Laminated board | 39,272,320 | 42,424,886 |

**Export volume, cu.m**

| | 2017 | 2016 |
|---|---|---|
| Sawnwood | 93,781 | 84,469 |
| Plywood | 265,057 | 287,286 |
| Veneer | 35,750 | 32,921 |
| Moulded timber | 4,778 | 4,643 |
| Laminated board | 17,492 | 20,353 |

#### August plywood prices

Plywood traders based in Sarawak reported the following export prices:

| | |
|---|---|
| FB (11.5 mm) | US$ 600 FOB |
| CP (3' x 6') | US$ 500 C&F |
| UCP | US$ 570 C&F |
| Standard 4x8 panels | |
| Middle East (12mm) | US$ 400 FOB |
| S. Korea (9mm and up) | US$ 420-425 FOB |
| Taiwan P.o.C (9mm & up) | US$ 420 FOB |
| Hong Kong | US$ 430 FOB |

## Indonesia

#### SVLK implementation needs to take account of realities faced by small craftsmen

Furniture makers in Jepara, Central Java recently met to discuss the constraints faced by small and medium enterprises in implementing the SVLK timber legality verification system.

The meeting was was facilitated by the Center for International Forestry Research (CIFOR) and the Head of the Sub Directorate of Wood Legality Verification Information in the Ministry of Environment and Forestry, Mariana Lubis, was present.

The chairman of the Jepara Wood Crafts Association, Margono, pointed out the many problems faced by furniture craftsmen. The main problems identified were access to investment capital, the availability and cost of raw materials, inadequate human resources, the lack of marketing know-how and SVLK enforcement. Margono said most of these problems have been around for a long time but compliance with the SVLK is a new and troublesome issue.

He said the application of SVLK for furniture craftsmen is complex. First, most SMEs do not have the management capacity to handle the new requirements. Secondly, compliance is a major expense for SMEs. Another problem is that enterprises see no direct benefit in becoming V-legal.

In response, Mariana Lubis said SVLK compliance is the only path to access to the EU markets but she acknowledged SMEs face serious problems with implementation of the SVLK and that implementation needs to take account of the real conditions faced by small craftsmen.

In related news President Joko Widodo has called on the various ministries and agencies to modernise the handicraft industry from upstream to downstream so that the sector can expand.

He said efforts need to be made to address raw material supply, manufacturing technology as well as finishing and packaging to marketing.

#### Talks started on rattan export regulations

The government and the private sector are discussing the recent changes to the rattan export restrictions and will begin by analysing supply and demand. Recent changes in the rules on rattan exports allows the export of semi-processed rattan.

The ministry is discussing the issue with the private sector in the Indonesian Rattan Businessmen Association (Apri) and the Indonesian Furniture and Craft Association (Himki).

To advance the discussion Apri is calculating the supply and Himki the demand. According to Enggartiasto Lukita of the Ministry of Trade, the final data will be compiled by PT Perusahaan Perdagangan Indonesia (PPI), the only Indonesian state-owned trading house. If a surplus is found then PPI alone can export rattan in semi-processed form. Others wishing to export must fully process the rattan into final products.

In related news, the Director of Forest and Plantation Products Industry in the Ministry of Industry, Edy Sutopo, has said manufacturers of rattan products need to pay more attention to creating designs which have appeal in international markets. He said his impression is that manufacturers launch new designs without first researching what designs are in demand.

He said designers tend to speculate rather investigate with buyers what is suitable for a particular market.

**Indonesia's competitiveness rises**

This year Indonesia's global competitiveness according to the World Economic Forum Global Competitiveness Index 2017-2018 improved to 36th position out of 137 countries. This was up five ranks compared to the previous assessment.

Airlangga Hartarto, the Minister of Industry said Indonesia’s improving global competitiveness is good for investment flows but more must be done in terms of strengthening innovation in the industrial sector.

**Social forestry should improve livelihoods**

The Minister of Environment and Forestry, Siti Nurbaya, has encouraged managers of social forestry programmes to strengthen the family economies of the people involved through the creation of new business opportunities at the grass roots level. She said social forestry is not just about access to the forests but also about improving incomes.

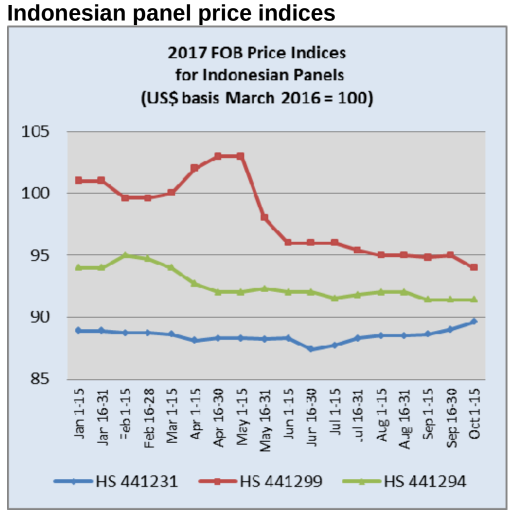
**Jakarta exhibition showcases latest technologies**

The International Furniture Components Exhibition (IFMAC) and Woodworking Machinery Exhibition (WOODMAC) themed “Global Technologies to Boost Indonesia's Furniture Industry” was held recently in Jakarta.

Speaking during the event, Abdul Sobur, Vice Chairman of HIMKI said to improve the competitiveness of Indonesian furniture industry companies must embrace the latest production technologies appropriate to their needs to accelerate efficiency. He applauded the arrangement of the IFMAC/WOODMAC event as this supports the domestic industry to advance productivity and competitiveness.

Indonesia's wood furniture and handicraft industry currently supports a direct work force of around 500,000 as well an estimated 2 million indirect workers in subcontractors and service providers.

**Indonesian panel price indices**




## Myanmar

**Is high value sawn teak for international markets an ‘added value’ product? – the debate continues**

As of September total foreign investment in energy, agriculture, livestock and fishery, manufacturing, transport and communication, hotel and tourism, real estate, industrial development and other services sectors has reached just over US$4 billion (5.4 trillion kyat).

The oil and gas sector has seen the biggest foreign investments while the construction sector the lowest.

However, Myanmar Forest Products Merchants Federation (MFPMF) Deputy Chairman, U Thein Win, questioned the value to the economy of foreign investment in the timber sector since most companies concentrate on non-finished products but consume huge quantities of raw material.

In response, analysts challenge this negative opinion and point out that Myanmar’s main timber export, sawn teak, is a high value product with high international demand and as such is a value-added product.

The price of top quality and large section sawn teak in international markets is very high and earnings for the country from teak sawnwood exports, cubic metre for cubic metre, are higher than from exports of teak furniture.

On the other hand, the reverse is true for non-teak timber where furniture manufacturing is a better option. However, to take advantage of the opportunities for furniture production from non-teak hardwoods efforts need to be directed to improving supportive infrastructure and ensuring the availability of supplies of non-teak logs at stable prices to raise the competiveness of domestic products.

One executive from a furniture manufacturer said the industry would expand faster if the Forestry Department was more flexible in application of regulations and noted that illegal felling and smuggling remains a major challenge for the Forestry Department.

### Earnings from timber just a fraction of total exports

Between April and September this year Myanmar exported US$6.469 billion of which agricultural products accounted for most at US$1.435 billion. Timber exports were just US$107 million.

Myanmar's trade deficit for the first six months of the 2017-18 fiscal year has widened to US$2.2 billion compared to US$1.8 billion during the same period in the previous financial year according to the Ministry of Commerce.

### MTE to open sanctuary for retired working elephants

According to Dr Zaw Min Oo of the Myanma Timber Enterprise (MTE) an Elephant hospital/sanctuary for retired, sick and injured elephants will be established in a forest area of about 2,500 hectares close to Oaktwin Township, Taungoo District.

A retired MTE General Manager said that it is very expensive for MTE to care for aging and sick elephants adding that there are many who criticised MTE for the slow progress of reform but that few have offered to assist MTE in such a task.

The new project is being supported by the US based Asian Elephant Support (AES) a non-profit foundation dedicated to the care and conservation of Asian elephants in their range countries and the people whose lives are intertwined with this magnificent animal.

### Minimum wage hike discussed

The National Minimum Wage Committee has tentatively suggested Myanmar's new minimum wage should be reset to somewhere between 4,000 and 4,800 kyats (US$2.93 to $3.53) for an eight-hour working day. The current rate is 3600 Kyats.

After consultations with representatives of workers and employers the new rate will be proposed to parliament for approval.

