

# Tropical Timber Market Report

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## Top Story

### **China-Europe railway linked to Chengdu timber distribution centre**

The China-Europe Express (CR Express) train connects 48 Chinese cities with over 40 cities in 14 European countries and is becoming a fast-track cargo option for Chinese importers.

Over the past 7 years the service has clocked 1,000 trips taking Chinese manufactured goods to Europe while bringing back European food, machinery as well as timber raw materials.

**See page 14**

## Ghana

### Ghana's half year wood exports show positive growth

Ghana exported a total volume of 173,899 cu.m of wood products during the first half of 2018 and earned Eur 103 million according to data from the latest, but as yet unpublished, Ghana Timber Industry Development Division (TIDD) export report. For the first half 2018 the volume of exports grew almost 14% while the value of exports expanded 24%.

Nine out of the 17 wood products exported recorded positive growth in the first half of 2018 as against the 2017 figures. The table below shows the details.

#### First half 2017 and 2018 exports

	2017	2018	Year on year
	cu.m	cu.m	Change
AD sawnwood	96,242	110,971	15%
KD sawnwood	19,453	21,301	10%
Billet	10,566	17,762	68%
Plywood	8,781	10,464	19%
Rotary Veneer	2,207	2,607	18%
Furniture Parts	79	445	463%
Sliced Veneer	32	81	154%
Dowels	62	74	20%
Boules (KD)	54	61	14%
Other	15,176	10,133	-33%
Total	152652	173899	14%

Data source - TIDD

Exports of furniture parts registered the highest pace of increase (x 6 times) followed by sliced veneer to regional markets which more than doubled year on year.

The volume of plantation logs (billets) plus air and kiln-dried sawnwood accounted for 86% of total export volumes in the first half of 2018.

The TIDD report also indicates that the country's primary product exports were 17,762 cu.m, secondary wood product exports amounted to 152,064 cu.m and tertiary wood products were 4,072 cu.m.

The species exported in terms of volume were plantation teak (47%), rosewood (10%), wawa (6%), papao/apa (5%) and ceiba (5%). The main markets were India, China, Italy, Vietnam and Germany.

Togo and Burkina Faso were the leading destinations for regional sales shipped overland (mainly plywood). Côte d'Ivoire and Burkina Faso were the only two regional countries buying sliced veneer.

### Major Markets - first half 2017 and 2018



Data source - TIDD

### UK to inject £20 million to boost jobs and infrastructure

In a recent press release a United Kingdom Minister for Africa at the Foreign and Commonwealth Office and the Department for International Development, Harriett Baldwin, announced a major new jobs creation and investment programme during a visit to Ghana in late August.

The UK's £20 million 'Jobs and Economic Transformation (JET) Programme' will help create over 15,000 jobs for Ghanaians and is expected to facilitate over £50 million of additional private sector investment.

Minister Baldwin also announced that the ministry will support a three-day UK-Ghana Investment Summit which will be held in Accra this October. More than fifty British companies and major investors will be brought together to explore new commercial opportunities in sectors such as financial and legal services, agriculture, manufacturing and pharmaceuticals.

The UK is already Ghana's second largest trading partner and this Summit hopes to open up further opportunities between the two countries.

See

<https://www.gov.uk/government/news/uk-minister-for-africa-visits-ghana-to-show-support-for-ghanas-vision-to-move-beyond-aid>

### Sinotruk to assemble trucks in Ghana

A delegation from Ghana led by President Nana Addo Dankwa Akufo-Addo was recently in China. One early success was the signing of a deal with Sinotruk International under which Sinotruk will establish a truck assembly plant in Ghana.

The company is to serve both Ghanaian and West African markets. This was after the Ministry of Trade and Industry signed a Memorandum of Understanding with Sinotruk International, on Wednesday at the Ghana-Shangdong Business Conference, for the establishment of the plant.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	400
Niangon	580
Niangon Kiln dry	610↑

### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	306↓	415
Chenchen	365	505
Ogea	473	590
Essa	546	649
Ofram	350	406

### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Arormosia	-
Asanfina	953↓
Avodire	433↓
Chenchen	636↓
Mahogany	881↑
Makore	989↓
Odum	1,728↓

### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	370↓	640	641
6mm	396	535	604↓
9mm	367	446	560
12mm	470	463	480
15mm	450	377↓	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 Sawwood Prices

Ghana Sawwood, FOB	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afroomsia	860	925
Asanfina	490	564
Ceiba	240	320
Dahoma	355↓	460↓
Edinam (mixed redwood)	520	711↑
Emeri	490	564
African mahogany (Ivorenensis)	843	1049↑
Makore	775	925
Niangon	530	710↑
Odum	936↑	1080↑
Sapele	700	745↓
Wawa 1C & Select	360	439↑

## Malaysia

### Staying in the top 10 global furniture exporters

The Malaysian Timber Industry Board (MTIB) will host a conference “Wood Based Furniture Design 2018: Sustainable and Commercial” planned for 30 October in Kuala Lumpur.

In promoting the conference the MTIB said the thrust in the business community today is evolution and diversification of businesses aiming for environmental and financial sustainability.

The MTIB conference is aimed at acknowledging these challenges so that Malaysian manufactures manage to keep the country in the top 10 list of the furniture

exporters. More than 80% of Malaysia’s furniture exports are wood based.

For more see:

[http://www.mtib.gov.my/index.php?option=com\\_content&view=article&id=2503%3Aconference-on-wood-based-furniture-design-2018-sustainable-a-commercial&catid=1%3Ahighlights&lang=en](http://www.mtib.gov.my/index.php?option=com_content&view=article&id=2503%3Aconference-on-wood-based-furniture-design-2018-sustainable-a-commercial&catid=1%3Ahighlights&lang=en)

The annual Malaysian International Furniture Fair (MIFF) made history in 2018 according to the organisers. The fair, held in March this year, was said to be the largest in MIFF’s 24-year history. MIFF 2018 organisers say a 25% increase in exhibition space was booked by exhibitors.

Apart from Malaysia, exhibitors came from China, Taiwan P.o.C, Indonesia, Hong Kong, South Korea, Japan, India, Turkey, Vietnam, Thailand, Singapore and the USA. Of the products on show most were home furnishings (397 exhibitors), followed by office furniture (133) and fittings and accessories (64). MIFF 2019 will run from March 8 to 11 and will be themed “Design Connects People.”

### New Chief Conservator of Forests for Sabah

When meeting the press after his appointment the new Sabah Chief Conservator of Forests for Sabah, Manshor Mohd Jaini, said the State government’s new policies for the forestry sector will require all stakeholders to adjust and adapt to meet the aims of forest conservation in Sabah.

He said actions by the Forestry Department will now be open and transparent and will focus on forest reserve management and conservation. This will not be an easy task according to Mashor as the Forestry Department is responsible for management over more than 50% of Sabah’s land which has been gazetted as forest reserves, protected areas and wildlife conservation areas.

Read more at

<https://www.nst.com.my/news/nation/2018/09/409713/39-million-hectares-sabah-land-earmarked-forest-reserve>

### Timber industry transformation plan for Sarawak – the major challenge is lack of workers

The Sarawak government’s Deputy Chief Minister, Awang Tengah Ali Hasan, has said the State government is committed to securing a sustainable timber industry because the sector contributes a lot to the state’s export revenue. The minister said exports of wood products from Sarawak last year were worth around RM47 million compared to RM43 million in 2016.

2017 wood product exports comprised plywood (RM3.27 billion) or 53% of total wood product exports followed by logs (RM1.21 billion) or 20% of exports, sawnwood (RM803 million) or 13% and fibreboard (RM308 million) or around 5%.

Despite this good performance the minister outlined the need to move to the export of high-value wood products and to support this transformation of the timber sector the Sarawak Timber Industry Development Corporation has developed a “Timber Industry Transformation Plan” the

aim of which is to transform the industry from the current dependence on exports of primary and secondary products to one exporting high-value timber products by 2030.

One of the biggest challenges in seeing this plan become reality is the lack of skilled labour. The youth in Sarawak show no interest in working in the wood products sector and Federal Government policies make it hard to hire foreign workers.

This was taken up by the Malaysian Furniture Council Secretary General, Albert Khoo, who called for consistent policies for the hiring of foreign workers as a way to ensure stable development in the furniture manufacturing sector.

Read more at <http://www.theborneopost.com/2018/09/04/lack-of-local-labour-skills-hamper-furniture-industry-mfc/>

## Indonesia

### Import tariffs on downstream products

Airlangga Hartarto, Indonesia's Minister of Industry, has said the government is planning to impose 7.5 to 10% import tariffs on downstream products in an effort to curb imports. For raw materials the import tariffs will be 2.5% . The Indonesia media have reported that Airlangga said tariffs on raw materials will be kept to a minimum.

He said the government planned to complete its list of products that will attract higher tariffs during September and that this is being done to improve the current account deficit. The government has assessed 900 consumer goods for which import tariffs would be increased.

See:  
<http://www.thejakartapost.com/news/2018/09/04/indonesia-to-impose-up-to-10-percent-import-tariffs-on-downstream-products.html>

### Sukuk – a possible source of funding to support energy plantations

The development of forest-based renewable energy in Indonesia requires financial support according to Agus Justianto, Head of Research and Development Agency, in the Ministry of Environment and Forestry. Some 89,860 ha. of bio-fuel plantations have been planted in Indonesia and these are distributed over 10 industrial plantation forests. In addition, there are 23 industrial plantation concessions (HTI) units that are preparing to plant another 87,600 ha.

According to Agus, if the programme of blended biofuel (B10) is successfully implemented there could be a reduction in greenhouse gas emissions by 5 million tonnes equivalent of CO<sub>2</sub>.

The Head of the Sub-Directorate in the Ministry of Finance Sharia State Securities Market Development, Dwi Iriati Hadiningdyah, explained that green sukuk could be a source of funding to support climate change control.

