

Tropical Timber Market Report

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

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Top Story

EU and Myanmar take proactive steps on timber legality assurance

The European Timber Trade Federation (ETTF) has, in a special edition of its newsletter, said EU and Myanmar authorities and timber trade representatives, including the ETTF, have been liaising closely and are taking steps to tackle legality assurance deficiencies, confusion and misinformation.

While major challenges remain the ETTF says “they have confidence that, with cooperation and commitment, these can be overcome”.

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Central and West Africa

Domestic millers face log shortage

There were no reports of significant price changes for sawnwood or logs over the past two weeks and this situation is expected to remain through the third quarter.

Domestic millers have raised concerns on their growing difficulty of securing raw materials for domestic milling. Analysts suggest that the reduced log production and export in Sarawak has resulted in firming prices in international markets making log exports more attractive. In addition, forestry regulations across the region are now more strongly enforced which has resulted in a decline in the availability of logs.

In the Democratic Republic of Congo log quota regulations are now very strictly enforced and indirectly causing producers to concentrate sawnwood production on the most popular species, especially sapele.

Forestry Department shake-up in Gabon

Reports from Gabon are indicating that the Forestry Minister has dismissed several senior executives including her cabinet secretary and both the Director of the Forestry Department and the Director General of Industry. This, it is rumoured, is related to irregularities in export shipments of large volumes of bubinga/kevazingo.

For months there have been rumours that some companies have been shipping bubinga/kevazingo slabs without complying with the requirements for in-country investment in added value processing.

Those producers in Gabon that have been compliant with the investment regulations are said to be supportive of the Minister's actions and of the requirement for special authorisation of bubinga/kevazingo exports.

Deforestation-free economic growth plan for Gabon

The Government of Gabon and the Central African Forest Initiative (CAFI) have agreed an US\$18 million plan to protect the country's forests and accelerate the fight against climate change.

This plan will enable Gabon to meet its ambitious objective to develop agriculture - needed for both food security and economic diversification - while ensuring that forests are not converted to agriculture. The first task to be undertaken will be a national land-use plan, considered the missing piece for the country to achieve its climate change target while developing sustainably.

This agreement between Gabon and CAFI paves the way for deforestation-free economic growth said Magdy Martínez-Solimán, UN Assistant Secretary-General and Director of UNDP's Bureau for Policy and Programme Support.

<http://www.undp.org/content/undp/en/home/presscenter/articles/2017/06/27/le-gabon-s-engage-pr-server-sa-for-t-et-r-duire-ses-missions-de-co2.html>

Log export prices

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

Sawnwood export prices

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

Ghana

First quarter exports down 21%

Data from Ghana's Timber Industry Development Division (TIDD) shows that wood product exports in the first quarter 2017 totalled 72,533 cu.m compared to 92,314 cu.m for the same period in 2016, a 21% decline.

Export values in the first quarter 2017 were also down by around the same amount. The decline in exports was observed for all major wood products.

The main exports in the first quarter 2017 were air dried sawnwood, kiln dried sawnwood, plywood, billets and sliced veneer.

First Quarter exports

	2016 cu.m	2017 cu.m	% change y.o.y
Sawnwood (AD)	54245	45690	-15.8
Sawnwood (KD)	11092	9993	-9.9
Plywood	10053	5006	-50.2
Mouldings	2197	2233	1.6
Sliced Veneer	3380	3302	-2.3
Rotary Veneer	1425	1074	-24.7
Poles	2602	876	-66.4
Billet	6970	3801	-45.5
Kindling	281	328	16.7
Others	68	231	238.5
Total	92314	72533	-21.4

Source: TIDD, GFC

In the first quarter overland exports of plywood and sliced veneer were 4,547 cu.m and 32 cu.m respectively. There were no exports of sawnwood to neighbouring countries in the first quarter. Primary products accounted for 6.5% of first quarter exports, secondary products accounted for the bulk of exports (at 90%) with the balance being tertiary product exports.

The main species exported included papao/apa, wawa, teak, ceiba and senya.

Ghana continued to maintain its major markets. Only the US and Middle East registered increased imports of wood products from Ghana in the first quarter of 2017 against that of 2016. Exports to all other markets declined.



Source: TIDD, GFC

UK-Ghana Trade and Investment Forum

The Ghana Investment Promotion Authority (GIPA) and the UK-Ghana Chamber of Commerce (UKGCC) held a UK-Ghana Trade and Investment Forum 2017 on 28 June. The Forum which aimed to attract foreign investments from UK businesses provided the first initiative on investments by Ghana's new government.

Senior Minister, Yaw Osafo-Mafo, lead the Ghana delegation which included businessmen to discuss topical issues aimed at building upon the strong economic relationship between the two countries. The UK is one of the leading markets for Ghana's wood products.

Boule Export prices

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

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	335-	400
Chenchen	425	624
Ogea	467-	604
Essa	439-	645+
Ofram	350	406

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

Export Sliced Veneer

Note, veneer prices are now reported in cubic metres

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanфина	996+
Avodire	897
Chenchen	676-
Mahogany	957-
Makore	807-
Odum	1,583

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m ³		
	Ceiba	Ofram	Asanфина
4mm	415	610	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	Euro per m ³	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanфина	492	564
Ceiba	297	357+
Dahoma	382	387-
Edinam (mixed redwood)	520	580
Emeri	380	510+
African mahogany (Ivorenensis)	870	915
Makore	685	756
Niangon	620+	650
Odum	755	927+
Sapele	765	750+
Wawa 1C & Select	380	418-

South Africa

Steep decline in business confidence

The domestic media in South Africa are reporting the latest RMB/BER Business Confidence Index (BCI) which shows business confidence at a low last seen during the 2009 recession.

Analysts write that the decline in sentiment is about more than the increased political uncertainty as the current downswing began more than 3 years ago.

Political maneuvering and the recent credit rating downgrades have added to the downward spiral in sentiment driven by weak business activity.

In each of the five sectors assessed to compile the index, manufacturing, retail trade, wholesale trade, motor trade and the building sector were all in negative territory. It has been reported that business conditions in the manufacturing sector worsened in the second quarter of this year.

The building sector index fell from the already low 42 points in the first quarter to 36 in the second quarter driven down mainly by weak non-residential building activity

Against the backdrop of weak business sentiment it is something of a surprise to see the Rand has been surprisingly steady given that the country is in recession.

For more see:
<https://www.ber.ac.za/BER%20Documents/RMB/BER-Business-Confidence-Index/?doctypeid=1050>

Until the housing sector comes back to life markets will remain quiet

The pine market has been steady over the past two weeks say traders. The loss of a sawmill in the Cape fires and the resultant damage to plantation forests in the Cape has not affected the market. Analysts say the pine market was oversupplied and this is likely to continue while demand is weak.

There are very few long term contracts for the truss manufacturers so they are operating hand to mouth with no work between orders. The rebuilding in the fire damaged Cape areas will generate some new business but it is expected that there will be a slow start in rebuilding. Most of the damage is under inspection by the insurance companies which have yet to release funds.

The commercial property market has provided a little business but, as the latest RMB/BER survey shows, activity is well down. It is expected that there could be a short-term boost in shop-fitting due to the liquidation of some big retailers and some overseas operations such as River Island closing their operations.

The board market is also depressed say analysts and the arrival of some imported panels at very competitive prices because of the strong Rand has unsettled the market for domestic products. The entire panel market is very quiet as, up to now, the promised government infrastructure programme has not started yet.

Demand for meranti is very quiet and shippers have not been successful in securing better prices mainly due to their need to remain competitive with other materials such as Aluminium.

Traders report some demand for Acajou but the supply of Kiaat from Mozambique has basically dried up because of heavy demand from the Chinese market.

Demand for American hardwoods remains steady, being kept alive by shop-fitters and there is some demand from high end furniture manufacturers but the low and medium price markets are very weak. The June issue of Sawmilling South Africa has reported seven South African designers are working with American Hardwood Export Council (AHEC), to design a 'Seed to Seat' project at 100% Design South Africa 2017.

The 'something to sit on' pieces, which will be made from a selection of four American hardwood species - American cherry, tulipwood, soft maple or red oak - will be unveiled at 100% Design South Africa 2017, running from 9-13 August in Johannesburg.

Malaysia

Best growth rate in two years

The latest Malaysia Economic Monitor launched by the World Bank has reported that, at 5.6% year-on-year growth. Malaysia achieved its highest quarterly growth rate in two years.

The positive growth was driven by strong private consumption supported by improving labour market conditions. Increased private investments and major government-led infrastructure projects also contributed. The improved economic conditions in the US helped export growth and stabilised commodity prices.

Strong cooperation amongst the timber industry

The Malaysian timber industry has a unique structure due to the different laws and regulations on forestry in the three geographical regions of the country; Peninsular Malaysia, Sarawak and Sabah. In each region the industry has developed with its own characteristics.

However, and despite the different industry structures, cooperation between the various sectors of the timber industry is very strong as demonstrated during a recent meeting of the Malaysian Timber Association (MTA) in Sandakan, Sabah.