### September teak tender prices

| Grade | H.tons | Average US$/H.ton |
|---|---|---|
| SG-1 | - | - |
| SG-2 | 64.2 | 4,400 |
| SG-4 | 52.2 | 3,360 |
| SG-5 | 90.3 | 2,760 |
| SG-6 | 72.1 | 2,350 |
| SG-7 | 239.7 | 1,605 |

## India

### Indian real estate in 2017 and beyond – new report from CREDAI

CREDAI, in association with its partner CBRE, has released a report "Indian Real Estate in 2017 and Beyond". The report covers the major policy related disruptions resulting from government policy changes which have challenged the traditional way the real estate sector operates.

According to the report new regulations will increase the share of the 'organised' segment of the real estate sector which will help improve the ease of doing business in the country.

The report anticipates major changes in regulation, finance, the customer base and technology which should have positive impact and create a new operating environment in the sector.

The report also provides insights into changing customer preferences in office, retail, residential and warehousing space. For instance, the traditional thinking on office spaces are being disrupted by a younger generation of workers. Many young office workers in India feel the quality of 'office design' impacts their productivity to a large extent.

The press release from CREDAI says "The real estate sector in India is one of the key contributors and mainstays for India's development as a nation. Real estate in India continues to be in a dynamic phase and the pace at which the four cornerstones – Regulation, Finance, Customers and Technology are evolving, a more than incremental transformation in the sector is expected in the coming years.

In this report we have dwelled on how a strong foundation for this change has already been laid with a conducive operating environment, the future growth of the sector will be determined by many other factors".

See: https://credai.org/press-releases/credai---cbre-released-a-joint-report-indian-real-estate-in-2017-and-beyondat-the-credai17thnatcon-2017-london

In related news, Jim Yong Kim, the World Bank President has said the Indian economy is experiencing temporary disruptions as the new Goods and Service Tax (GST) is rolled out but will get back on track soon.

In the first quarter there was a sharp deceleration in growth but as companies adjust the overall impact of the changes in tax will have a positive effect on the economy.

### Teak auction in Western India

Auctions at various forest depots in the North and South Dangs Divisions have been concluded. Approximately 9,000 cubic metres of mainly teak logs were on offer. Other hardwoods sold included mainly Adina cordifolia, Gmelina arborea, Pterocarpus marsupium, Acacia catechu and Mitragyna parviflora.

Since imported teak logs are mostly of small girth, buyers attending the domestic auctions are interested in purchasing larger sized logs.

Another advantage from buying domestic teak is that the logs are sold with the bark and much of the sapwood removed whereas for imported plantation teak logs the sap is intact.

Prices at the recent sales are shown below.

| Quality | Rs. Per cu.ft |
|---|---|
| Grade A ship building | 3400-3800 |
| Grade B ship building | 3200-3300 |
| Grade A large girth | 3000-3100 |
| Grade B large girth | 2700-2900 |
| Grade A long | 2400-2600 |
| Grade B long | 2200-2300 |
| Grade A 15ft & up | 1900-2100 |
| Grade B 15ft & up | 1650-1800 |
| Grade A 12ft & up | 1500-1600 |
| Grade B 12ft & up | 1400-1500 |
| Grade A 8-10ft. | 1100-1200 |
| Grade B 8-10ft | 1100-1200 |
| Small girth low quality | 1000-1100 |

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 Rs.600-700 and low grade logs sold for Rs.300-400 per cu.ft.

**Imported plantation teak**

Demand for imported logs remains steady despite some weakness in the rupee exchange rate against the US dollar. Against this background C&F prices are unlikely to change in the short-term.

Pressure for revision of the GST on wood and wood products continues. The next meeting of GST Council is set for 24 of October when it is anticipated the issue will be considered.

Current prices for imported plantation teak continue to be in the range previously reported.

| | 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

Exmill prices for hardwoods are unchanged but are subject to an 18% GST.

| 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

### Myanmar teak prices

There were no changes in prices over the past two weeks. Wholesalers report that business is slow as buyers consider the prices are high.

| 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 lengths and cross-section.

### Prices for imported sawnwood

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

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

Price range depends mainly on lengths and cross-section.

### Pressure for plywood price increase eases as local taxes eliminated

Plywood manufacturers complain that rising transportation costs and rising costs for raw materials such as logs, veneers, and resins means that they need to raise prices by around 5% to maintain profitability.

However, manufacturers have benefitted from the elimination of some state taxes as well as many of the octroy taxes (a local tax collected on products brought into a district for consumption) such that the pressure for an increase in price has eased.

Plywood prices continue as previously reported.

### Prices for WBP marine grade manufactured by domestic mills

| Plywood Ex-warehouse | Rs. per sq.ft |
|---|---|
| 4mm | 52 |
| 6mm | 69 |
| 9mm | 87 |
| 12mm | 107 |
| 15mm | 143 |
| 18mm | 150 |

### Domestic ex-warehouse prices for locally manufactured MR plywood

| | Rs. per sq.ft | |
|---|---|---|
| | Rubberwood | Hardwood |
| 4mm | 25.5 | 38 |
| 6mm | 38.5 | 49 |
| 9mm | 49 | 59 |
| 12mm | 59 | 71 |
| 15mm | 72 | 86 |
| 19mm | 82 | 97 |
| | | |
| 5mm Flexible ply | 51 | |

## Brazil

### Hint of a recovery in domestic construction sector

Expectation of an economic recovery in 2018 with GDP forecast at 2% is good news for the Brazilian construction sector and the timber industry. Prospects have also brightened as investment in housing is set to expand as the Federal Government will launch a programme which aims at delivering 6 million new homes.

According to the Technical Division of the Civil Construction Industry Union in Paraná State (SINDUSCON-PR) while prospects are looking good for it to become a reality for the industry it will be necessary for the country to promote structural reforms.

Among the risk factors behind a resumption of civil construction looms the issue of long-term financing and the housing policy of the government.

But, as pointed out by SINDUSCON, one of the major challenges to be overcome in the construction sector is the hesitance of consumers when it comes to wooden frame homes. This must be addressed through active promotion.

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) has pointed out that acceptance of a construction system using wooden frames will generate demand for wood products and through this the industry can contribute more to addressing the housing shortage. But, for this to happen the wooden frame system needs to be recognized so home financing opportunities are available.

**Production and export of forest products in early 2017**

Production and exports by the planted forest sector in the first eight months of 2017 were positive. Compared to the same period of last year pulp exports grew 4.9%, wood panel exports were up 30% and paper pulp exports expanded almost 1%.

For the woodbased panel industry the good news was that domestic demand picked up, rising 1% year on year.

Between January to August 2017 revenues from all exports totalled US$5.5 billion (+ 9.6%) of which US$191 million was derived from the export of wood panels. Woodbased panel exports amounted to 840,000 cu.m, between January and August of this year. During the same period, domestic sales of wood panels amounted to 4.2 million cu.m.

**Wood panel and laminate flooring output**

In 2016, Brazilian production of reconstituted woodbased panels dropped 2.4% compared to 2015, ending the year at 7.3 million cu.m. Production of MDF/HDF and HB fell 8.8% and 8.9%, respectively while production of MD particleboard increased 9%.

Part of the decline in sales of MDF/HDF and HB panels was the result of reduced household spending on mainly furniture, a major segment of woodbased panel market in Brazil.

In 2016 sales in the furniture sector fell 12% leading to a decline in sales of reconstituted wood panels in the domestic market. In order to compensate for sales reduction in the domestic market, the industry directed production to international markets and exports topped 1.1 million cu.m 64% higher than in 2015.

Meanwhile, laminate flooring production totalled 11.8 million sq.m in 2016 which represented a 7% reduction compared to 2015.

**Domestic Log Prices**

| Brazilian logs, mill yard, domestic | US$ per m$^3$ |
|---|---|
| Ipê | 217 |
| Jatoba | 120 |
| Massaranduba | 121 |
| Miiracatiara | 123 |
| 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 | 952 |
| Jatoba | 478 |
| Massaranduba | 447 |
| Muiracatiara | 444 |
| Angelim Vermelho | 399 |
| Mixed red and white | 266 |
| | |
| Eucalyptus (AD) | 222 |
| Pine (AD) | 160 |
| Pine (KD) | 182 |

Source: STCP Data Bank

**Domestic Plywood Prices (excl. taxes)**

| Parica | US$ per m$^3$ |
|---|---|
| 4mm WBP | 604 |
| 10mm WBP | 484 |
| 15mm WBP | 421 |
| 4mm MR | 501 |
| 10mm MR | 372 |
| 15mm MR | 345 |

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

| *Domestic ex-mill Prices* | US$ per m$^3$ |
|---|---|
| 15mm MDParticleboard | 257 |
| 15mm MDF | 316 |

Source: STCP Data Bank

**Export Sawnwood Prices**

| Sawnwood, Belem/Paranagua Ports, FOB | US$ per m$^3$ |
|---|---|
| | |
| Ipe | 1429 |
| Jatoba | 890 |
| Massaranduba | 777 |
| Muiracatiara | 750 |
| | |
| Pine (KD) | 183 |

*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) | 268 |
| 15mm C/CC (WBP) | 253 |
| 18mm C/CC (WBP) | 255 |

Source: STCP Data Bank

**Export Prices For Added Value Products**

| FOB Belem/Paranagua Ports | | US$ per m$^3$ |
|---|---|---|
| | | |
| Decking Boards | Ipê | 2,514 |
| | Jatoba | 1,467 |

Source: STCP Data Bank

## Peru

### Two million hectares of concessions to be reallocated

According to the National Forestry and Wildlife Authority (Serfor), of the 7.5 million hectares of timber forest concessions allocated in Peru, only around 4.3 million hectares are operational.