She explained that sukuk has become a source of ministry of finance support. In the period 2008-2018, the total issuance of sukuk reached Rp.925.2 trillion.

See: <http://www.beritasatu.com/satu/507771-energi-terbarukan-berbasis-hutan-butuh-dukungan-pembiayaan.html>

### Furniture exports boosted by participation in international fairs

The online 'Indonesia Investments' has quoted Abdul Sobur, Secretary-General of the Indonesian Furniture and Handicraft Industry Association (HIMKI) as saying in the second quarter of 2018 Indonesia's furniture exports increased almost 11% year-on-year to US\$930 million.

Sobur said the increase was boosted by the participation of Indonesian furniture manufacturers in furniture exhibitions in Germany, France and China. As there are more exhibitions scheduled this year Sobur encouraged manufacturers to gear up and participate.

Sobur said as the rupiah gradually weakens against major currencies Indonesian furniture exporters are getting a boost from price competitiveness especially as most raw materials are sourced domestically.

In related news, Indonesian furniture products attracted many visitors to the 2018 Spoga + Gafa Exhibition which was held recently in Cologne. This event included business-to-business meetings and promotion.

See:  
<https://www.indonesia-investments.com/news/news-columns/good-growth-indonesia-s-furniture-exports-in-2nd-quarter-2018/item8954>

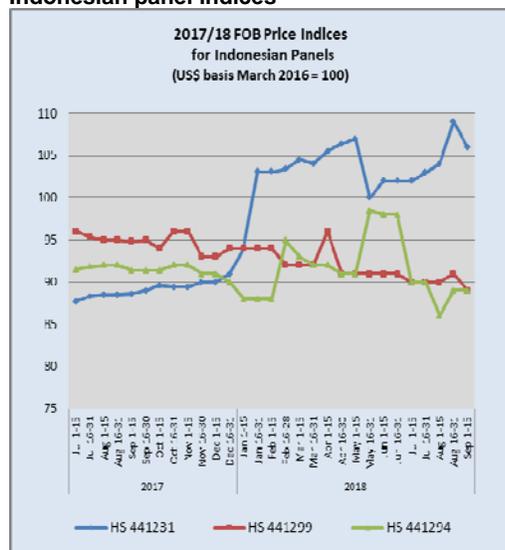
### Duty-free to Australia

The recently signed Indonesia-Australia Comprehensive Economic Cooperation (IA CEPA) opens the way for some 7,000 Indonesian export products to enter Australia tariff free according to Ni Made Ayu Marthini, Bilateral Trade Director in the Ministry of Trade.

Products exempted include textile products, herbicides, pesticides, wood products, coffee, chocolate, paper and machinery according to Ni Made Ayu Marthini .

See:  
<https://www.cnnindonesia.com/ekonomi/20180907125755-92-328489/ia-cepa-7000-barang-ri-bebas-bea-masuk-ke-australia>

## Indonesian panel indices



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

## Myanmar

### Multi Stakeholders Group for VPA negotiations

The official commissioning of the Multi Stakeholders Group (MSG) for VPA negotiation with EU was conducted in Nay Pyi Taw on 7 September. The MSG comprises 8 members from three key Stakeholders: the Government, the Private Sector and civil society plus one focal point from the Forest Department.

However, it is not clear how MSG will steer the VPA negotiation as the UK has withdrawn support and is reshape its assistance strategy.

### Logs from Karenni National People's Liberation Front to processed

According to a local media source (BNI Media Group Online Media) the Forest Department will officially transport 3,000 tons of teak and 2,000 tons of other hardwood logs which are stock piled in East Than Lwin. Permission was granted by the National Reconciliation and Peace Center (NRPC),.

These logs had been extracted from the production areas under the control of the Karenni National People's Liberation Front (KNPLF). Critics point out that this exercise must be carefully monitored to ensure traceability and the legality of the timber.

### Efforts continue to boost economic development

A National Economic Coordination Committee was formed recently to address widespread criticism of government efforts on economic development. The aim of the Committee is to formulate dynamic economic policies and to assure the effective coordination among state economic organisations.

According to Myanmar Investment Commission (MIC) domestic investments reached around US\$2 billion for the

period July 2017 to July 2018 and were mostly in the areas of housing development and manufacturing.

According to the Myanmar Chamber of Commerce, local investment focusses largely on import substitution.

Between April 2017 and March 2018 the MIC approved 222 new investments worth almost US\$5 million. In addition, the MIC approved 12 foreign investments worth US\$401.8 million for the Thilawa Special Economic Zone Project. Total FDI reached US\$6 million in fiscal 2018.

### Log auctions

The Myanmar Timber Enterprise (MTE) has announced the tender schedules for the period 1 October 2018 to 30 September 2019. MTE plan to will sell 15,000 H. tons of teak logs, 150,000 H. tons of non-teak logs and 2,200 tons of teak sawnwood.

### August tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	47.68	3,964
SG-5	57.34	2,971
SG-6	150.48	2,593
SG-7	1258.33	1,709

## India

### Growth prospects good says World Bank – but reviving bank credit facilities a priority

The latest India Development Update from the World Bank forecasts that the Indian economy is set to revert to its growth rate of 7.5% in the coming years as it gets beyond the fallout from the Goods and Services Tax (GST) and the negative impacts of demonetisation.

The report says, while services will continue as the main driver of growth, manufacturing is expected to accelerate following the implementation of the GST. Despite the recent momentum, the Bank says “attaining a growth rate of 8 percent and higher on a sustained basis will require addressing several structural challenges. India needs to durably recover its two lagging engines of growth – private investments and exports - while maintaining its hard-won macroeconomic stability”.

One priority identified in the latest report is the need to revive bank credit facilities to support growth. The Indian banking sector suffers high balance sheet stress which can be traced back to the period of exuberant bank credit growth during 2004–08. The bank says “decisive reforms will be needed to enable the Indian banking sector to help finance India’s growth aspirations”.

See: <https://www.worldbank.org/en/news/press-release/2018/03/14/india-growth-story-since-1990s-remarkably-stable-resilient>

## GST - one year on

It is now one year since India introduced its standardised Goods and Services tax (GST) system. The initial turmoil and fears in the manufacturing sector have given way to a general acceptance that, while not perfect, it is working and there are signs of benefits but many issues remain to be addressed.

One advantage for the central government is that more business have sought registration and so come under the tax umbrella. Business registration has expanded from 6.4 million enterprises before the GST to 11.2 million as of July 2018.

One of the main issues raised by the private sector, apart from the need to address tax rates, is the requirement to register in all states where the company operates. This the requirement for multiple registration has complicated things for industry not made it easier. Companies fear that multiple audits and assessments due to multiple registrations will be an administrative burden and raise costs.

Read more at:

[http://economictimes.indiatimes.com/articleshow/64787124.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/64787124.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

## Plantation teak

Demand for imported plantation teak logs is steadily coming back to life but importers are struggling with the rising landed costs. To compensate for this prices to endusers in the domestic market have been raised by around 5%.

Credit facilities for importers still not been fully resumed and this, the weak rupee and rising fuel costs are becoming a burden.

The combined impact of a widening trade deficit, rupee weakness and growing core inflation has resulted in the reserve Bank of India (RBI) raising its key policy rate at each of its last two bi-monthly policy review meetings. Analysts write “as the US Federal Reserve is showing no signs to slow interest rate hikes, further monetary tightening by the RBI looks inevitable”.

## 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

As the realty market has started to improve the demand for timber has also seen warming up. The imported costs are rising due to weakening Rupee so to meet the situation the sales prices have to be raised and the market has responded to this need.

Sawnwood	Rs per cu.ft.
Ex-mill	
Merbau	3600-4000▲
Balau	2300-2400▲
Resak	1600-1800▲
Kapur	2000-2200▲
Kempas	1400-1600▲
Red Meranti	1250-1350▲
Radiata pine AD	750-850▲
Whitewood	750-850▲

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

### Myanmar teak

As activity in the building sector is rising demand for Myanmar teak has finally come alive. The improved demand has given millers the opportunity to raise prices.

### Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	11000-18500▲
Teak A grade	8000-9000▲
Teak B grade	6500-7500▲
Plantation Teak FAS grade	5500-6500▲

Price range depends mainly on lengths and cross-section

### Sawn hardwood prices

No further prices increases have been reported.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1500-1650
Sycamore	1650-1800
Red Oak	1700-1850
White Oak	2350-2500
American Walnut	4500-5000
Hemlock STD grade	1350-1450
Western Red Cedar	2000-2200
Douglas Fir	1650-1800

Price range depends mainly on lengths and cross-section

### Plywood up-date

Given the firm demand in most sectors utilizing plywood domestic producers have taken the opportunity to raise prices in an effort to off-set rising production costs.

The earlier price increase has been accepted by consumers and the latest increases will mean plywood manufacturers can contain costs and profitability.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	63.00▲
6mm	84.00▲
9mm	105.00▲
12mm	130.00▲
15mm	175.00▲
18mm	183.00▲

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	31.50▲	46.00▲
6mm	47.00▲	60.00▲
9mm	60.00▲	73.50▲
12mm	73.50▲	86.00▲
15mm	87.00▲	105.00▲
19mm	101.00▲	120.00▲
5mm Flexible ply	63.00▲	

## Brazil

### Forest structure maintained through controlled harvesting

More than 32,000 trees have been logged in the past decade in concessions in the Amazon Jamari National Forest. The Jamari National Forest was the first in the country where logging was controlled through government approved management plans.

Of the entire Jamari National Forest area only around 30% is available for harvesting and two companies won concession rights for a 40-year period. All harvesting is planned one year in advance and must be approved by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA).

Investigations reported by the Federal University of Rondônia illustrate that damage to the forest as a result of harvesting quickly recovers.