The MTA was formed when nine timber associations across the country came together: the Bumiputra timber and furniture entrepreneurs, Furniture Council, Wood Industries, Moulding and Joinery Council, Sabah Timber Industries, Sarawak Timber, Panel Products Manufacturers and Timber Exporters.

A recent meeting of the MTA provided a platform for members to share information and discuss challenges and to find ways to work together as one national industry.

In the June meeting participants aimed to build upon the momentum which was generated after the MTA Timber Workshop was held in Kuching last December.

That Workshop brought together over 100 participants (66 companies and 35 Government/timber agencies).

Sarawak exports dip but investments continue

The Sarawak timber industry saw an 8% decline in export values between January and May this year largely due to the uncertain global economic situation. January to May exports totalled RM 2,404 million as compared to RM 2,627 million for the same period last year.

However, the Sarawak Timber Industries Development Corp (STIDC) and its subsidiary companies will continue to invest said the Minister of Industrial and Entrepreneur Development as the timber industry is still the biggest contributor to the state's economy after oil, gas and palm oil.

Plywood is the main timber export in Sarawak with exports in the first five months of this year being worth RM1,254 million, slightly down on the same period last year.

Other export products were logs (RM507 million), sawnwood (RM344 million), plywood (RM122 million) and veneer (RM64 million).

Japan is still the main market for Sarawak wood products with exports being worth RM961 million between January and May, followed by India (RM354 million), South Korea (RM229 million), Taiwan P.o.C (RM176 million) and the Philippines (RM152 million).

Indonesia

Addressing over-population in Java

Coordinating Minister for Economic Affairs, Darmin Nasution, said the government plans to distribute land outside of Java such as in Bangka Belitung with the aim of encouraging people to relocate as Java Island is heavily populated.

See: <http://nasional.kontan.co.id/news/usai-lebaran-program-bagi-bagi-lahan-dimulai>

Dubai exhibition a success for Indonesia

In a press statement, Gusmalinda Sari, of the Dubai/Indonesian Trade Promotion Center (ITPC) said demand for Indonesia's wooden products in the Middle East countries could reach as much as US\$1 billion.

During the International Design Exhibition 2017 in Dubai, Indonesia exhibited various unique wood products. The press statement said "The originality of Indonesian woods and its natural design are demanded by high-class consumers, especially from Europe, US, and the Middle Eastern countries."

Fears that peatland regulation will disrupt raw material supplies

The Indonesian Minister of Trade, Enggartiasto Lukita, has said it would be very sad if manufacturers have to import raw materials because resources in the country's industrial plantation forests decline due to the impact of the peatland protection regulation.

The Minister said the peatland protection policy should not disrupt existing business operations as this will adversely affect economic growth prospects.

See:

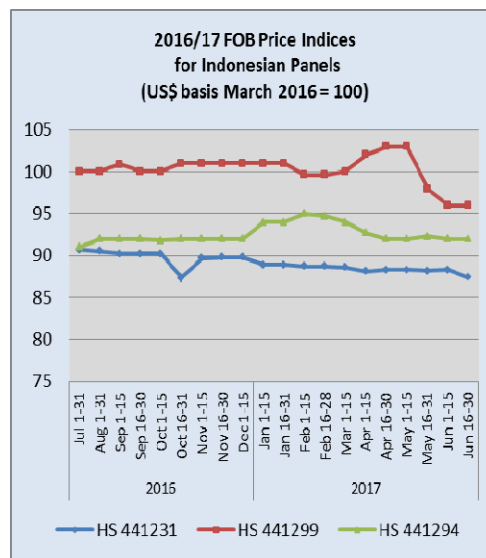
<http://industri.bisnis.com/read/20170618/99/663867/soal-pp-gambut-mendag-jamin-pasokan-bahan-baku->

Boosting SME furniture exports

Gati Wibawaningsih, Director General of Small and Medium Industries in the Ministry of Industry, has reported that the value of furniture exports in 2016 dropped to US\$1.04 billion from US\$1.21 billion in 2015.

In an effort to reverse this trend the DG said the ministry will work to improve the competitiveness of the domestic furniture and handicraft industries as the sector has great potential.

The Ministry of Industry has several programmes to encourage SMEs in the country, one of which is the so-called KITE policy which makes imports of materials to be manufactured for export easier.



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

Religious and indigenous leaders discuss rainforest protection

Religious and indigenous leaders have met in Norway to discuss ways to expand protection of tropical rainforests. Norway hosted the event with participation of Christian, Muslim, Jewish, Hindu, Buddhist and Daoist representatives as well as indigenous peoples.

Organizers said the Oslo Interfaith Rainforest Initiative was the first to gather religious and indigenous peoples to seek out common ground to protect forests. They hope to organize a summit in 2018.

Inspired by Pope Francis' outspoken stance on global warming and overdevelopment in his 2015 'Laudato Si Encyclical', the groundbreaking event was held in Oslo and backed by Norway's King Harald V.

See: http://fore.yale.edu/files/Interfaith_Rainforest_Initiative.pdf

Myanmar

MTE planning to resume harvesting

The Myanmar press (Daily Eleven) has quoted Myanmar Timber Enterprise (MTE) Deputy General Manager, Wai Kyaing, as saying MTE has plans to resume the harvesting this year after the year-long logging suspension.

According to the media, MTE will harvest 17,000 tons in the Taninthari Region in south western Myanmar. It has been reported that trees above the minimum girth limit have already been marked for felling.

The plan outlined in the press suggests MTE will sub-contract the logging since MTE does not have the sufficient harvesting capacity. If this is the case then it would contradict earlier statements that suggested no sub-contracting will be permitted.

Analysts write that it appears sub-contractors will be paid rather retain some of the logs as payment which was the previously arrangement. It has been reported that some community forestry members in the area have written to the Ministry of Forestry objecting to the planned harvesting.

EU and Myanmar take proactive steps on timber legality assurance

The European Timber Trade Federation (ETTF) has issued a special edition of its Newsletter focused on Myanmar. This looks closely at issues concerning Myanmar timber and especially teak exports.

See: <http://www.ttf.co.uk/article/special-edition-of-ettf-newsletter-focused-on-myanmar-now-availa-568.aspx>

The publication summarises the recent Environmental Investigation Agency analysis and outlines the efforts by the Myanmar authorities, the domestic trade and their international partners in addressing legality assurance.

The ETTF newsletter special editions says "Alarms have sounded recently over proof of legality of Myanmar timber and notably teak exports to the EU. However EU and Myanmar authorities and timber trade representatives, including the ETTF, have been liaising closely and are taking steps to tackle legality assurance deficiencies, confusion and misinformation."

In concluding, the ETTF says "while major challenges remain they have confidence that, with cooperation and commitment, these can be overcome."

Tougher penalties in Draft Forest Law

The Draft Forest Law has been published for discussion. Analysts say the most significant change is the toughening of penalties (fines and imprisonment). The previous law remained unchanged since its introduction in 1922.

Foundations for greater Myanmar/India trade

Myanmar is India's gateway to South East Asia and ASEAN and India is seeking greater economic integration through its 'Act East' policy (the new government of India has made its relations with East Asian neighbours a foreign policy priority).

Myanmar and India share a land border of over 1,600 km as well-being adjacent across the Bay of Bengal.

Recently Myanmar's Minister of Commerce Than Myint and India's Commerce and Industry Minister, Nirmala Sitharaman, met to discuss ways to boost trade and investment.

Sitharaman said that the bilateral trade between the countries has a much larger untapped potential and she sought cooperation from Myanmar to actively pursue enhanced road, sea and air connections between the two countries.

India's trade with Myanmar grew by 6% percent from US\$2.05 billion in 2015 -16 to US\$ 2.18 billion in 2016-17. Both the sides also agreed to explore opening of two new trade points at Pangkhuwa and Zoninpuri.

June teak tender prices

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

India

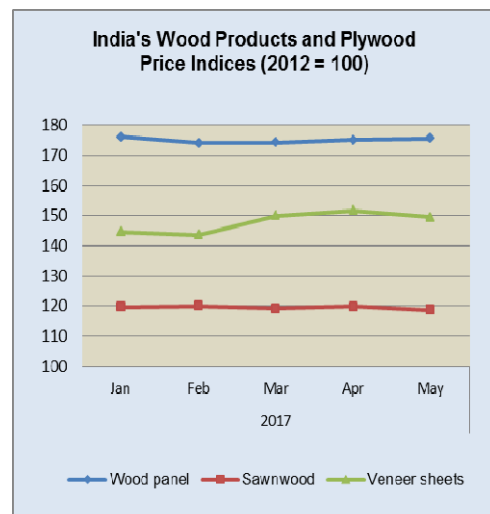
Record low inflation boost hopes for rate cut

India's official wholesale price index for all commodities (Base: 2011-12=100) for May 2017, released by the Office of the Economic Adviser to the government (OEA), declined by 0.4% to 112.8 (provisional) from 113.2 for the previous month.