Some 3.2 million hectares of concessions have been returned to the State. Of those that were returned at least 2 million hectares in Loreto and Ucayali could be reallocated before the end of this year according to Serfor.

Serfor executive Director John Leigh Vetter has indicated that concessions in Ucayali would be ready for reallocation by the end of October while those in Loreto are in the process of review.

In the case of Madre de Dios, where concessions have also been returned to the State, reallocation will follow the new abbreviated granting procedure through which a Regional Government Commission will prequalify bidders based on their technical and financial capacity following the Serfor guidelines.

### Law on promoting forest plantations ready for Congress

Serfor has announced that the law on the Promotion of Forest Plantations, a legislative initiative promoted by the Ministry of Agriculture (Minagri), is to be presented to Congress in the second half of October.

This law aims to boost private investment in establishment of forest plantations for the production of wood and non-wood products. The law provides for economic and financial incentives as well as tax incentives and the easing of import duties on machinery and equipment. This new initiative is totally different from the Forestry and Wildlife Law that regulates this activity.

### Traceability as a tool to raise competitiveness and improve image of timber industry

A recent workshop on 'Traceability as a Tool for Management and Responsible Timber Trade', organised by Serfor attracted experts and entrepreneurs from six countries.

The aim of the workshop was to share experiences on the traceability process which consists of tracking timber from its origin, through transport and processing for export in order to improve the management of the forest industry and raise competitiveness and access in international markets.

The Serfor Executive Director said this initiative seeks to contribute to a common vision between the State and the private sector. The aim is to develop transparent mechanisms to guarantee the legal origin of timber and its products, to improving the competitiveness of companies, enhance the image of the country in international markets and improve the welfare of the people of Peru.

Experts from governmental institutions, international organisations and private companies from the United States, Chile, Guatemala, Mexico, Colombia and Bolivia discussed the forest regulations, the traceability of timber from natural and plantation forests and the importance of domestic processing and trade.

The seminar was supported by international institutions such as the World Resources Institute, German GIZ Cooperation and national institutions such as the Association of Exporters (ADEX), WWF and local businesses.

**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'-12' KD | |
| Grade 1, Mexican market | 523-599 |
| Grade 2, Mexican market | 461-482 |
| 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 | 645-672 |
| Marupa 1", 6-13 length KD | |
| Asian market | 493-562 |

**Domestic Sawnwood Prices**

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

**Export Veneer Prices**

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

**Export Plywood Prices**

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

**Domestic Plywood Prices (excl. taxes)**

| | |
|---|---|
| Iquitos mills | US$ per 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 | | 1304-1391⬆ |
| Cumaru KD, S4S | Swedish market | 962-1095 |
| | Asian market | 1059-1089 |
| Cumaru decking, AD, S4S E4S, US market | | 1188-1222 |
| Pumaquiro KD Gr. 1, C&B, Mexican market | | 479-554 |
| Quinilla KD, S4S 2x10x62cm, Asian market | | 493-519 |
| 2x13x75cm, Asian market | | 732-815 |

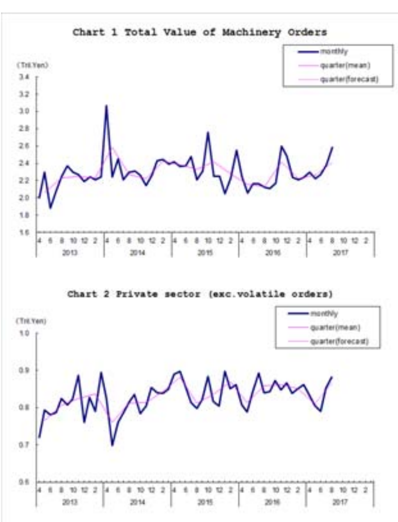
## Japan

**Business confidence at 10 year high**

The Bank of Japan survey of business confidence, the basis of its Tankan Survey Report has risen to its highest level in around 10 years. The results of the survey reflect how companies perceive prospects in the medium term.

The September survey marks the fourth in a row showing companies intend to increase capital spending.

The optimistic survey highlights the improvement in Japan's economic prospects underpinned by strong exports and investments linked to the Tokyo 2020 Olympics.



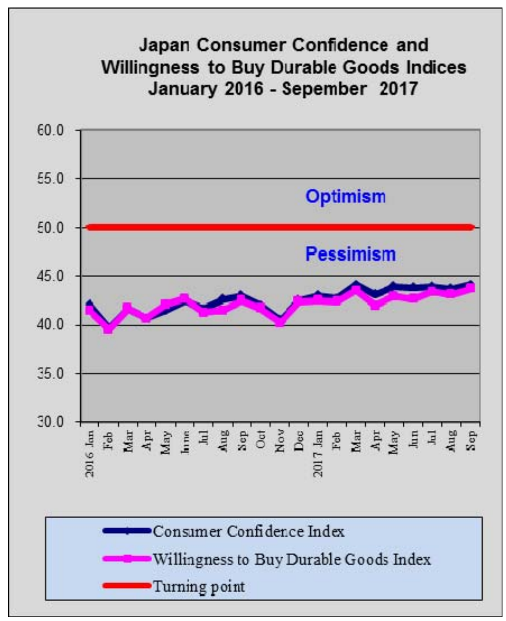

Data source: Cabinet Office, Japan

**Faster growth driven by global demand forecast**

Along with the good news on corporate capital spending the latest consumer confidence survey also delivered positive news. The consumer sentiment index rose in August, the latest for which data is available. The index for overall livelihood also rose as did the income growth index.

Of particular interest to wood product manufacturers was the rise in the index assessing willingness to buy durable goods.

In assessing recent economic trends the International Monetary Fund has forecast Japan's economy will grow 1.5% this year, a figure slightly higher than forests three months ago. This is because the global economic recovery is moving at a faster pace than predicted driven by a strong recovery in Europe, China, the United States and emerging Asia.




Data source: Cabinet Office, Japan

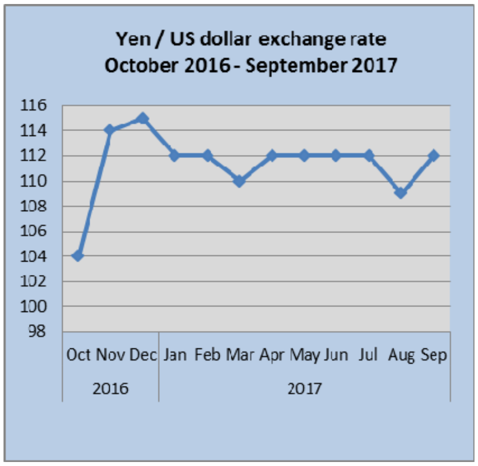
**Yen exchange could be impacted by election result**

The uncertainty surrounding the outcome of Japan's general election set for October 22 is impacting currency markets.

In past elections the policies of the main political parties were such that continuity was almost certain but in this election things could be different.

A new party, Hope, led by the Tokyo Governor Yuriko Koike, looks set to at least chip away some of the power of the coalition that, except for a brief spell, has ruled Japan for decades.

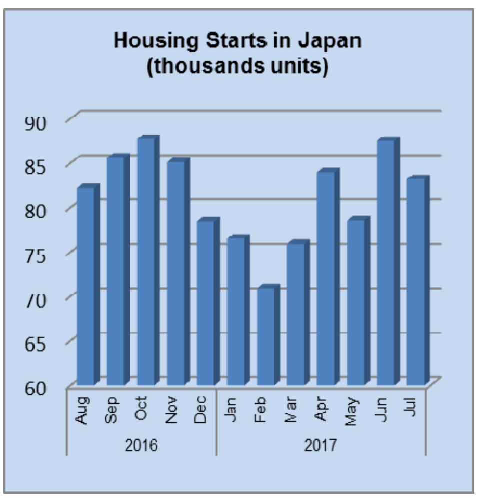
Under the current government the yen has been held in check which has boosted exports, but if the new party gains enough support to trim the ruling party's majority then the basis for the yen's weakness may change.