Research has shown that after 3 or 4 years regeneration is good and that the forest structure remains intact. The Brazilian Forest Service controls extraction and has a chain of custody mechanism through which wood sold by the companies can be traced back to its origin.

Analysts write that around 70% of the timber harvested in Jamari is for international markets. Since 2010, the Brazilian government has collected R\$44 million from concessionaires harvesting public forests. Part of this revenue is remitted to the states and municipalities in the region where the companies operate.

### Timber sector supports revival of construction sector

The Brazilian wood industries, through the representation of the Brazilian Association of the Mechanically Processed Wood Industry (ABIMCI), joined the 'Coalition for Construction' set up by the Brazilian Chamber of Civil Construction Industry (CBIC). This coalition brings together 26 of the most important associations and industry entities.

The objective behind this coalition is to unite efforts for the development of measures to support the recovery of Brazilian civil construction sector. One of the immediate actions was the presentation of suggestions from the productive sector to government.

The expectation is that the government will act to ensure legal security, access to credit, and that there will be planning and encouragement of private capital flows. For ABIMCI, the participation of the wood industry in this movement comes at an important time as it is a major supplier to the construction industry.

ABIMCI has said that the timber sector faces low trade competitiveness due to trade barriers, domestic bureaucratic obstacles, port logistics that are the most expensive in the world and low level of investment and credit.

#### First half 2018 forestry sector exports rise

The Ministry of Industry and Foreign Trade (MDCI) has reported that between January and June 2018 forestry sector output grew significantly. Data from MDCI show that first half 2018 exports of paper, woodbased panels and pulp increased sharply rising to US\$5.5 billion on the back of firm demand in China as well as North America, Europe and other Asia countries.

#### Market promotion with Mexico

ABIMCI recently hosted a visit by the president of the Mexico-Brazil Chamber of Commerce (CAMEBRA). The Chamber, located in Mexico City, is looking for business opportunities between the two countries. The Brazilian timber sector is one of the most attractive to Mexico according to the president of CAMEBRA.

Mexican importers wish to identify Brazilian exporters and this first meeting marked the beginning of negotiations for a mutual cooperation agreement and a memorandum of understanding between the two entities to facilitate actions and promote more business in the timber sector between the two countries. Plans are being made for business to business meetings and trade missions.

#### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	198
Jatoba	110
Massaranduba	106
Muiracatiara	107
Angelim Vermelho	104
Mixed redwood and white woods	87

Source: STCP Data Bank

#### Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	811
Jatoba	404
Massaranduba	385
Muiracatiara	382
Angelim Vermelho	353
Mixed red and white	230
Eucalyptus (AD)	186
Pine (AD)	140
Pine (KD)	161

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	509
4mm WBP	410
10mm WBP	345
15mm WBP	399
4mm MR	289
10mm MR	266
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

#### Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDP/Particleboard	221
15mm MDF	248

Source: STCP Data Bank

#### Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipê	1457
Jatoba	921
Massaranduba	841
Muiracatiara	826
Pine (KD)	199

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports. High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

#### Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	335
12mm C/CC (WBP)	319
15mm C/CC (WBP)	298
18mm C/CC (WBP)	297

Source: STCP Data Bank

#### Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,688
Jatoba	1,450

Source: STCP Data Bank

## Peru

#### SERFOR gets cash to combat illegal forest activities

The Ministry of Economy and Finance has authorised the transfer of Sol 6.4 million to the National Forestry and Wildlife Service (SERFOR) to finance surveillance activities to combat illegal activities in the forest.

According to SERFOR the aim is to "strengthen the actions of supervision and supervision of the legal origin of forest resources and their preservation over time, in a sustainable and safe manner". This is an approximate translation of the text in supreme decree No. 198-2018-EF, published in the Official Gazette El Peruano.

#### Minister - a significant part of Peru's Amazon can be commercially utilised

The Minister of Production, Raúl Pérez-Reyes, has said in eight years Peru will double forestry and aquaculture output pointing out that the value of production in these two sectors went from US\$600 million to US\$5 billion over the past 15 years.

Pérez said that almost 60% of Peru is Amazonian forests and a significant part of this can be commercially utilised which would provide for sustainability of the forest resource. He mentioned also that it is necessary to rehabilitate a significant part of the almost 8 million hectares of natural forest lost to deforestation.

#### Surge in private investment lifts growth prospects

Peru's economy continues to see significant growth in the private sector. Investment is set to achieve a 5% increase this year and forecast to increase 7.5% in 2019 according to the Ministry of Economy and Finance.

According to Andina, the state owned news agency, private investment will be one of the major drivers of the economy next year. Andina reported that there has been significant expansion of private investment reversing 14 quarters of decline.

#### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Peru Sawwood, 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	556-599

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	894-942
Asian market	995-1022
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	662-679
Marupa 1", 6-11 length KD	
Asian market	526-595

#### Domestic Sawwood Prices

Peru sawwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	205-217

#### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
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

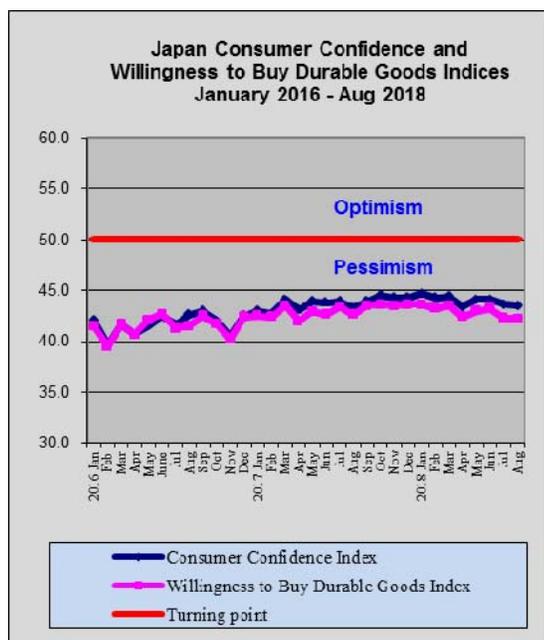
## Japan

#### Double disaster rocks Japan

After weakening in the first quarter of 2018 the Japanese economy returned to growth in the second quarter growing by almost 2% on the back of better than expected consumer spending and private sector capital spending. However, the pace of growth is sure to be dented due to two major natural disasters in early September.

Typhoon number 20 (Jebi) made landfall in western Japan and was the strongest tropical storm in 25 years. The storm caused widespread power failures and flooding. The region's main airport was flooded and the storm almost brought Japan's second city, Osaka, to a standstill.

Within a few days of the typhoon the northern island of Hokkaido suffered a major earthquake which triggered landslides across a wide area. 41 people died.

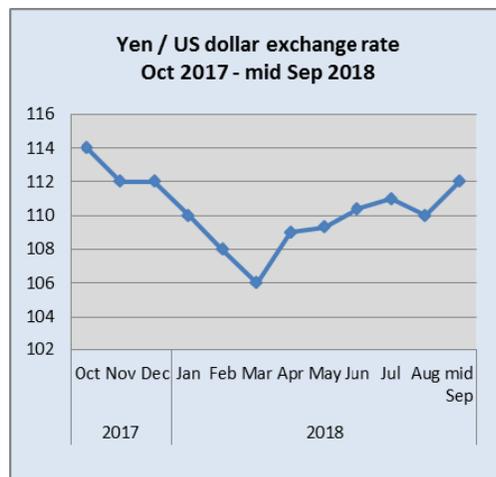


Data source: Cabinet Office, Japan

### Yen tips to 112 against the US dollar

The yen strengthened briefly following the release of revised GDP for the April-June which, on projections, would lead to an annualised growth of 3%, much faster than the estimate of around 2% growth made last month.

But, towards mid-month the yen weakened once more falling to below 112.00 to the US dollar. The dollar returned to the yen 112 mark as it gained strength after Turkey lifted interest rates but any further yen weakness was slowed when the Japanese Prime Minister made reference in a speech to the Bank of Japan unwinding its ultra-easy monetary policy.

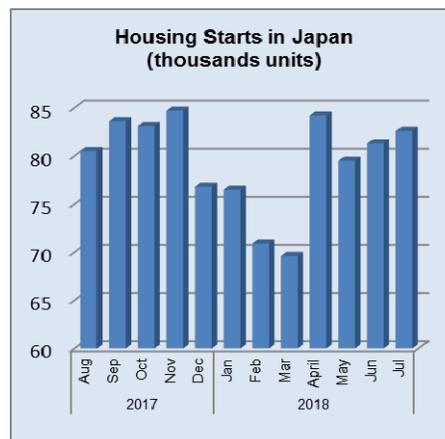


### Home prices in Tokyo appear to have peaked

Over the past 12 months there has been a steady rise in prices for existing apartments in the major cities across Japan. Apartment prices in Tokyo rose almost 4% in the second quarter of 2018 building upon the 4.5% rise in the first quarter and the 3% jump in the final quarter of 2017.

Recent surveys seem to suggest that prices in Tokyo have topped out as there was a slight fall in the third quarter of 2018.

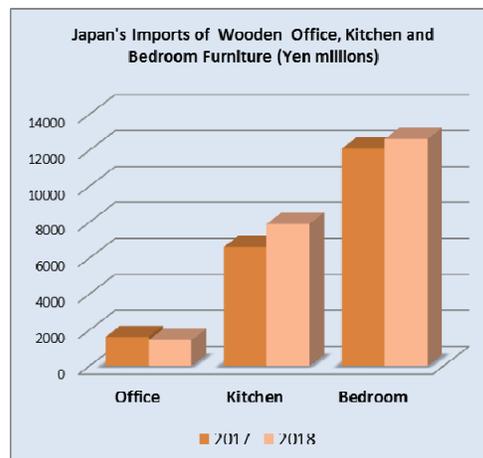
In the case of new apartments in Tokyo prices have risen even faster with a 9% rise recorded in the second quarter of 2018. The Land Institute of Japan has reported that existing apartment sales in Tokyo fell in the second quarter while sales of existing detached houses in Tokyo also fell. This comes on top of declining housing starts in the second quarter.