The annual rate of inflation, based on monthly WPI, stood at 2.17% (provisional) for May 2017 compared to 3.85% for the previous month. Inflation for this financial year so far was -0.35% compared to a rate of 2.51% in the corresponding period last year.

The index for manufactured wood and cork products declined by 0.5 percent to 130.6 (provisional) from 131.3 (provisional) for the previous month. This says the OEA was partly due to lower prices of veneer sheets, sawnwood and particleboard. In addition, food prices fell in May and this is fueling discontent amongst farmers. The private sector hopes the record low inflation will lead to an interest rate cut by Reserve Bank of India.

The press release can be found at:
<http://eaindustry.nic.in/cmonthly.pdf>



Data source: Ministry of Commerce and Industry, India

Industry calls for review of GST for panels

The assigned rate of tax under the new Goods and Services Tax (GST) system has been released. Rates range from 5% to 28% with essential food items attracting zero tax.

For wood products falling within HS 44 a GST of 28% has been set and this has caused widespread dissatisfaction amongst manufacturers of which some 85% are SMEs. Currently these SMEs enjoy exemption from excise duty on sales up to Rs.15 million but when the GST is applied on 1 July this year the excise duty exemption will be withdrawn.

Panel manufacturers have made representations through their State Finance Ministries to the Central Government requesting a review of the rate from 28% to 12%. Reconstituted panel makers are arguing that a 28% duty on particleboard and MDF is too high because these products are made mostly from plantation wood, wood residues and agri-residues.

New MDF plant for Andhra Pradesh

The times of India has reported that Rushil Decor Ltd is planning to build a MDF plant at Atchutapuram, a village in Visakhapatnam district, located in the Indian state of Andhra Pradesh. The plant will have a daily capacity of 600 cubic metres.

It is reported that the State Investment Promotion Board has granted several concessions for the company under the state industrialisation policy.

See: <http://timesofindia.indiatimes.com/city/visakhapatnam/mdf-manufacturing-unit-to-be-set-up-in-vizag-soon/articleshow/57695658.cms>

Imported plantation teak

Demand for imported plantation teak logs remains robust. Shippers have been increasing the volumes available and have not allowed importers to raise C&F prices even though freight rates are beginning to climb.

Imported plantation teak prices

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

Price range depends mainly on length and cross section

Locally sawn hardwood prices

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

Myanmar teak prices

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

Price range depends mainly on length and cross section

Prices for imported sawnwood

Prices for imported sawnwood 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

Panel production by SMEs at risk from GST

The impact of the GST on plywood prices will be significant if the duty rates remain as proposed. At 28% duty the production of panels by SMEs will be severely curtailed as many are expected to go out of business.

The impact of the GST on the major plywood manufacturers will be less severe but with a sharp fall in production from the SMEs and demand could outstrip supply. Everyone in the industry is hoping for stability in the market and anticipates the government will review the GST on wood based panels.

Plywood prices

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

MumbaiWood 2017 to attract pan Asia visitors

India's furniture market is projected to grow significantly up to 2019 and the Western Region is expected to offer the greatest opportunities due to the presence of large number of industrial hubs and upcoming infrastructure developments in these regions.

The 3rd MumbaiWood fair will be held 12-14 October 2017 at the Bombay Exhibition Centre, in Goregaon, Mumbai and is now featured as an international trade show set to attract pan Asia visitors.

The event will be a unique platform in the western India for domestic and global brands to showcase furniture manufacturing and woodworking technologies, raw materials, fittings, accessories and products.

See: www.mumbai-wood.com/

Brazil

May inflation, the lowest since 2007

Brazil's economy is forecast to grow 0.4 percent in 2017 after contracting more than 3% in each of the past two years. In May, government data showed better than expected job creation as the economy slowly emerges from its deepest-ever recession.

Inflation in Brazil continued to moderate in May, sliding below the Central Bank's target of 4.5%. Inflation has been slowly falling throughout 2017 which led the Central

Bank to cut interest rates from 11.25% to 10.25% in May 2017. May inflation was the lowest since 2007.

Efforts on sustainable production of high value timber

The Brazilian forestry sector has been engaged in research on development of forest plantations using native timber species and in May, Futuro Florestal, a pioneer company in the field of commercial plantation of high value tropical timber species organized a workshop on ‘Sustainable Production of High Value Timber’.

Entrepreneurs, professionals, farmers, researchers and prospective investors discussed the development of several species, with emphasis on African mahogany (*Khaya* spp), teak (*Tectona grandis*), guanandi (*Callophyllum brasiliensis*) and other hardwood species.

The workshop sought to draw attention to the opportunities for alternative timbers for sustainable development of the tropical solid wood production chain.

Experimental plantations of some native and exotic high value species have been established by Futuro Floresta.

These efforts are in line with commitments made by the Brazilian government in the Paris Agreement where the country took on the task of recovering 12 million hectares of forests by 2030 through forest restoration projects in legal reserve areas and Permanent Preservation Areas (APPs).

Another issue discussed was the São Paulo Agribusiness Expansion Fund (Fundo de Expansão do Agronegócio Paulista - FEAP). This offers credit lines in addition to those offered through the Brazilian Development Bank (BNDES) for forest plantations, agroforestry, agrosilvopastoral systems and for the recovery of legal reserve areas.

New protected forest areas in the Amazon

New protected forest areas have been established in the municipalities of Manoel Urbano (68,537 hectares) and Feijó (86,582 hectares) in Acre State.

The combined protected area is called the "Complex Affluent State Forest of Jurupari Seringal (Floresta Estadual do Afluente do Complexo do Seringal Jurupari)" and was handed to the government of Acre by the Federal Government in 2014.

This protected area is part of a series of conservation areas in Brazil created to protect the soil and other natural resources and the environment. This new protected area is considered “temporary” as it will be reviewed in five years and may be renewed for a further five years to allow for research to continue.

Socioeconomic studies will be carried out so that sustainable development and management of the forest is possible allowing for forest management and extraction of wood and non-wood forest products within the conservation unit.

Export round-up

In May 2017 Brazilian exports of wood-based products (except pulp and paper) increased 23.3% in value compared to May 2016, from US\$ 191.8 million to US\$ 236.5 million.

Year on year, May pine sawnwood exports increased 41% in value to US\$ 39.5 million. In volume terms, exports increased 29% over the same period from 152,300 cu.m to 196,000 cu.m.

May 2017 tropical sawnwood exports increased 14% in volume, from 32,500 cu.m in May 2016 to 37,100 cu.m in May 2017 while the value of exports increased 6.5% from US\$ 15.4 million to US\$ 16.4 million, over the same period.

Pine plywood exports increased 28% in value in May 2017 compared to levels in May 2016, from US\$ 34.5 million to US\$ 43.7 million. In volume terms, exports increased 17% over the same period, from 131,700 cu.m to 154,000 cu.m.

Tropical plywood, exports also increased in May rising 2.5% in volume terms year on year but the value of exports fell around 2% from 12,100 cu.m (US\$ 5.0 million) in May 2016 to 12,400 cu.m (US\$ 4.9 million) in May 2017.

First rise in furniture exports since 2010

Encouragingly, wooden furniture exports rose from US\$36.2 million in May 2016 to US\$42.2 million in May 2017, an almost 17% increase. In the first five months of this year wooden furniture exports rose 7% year on year according to the Ministry of Development, Industry and Foreign Trade (MDIC). Exports by the furniture sector reached US\$242.5 million in this period.

It has been forecast that 2017 wooden furniture exports will be around 8% higher than last year. If this growth is achieved it will be the first rise in furniture exports since 2010. Among the main importers are the United States, the United Kingdom and Argentina.

Domestic Log Prices

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

Source: STCP Data Bank

Domestic Sawnwood Prices

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

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

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

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

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

Source: STCP Data Bank

Export Sawwood Prices

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

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

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

Export Prices For Added Value Products

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

Source: STCP Data Bank

Peru

150,000 hectares of natural forest lost annually

Each year Peru loses an average of 150,000 hectares of natural forest due to deforestation caused by migratory agriculture and subsistence activity that devastates the Amazon.

According to the National Forestry and Wildlife Service (Serfor), other causes of deforestation that put the country's 74 million hectares of forest at risk are illegal logging, illegal mining and coca leaf cultivation.

John Leigh, Executive Director of Serfor, has pointed out that deforestation is concentrated in areas coinciding with the poverty map of the Amazon. Because of this, he said, it is the State's duty to ensure sustainable use of the resource for the benefit of the local population. "We have to give the forest a strong economic value and promote the wealth that it can produce in its natural sustainably managed state to avoid a change of land use or illegal activities" said Leigh.

Elaboration of Forest Plan

In the process of building the National Forestry and Wildlife Plan, which sets targets up to 2021, Serfor started the first in a series of meetings with various stakeholders in the forestry sector. The goal is for this plan to become a consensual tool to promote the sustainable use of wild flora and fauna.

Leigh explained that the preparation of this plan will receive input from various ministries, the private sector, universities, civil society institutions and other interested parties.

This plan aims to establish a strategy for implementing and moving forward the forestry sector to conserve biodiversity and at the same time generate and evenly distribute wealth. A draft document will be ready by year end, said Leigh.