**Experts see need for 1 million temporary homes after mega-quake**

Next month the government's Central Disaster Management Council will issue new guidelines for alerting people of the expected Nankai Trough earthquake that could claim hundreds of thousands of lives and destroy thousands of buildings along a 700 km stretch of Japan's southern and eastern coast including Tokyo.

A panel of experts has said that in the event of a Nankai Trough earthquake up to 840,000 temporary housing units would be required. Securing emergency accommodation would be a major challenge in the event of a catastrophic Nankai Trough quake.



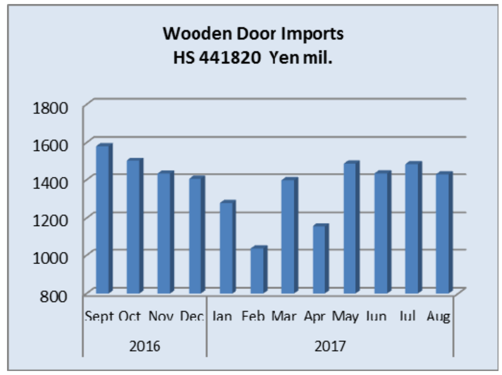

Data source: Ministry of Land, Infrastructure, Transport and Tourism

**Import round up**

**Doors**

The value of Japan's July imports of wooden doors (HS 441820) was little changed from the previous month and data for August shows a 10% decline year on year with a month on month fall of 18%.

In August the three main shippers, China, the Philippines and Indonesia accounted for 86% of all imports of wooden doors with China alone accounting for 56% of Japan's total wooden door imports.

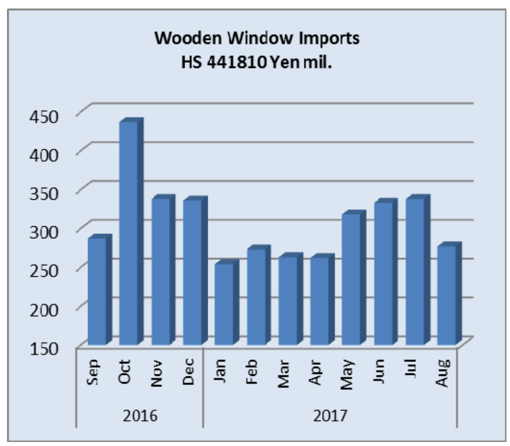



Data source: Ministry of Finance, Japan

**Windows**

The steady decline in year on ear imports of wooden windows into Japan continued into August. Year on year August 2017 imports of HS441810 were down 27% and compared to a month earlier August imports were down 18%.

As has been the trend over the year 3 countries dominate Japan's imports of wooden windows, China (36%), the Philippines (23%) and the US (30%). This leaves little market share for other shippers mainly in Europe.



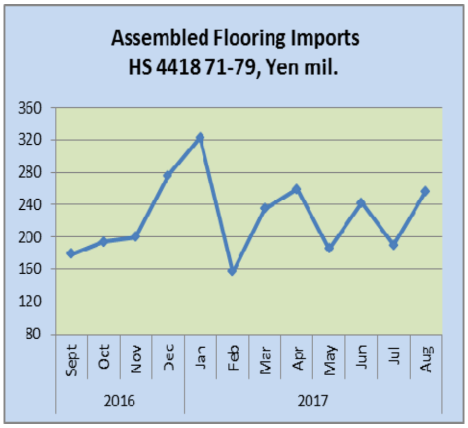

Data source: Ministry of Finance, Japan

**Assembled flooring**

Once more the volatility in imports of assembled wooden flooring (HS441871-79) observed this year continued into August. Year on year, August imports were up over 60% and compared to levels in July there was a 35% surge in August imports.

The bulk of Japan's imports of assembled flooring fall within HS 441875 which, in August, represented over 70% of imports.

Other major categories include HS 441879 (25%) shipped mainly from China and Indonesia. Imports of HS 441873 and 79 are small (around 2% of August imports).



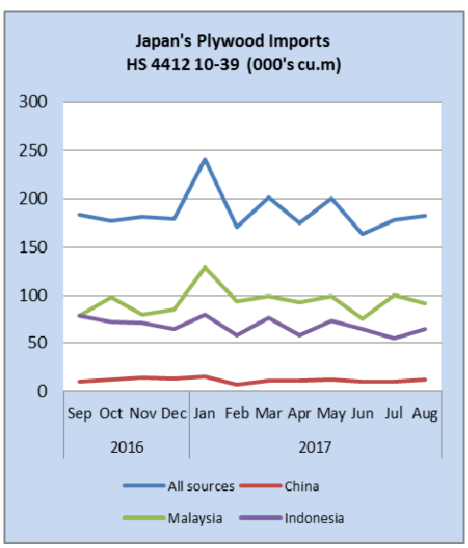
Data source: Ministry of Finance, Japan

**Plywood**

Japan's August imports of plywood rose 11% year on year but compared to a month earlier August import volumes were flat.

Over the past 12 months shippers in Malaysia, mainly Sarawak have provided the largest volume of plywood to Japan. The second ranked shipper is Indonesia followed by China. The three account for most of Japan's imported plywood.

Shipments from Malaysia are mostly of HS 441231 (97%) with small quantities of HS 4412 33 and 34. Shipments from Indonesia follow a similar pattern with 87% being S 441231 but more HS 441234 is shipped (12%). In contrast plywood shipments from China are more varied with HS 441231 accounting for 48%, HS441233 (31%), HS 4412 34 (8%) and HS441239 (12%).



Data source: Ministry of Finance, Japan

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

| | | China | Malaysia | Indonesia |
|---|---|---|---|---|
| 2016 | Jan | 16 | 101 | 75 |
| | Feb | 10 | 81.5 | 70.8 |
| | Mar | 8 | 84 | 64 |
| | Apr | 12 | 85 | 72 |
| | May | 12 | 95 | 62 |
| | Jun | 11.6 | 95.6 | 66 |
| | Jul | 10.7 | 92.8 | 71.3 |
| | Aug | 11.9 | 82.3 | 52.8 |
| | Sep | 10.3 | 79.9 | 79.3 |
| | Oct | 12.9 | 98.3 | 72 |
| | Nov | 14.9 | 80 | 71 |
| | Dec | 13.7 | 85 | 65 |
| 2017 | Jan | 16 | 130 | 80 |
| | Feb | 7.5 | 93.3 | 59 |
| | Mar | 11.5 | 99 | 76.5 |
| | Apr | 11.2 | 92.6 | 58 |
| | May | 12.9 | 99.2 | 73.8 |
| | Jun | 11 | 74.8 | 65 |
| | Jul | 10.6 | 100 | 54.8 |
| | Aug | 12.3 | 91.8 | 64.5 |

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*

**Tight supply of South Sea (Tropical) plywood**

Shipments of ordered plywood of South Sea hardwood have been largely delayed by log supply shortage.

Even after the rainy season was over, weather has not improved in producing regions of Indonesia and Malaysia, which hampers hauling of harvested logs to coast where plywood mills are. Plywood mills operate with very little log inventories. Also quality logs are hard to come by now.

To produce thin plywood and floor base plywood, log quality is important but the mills are not able to have enough quality logs, which delayed production of ordered volume. Delay of shipments is about three to four months now and port inventories are way down in Japan while the demand continues strong.

Because of supply shortage, the export prices are climbing. Indonesian 2.4 mm thin plywood (second class/F4 star) prices are US$800-820 per cbm C&F.

With supply shortage of imported plywood, demand of thin plywood has been shifting to other materials such as MDF and this move seems to accelerate.

Floor base plywood demand has been shifting to domestic softwood plywood. Delayed shipments will continue as the producing regions will be in rainy season again after late October. Reduced supply volume and higher export prices will continue.

#### Wood demand in 2016

Total demand for wood in 2016 was 78,077,000 cbms, 3.9% more than 2015. Housing starts were 6.4% more than 2015, which stimulated wood demand for lumber and plywood then with start-up of new biomass power generation plants, demand of wood for fuel was additional.

The degree of self-sufficiency in wood increased by 1.6 points to 34.8% but for lumber, imports were more so that the degree dropped by 0.7 points. The degree of wood for fuel increased by 6.0 points with increased domestic supply.