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

### Furniture imports

The combined value of Japan's wooden office kitchen and bedroom furniture imports in the first half of 2018 was higher than in the same period in 2017. Kitchen and bedroom furniture imports were up 12% and 5% respectively. It was only wooden office furniture imports which declined, dropping 11% in the first half of 2018 compared to the first half of 2017.



Data source: Ministry of Finance, Japan

There is a vast difference in the value of Japan's imports of wooden office, kitchen and bedroom furniture. The value of bedroom furniture imports are the highest and are almost double that of kitchen furniture imports and 4-5 times the value of wooden office furniture imports.

After the slight rise in kitchen and bedroom furniture at the beginning of the year any upward momentum lost steam and for the three months to June saw the value of both kitchen and bedroom furniture trending flat. Year on year the value of first six month 2018 kitchen furniture have risen.

#### First half 2017/18 office furniture imports (HS 940330)

The pattern of 2018 imports of wooden office furniture is markedly different from that observed in 2017 and the steady fall in the value of wooden office furniture during 2018 is clear from the chart below. This decline corresponds well with the decline in business sentiment which started to be reported in the second quarter of 2018.

The Bank of Japan's Tankan survey showed that sentiment amongst big manufacturers weakened for a second straight quarter up to June. Analysts say the main reasons are the rising costs of raw materials and labour and US protectionism which could hurt Japan's export-dependent economy.



Data source: Ministry of Finance, Japan

#### June imports

Year on year Japan's June 2018 imports of wooden office furniture were down 3%. The decline in June imports marked the third monthly fall driving down total second quarter imports sharply.

The top three shippers of wooden office furniture to Japan in June, China, Portugal and Poland accounted for over 60% of all wooden office furniture imports. Imports from Italy in June were almost double the value of May imports.

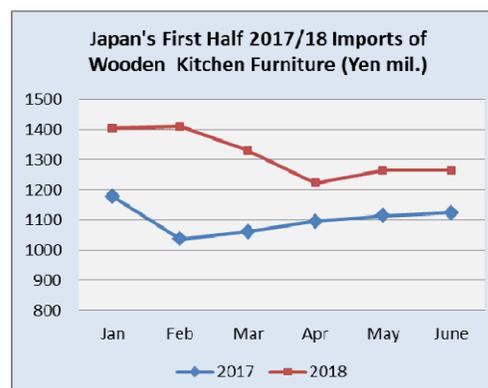
#### Office furniture imports

	Imports June 2018 Unit, 000's Yen
S. Korea	-
China	124145
Taiwan P.o.C	5990
Vietnam	958
Thailand	-
Singapore	-
Malaysia	477
Indonesia	1288
India	-
Sweden	-
Denmark	-
UK	-
France	-
Germany	11978
Switzerland	8133
Portugal	15273
Spain	-
Italy	12187
Poland	12345
Romania	-
Turkey	-
Lithuania	3148
Slovenia	-
Slovakia	3290
USA	4315
Mexico	597
<b>Total</b>	<b>204124</b>

Data source: Ministry of Finance, Japan

#### First half 2017/18 kitchen furniture imports

The value of Japan's wooden kitchen furniture imports in the first half of 2018 was some 12% higher than in the same period in 2017. After a good start to the early part of the first quarter exports fell but picked up towards the end of the second quarter.



Data source: Ministry of Finance, Japan

### Kitchen furniture imports (HS 940340)

As has been the case since the beginning of 2018, three suppliers accounted for most of Japan's wooden kitchen furniture imports; the Philippines (48%), Vietnam (36%) and China (9%). In June, imports of wooden kitchen furniture from Chinese shippers fell 27% driving down their June market share by about half.

Year on year, June imports of wooden kitchen furniture were up 12% but were flat compared to the value of June imports.

### Kitchen furniture imports

	Imports June 2018 Units,000's Yen
China	115590
Taiwan P.o.C	-
Vietnam	459357
Thailand	13396
Malaysia	5636
Philippines	604842
Indonesia	5340
India	-
Denmark	-
UK	249
Belgium	-
France	2168
Germany	18516
Italy	9633
Finland	-
Poland	-
Austria	-
Romania	16999
Canada	8535
USA	4725
<b>Total</b>	<b>1264986</b>

Data source: Ministry of Finance, Japan

### First half 2017/18 bedroom furniture imports

Despite the sharp decline in the value of first quarter 2018 imports of wooden bedroom furniture, overall first quarter imports were 5% higher than in the first quarter of 2017 having been given a boost by the startling value of imports in May 2018.



Data source: Ministry of Finance, Japan

### June bedroom furniture imports (HS 940350)

The rise in May imports of wooden bedroom furniture did not carry over into June when there was a reversal in the trend. Month on month June 2018 imports were 17% down from levels in May however, year on year June 2018 imports were up 5%.

The top three shippers of wooden bedroom furniture to Japan in June were, in order of value, China, Vietnam and Thailand. In previous months the top three shippers accounted for almost 90% of all wooden bedroom furniture imports to Japan but in June the market share of the top three slipped slightly, driven down by a rise in imports of bedroom furniture from Poland.

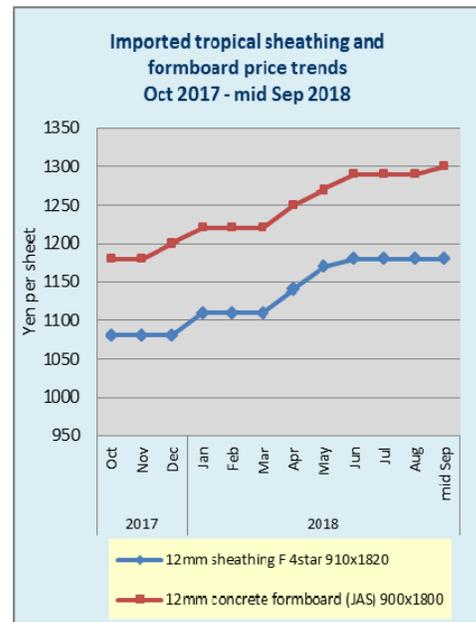
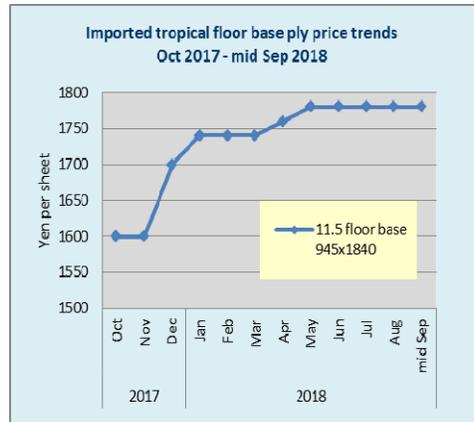
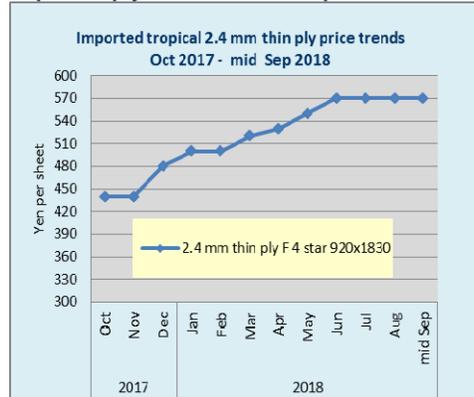
### Bedroom furniture imports

	Imports, June 2018 Units, 000's Yen
S Korea	10808
China	1017171
Taiwan P.o.C	13447
Hong Kong	-
Vietnam	517961
Thailand	106990
Malaysia	68658
Philippines	3475
Indonesia	19675
Cambodia	-
India	-
Sweden	-
Denmark	1870
UK	324
Netherlands	558
Belgium	-
France	-
Germany	-
Switzerland	-
Portugal	7678
Italy	31515

Poland	61254
Austria	484
Romania	15706
Turkey	2915
Estonia	-
Latvia	239
Lithuania	6417
Ukraine	4237
Bosnia Herzegovina	847
USA	4116
<b>Total</b>	<b>1896345</b>

Data source: Ministry of Finance, Japan

### Imported plywood wholesale prices



## China

### Tropical log imports jump 22% in the first quarter

China's log imports in the first quarter of 2018 totalled 14.38 million cubic metres valued at US\$2.753 billion, a year on year increase of 14% in volume and 25% in value. The average price for imported logs was US\$191 per cubic metre, a year on year increase of 9%.

Of total log imports, softwood log imports rose 9% to 9.45 million cubic metres, accounting for 66% of the total. The average price for imported softwood logs was US\$138 per cubic metre, up 8% on the same period of 2017.

Hardwood log imports grew 25% to 4.93 million cubic metres in the first quarter (34% of the national total log imports). The average price for imported hardwood logs in the first quarter of 2018 was US\$293 per cubic metre, up 5% on the same period of 2017.

Of total hardwood log imports, tropical log imports were 2.65 million cubic metres valued at US\$837 million, up 22% in volume and 28% in value.

The average price for imported tropical logs was US\$316 per cubic metre, up 5% on the same period of 2017.

### New Zealand and Russia main sources of logs

New Zealand was the main log supplier to China in the first quarter of 2018 accounting for 25% of total log imports. Imports from New Zealand totalled 3.66 million cubic metres in the first quarter of 2018, a year on year increase of 16%.

The second ranked supplier of logs was Russia at 2.96 million cubic metres, accounting for about 21% of the national total. In the first quarter of 2018 a year on year decrease of 1% was recorded for log imports from Russia.