Results of national forest and wildlife inventory

Serfor and FAO have announced the preliminary results of the National Forest and Wildlife Inventory in a publication titled 'Our Forests in Numbers'.

This document compiles all the information gathered and analysed at national level since 2013 for 4 sub-populations or forest eco-zones in Peru: Coast, Sierra, Selva Baja and Hidromórfica (flooded forest).

The INFFS provides specific data on plant and animal species and their level of vulnerability. In addition, information has been collected on the amount of carbon contained in the biomass of all the eco-zones analysed; essential data to assess the contribution of forests to the mitigation of climate change.

The field data compilation for this National Forestry and Wildlife Inventory began in 2013 and its execution continues to cover the entire national territory. The INFFS is a key tool for decision making on the forest resource.

Agrobanco launches 'Green Bank' project

The Agricultural Bank (Agrobanco) has launched a "Green Bank" project with the aim of promoting the sustainable use of resources and conservation of the environment through specialised financing for sustainable projects, good environmental practices and agroforestry.

For more see: <http://www.andina.com.pe/Ingles/noticia-agrobanco-lanches-new-project-to-boost-sustainable-agriculture-in-peru-672656.aspx>

Green Bank has secured support from the European Union and the French Development Agency and is part of the institutional mission and commitment of Peru to reduce emission of greenhouse gases. The introduction of the 'Green Bank' offers an innovative approach to sustainable business for the creation of economic, social and environmental value in the projects financed.

Such a project will contribute to food security and incorporate the need for adaptation and mitigation in

strategies for sustainable agricultural development to address climate change.

Export Sawwood Prices

	US\$ per m3
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	545-598

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m3
Virola 1-2" thick, length 6'-13' KD Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD Central American market	879-925
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD Mexican market	421-462↓

Domestic Sawwood Prices

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

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1296-1380
Cumaru KD, S4S Swedish market	962-1095
Asian market	1058-1098
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

BoJ Governor optimistic on prospects for growth

The Japanese government has upgraded its assessment of the economy for the first time since December. In a press release the Cabinet Office stated that the economy is exhibiting a "moderate recovery" due to a pick-up in consumer spending and capital investment.

The sign of a strengthening economy was the theme of a recent presentation by the Bank of Japan (BoJ) Governor who emphasised that economic activity and growth prospects for Japan have moved from a moderate recovery trend toward a moderate expansion.

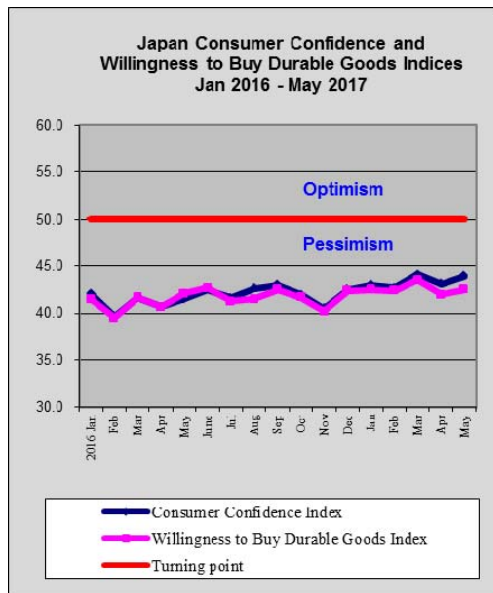
The prospects for the economy in fiscal 2017 and 2018 have improved and Japan's economy is likely to continue expanding. In the first half of 2016, pessimistic views about the global economy prevailed; concerns heightened regarding the slowdown in emerging economies including China and the global market volatility however, the global economy is now showing positive momentum towards growth which has lifted Japan's exports and production.

The BoJ Governor said "against this background corporate sector profits have been at record high levels, business sentiment has been favorable and private sector fixed investment has continued.

A feature of the current economic recovery phase is that improvement in business sentiment has been seen, not only for firms in metropolitan areas and large firms but also for firms in the smaller towns."

See:

https://www.boj.or.jp/en/announcements/press/koen_2017/data/ko170622a1.pdf



Data source: Cabinet Office, Japan

Housing starts reverse direction

Housing starts in Japan reported by the the Ministry of Land, Infrastructure, Transport and Tourism declined in May marking the first drop in three months. Year on year starts were down just less than half a percent.

Data on orders received by the main construction companies show that orders fell for the second straight month in June.

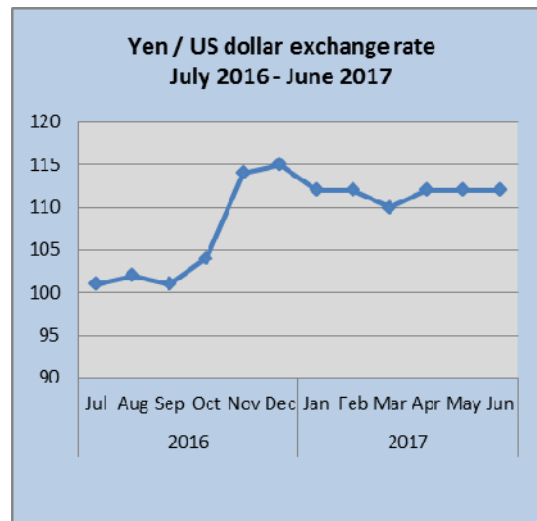


Ministry of Land, Infrastructure, Transport and Tourism, Japan

Yen hovers at 112 to the US dollar

In line with expectations the US Federal Reserve raised its key interest rate by 25 points to 1.00 - 1.25% at the conclusion of its June meeting. More significantly it announced it will begin reducing its massive bond and securities holdings. The impact of the interest rate on the yen dollar exchange rate was muted as this had already been factored in by traders.

Throughout the month the yen/dollar exchange rate varied little, staying at around 112 yen to the dollar, a rate that pleases exporters.

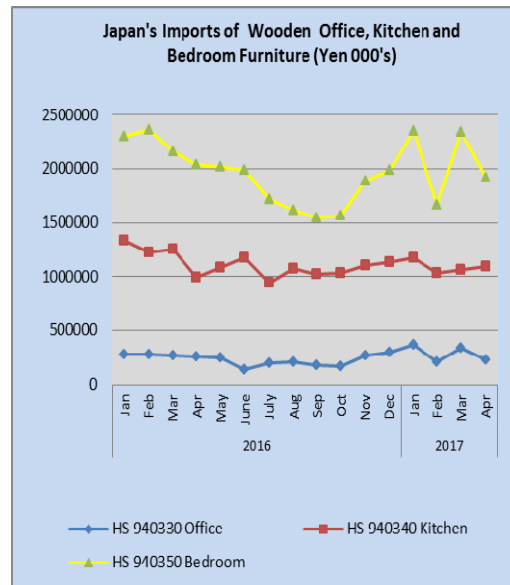


Japan's wooden furniture imports

The value of Japan's wooden bedroom furniture imports has see-sawed for the past four months after a period of steady increase that began in November last year. After three consecutive months of increase imports in February plummeted only to surge again in March. The same pattern has been repeated in March and April.

Wooden office furniture imports in April dipped with a noticeable reduction in imports from EU countries.

Given the volatility in imports of wooden bedroom and office furniture it is not surprising that monthly imports of wooden kitchen furniture have also exhibited more volatility this year than seen throughout 2016.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

April 2017 imports of wooden office furniture were down around 7.5% compared to the same period in 2016 and were down sharply (-32%) on levels in March.

Imports from China fell 13% in April and there was a major decline in imports from EU suppliers. In March imports of wooden office furniture from the main EU suppliers accounted for 20% of total imports but this dropped to just 6% in April.

April imports of wooden office furniture were dominated by shipments from China which accounted for over 80% of all imports of wooden office furniture for the month.

Office furniture imports

	Imports Apr 2017 Unit 1,000 Yen
S. Korea	-
China	183942
Taiwan P.o.C	1482
Vietnam	2351
Thailand	-
Malaysia	11629
Philippines	-
Indonesia	6109
Sweden	612
Denmark	734
UK	-
Belgium	-
France	-
Germany	2480
Switzerland	-
Portugal	2345
Italy	2073
Finland	1107
Poland	5493
Lithuania	1165
Slovakia	1525
USA	1044
Mexico	346
Brazil	215
Australia	-
Total	224652

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Year on year, April 2017 imports of wooden kitchen furniture rose around 10% but there was little change in the value of imports between March and April this year.

Vietnam maintained its position as the top supplier of wooden kitchen furniture accounting for over 40% of all imports of HS 940340.

In April, as was the situation in March, the Philippines was the second largest supplier followed by China and Indonesia. The top four shippers accounted for over 90% of all arrivals of wooden kitchen furniture in April.

Kitchen furniture imports

	Imports Apr 2017 Unit 1,000 Yen
South Korea	-
China	133997
Taiwan P.o.C	-
Vietnam	436849
Thailand	20486
Malaysia	21220
Philippines	295924
Indonesia	127722
Denmark	1692
UK	-
Germany	42730
Spain	-
Italy	11682
Poland	-
Austria	-
Romania	481
Canada	2659
USA	607
Total	1096049

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

All the three top suppliers of wooden bedroom furniture(China, Vietnam and Thailand) saw a decline in the value of shipments to Japan in April compared to levels in March.