Domestic wood production for total demand was 27,141,000 cbms, 8.9% more then imports were 50,936,000 cbms, 1.4% more. Majority of domestic increase was wood for fuel, which took 58.9% while wood for lumber and plywood increased only by 2.6%.Domestic wood for fuel was 4,458,000 cbms, which is more than 3,876,000 cbms for plywood and it is getting close to 5,266,000 cbms for pulp and wood chip.

Since there are more start-ups of biomass power generation facilities in 2017, demand for wood for fuel would be the second largest behind wood for lumber.

Domestic wood demand for plywood continues increasing close to 4,000,000 cbms in 2017 since demand of domestic plywood to replace floor base of South Sea hardwood plywood.

#### Plywood

Demand for softwood plywood is brisk mainly by large precutting plants while wholesale channels are getting quiet after they have built up enough inventories. Medium and small precutting plants maintain regular purchase volume in fear of supply shortage they experienced a year ago.

August softwood plywood production was high at 254,700 cbms, 10.8% more than August last year and 2.6% less than July despite fewer working days with the Bon holidays.

The shipment in August was 249,900 cbms, 4.6% more and 4.7% less. The inventories were 110,100 cbms, 7,300 cbms more than July.

Besides main product of structural plywood, plywood mills now need to produce floor base panels for domestic building manufacturers.

Trading firms are not able to respond to spotty orders since volume allocation by plywood manufacturers is unchanged. They are now trying to correct price gap between direct buyers of precutting plans and wholesalers.

After plywood manufacturers increased the sales prices in September, they are pushing the prices up step by step.

Imported 12 mm 2x6 coated concrete forming panel supply is tight. The suppliers suffer log supply shortage to manufacture veneer. Importers have enough inventory of 3x6 but 2x6 inventory is down with busy shipment.

#### Plywood conference by three countries

Plywood manufacturers and dealers from Indonesia, Malaysia and Japan had conference at Jakarta, Indonesia to exchange market information and trend of plywood market.

The most recent issues are restriction of log harvest and demand structure.

In Indonesia and Malaysia, harvest of natural growth timber has reduced by various restrictions while production of planted timber is increasing. In Indonesia, 40% of total harvest is now planted timber and in Sarawak, Malaysia, share of planted timber in total harvest will be more than 50%in five years.

In Sarawak, Malaysia, log production in the first half of this year was 3,746,000 cbms out of which 2,937,000 cbms were naturally grown timber and 808,000 cbms were planted timber, 21% in total harvest. Total year harvest of planted timber this year will be 1,600,000 cbms, 300,000 cbms more than 2016.

Raw materials of various products are shifting from virgin timber to planted timber.

In Indonesia, utilization of recyclable resources is progressing and various products have been developed by cooperation with the Japanese building materials manufacturers.

To the question by Indonesia of present status of plywood manufacturing in Japan with domestic wood resources, the Japan Plywood Manufacturers Association answered that the government has set target of six million cbms of domestic logs for plywood manufacturing by 2025 and eight million cbms for biomass power generation but it is uncertain if this target is materialized.

It is the fact that domestic plywood is now more than imported plywood in Japan but imported plywood is absolutely necessary product for Japan but in coming years, the market would not accept any product without traceability or forest certificate.

**Increasing consumption of CLT**

Meeting by the governmental offices to promote use of CLT was held recently and it reported that consumption of CLT in 2017 would be about 20,000 cbms, four times more than 2016 but gap between producing capacity of about 60,000 cbms and actual consumption remains so further promotion to use CLT is necessary.

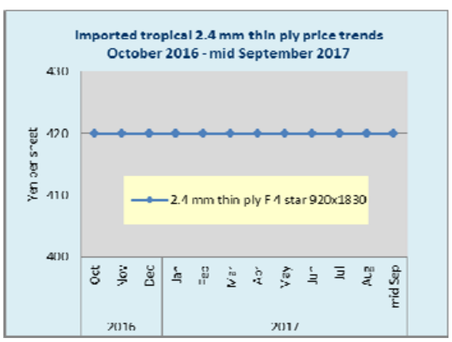
In 2016, use of CLT was only 5,000 cbms to the production of 50,000 cbms so the demand was only one tenth of the production then in 2017, the production increases to 60,000 cbms and the consumption increases to 20,000 cbms.

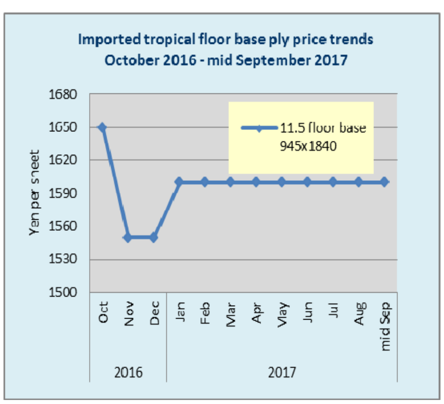
To promote use of CLT, the central and local governments give subsidy so majority of CLT construction is based on the subsidy. The government plans to increase the production of CLT to 100,000 cbms by 2020 so further demand promotion is immediate issue.

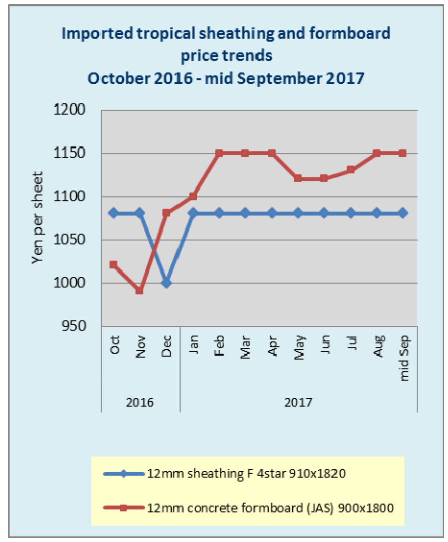
In 2017, total construction by CLT is 112, which exceeds total CLT construction of 93 in the past so speed of increase is remarkable but not enough to catch up the production.

Since there are many buildings with subsidy, type of buildings is public hall and community center by local governments. Others are office, public housing, companies' dormitory, stores and warehouse.
By the government's road map to stimulate use of CLT, each local government has to build at least one CLT building by 2018.

**Imported plywood wholesale prices**



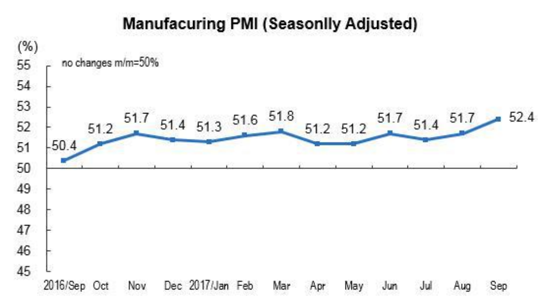




## China

**14th consecutive rise in Manufacturing PMI**

A press release from China's National Bureau of Statistics (NBS) shows that the manufacturing purchasing managers index (PMI) for September marked the 14th consecutive month of expansion and the highest reading since April 2012.

The NBS says the manufacturing sector maintained a stable performance and good growth momentum. Factories increased output to take advantage of firm domestic demand and high prices driven by a building boom.




Source: National Bureau of Statistics, China

The impressive performance of China's manufacturers comes despite moves by the government to close low tech and high polluting industries. Some analysts comment that news of major cuts in capacity can be misleading since overall output is still rising.

See:
http://www.stats.gov.cn/english/PressRelease/201710/t20171009_1540457.html

**Transformation of wood based panel sector continues**
China has been accelerating transformation of wood-based panel industry and elimination of outdated production capacity. According to the China National Forest Products Industry Association (CNFPIA) thousands of plywood mills have been required to cease production of which around half are under-going modernisation.

**Number of plywood mills impacted by province**

| Province | Original number of factories | Production halted | Forecast closures |
|---|---|---|---|
| Hebei | 820 | 560 | 560 |
| He'nan | 420 | 120 | 120 |
| Shandong | 5800 | 2736 | 2630 |
| Jiangsu | 1020 | 350 | 300 |
| Zhejiang | 960 | 810 | 810 |
| Anhui | 210 | 110 | 100 |
| Fujian | 850 | 680 | 685 |
| Guangdong | 220 | 130 | 130 |
| Guangxi | 1400 | 100 | 100 |

It has been reported that enterprises in the main wood-based panel production bases such as Shandong Linyi and Heze cities, Jiangsu Pizhou cities which can satisfy environmental regulations and have an important role in maintaining jobs will be allowed to resume production.

Linyi city is home to the largest wood-based panel production plants and annual output exceeded 45 million cubic metres in 2016 accounting for over 50% of the national wood-based panel output. Some 40% of the production from this area is exported.