Average prices for imported logs from New Zealand rose 12% to US\$142 per cubic metre, average prices for imported logs from Russia declined 1% to US\$124 per cubic metre in the first quarter of 2018.

#### Main countries shipping logs to China, first quarter 2018

	Q1 Log Imports	% change
	2018 mil. cu.m	Q1 2017-2018
New Zealand	3.66	16
Russia	2.96	-1
USA	1.41	7
Australia	1.15	25
PNG	0.84	13
Solomon Is.	0.74	20
Canada	0.58	-28
Uruguay	0.55	434
Equatorial Guinea	0.28	104
Japan	0.21	50

Data source: China Customs

#### Increase in tropical hardwood log imports

Log imports from Sierra Leone, Laos and Equatorial Guinea surged in the first quarter of 2018 respectively. Countries from which tropical log imports declined included the Republic of Congo (-48%) and Nigeria (-11%).

The main port for tropical log imports in the first quarter of 2018 was Nanjing Port which accounted for 83% of all tropical log imports. The Port of Nanjing is located in Jiangsu Province and is the largest inland port in the world,

#### Main suppliers of tropical logs in the first quarter of 2018

	Q1 2018 imports	% change
	000s cu.m	Q1 2017 - 2018
Total	2648	22
PNG	844	13
Solomon	743	20
Equatorial Guinea	285	104
Nigeria	133	-11
Cameroon	131	75
Republic of Congo	102	-48
Laos	62	148
Sierra Leone	53	2,215
Ghana	53	23

Data source: China Customs

#### Tropical sawnwood imports up 24% in the first quarter of 2018

China's sawnwood imports in the first quarter of 2018 totalled 8.28 million cubic metres valued at US\$2.39 billion, a year on year increase of 5% in volume and 16% in value. The average price for imported sawnwoods was US\$288 per cubic metre, a year on year increase of 10%.

Of total sawnwood imports, sawn softwood imports rose 0.3% to 5.37 million cubic metres, accounting for 65% of the national total. The average price for imported sawn softwood imports was US\$206 per cubic metre, up 8% on the same period of 2017.

Sawn hardwood imports grew 15% to 2.91 million cubic metres (35% of the national total sawn hardwood imports). The average price for imported sawn hardwood imports in the first quarter of 2018 was US\$441 per cubic metre, up 7% on the same period of 2017.

Of total hardwood sawnwood imports, tropical sawnwood imports were 1.67 million cubic metres valued at US\$662 million, up 24% in volume and 33% in value. The average price for imported tropical sawnwood was US\$395 per cubic metre, up 7% on the same period of 2017.

#### Thailand the main tropical sawnwood supplier

Of total sawn hardwood imports, sawnwood imports from tropical countries were 1.67 million cubic metres valued at US\$662 million, up 24% in volume and 33% in value and accounted for 20% of the national total. The average price for sawnwood imported from tropical countries was US\$395 per cubic metre, a year on year increase of 7%.

Five tropical countries supplied just over 90% of China's 'tropical' sawnwood requirements in the first quarter of 2018 namely, Thailand (72%), Gabon (7%), Indonesia (5%), Philippines (4%), Malaysia (4%) and Cameroon (2%).

#### China-Europe railway linked to Chengdu timber distribution centre

The China-Europe Express (CR Express) train connects 48 Chinese cities with over 40 cities in 14 European countries and is becoming a fast-track cargo option for Chinese importers.

A China-Europe Railway Express (Chengdu) International Timber Distribution Center has recently been established in Chengdu municipality, Sichuan Province. The trading centre is one of the five major markets which provide data for the compilation of the China Timber Price Index.

This new China-Europe railway express service has opened up further opportunities for the development of China/EU trade, especially with the Belt and Road countries. It is forecast that timber trade between China and European countries will be further promoted by the development of the new railway.

See:  
<http://sc.cri.cn/20180906/49452dd6-4789-22c6-2e22-79b4eedfe217.html>

**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
<b>yuan per tonne</b>		
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
Afromrosia	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

### Subdued EU tropical timber imports in 2018

EU imports of tropical wood products have been subdued so far in 2018 with little sign yet of any rebound from the downturn in 2017.

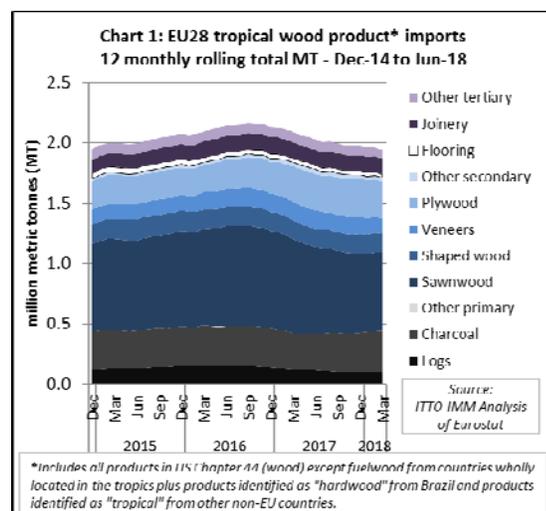


Chart 1 (above) shows twelve monthly rolling total imports (to iron out seasonal fluctuations) into the EU of all tropical wood products listed in HS Chapter 44 (excluding fuelwood, wood waste and chips).

It shows that imports peaked at an annualised level of 2.17 million metric tonnes (MT) in September 2016, slipped to a low of 1.94 million MT in March this year and had recovered only slightly, to 1.98 million MT by June.

In total, the EU imported 1.06 million MT of tropical wood products in the first half of 2018, 1.6% more than the same period in 2017. The total value of EU imports of tropical wood products in the January to June 2018 period was €1.10 billion, 3% less than the same period in 2017.

Although there have been gains in EU imports of tropical sawnwood, charcoal, mouldings and joinery products this year, these have been offset by a large decline in imports of tropical veneers, flooring, and other tertiary products, and a more moderate decline in imports of tropical plywood.

#### Deteriorating economic conditions in the EU

Economic conditions in the EU have deteriorated since the start of 2018 and are acting as a drag on hardwood consumption. EU economic growth was slower than expected in the first quarter of 2018.

At the time, policy makers were quick to dismiss this as a temporary blip, mainly due to severe winter weather. However, when economic activity in the second quarter also fell below expectations, it became clear that more persistent factors are impeding growth.

In Germany, domestic orders for manufactured goods are currently running at 3% below a year ago and export orders growth is close to a standstill.

The slowdown is made more worrying for occurring before the planned withdrawal of the European Central Bank (ECB) super-stimulus programme. In June, the ECB confirmed that it intends to end this programme, which involved bond-buying to the tune of €30bn every month, in December. It's disappointing that growth has remained sluggish in the euro-zone despite the mighty boost from low interest rates and a cheap euro exchange rate.

Other storm clouds are gathering which may threaten longer-term growth in the European economy. Several large European banks are heavily exposed to the economic turmoil in Turkey.

The Brexit negotiations have not progressed as well as hoped and the odds are rising of Britain quitting the EU with no deal, which will be costly for both sides.

In Italy, the new Eurosceptic government is threatening to pass a budget in October that will put it on a collision course with eurozone spending rules, with uncertain economic and political consequences for the whole bloc.

These concerns are mirrored in the European Commission's latest GDP growth forecasts published in July. After expanding 2.2% in 2017, Germany's GDP growth is forecast to slow to 1.9% this year and to grow at the same rate in 2019.

France's economy will grow 1.7% this year and next, much below the 2.2% growth from last year. The slowest-growing economy of the bloc will remain Italy, which is expected to grow only 1.3% this year, down from 1.5% in 2017, and to further slow to 1.1% in 2019.

Only the UK is expected to match Italy in sluggishness of growth among all the 28 states of the European Union. It is expected to grow only 1.3% this year, a big drop from the 1.7% GDP rise recorded last year.

#### EUTR impacts on tropical wood imports

The obligation placed on importers by the EU Timber Regulation (EUTR) to gather data to demonstrate a negligible risk of illegal harvest is acting as an extra drag on EU trade in tropical timber.

Reports suggest regulatory actions are becoming more frequent and vigorous, particularly in Belgium in recent weeks. This is more significant given the important role Belgian importers play in distributing tropical hardwood products to other parts of the continent.

There appears to be a general trend in the EU for many companies that formerly imported direct from the tropics to avoid the need to implement EUTR due diligence systems by procuring through other EU companies.

This is concentrating trade in the hands of a few of the larger EU importers who, in turn, are limiting their purchases to a smaller number of tropical suppliers capable of providing the legality assurances required by EUTR.

Overall, opportunities for tropical exporters to enter the EU market are therefore becoming more restricted.

As the only country delivering products with FLEGT licenses, which are not subject to any further EUTR risk mitigation measures, unlike other non-EU countries Indonesia may be expected to benefit from this more active enforcement of EUTR.

There is some evidence for this. The EU's total imports of tropical wood products from Indonesia increased 7% to 175,000 MT in the first 6 months of 2018, and Indonesia's share of total EU tropical imports increased from 15.7% to 16.6% in the same period, mainly at the expense of Cameroon and Gabon.

While EUTR may now be favouring Indonesia in the EU market, other supply side factors are also playing a role.

As noted in the last market report, supplies of African hardwood species of interest to the EU market are in long term decline, while exports from Africa have been seriously affected by logistical challenges at the port of Douala in Cameroon and cash flow problems of large European operators, issues brought to a head with the sale of Rougier's subsidiaries in Cameroon and the Central African Republic in July.

Supplies of both Malaysian and Indonesian products were also restricted in the first half of 2018, 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. This fed through into rising prices.

Plywood prices for both Malaysia and Indonesia in the EU increased by 30% in the six months between October 2017 and March 2018.

Meanwhile a larger share of African supply is now being exported to China, Vietnam and other emerging markets.