Shipments from the top supplier, China, fell almost 15%, shipments from Vietnam were down 22% while shipments from Thailand dropped just over 30%. The overall decline for all wooden bedroom furniture from March to April was 18%.

However, overall year on year imports of wooden bedroom furniture rose 6% from 2016.

Bedroom furniture imports

	Imports Apr 2017 Unit 1,000 Yen
S Korea	-
China	1104634
Taiwan P.o.C	29868
Vietnam	592639
Thailand	66157
Malaysia	47707
Philippines	-
Indonesia	8658
Cambodia	-
Denmark	508
UK	-

Belgium	-
France	3711
Germany	1237
Portugal	10528
Italy	6600
Poland	26055
Russia	-
Austria	2439
Romania	10534
Turkey	-
Estonia	-
Latvia	-
Lithuania	3303
Bosnia and Herzegovina	1941
USA	3154
Total	1919673

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>

Imports of legally verified wood

In 2016, percentage of legally certified imported wood in sales was 41.2%, 5.6 points more than 2015 so certified wood has steadily been increasing. However, distribution volume of certified wood in the market was only 29.6%, 3.9 points up so the progress to handle certified wood remains slow.

Apparently there is not strong demand for certified wood in the market with little acknowledgement in the industry. This is result of investigation of members of the Japan Lumber Importers Association.

The Association disclosed result of follow-up survey regarding legally certified imported wood products. Items of survey are imported logs, lumber, laminated lumber, plywood, particleboard and OSB from all the sources. In total imported volume, about 72% is certified products out of which less than 30% was sold in the market as certified products.

By items of certified products sold in the market, logs are 59% and share of North American and South Sea hardwood logs was high. Lumber is only 20% and plywood is 13%. The Association will continue promoting import and sales of legally certified products in relation to the Clean Wood law

Many more public wooden buildings

Since the 'Act for Promotion of Use of Wood in Public Buildings' was implemented in 2010, the ratio of wooden public buildings rose from 8.3% in 2010 to 11.7% in 2015. During the same period, the ratio of wooden public buildings of three-story or lower rose from 17.9% to 26.0% during the same period.

Background of the move is that domestic forest resources planted after the World War II are now matured enough for use as wood and wooden products in Japan and the government of Japan has been making effort to promote the use of wood through variety of policy tools, especially wooden buildings but due to the policy of 'non-combustible public buildings', wood use for public buildings was very rare.

When such policy was made, people hoped to have fire resistant communities with non-combustible buildings.

Since public buildings have strong potential for wood use, the Diet introduced the Act, which requires the government to take the lead in wood use in public buildings.

The fundamental policy of the Act sets the target of the government to construct all the public buildings of three stories or lower with wood structure in principle. Further, prefectures and municipalities are also required to develop their own policy for the promotion of wood use and make effort to promote practical wood use in public buildings.

Activities of CLT Association

The Japan CLT Association held the meeting on May 30 to report activities by the Association. CLT was officially noticed publicly last year and movement to promote using CLT has been accelerated by forming various unions and association with head of local authorities. So far, 70 buildings with CLT panels are completed and 70 more are planned.

Domestic production CLT in 2012 was 200 cbms then it increased to 5,000 cbms in 2016 and it will be 20,000 cbms in 2017. There are eight JAS certified CLT manufacturers as of April 2017 and there are nine CLT processing plants so CLT supply system has been steadily growing.

The Association has now 12 working groups (WG). Standard specification WG is working to make up manual of CLT construction and plans to hold lectures in this fall.

Sound proof WG plans to have floor and wall performance tests. Fire proof structure WG passed two tests on ceramic exterior siding and wood exterior wall. Manufacturing and processing WG discussed requesting items for JAS revision on CLT and accumulated data of warping by dimensional stability performance tests.

Construction technical rationalization WG plans to request adding CLT in standard wood building specifications by the Ministry of Land, Infrastructure, Transport and

Tourism by showing method of construction procedure. It is important to plan ahead where to place crane with precise procedure otherwise efficiency would drop. Insulation WG estimates thermal conductivity of CLT is somewhere in between plywood and natural wood.

Parliamentary group aiming regional vitalization held the meeting and the cabinet secretariat reported utilization of wood including CLT by local governments. In this meeting, each Ministry reported how they promote use of CLT. The Forestry Agency explained the budget for CLT and support to CLT related business.

The Ministry of Land, Infrastructure and Transport also explained the 2017 budget to support CLT related buildings and test of CLT buildings. The government is seriously supporting for CLT promotion.

South Sea (tropical) logs

Export log prices continue rising as log production stagnates even after rainy season was over. Sporadic showers hamper logging activities. Japanese log importers struggle to purchase enough logs to fill up ships even in Sabah because of aggressive India's log purchase. In Sarawak, local plywood mills have hard time to have enough logs to run the mills.

Log suppliers remain bullish with busy purchase by India and active purchase by local plywood mills. After new restriction of log harvest of less than 50 cm of DBH in Sarawak, log supply gets tighter and very few logs are delivered to plywood mills. In this situation, Log prices continue rising since last April.

Export log prices in Sarawak are US\$280-290 per cbm FOB on meranti regular, US\$260 on meranti small and US\$240-245 on super small. These prices are too high for depressed Japan market. Since timber premium duty will be increased in Sarawak since July, log prices would further climb.

In PNG and Solomon Islands, log harvest is hampered by foul weather. Log prices are firming with active purchase by main buyer, China and India, which try to buy more to cover short supply of Sarawak. Particularly, prices of highly demanded species by sawmills of keruing, melapi and agathis continue climbing.

Expanding harvest of domestic wood and future challenges

Total demand of wood in Japan in 2015 was 75,160,000 cbms, out of which domestic supply was 24,910,000 cbms so the self-sufficiency rate rose to 33.2%.

In 2016, domestic wood supply was 20,660,000 cbms and it continues climbing. Domestic wood demand has been declining gradually but because the supply from foreign countries is getting difficult by various reasons such as decreasing resources, economic situation, environmental protection and illegal harvest, so demand for domestic wood keeps growing to supplement foreign supply.

Since the policy by the Japanese government has changed from thinning to clear cutting and reforestation, log harvesters are encouraged and activated with introduction of high performance logging machines.

However, there is problem how to maintain sustainable forest management by taking environmental protection in consideration in major producing regions of Kyushu and the North East where regional log production is more than 50 million cubic meters a year.

On demand side, there are two new major log users of domestic wood. One is plywood manufacturers and another is biomass power generation plants. Plywood mills used to use imported logs but the supply is declining and competition with other large market like China gets severe, they shifted to use domestic wood.

Log demand for plywood in 2016 was 3,682,000 cbms then this volume should increase to six million cbms by the government basic forest plan. This means 15 to 16 new plywood mills are needed to consume this much volume.

Plywood industry thinks it is possible to use that much volume if half of the market of floor base and concrete forming panels is switched to domestic products. These two items have traditionally been supplied by Malaysian and Indonesian plywood manufacturers.

There is one good example of tie-up case by the log suppliers and users like plywood and lumber mills. The North Japan Log Distribution Co-op. in Iwate prefecture supplied total of 260,000 cbms for plywood and lumber mills and 90,000 tonnes for biomass power generation plants in 2016 and the target in 2017 is 300,000 cbms for plywood and lumber mills and 100,000 tonnes to power plants.

Biomass power generation plants are mushrooming all over Japan and they are the major factor to activate domestic log harvest.

By the Forestry Agency, estimated domestic wood fuel volume for the power plants was 2,800,000 cbms in 2015, 1,000,000 cbms more than 2014 so the volume keeps growing.

This market contributes stabilizing log harvesters' management as the market of low grade logs and unusable wood. The price of fuel wood is low like 7,000 yen per ton delivered to chip plant but power plants operate 24 hours a day and they need consistent supply of fuel wood.

Another change in lumber industry is size of newly built sawmills are much larger to consume larger volume of wood. New trend is that sawmills buy all the products log suppliers produce from top to bottom, which is called cascade use of wood. Higher grade logs are used for lumber manufacturing and low end is used as fuel. This benefits log suppliers and sawmills need to tie-up with log suppliers closely for large volume of wood they need.