Analysts report there are issue to be addressed such as up-grading technologies, improving management and development of corporate social responsibility. Recently, significant success has been seen in volatile organic compound control in the enterprises in Linyi city.

**Guangdong province the first largest furniture output**
According to a 2017 report 'China's Wood Furniture Output' published by the China Business and Industry Academy, in the first half of 2017 China's wooden furniture production exceeded 13 million pieces. The top 10 producer regions are Guangdong, Zhejiang, Shandong, Fujian, Jiangxi, Sichuan, Jiangsu, Liaoning, He'nan provinces and Beijing capital.

Of the national total, 21% of the furniture output originated from manufacturers located in Guangdong Province, the top ranked Province in terms of production.

Furniture manufacturing has a long history in the Shunde District, Foshan City in Guangdong Province. There are more than 5,000 furniture manufacturers and around 10,000 outlets providing furniture accessories.

The total value of furniture output in Shunde District last year was RMB10.13 billion of which RMB8.06 billion was exported. Exports from Shunde District accounted for about 6.5% of all furniture exports from Guangdong Province.

**New Zealand and China to expand timber trade**
Recently a Memorandum of understanding was signed between the New Zealand Wood Products Manufacturing Association (WPMA) and the China Timber and Wood Products Distribution Association (CTWPDA) aimed at promoting timber trade and technology cooperation.

In the first half of 2017, China imported 6.2 million cubic metres of logs from New Zealand valued at US$802 million, a year on year increase of 10% in volume and 21% in value. Over the same period China imported 192,100 cubic meters of sawnwood from New Zealand valued at US$49.35 million, year on year increase of 14% in volume and 16% in value.

**DNA timber identification by Chinese Academy of Forestry**
The Timber Industry Institute, Chinese Academy of Forestry (CAF) has been commissioned by a domestic inspection and certification institution to identify a consignment of imported timber intercepted by China's Customs officials.

The wood identification team at the CAF used DNA sampling to identify the species and found it was Pterocarpus erinaceus a timber native to the Sahelian region in West Africa. This was the first time the CAF had used DNA appraisal and marks an advance in wood identification for the CAF.

DNA identification technology provides for a more accurate basis for China's CITES management and enforcement.

**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

**European flooring market continues to recover**

The European ‘real-wood’ flooring industry continues to experience moderate growth, benefiting from encouraging economic developments, especially in construction activity.

Compared to the same period last year, provisional results for the first half of 2017 point to a continuation of the positive parquet consumption trends observed in 2016 and during the first quarter of 2017.

These are the main conclusions of the market discussion of the Board of Directors of the European Federation of the Parquet Industry (FEP) when they met in September 2017.

The promising developments reported by FEP members were registered in all countries where FEP members are present, with no single country reporting a decline in consumption. The following conclusions on the market for real wood flooring were drawn for each country:

Austrian sales increased 2% during the first half of 2017 compared to the same period last year despite intense competition from alternative flooring types. Belgian consumption increased 2.5% in the first three months of 2017.

Denmark's market is growing at an annual rate of around 1%-2% in line with growth in construction activity.
Sales have been stable in Finland this year, an improvement after several years of decline. French demand grew by an estimated 3% in the first half of 2017.

In Germany sales increased by 2% in first half of 2017 reflecting good performance of the construction sector and despite shortages of craftsmen and harsh competition with other flooring solutions. Sales in Italy increased 1.5% in the first half of 2017 on the back of positive economic developments in the country.

Sales in the Netherlands continue to improve, rising an estimated 7% in the first half of 2017 due to good performance of the housing sector, but affordability of wood raw material and availability of some species is problematic. Parquet consumption in Switzerland was flat in the first half of 2017, a situation is expected to remain unchanged in the second half of the year.

**Expanded production of sliced flooring deck layers**

In other news from the European flooring sector, hardwood specialist Danzer re-opened its location in Souvans, France on 7 September following a 13 million euro investment in the site which began in May 2016.

According to Danzer CEO Hans-Joachim Danzer, “in recent years, the global demand for engineered hardwood flooring has increased steadily – a trend that will continue. We have installed a new energy-saving boiler, our proprietary high-precision Danzer VS4000 veneer slicer and adequate drying kilns.

Previous to the conversion, Souvans was exclusively producing veneer – now it is also a specialized production site for flooring deck layers. Annual production volume of 20,000 m3 is planned for Souvans in the future, serving customers all over Europe.”

Preceding the construction, the Danzer Supervisory Board approved a 15 million Euro investment plan for the thick-cut veneer expansion for the factories of Souvans, Melnik (Czech Republic) and Darlington (USA) in 2015. Prior to this, only the plant in Melnik produced thick-cut veneers.

**Rougier corporate revenues rise in Gabon and France**

Rougier, the Paris-based group which operates seven factories in Cameroon, Congo and Gabon, reports that corporate revenues for the first half of 2017 were €76.0 million, down 3% year-on-year.

The Rougier Afrique International branch generated euro 61.1 million of revenues, down 4% from the first half of 2016.

This change primarily reflects volatile demand on several international markets and shipping delays at Douala Port in Cameroon which had an adverse impact on operating margins in Cameroon and Congo.

Group profitability in Gabon continued to pick up, benefiting from the good level of forest production, improvements in sawmill productivity and the launch of the contract with GSEZ (Gabon Special Economic Zone) for log supplies.

Revenues for the French import-distribution branch were also up 6% from the previous year to €17.7 million, continuing an upward trend which began in 2016.
The Group is focusing its actions in Africa on improving its industrial and logistics performances, as well as creating value through its more profitable timber species.

In the second half of the year, the release of the first euro 5 million tranche from the euro 15 million loan set up with Proparco will enable Rougier to start up operations in the Central African Republic in the fourth quarter and give it the means to ensure its development in the Congo Basin.

**FLEGT IMM completes first cycle of market surveys**

The FLEGT Independent Market Monitoring (IMM) programme has undertaken its first cycle of market surveys, following the project’s relaunch by ITTO in April.

Correspondents in seven key EU consumer markets – Belgium, France, Germany, Italy, the Netherlands, Spain, and the UK – as well as in Indonesia and Ghana, have gauged industry and government agency views on the start of Indonesian FLEGT licensing, the FLEGT-VPA initiative and the scope and ease of doing business with VPA partner countries. They also asked interviewees about EUTR enforcement and implementation.

An encouraging finding is that the start of FLEGT-licensing in Indonesia revived trade interest in FLEGT. “FLEGT-licensed timber going from distant promise to physical reality restored faith”, one importer told IMM. That it is Indonesia doing the licensing also changed mind-sets. If such a large, complex country could do it, said respondents, others could too.

A previous IMM pilot survey in Germany, Spain and the UK in 2015 had found more widespread frustration and “FLEGT-fatigue”, as repeated forecasts about the start of licensing came to nothing.

IMM will publish a summary of its survey findings, as well as comprehensive background information on VPA partner countries and EU trade with them, on a new website soon and a quarterly newsletter starts publication later this year. In the meantime, IMM information can be found at www.itto.int/imm.

IMM is a multi-year programme funded by the European Commission and managed by ITTO. It monitors the timber trade and market impact of FLEGT Voluntary Partnership

Agreements (VPAs) using a range of indicators. Besides analysing and contributing to work on improving trade flow data, monitoring is based on a range of surveys in EU countries and FLEGT-licensing and selected VPA-implementing countries.

Activities in 2017 have included updating analysis of VPA partner trade flows and preparation of the EU, Indonesian and Ghanaian market scoping studies. Indonesia, as the first FLEGT-licensing country, received particular attention.

Next steps include the launch of the IMM website and newsletter. Work planned for 2018 includes an IMM-hosted FLEGT Market Opportunities Roadshow. To subscribe to the IMM newsletter, please email subject line "Newsletter" to sarah@flegtimm.eu

**International Hardwood Conference**

Hosted by Italy's Fedecomlegno Federation in association with the ETTF and European Organisation of Sawmillers, an International Hardwood Conference will take place 15 to 17 November and it expects delegates from 20 countries worldwide. The core theme will be maximising the hardwood resource, both in terms of sustainable yield and realising its potential in new applications.

Expert speakers will provide market trend analysis. "It's no longer enough for a hardwood conference to talk just about logs, sawn goods volume and prices," said Fedecomlegno Director Stefano Dezzutto.

"Today you must address market tendencies, legality, sustainability and other environmental aspects, international standards, innovative technology and new applications. Our goal is a line-up of qualified speakers addressing a range of themes to envelop the whole hardwood supply chain. The fact we have registrations worldwide is an encouraging signal we've got it right."