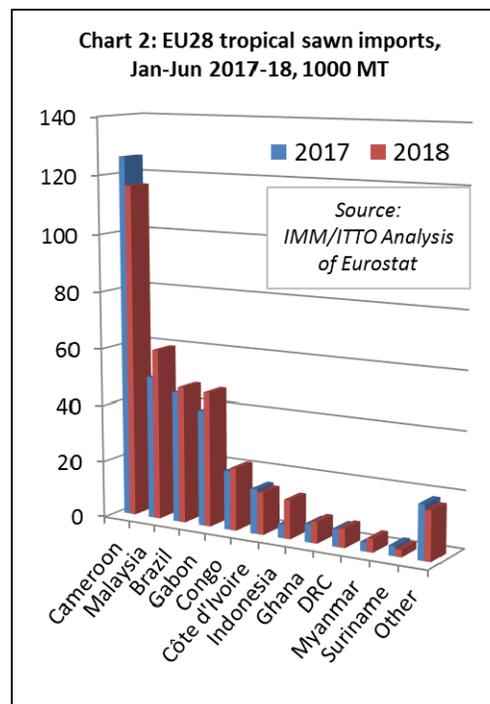
**5% rise in EU imports of tropical sawnwood.**

EU imports of tropical sawnwood increased 5% to 359,300 MT in the first half of 2018. Import value also increased, by 7% to €366 million.

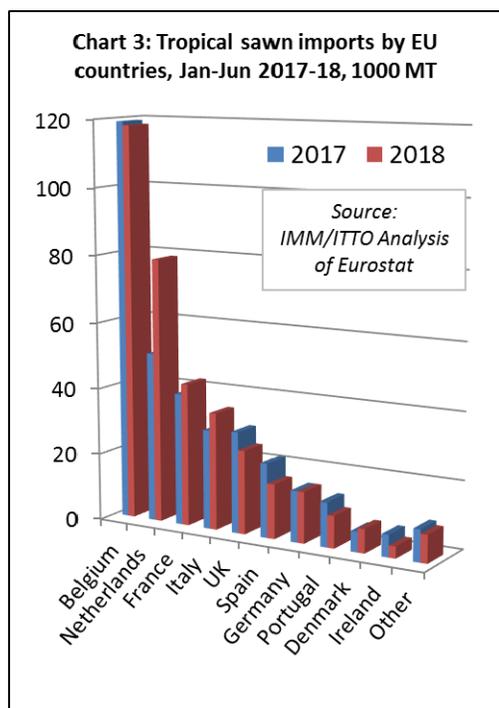
Although imports continued to slide from Cameroon (-8% to 116,100 MT) and Côte d'Ivoire (-7% to 14,700 MT), this trend was offset by rising imports from Malaysia (+19% to 59,800 MT), Brazil (+4% to 47,700 MT), Gabon (+16% to 47,000 MT), Congo (+6% to 21,900 MT), Indonesia (+186% to 13,500 MT) and Ghana (+16% to 7,500 MT). (Chart 2).

The rise in imports from Indonesia, which only allows exports of S4S lumber, may be partly due to alterations in the HS codes used to record imports from Indonesia following introduction of FLEGT licensing.

The rise in EU imports of sawnwood from Indonesia is offset by a similar decline in imports of mouldings from the country.



In the first half of 2018, tropical sawn hardwood imports declined 1% to 118,000 MT in Belgium, 18% to 24,800 MT in the UK, 27% to 16,100 tonnes in Spain, and 27% to 9,600 MT in Portugal.



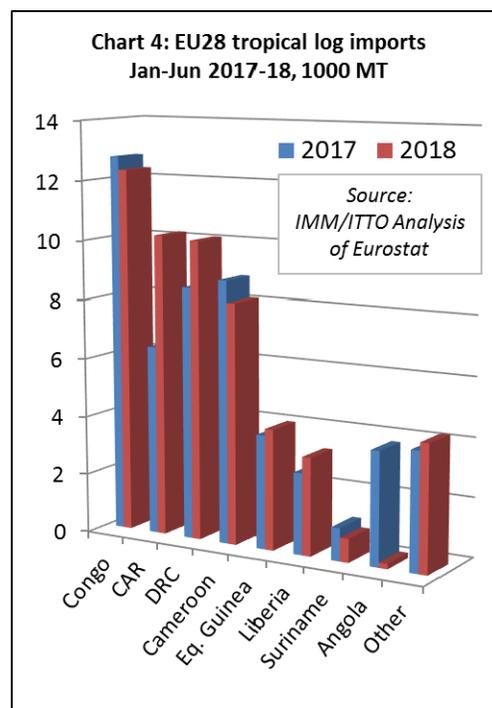
However, these losses were offset by a 56% rise to 78,900 MT in the Netherlands, an 8% rise to 42,600 MT in Italy and an 18% rise to 34,900 MT in Italy. German imports were level at 15,100 MT (Chart 3 above).

#### EU imports of tropical logs recover a little ground

After a downturn in 2017, the quantity of EU imports of tropical logs recovered a little ground in the first half of 2018. Imports of 53,300 MT during the first half of the year were 3% greater than the same period in 2017. However, the value of tropical logs imported by the EU fell 3% to €27 million.

EU imports of tropical logs decreased from Congo, the leading supplier, falling 3% to 12,300 MT. There was also a large fall in EU log imports from Angola, from 3,800 MT in the first half of 2017 to negligible levels in the same period this year.

However, these losses were offset by rising imports from CAR (+59% to 10,200 MT), DRC (+19% to 10,100 MT) and Liberia (+20% to 3300 MT) (Chart 4).



Most of the gain in EU imports of tropical logs in the first half of 2018 was concentrated in France (+21% to 20,700 MT) and Belgium (+23% to 13,200 MT). Imports of tropical logs in Portugal fell 25% to 8000 MT during the period.

#### Slight rise in EU tropical decking imports

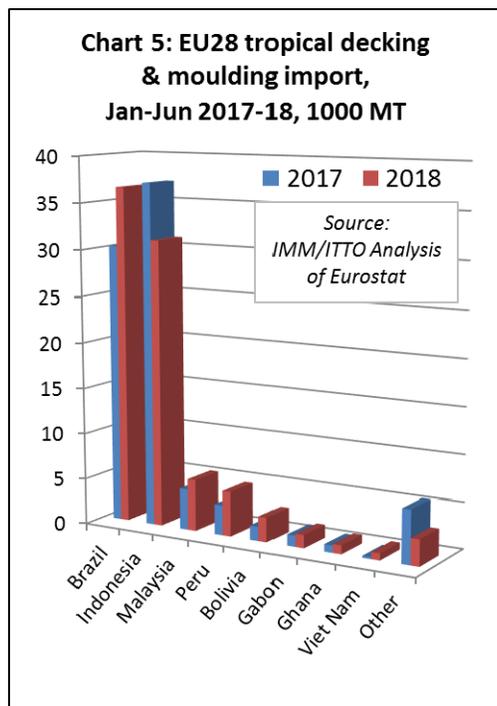
EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) increased slightly, by 3% to 86,700 MT in the first quarter of 2018. Import value also increased by 3%, to €127 million.

A 21% rise in EU imports of mouldings from Brazil to 36,600 MT offset a 16% decline in imports from Indonesia to 31,100 MT.

As noted earlier, the latter decline may be partly due to alterations in the HS codes used to record imports from Indonesia since introduction of FLEGT licensing.

EU imports of mouldings increased for some smaller suppliers of this commodity in the first quarter of 2018 including Malaysia (+26% to 5,600 MT), Peru (+47% to 4,800 MT) and Bolivia (+71% to 2,700 MT) (Chart 5).

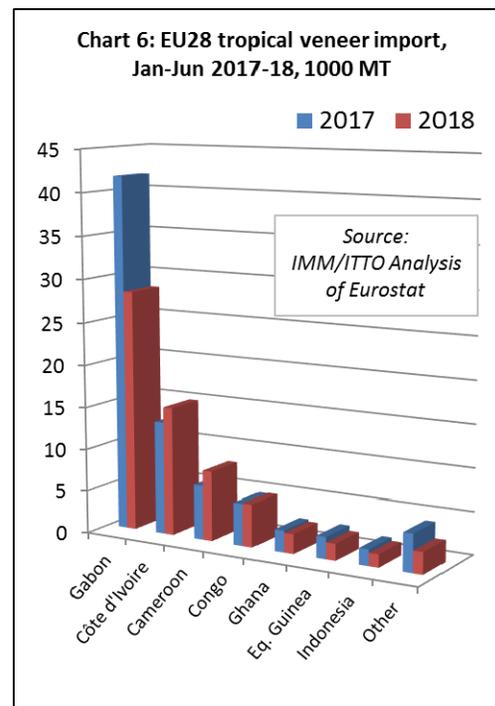
In the first half of 2018, imports of tropical decking increased in France and Belgium but declined in Germany, the Netherlands and the UK.



#### EU imports of tropical veneer down 17%

After a rise in trade in the previous two years, EU imports of tropical hardwood veneer fell 17% to 65,100 MT in the first 6 months of 2018. Import value fell by 17% to €84.2 million. The decline was mainly due to a 32% decrease in imports from Gabon, to 28,300 MT.

This decline is likely related to the financial difficulties experienced by Rougier this year. The decline in EU imports from Gabon was partly offset by rising imports from Cote d'Ivoire (+14% to 15,100 MT) and Cameroon (+29% to 8,200 MT). (Chart 6).