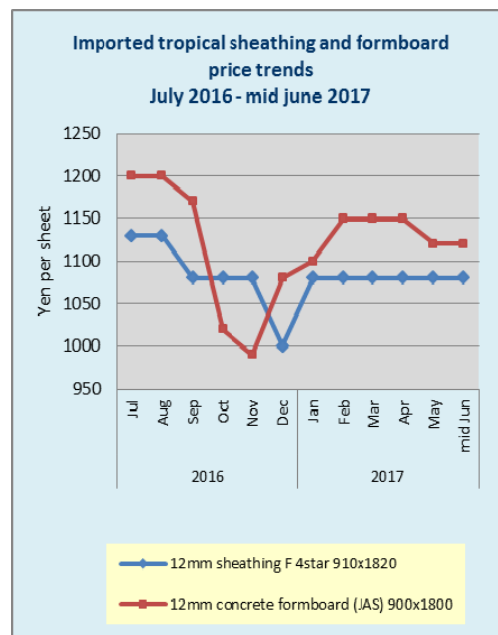
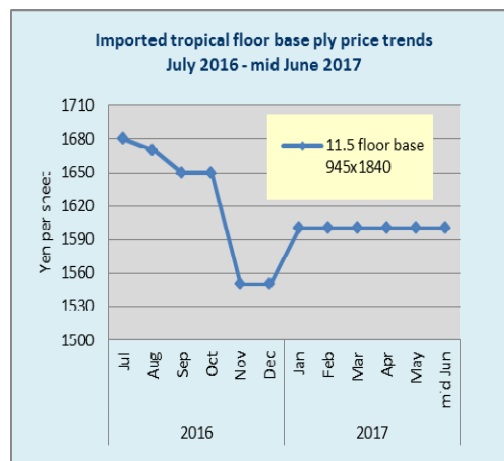
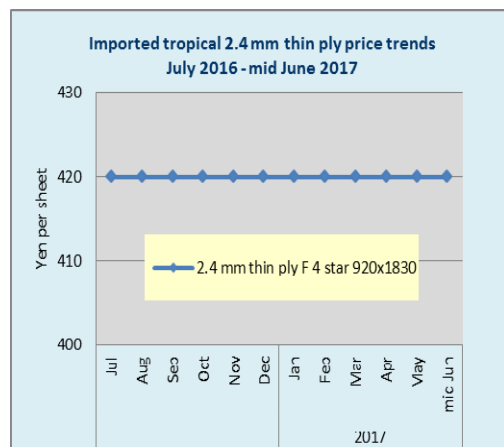
Now, as log demand keeps growing, log suppliers are facing various problems in future. Harvest areas are getting into deep interior where there is no road system. Traditionally, log harvest has been done in convenient locations close to road. Introduction of tower yarder is the best choice for efficient cable yarding. As the population is aging in Japan, labor shortage will get serious problem.

Reforestation needs to review. After the War, softwood trees were planted from valley bottom to top of ridges but considering cost factor, softwood trees should be planted in the areas close to road system.

Now problem is how to secure labor power for replantation works. Log harvest business will use more efficient, high performance machines, which attract young people but reforestation is not attractive job and mechanization is difficult.

Younger people shy away from hard and dirty work such as undergrowth mowing. Introduction of robot is seriously considered and also use of foreign labor is another choice.

June wholesale plywood prices



China

Chinese overseas investment in the timber sector

According to a report on China's Wood Products Trade and Investment (2016) there were 167 Chinese enterprises with overseas operations at the end of 2014. Of the total, over 90% were private enterprises.

Private enterprises have become the main players in overseas forestry investment and have taken a long-term view to these investment and have the advantage of being able to adopt quickly to changing production and trade conditions.

The origin of the 167 enterprises identified in 2016 was in 17 provinces, autonomous regions and municipalities. Enterprises in 5 provinces; Heilongjiang, Inner Mongolia, Jilin, Shandong and Jiangsu p dominated the overseas investors namely;

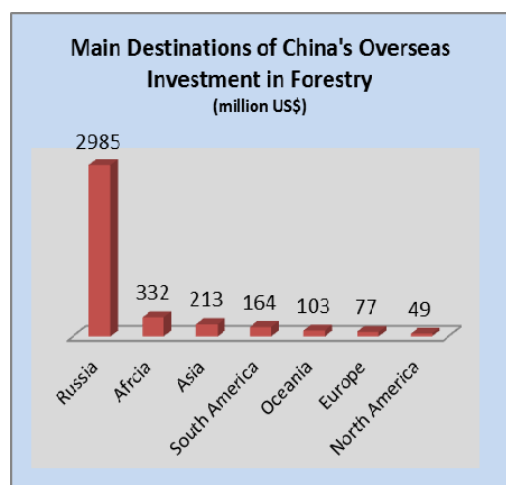
Enterprises investing in overseas forestry and timber operations are mainly from three areas, Heilongjiang province, Jilin province and Inner Mongolia Autonomous Region which is adjacent to Russia.

Enterprises from the Inner Mongolia Autonomous Region invest mainly in forestry operations in Russia. The others, mainly from the regions in China that account for much of the country's wood product manufacturing such as Jiangsu and Shandong provinces, invest in developing countries mainly in raw material sourcing.

There are two main patterns of Chinese overseas investment, one is direct purchase or lease of forest land the other is joint venture cooperative arrangements.

Chinese enterprises invest mainly in Russia, with smaller investments in Gabon, Brazil, Papua New Guinea, Australia and New Zealand and operations include

logging, primary processing and downstream manufacturing. The distribution of investment in 2014 is illustrated below.



Data source: Beijing University report

Chinese enterprises say while trading is relatively low risk the risks increase significantly with overseas investment largely due to long term pay-back period, the complexity of the international business environment, financial risks, host government regulations and supervision and environment risks.

Overseas investment by Chinese enterprises has been increasing in recent years and the value of foreign direct investment for Chinese forestry products industry is expected to rise given the Chinese government's "Go Out" policy.

For more on this see:

<https://www.cigionline.org/publications/deeper-look-chinas-going-out-policy>

As the go-out policy takes affect it is expected that China's investment in forestry and wood processing will become more diversified. It is anticipated that multinational companies will emerge in the future.

It is further anticipated that the patterns of investment and cooperation will become more diversified from traditional direct purchasing or renting to mergers and acquisitions, joint ventures, capital operation, strategic alliances, stock exchange and this will lead to greater integration of logging, intensive processing, logistics and trade.

Enterprises urged to strengthen capacity to comply with US regulations

It has been reported that the USA Act of Formaldehyde Standard for Wood Composite Products had been introduced so that all composite wood products sold, supplied and manufactured in the USA must meet the new regulation.

Wood products are an important export product for China and the value of wood products exports exceeded US\$30

billion in 2016. Of this total, the export value of composite wood products was US\$7 billion.

The Chinese government's Inspection and Quarantine Service has urged domestic wood products enterprises to pay more attention to satisfying the regulations in importing countries.

They have advised enterprises to utilise raw materials whose formaldehyde emission comply with the standard of wood composite products in the USA regulation. Enterprises have been advised to establish a sound system to control the export of toxic and harmful substances in wood products to ensure that composite wood products enter the US without difficulty.

The government is working to transform and upgrade China's wood products industry to enhance added value production. The focus is on technical training, formaldehyde detection, improved self-inspection and control, strengthen product innovation and design as well as the creation of brands and image.

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

Please note that in previous reports the price range for lauan sawnwood was mis-quoted. The price has been corrected in the table above.

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
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de africa	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

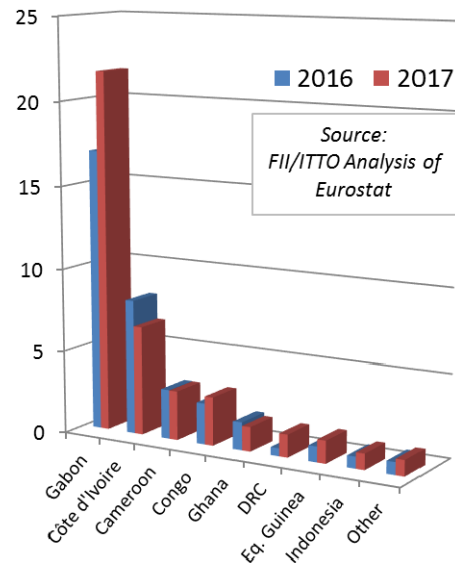
Europe

EU tropical veneer imports on the rise

After making gains last year, EU imports of tropical veneer have continued to rise in 2017, hitting 40,000 metric tonnes (MT) in the first quarter, a 15% increase compared to the same period in 2016. As in 2016, most gains were in imports from Gabon, which increased 28% to 21,700 MT in the first quarter of 2017.

EU veneer imports also increased from several smaller supplying countries including Congo (+18% to 2,900 MT), DRC (+187% to 1,400 MT) and Equatorial Guinea (+45% to 1,400 MT). However, imports declined from Côte d'Ivoire (-19% to 6,600 MT), Cameroon (-1% to 3,000 MT), and Ghana (-12% to 1,500 MT). (Chart 1).