The IHC takes place in Venice's Hilton Molina Stucky hotel and the Gala Dinner will be in the historic Palazzo Zeno. For more information and to register http://ihc2017.info/en/welcome/

**Certified wood accounts for most of Dutch timber imports**

The headline statistic in the 'Sustainably produced wood on the Dutch market' study from sustainability, forestry and forest products institute Probos, is that the market share of FSC and PEFC certified timber increased from just 13.3% in 2005 to 83.3% in 2015.

This is the fifth analysis of the sector undertaken by Probos, covering the primary wood products and paper and cardboard markets in the Netherlands. It also breaks down market share figures for sawnwood, temperate and tropical hardwoods, sheet materials, packaging paper, cardboard, graphic paper, newsprint and sanitary paper.

The report indicates that share of certified wood on the Dutch market increased across all product groups, although the rate of increase has slowed in recent years. Share of softwood increased from 76% in 2009 to 96% in 2012 before rising to 98% in 2016.

The share of panel products increased from 61% in 2009, to 89% in 2014 before rising to 92% in 2016. Share of hardwoods increased from 24% in 2009 to 55% in 2013 and 61% in 2016.

The share of certified in tropical sawn hardwood supply to the Netherlands increased from 56.5% in 2013 to 63.2% in 2015. Almost half of the certified tropical sawn supply is under the Malaysian Timber Certification Scheme (MTCS) which is PEFC-recognised and was endorsed as fully compliant with the sustainability criteria of the Dutch government from January this year. The rest of the volume is mainly FSC certified from Cameroon, Gabon, and Indonesia.

The report notes that the most rapid rate of proportional increase in certified supply in recent years is in temperate sawn hardwood, from 20.7% in 2013 to 33.7% in 2015, but this is against the background of a sharp decline in Dutch imports of temperate hardwood.

Probos suggest that temperate hardwoods are lagging other product groups because much is lower grade used in the packaging industry in the Netherlands, very little of which is certified.

Probos do not mention an alternative explanation, which is that a relatively high proportion of temperate hardwood derives from small non-industrial owners in both Europe and North America, which are less likely be certified than the large state and industry-owned forests that supply a majority of softwood and panel products.

The share of total Dutch consumption of timber and wood-based panels taken by timber certified under the schemes was 40.9% for FSC and 33.1% for PEFC in 2015. The relative share of FSC and PEFC on the market was little changed from 2013.

**Spanish trade association legality risk assessment of Brazil**

According to the European Timber Trade Federation (ETTF), the Spanish Timber Trade Association AEIM has produced a preliminary risk assessment report on sourcing from Brazil to support member's implementation of the EU Timber Regulation (EUTR).

The risk assessment, which was presented to the association's latest board of directors meeting, was commissioned from a 'committee of experts'. It lists and analyses official documentation that must accompany Brazilian sawn timber products to satisfy AEIM's compulsory EUTR-aligned due diligence system.

The report breaks Brazil into three areas; Pará, Matto Grosso and 'other states'. Legality risk assessment documentation is covered along the supply chain, from forest to export.

Brazil is rated 'very high risk' on AEIM's illegality risk assessment website www.maderalegal.info and the report is therefore seen as a key trading tool.

Brazil is Spain's second biggest tropical timber supplier after Cameroon, on which AEIM commissioned a similar risk assessment and due diligence report last year. In 2016, Spain imported 10,312 m3 of Brazilian sawn lumber, worth €6.1m.

While addressing illegality risk, the AEIM report also highlights efforts being made by the Brazilian Environment Institute (IBAMA) to tackle illegal trade, and the development of Brazil's National Control System for Forest Products Origin (SINAFLOR), its timber supply chain tracking database. The final AEIM report will be available soon.

In a separate report, AEIM note that a recent survey of members revealed that only 4% of all tropical timber imported into Spain is certified. AEIM is committed to raising this percentage to 12% by 2020.

**LCA provides foundation for new tropical wood promotion campaign**

According to the Europeab Timber Trade Federation (ETTF), a 12-strong group of Netherlands Timber Trade Association (NTTA) members is planning to use the findings of two recent Life Cycle Assessment (LCA) projects as the basis of a campaign to promote greater use of sustainable tropical timber.

The campaign will target civil engineers and focus on both sustainable tropical timber's environmental benefits in relation to climate change mitigation, renewability and low environmental impacts as well as its technical, design and maintenance attributes.

The campaign draws on a 2016 LCA study, backed by the EU Sustainable Tropical Timber Coalition (STTC), on the use of tropical timber for pile planking. It was commissioned from EY Climate Change and Sustainability Services by the NTTA's Centrum Hout operation with support from FSC Netherlands.

This study put three sustainable tropical species through LCA, alongside planking in plastic. Timber scored significantly better both in overall impact and carbon performance.

Earlier, the Dutch government commissioned a similar comparative study for pedestrian bridges, measuring the LCA performance of tropical timber versus concrete, steel and reinforced composites. Again, tropical wood came out on top.

The promotion campaign will involve meetings for engineers, and distribution of literature, including fact sheets already prepared on sustainable tropical timber and environmental impact, CO2 reduction and the bio-based and the circular economy.

The pile planking study has also generated literature on total cost of ownership of the product through its life, and a design and calculation guide. There is also an online facility to calculate embodied and lifetime in-use carbon performance of a particular timber application.

## North America

**Tropical sawnwood 30% of total sawn hardwood imports**

US imports of temperate and tropical sawn hardwood grew slightly in August to 72,278 cu.m., but the value of imports declined. Tropical sawnwood imports accounted for 21,381 cu.m. or 30% of total sawn hardwood imports in August.

Tropical imports increased 14% from July, while the value of tropical sawnwood imported was almost unchanged at US$21.7 million. Year-to-date tropical imports were up 5% compared to August 2016.

The month-over-month increase was mainly in imports of balsa, keruing, jatoba and acajou d'Afrique. Balsa imports grew 24% to 6,252 cu.m. in August. Keruing imports were 2,234 cu.m., up 19% from July.

Imports of ipe sawnwood were slightly down in August (2,412 cu.m.), but at US$5.1 million ipe was still the leading species imported by value.

Malaysian exports to the US increased by one third in August. The US imported from Malaysia in August 2,073 cu.m. of keruing worth US$1.7 million. Meranti and teak imports from Malaysia were also up in August.

| | 2016 Year to July | 2017 Year to July | % change |
|---|---|---|---|
| Total US Imports | 155,855 | 163,136 | 5% |
| Ecuador | 34,354 | 48,077 | 40% |
| Brazil | 32,136 | 31,730 | -1% |
| Cameroon | 15,499 | 19,702 | 27% |
| Malaysia | 16,300 | 11,947 | -27% |
| Rep. of Congo | 9,108 | 8,555 | -6% |
| Peru | 1,318 | 395 | -70% |
| Indonesia | 8,296 | 9,471 | 14% |
| Ghana | 5,187 | 5,652 | 9% |
| Cote d'Ivoire | 1,663 | 1,696 | 2% |
| Other | 31,994 | 25,911 | -19% |

Data source: US Census Bureau, Foreign Trade Statistics

**Canadian meranti imports up in August**

The value of Canadian imports of tropical sawnwood increased in August, but year-to-date imports remain lower than in August last year. The value of tropical imports was USUS$1.5 million, up 9% from July.

Imports of most species declined in August with the exception of red meranti. Red meranti imports doubled from July to USUS$58,266, but year-to-date meranti imports are lower than in August 2016.

Virola, imbuia and balsa imports (combined) accounted for the majority of imports in August at USUS$461,189, up 61% year-to-date from the same time last year. Almost all virola, imbuia and balsa sawnwood was imported via the US.

Sapelli sawnwood imports were worth USUS$337,755 in August, down 2% from July, but sapelli imports from Cameroon grew in August to USUS$191,888.

**Plans to replace plywood in recreational vehicles and boats**

A new company hopes to replace plywood in recreational vehicles (RVs), boats, buses and trucks with reinforced fibreglass and thermoplastic panels.

TekModo manufactures composite panels designed to replace plywood in roofs, floors and external walls. A different type of panel takes the place of lauan plywood in sidewalls of RVs and commercial buses.

The company is also developing non-wood concrete forming panels intended to replace plywood in concrete forming. TekModo's production plant is in Indiana where most North American RVs are manufactured.

**New CLT plant for Washington State**

A new factory for mass timber products is set to open in 2018 in Spokane Valley, Washington, according to a press release by construction technology company Katerra. Cross-laminated timber (CLT) and glulam will be produced at the new plant, which Katerra uses in its modular prefabrication of commercial and residential buildings.