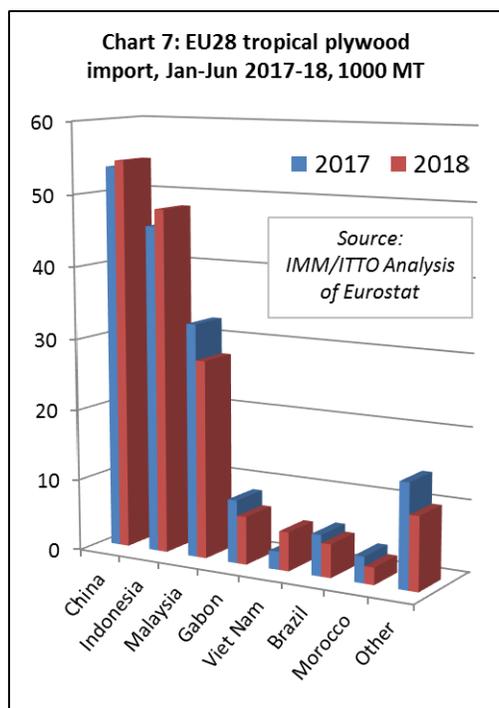
Imports of tropical veneer declined into the two largest EU markets in the first half of 2018, falling 22% to 22,900 MT in France and 8% to 15,400 MT in Italy. There was also a sharp 53% decline in imports in Greece, to 3,600 MT. Imports to Spain were level at 11,500 MT.

#### EU direct imports of plywood from the tropics decline 9%

In the first six months of 2018, EU imports of products faced with tropical hardwood manufactured in China increased 2% to 54,500 MT. This gain was achieved despite reports of supply being disrupted by tough new national environmental controls, which forced Chinese mills to interrupt production to upgrade or replace emission and waste treatment technology.

Direct EU imports of plywood from tropical countries decreased 9% to 160,100 MT in the first half of 2018. While imports from Indonesia increased 5% to 48,000 MT, imports from Malaysia fell 15% to 27,700 MT and imports from Gabon fell 23% to 6,700 MT in the first half of the year.

Although still only a minor supplier, there was a significant 113% increase in EU imports of plywood from Vietnam, to 5,400 MT, in the first half of 2018. (Chart 7).



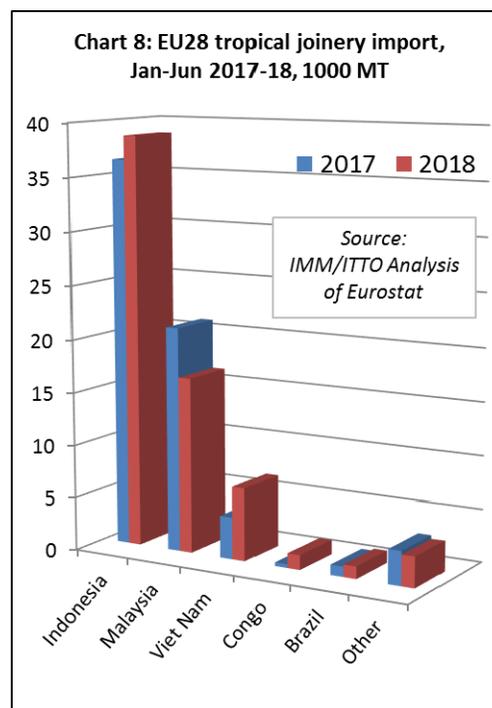
Imports of tropical plywood in the UK were 80,500 MT in the first half of 2018, the same as last year. A 31% decline in imports in Belgium, to 20,800 MT, was partially offset by rising imports in the Netherlands (+12% to 16,600 MT), Germany (+13% to 13,300 MT), and France (+2% to 10,400 MT).

#### Indonesia boosts share of EU tropical joinery imports

EU imports of tropical joinery products (excluding flooring) increased 2% to 67600 MT in the first half of 2018. However, import value decreased, by 7% to €126 million, which may imply some shift in the mix of products involved.

In quantity terms, imports from Indonesia, by far the EU's largest tropical supplier of joinery products, which consist mainly of doors and laminated window scantlings and kitchen tops, increased 6% to 38,700 MT.

There was also a 72% increase in EU imports of joinery products from Vietnam, to 6800 MT, during the six-month period. Imports from Congo increased from negligible levels to 1400 MT. These gains offset a 22% decline in imports from Malaysia to 16,600 MT. (Chart 8).

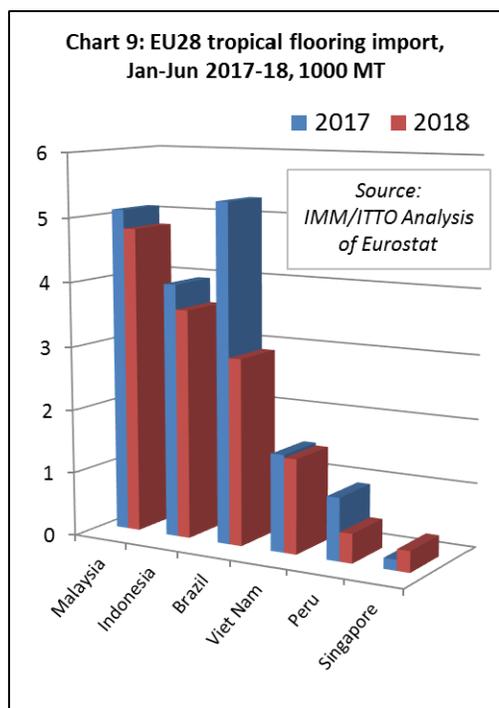


Imports of tropical joinery products in the UK, by far the largest European destination for this product group, increased 19% to 31,300 MT in the first six months of 2018. Imports increased by 37% to 9000 MT in Belgium and by 60% to 7100 MT in France in the same period. However, imports fell 36% to 12400 MT in the Netherlands.

#### Another fall in EU imports of tropical flooring

EU imports of flooring products from tropical countries fell a further 21% to, to 14,500 MT in the first half of 2018, continuing a long term decline in response to tough competition from European and Chinese manufacturers and non-wood alternatives, fashion trends favouring temperate timbers, supply constraints, and challenges of EUTR conformance. The value of EU imports of wood flooring declined 18% to €32 million in the first half of 2018.

Most of the downturn in the first half of 2018 was due to a 45% fall in imports of hardwood flooring products from Brazil, to 2900 MT. However imports also fell 6% from Malaysia, to 4800 MT, 9% from Indonesia to 3,600 MT and 53% from Peru to only 500 MT. (Chart 9).



In the first half of 2018, imports fell dramatically into the two largest EU markets for tropical flooring, declining 49% to 3000 MT in France and 18% to 1800 MT in Belgium.

However, this decline was partially offset by a 82% increase in imports in Denmark, to 1700 MT, which was the third largest EU destination for tropical flooring during the six month period.

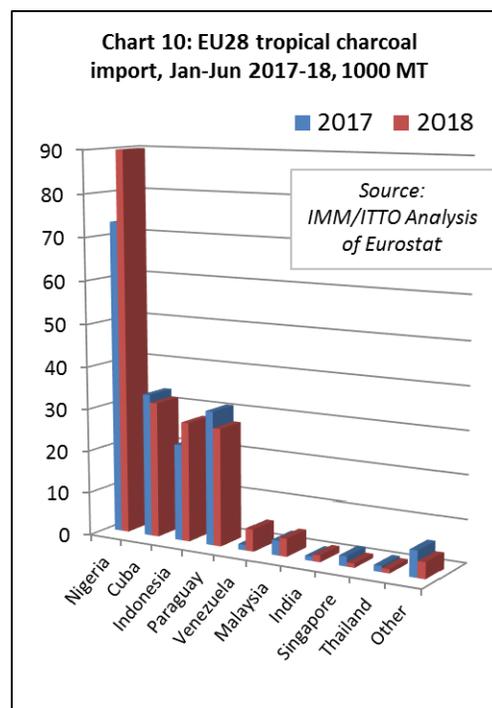
#### Gradual rise in EU imports of tropical charcoal

EU imports of charcoal from tropical countries has been gradually rising since the start of 2017. Imports of 194,000 MT in the first six months of 2018 were 10% more than the same period last year. The value of EU imports increased 8% to €72.3 million in the same period.

EU imports of charcoal from Nigeria increased 23% to 89,900 MT, while imports from Indonesia were up 24% at 27,900 MT. Imports from Venezuela increased from negligible levels to 5200 MT. These gains offset a 5% decline in imports from Cuba to 31,700 MT. (Chart 10).

A wide range of EU countries now import wood charcoal from tropical countries, the largest destinations (in descending order this year) being Poland, Germany, Greece, Belgium, Italy, UK, Portugal, and Spain.

In the first six months of this year, imports increased in Poland (+31% to 35300 MT), Greece (+14% to 25,500 MT), Belgium (+43% to 23200 MT), Italy (+43% to 17500), and Portugal (+24% to 13000 MT). However imports declined 17% to 31,500 MT in Germany, 4% to 14,600 MT in the UK, and 15% to 12600 MT in Spain.



### North America

#### Balsa sawnwood imports slip while most tropical hardwoods gain

U.S. imports of sawn tropical hardwood rebounded in July, rising 29% to 19,983 cu.m after dipping 12% from May to June. Imports of Sapelli, Virola and Jatoba rose sharply, while Balsa imports declined 30% from June to 2,923 cu.m, nearly the lowest monthly total in the last three years.

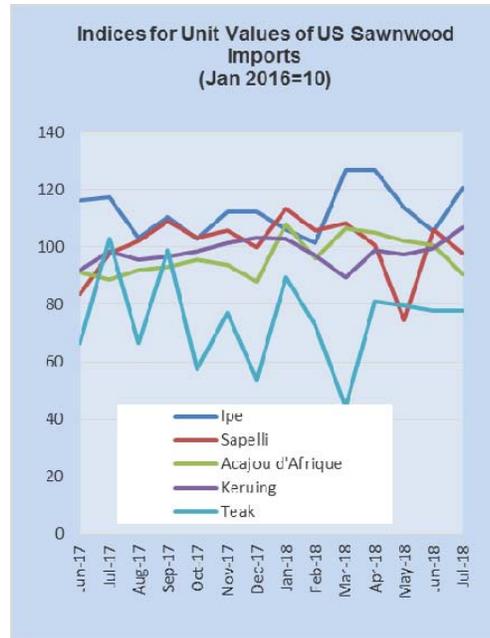
Imports of Keruing sawnwood, while down 13% from June, still outperformed July of 2017, with year-to-date figures nearly double those of last year.