Chart 1: EU28 tropical veneer import, Jan-Mar 2016-17, 1000 tonnes



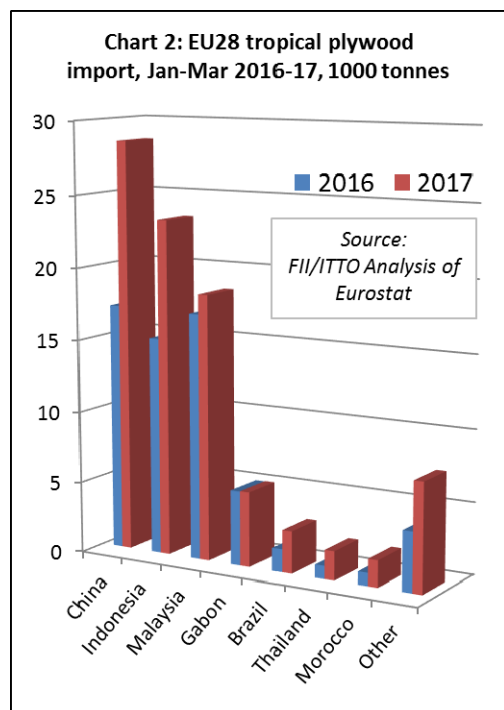
EU imports of veneer from Gabon consist mainly of rotary okoumé veneer destined for plywood manufacturers in France. The EU market for decorative tropical hardwood veneers is benefitting to some extent from the slow recovery in EU furniture and joinery manufacturing activity.

However, the fashion for oak in the EU is as strong as ever, and competition from wood look-alike products such as laminates and luxury vinyl tiles has continued to intensify, as the look and performance of artificial surfaces has progressively improved.

Surge in EU tropical plywood imports in 2017

Following a 15% rise during 2016, EU imports of tropical plywood increased a further 45% to 89,900 MT in the first quarter of 2017. Much of the increase comprised plywood faced with tropical hardwood veneers manufactured in China and destined for the UK and Belgium. Imports of this product from China increased 66% to 28,600 MT in the opening 3 months of this year.

However, there were also gains in direct EU imports from all the major tropical suppliers during the same period. Imports increased from Indonesia by 54% to 23,400 MT, Malaysia by 8% to 18,500 MT, Brazil by 84% to 2,900 MT, Thailand by 123% to 2,000 MT, and Morocco by 106% to 1,900 MT. Imports from Gabon were stable at 5,200 MT during the period. (Chart 2).



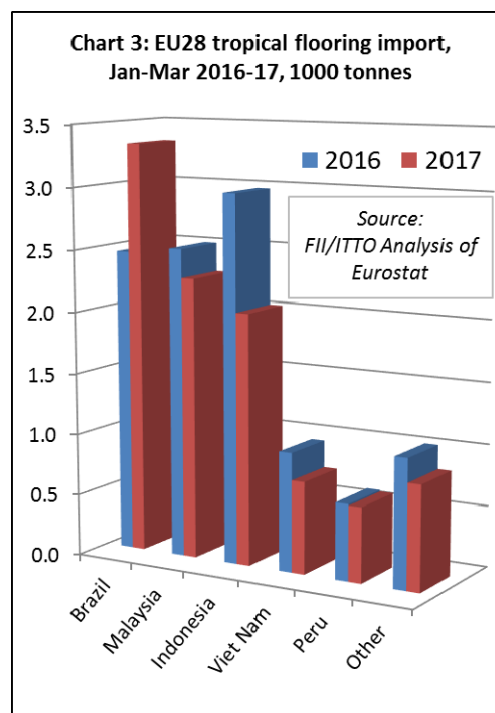
The changing composition of EU plywood imports may be partly related to enforcement of EUTR and CE marking requirements. This is encouraging a shift from Chinese mixed light hardwood products to plywood containing more clearly identified species of known tropical origin and technical performance.

It also provides new opportunities for plywood imported directly from tropical countries, particularly Indonesia following issue of the first FLEGT licenses in November 2016.

EU imports of tropical wood flooring continue to decline

After declining 18% in 2016, EU imports of wood flooring from the tropics fell a further 7% in the first quarter of 2017 to 9,900 MT.

While imports from Brazil increased 35% to 3,300 MT in the three-month period, imports declined from all other significant tropical supply countries including Malaysia (-9% to 2,300 MT), Indonesia (-32% to 2,000 MT), Viet Nam (-23% to 700 MT) and Peru (-2% to 600 MT). (Chart 3).



The continuing decline in EU wood flooring imports from the tropics this year forms part of a wider trend of increased dependence on European manufacturers in the EU.

EU imports of wood flooring from China – the largest supplier outside the European region – are also declining. After falling 12% to 341,000 MT in 2016, EU wood flooring imports from China declined a further 12% to 82,000 MT in the opening quarter of 2017.

Meanwhile, EU imports wood flooring imports from neighbouring European countries, such as Ukraine and Bosnia, are rising. There are also clear signs of intensifying competition and over-capacity in the EU's domestic wood flooring sector. Statistics published by the European Parquet Flooring Association FEP show that consumption of real-wood flooring in Europe is rising more slowly than domestic production.

Trade data also reveals a significant rise in internal EU trade – as western European distributors are buying more wood flooring from manufacturers in Eastern Europe. At the same time EU exports of wood flooring have been rising, although the pace of growth is slowing with declining opportunities for market expansion in Russia and the Middle East.

Taken together these trends indicate a very challenging market environment for external suppliers of wood flooring into the EU.

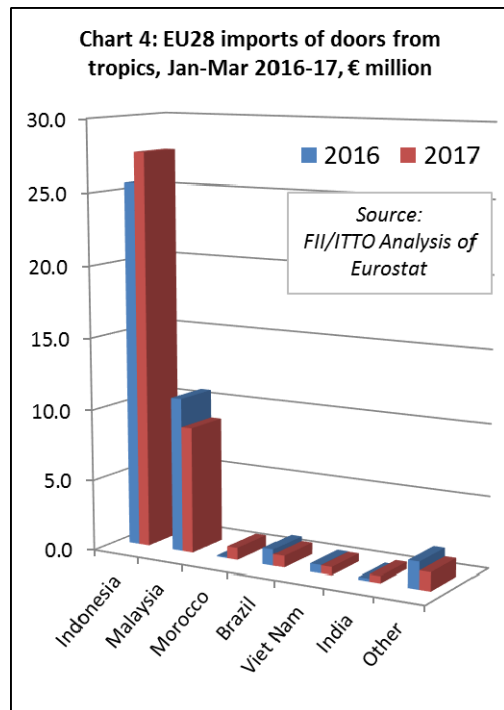
Dip in EU imports of wood doors from the tropics

After a 24% increase in 2015, EU imports of wood doors from tropical countries dipped 2% to €167 million in 2016.

This slow downward trend continued into the first quarter of 2017 with imports of €140.5 million being 1% less than the same period the previous year.

Much of this trade comprises imports of doors from Indonesia into the UK. Jeldwen, a leading operator in the global market for joinery products, has significant door manufacturing capacity in Indonesia and is also a leading distributor to wholesalers and DIY chains in the UK.

In the first quarter of 2017, EU imports of wood doors from Indonesia increased 8% to €27.6 million. In contrast imports from Malaysia, the only other significant tropical supplier to the EU market, fell 18% to €8.9 million. (Chart 4).



Wood doors purchased in the EU are now rarely made from solid timber and instead are manufactured using veneered panels and finger-jointed timbers. Requirements to comply with higher energy efficiency standards and efforts to provide customers with long-life time guarantees

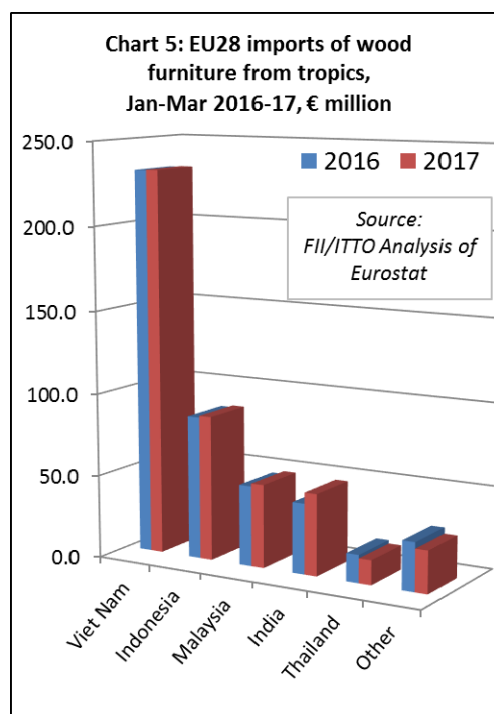
are driving this concerted shift to engineered wood products.

Flat-lining EU imports of wood furniture from the tropics

The EU imported wood furniture with total value of €459.1 million from tropical countries in the first three months of 2017, 1% more than the same period in 2016. This follows a 1.3% fall in EU imports to €1.64 billion in 2016.

EU imports of wood furniture from Vietnam, by far the largest tropical supplier, were static at €32.3 million in the first quarter of 2017. Imports increased slightly from Indonesia (+1% to €87.3 million) and Malaysia (+4% to €50.0 million) during the same period.

There was a much larger 14% increase in imports from India to €48.9 million. Imports declined 12% from Thailand to €14.9 million (Chart 5).