The company already manufactures building components at an existing factory in Arizona, including walls, rooms, doors and cabinetry. The new plant in Washington will increase the production of CLT in the US and allow for higher use of timber in construction.

CLT is used in tall residential buildings and non-residential construction as an alternative to concrete, masonry and steel. Developed in Europe CLT is gaining traction in the US and Canada to reduce construction cost and time, and improve the environmental footprint of buildings.

A US CLT Handbook was developed in 2013 to facilitate the adoption of CLT.

A free electronic copy of the handbook is available at: https://www.rethinkwood.com/mass-timber-webform/cross-laminated-timber-clt-handbook

The American Hardwood Export Council has been promoting CLT made from hardwoods. Temporary structures were created from American tulipwood CLT for the London Design Festival in recent years. This year tulipwood CLT was used for the first time in a permanent building, a health care facility in England.

**US cabinet market outlook: more custom and frameless cabinets**

US demand for cabinets is forecast to grow 5.7% annually to 2021, according to a Freedonia market study released in September (Cabinets Markets in the US, 10th Edition). Remodeling of existing kitchens is the most significant driver of demand. In 2016 the US cabinet sales were worth over US$16 billion.

Semi-custom and custom kitchen cabinets are expected to grow at a higher rate than stock kitchen cabinets. Traditional face-frame cabinets are most common in the US, but the more modern look of frameless cabinets has become popular in the last decade.

Frameless cabinets are also used more frequently in multi-family housing because of their lower cost.

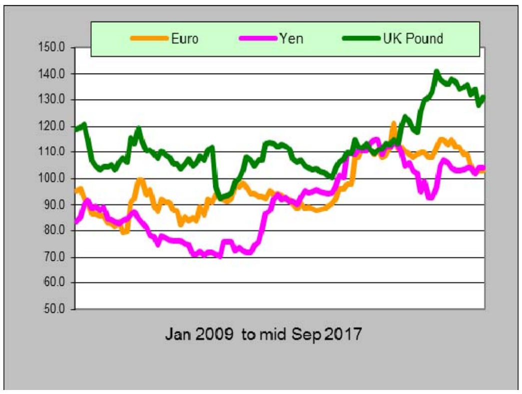
Features such as charging stations for electronic devices and LED lighting are predicted to become common in stock cabinets in the next five years.

## Dollar Exchange Rates

**As of 10 October 2017**

| | | |
|---|---|---|
| Brazil | Real | 3.1801 |
| CFA countries | CFA Franc | 555.43 |
| China | Yuan | 6.5715 |
| EU | Euro | 0.8469 |
| India | Rupee | 65.235 |
| Indonesia | Rupiah | 13513 |
| Japan | Yen | 112.45 |
| Malaysia | Ringgit | 4.2198 |
| Peru | New Sol | 3.2645 |
| UK | Pound | 0.7573 |
| South Korea | Won | 1135.31 |

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



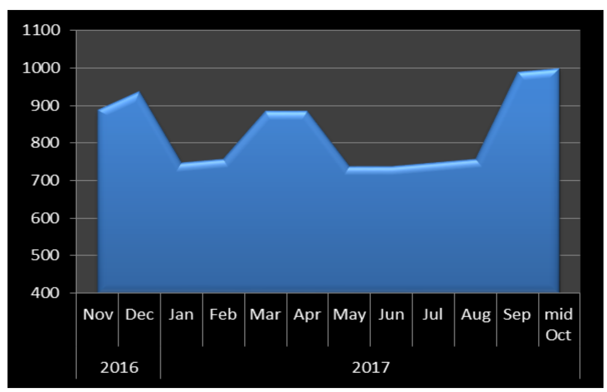


## Abbreviations and Equivalences

| | |
|---|---|
| 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 |
| 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**
**November 2016 – mid October 2017**

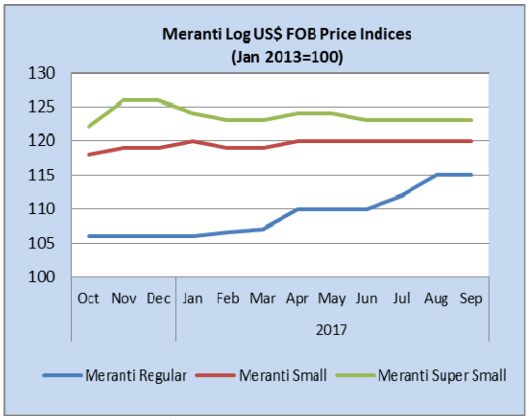



Data source: Open Financial Data Project

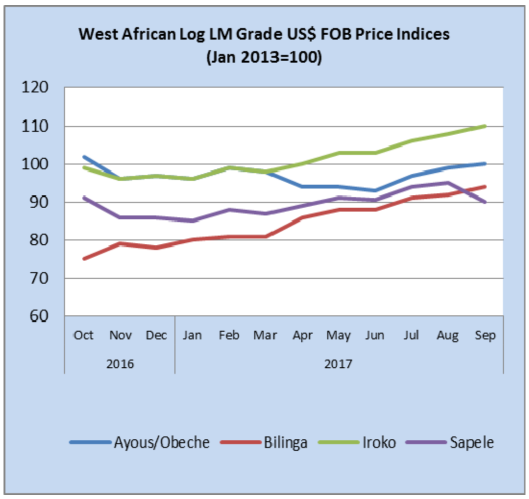
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

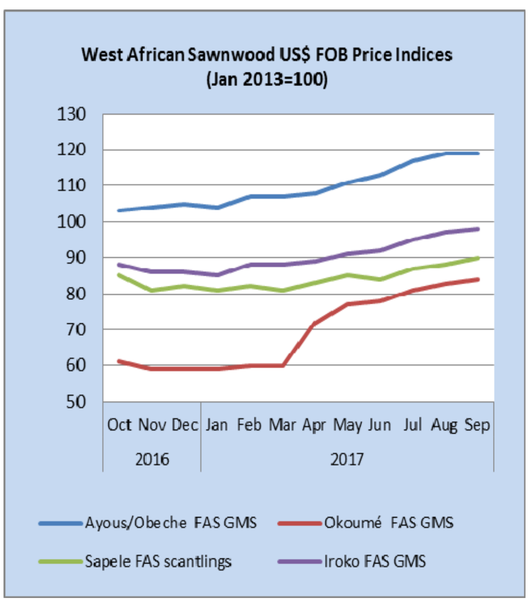
### Price indices for selected products

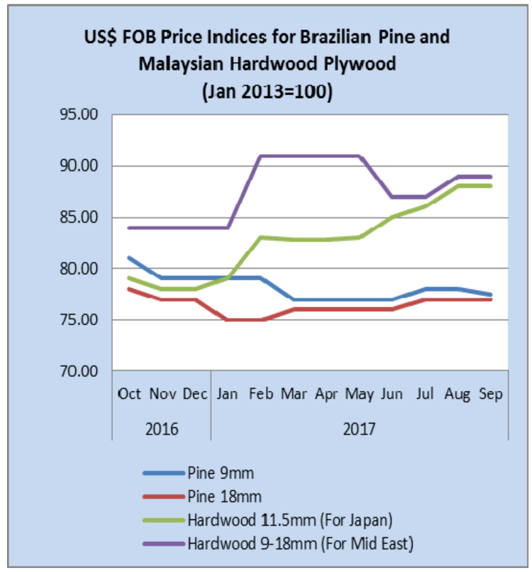
The following indices are based on US dollar FOB prices

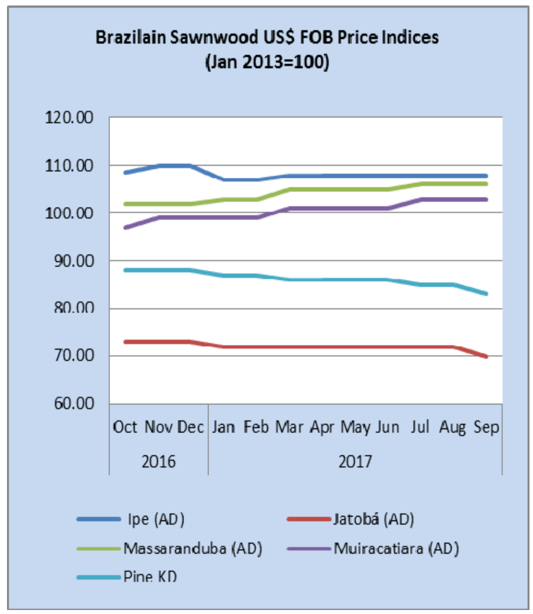



Note: Sarawak logs for the Japanese market




Note: Jatobá is mainly for the Chinese market.

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