#### Year to July 2018 sawnwood imports

	Year to July 2018 cu.m	Percent y.o.y Change
Balsa	26,367	-29%
Sapelli	10,989	-39%
Acajou d'Afrique	5,597	-35%
Keruing	11,937	90%
Ipe	17,153	6%
Mahogany	3,439	27%
Virola	1,878	-53%
Meranti	4,772	29%
Cedro	6,100	-1%

Data source: US Census Bureau, Foreign Trade Statistics

## First half 2018 hardwood plywood price indices



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Note: Indices are derived from customs value and exclude shipping, insurance and duties

## US considers additional tariffs on China – wood products included

According to the International Wood Products Association (IWPA), the Trump administration may be about to slap tariffs of up to 25% on an additional US\$200 billion in Chinese goods including wood products.

The administration can now move to begin taxing the imports — equal to nearly 40% of all the goods China sold the United States last year — after a public comment period ended September 6.

China said it is ready to impose retaliatory tariffs on US\$60 billion worth of US goods if that happens. Specific information about affected products is available on the website of the Office of the U.S. Trade Representative at <https://ustr.gov/issue-areas/enforcement/section-301-investigations/search>

## GDP growth for Q2 Highest Since 2014

Real gross domestic product (GDP) increased at an annual rate of 4.2% in the second quarter of 2018, revised up 0.1 percentage point from the advance estimate. Real GDP rose from 2.3% in the first quarter and is the highest rate of growth for a quarter since Q3 of 2014. See US Department of Commerce.

## New housing sales and starts stagnating

Sales of newly built, single-family homes inched down 1.7% in July to a seasonally adjusted annual rate of 627,000 units after an upwardly revised June report, according to the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

On a year-to-date basis, sales are up 7.2% from this time last year. The National Association of Home Builders says that a lack of overall housing inventory is pushing up home prices, which is hurting affordability and causing prospective buyers to delay making a home purchase.

Housing starts grew only 0.9% in July at a seasonally adjusted annual rate, according to the US Department of Housing and Urban Development and the U.S. Census Bureau. Building permits were slightly up from June.

## Prices for new and existing homes narrow

The average price for a new home in the US rose to US\$324,467 in June this year, 28% more than the US\$254,200 price for existing homes, according to data from John Burns Real Estate Consulting LLC. That is down from a 37% difference in 2015 and is the smallest difference since the end of 2010.

The main reason is that existing-home prices are rising faster. Homebuyers are in an affordability crunch, especially in the more expensive coastal regions, as they compete for a dwindling supply of homes. Meanwhile, builders have been slow to boost production, citing higher costs for land, labour and materials. Builders have started marketing smaller houses with fewer frills, farther from job centres aiming at budget-conscious first-time buyers.

**Disclaimer:** Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

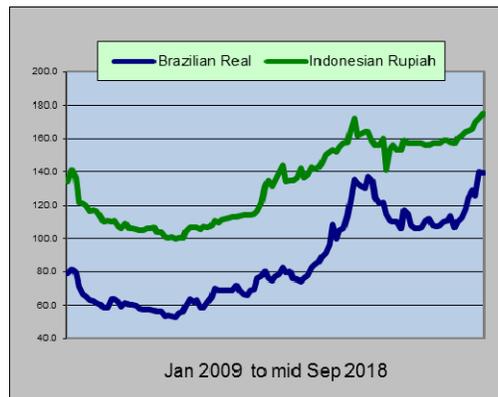
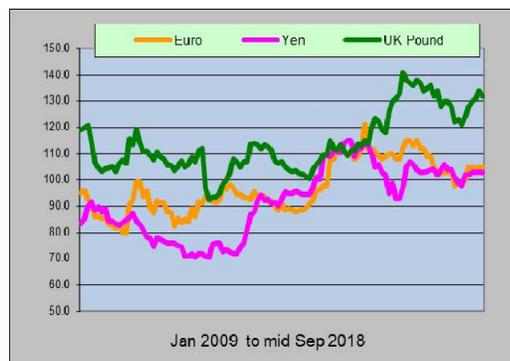
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 10 September 2018

Brazil	Real	4.0849
CFA countries	CFA Franc	566.9
China	Yuan	6.8559
EU	Euro	0.8628
India	Rupee	72.585
Indonesia	Rupiah	14857
Japan	Yen	111.14
Malaysia	Ringgit	4.1493
Peru	New Sol	3.32
UK	Pound	0.,7678
South Korea	Won	1129.75

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

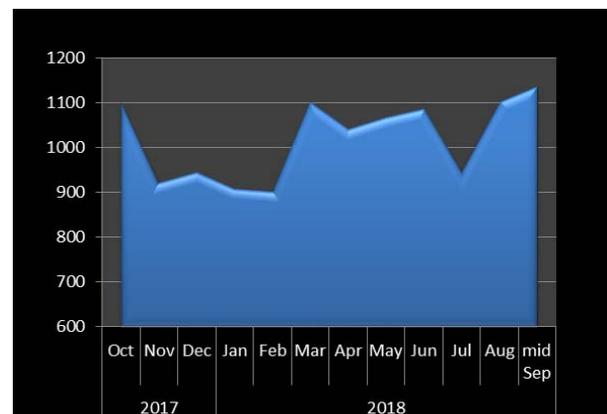


## Abbreviations and Equivalences

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  
October 2017 – mid September 2018

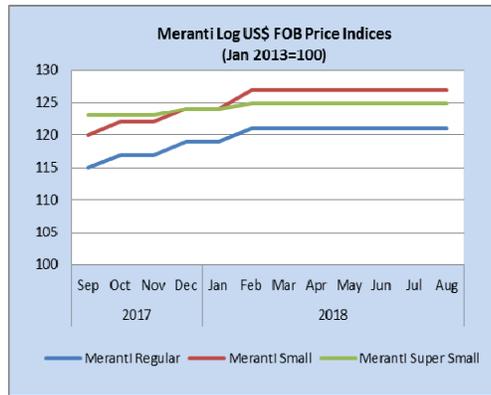


Data source: Open Financial Data Project

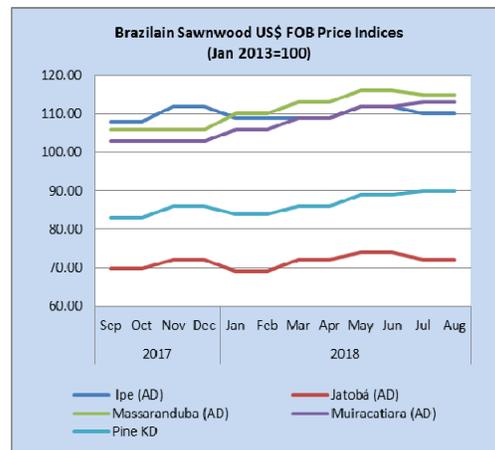
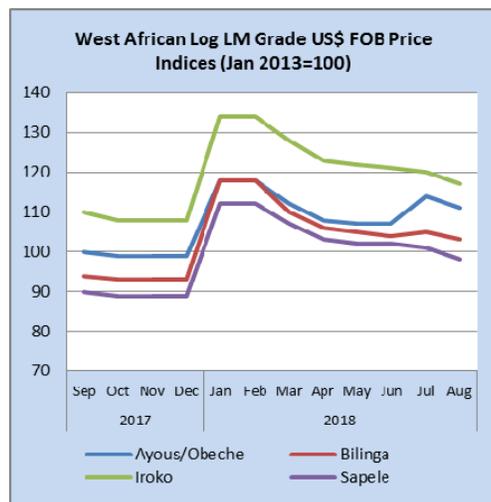
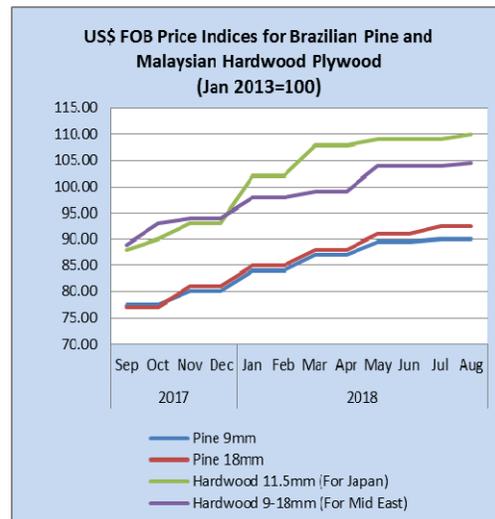
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

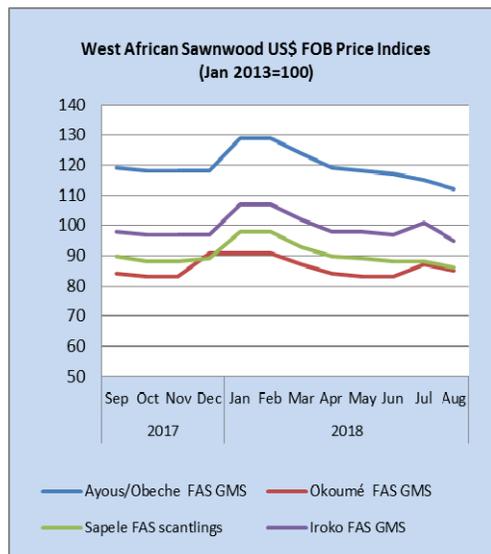
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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