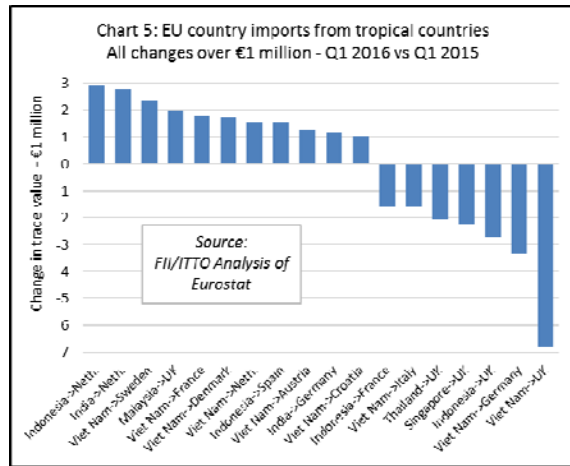


The lack of any significant upturn in EU imports of wood furniture from Indonesia in the first quarter of 2017, immediately following issue of the first FLEGT licenses, will disappoint Indonesian manufacturers, particularly when considered against the rise in imports from India which is not engaged in the VPA process and has no ready access to certified wood material.

This suggests that there is still much work to be done both to increase awareness of FLEGT licensing and ensure more rigorous implementation of EU Timber Regulation in the EU furniture sector.

More positively for the FLEGT programme, the competitiveness of Indonesia in supply of wood furniture to the EU seems to have improved in relation to China.

The value of EU imports from China fell 2.3% to €766.1 million in the first quarter of 2017. This follows a 3.7% fall in EU imports from China to €3.04 billion in 2016.



Closer analysis of the trade data reveals a lot of flux in EU imports of wood furniture from tropical countries at national level during 2017. Imports of wood furniture from Viet Nam have fallen sharply into the UK and Germany this year, whereas Sweden, France, Denmark and the Netherlands have all imported more from Viet Nam.

Imports from Indonesia have risen into the Netherlands and Spain this year, but fallen into the UK and France. The rise in EU furniture imports from India this year is mainly concentrated in the Netherlands and Germany (Chart 5).

EU demand for wood furniture from tropical countries also needs to be considered in the light of wider consumption and production trends. As in other sectors, there are clear signs that while demand for wood furniture in the EU is rising, competition is also intensifying. EU manufacturers, particularly in Eastern Europe, are producing more at a time when domestic consumption is growing only slowly and exports to other parts of the world are weakening.

Wood furniture suppliers in the tropics face significant competition from domestic manufacturers and manufacturers in Eastern European countries outside the EU, as well as in China.

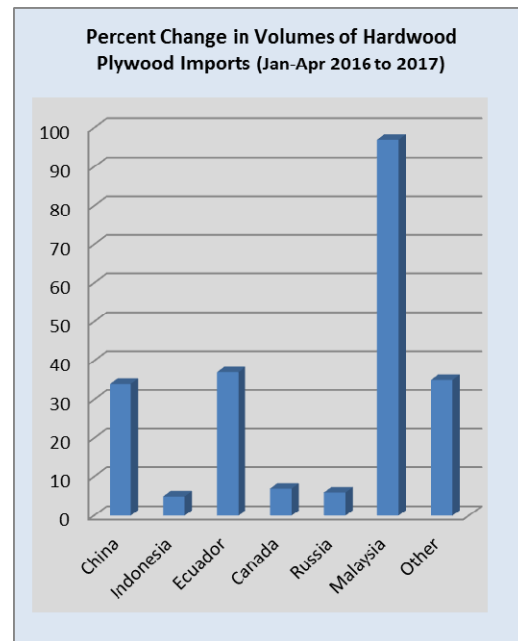
North America

High value plywood from Vietnam and Cambodia

Hardwood plywood imports grew 2% in April to 291,317 cu.m. The value of imports (US\$157.8 million) was unchanged from March. Year-to-date import volumes were 27% higher than in April 2016.

Plywood imports from China declined for the third consecutive month in April. China still accounted for half of total hardwood plywood imports and year-to-date imports from China were one third above April 2016.

Imports from Indonesia recovered from last month's decline to 35,444 cu.m. in April. The value of year-to-date imports is slightly down from April last year.



Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Malaysian shipments to the US fell in April but year-to-date imports from Malaysia doubled compared to April 2016. Among the smaller suppliers imports from both Brazil and Cambodia were over 5,000 cu.m. in April.

The highest average unit landed price of imports was for plywood from Vietnam (US\$1,380 per cu.m.) and Cambodia (US\$1,160 per cu.m.).

More tropical veneer from Ghana and Cote d'Ivoire

Tropical hardwood veneer imports grew again in April, but year-to-date veneer imports were only a fraction of April 2016.

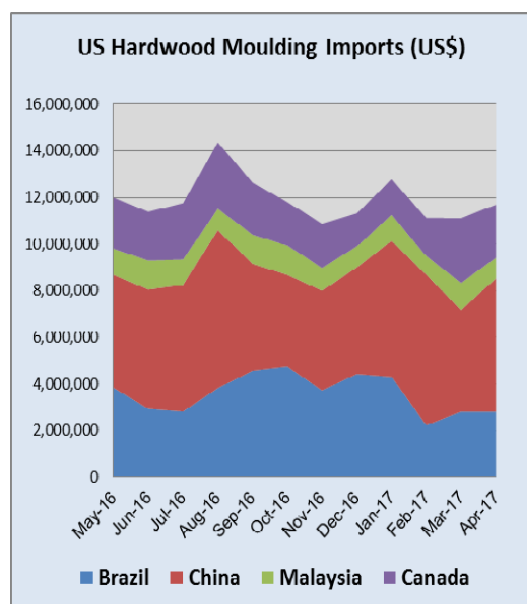
April 2017 imports were worth US\$2.4 million. Veneer imports from Ghana and Cote d'Ivoire increased in April while imports from Italy declined from the previous month.

China expands share in US moulding imports

Hardwood moulding imports grew 9% in April to US\$15.4 million. Year-to-date imports were almost the same as in April last year.

The growth in imports came almost entirely from China. Moulding imports from China were worth US\$5.7 million in April and accounted for over one third of total imports.

Hardwood moulding imports from Brazil were unchanged from March at US\$2.8 million. Imports from Malaysia fell one quarter in April.



Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Europe expands flooring shipments to US

Hardwood flooring imports declined 5% in April to US\$2.5 million but imports of assembled flooring panels increased 4% to US\$10.4 million. Imports of both types of wood flooring were up year-to-date imports compared to April 2016.

Hardwood flooring imports from most suppliers, except Canada, declined in April. Imports from Indonesia fell one third in April to US\$588,798. Normally a small hardwood flooring supplier to the US market, Denmark shipped US\$315,044 worth of flooring in April.

Imports of assembled flooring panels (including engineered hardwood flooring) from China, Canada and Europe increased in April, while imports from Indonesia, Thailand and Brazil declined. At US\$2.7 million, Europe was the third-largest supplier in April after Canada and China.

Wooden furniture imports growing again

Following a decline in wooden furniture imports in March, US imports grew 18% in April to US\$1.47 billion. Year-to-date imports were 9% higher than in April 2016.

Imports from China, Vietnam, Canada and Europe increased in April, while Mexico, Malaysia, Indonesia and India exported less furniture to the US. Year-to-date imports from all were higher than in April last year.

China had a 45% import share in April with US\$662 million's worth of wooden furniture shipped to the US.

Imports of all types of wooden furniture grew in April. Imports of kitchen furniture increased the most, followed by office furniture.

Business expansion reported by US furniture manufacturers

GDP growth slowed to 1.2% in the first quarter of 2017, according to the second estimate by the US Department of Commerce. This is up from the first estimate of 0.7%. In the fourth quarter, real GDP increased 2.1%. Investment in non-residential construction and personal consumption were larger in the first quarter than previously estimated.

The unemployment rate was almost unchanged at 4.3% in May. The rate has declined 0.5 percentage points since January.

Economic activity in the manufacturing sector expanded in May, according to the latest survey by the Institute for Supply Management. Furniture manufacturing reported the second-highest output growth in May of all manufacturing industries. Raw material prices increased for furniture producers. Both furniture and wood products manufacturers reported higher new export orders in May.

Consumer confidence in the economy declined significantly in June, according to the University of Michigan's survey of consumers. The loss in confidence was larger for Republican voters than for Democrats mainly because Republicans believe proposed economic policies are less likely to be passed.

Overall consumers are less optimistic about the future of the US economy despite higher household incomes and a strong job market. Personal consumption expenditures are still expected to grow 2.3% in 2017.

Harvard report - home renovation and remodeling the growth market fueled by baby-boomer spending

The Joint Center of Housing Studies of Harvard University has released the latest State of the Nation's Housing report.

The recovery of the housing market in recent years has helped grow US wood product imports and domestic production, both of which collapsed with the Great Recession in the late 2000s.

The national housing market has on the whole returned to normal, but the supply of homes for sale and rent is extremely tight. Even after seven consecutive years of growth, new residential construction in 2016 was well below the annual average rates of the 1980s and 1990s.

In 2016 1.17 million new housing units were built, compared 1.4 to 1.5 million in the 1980s and 1990s. The low rate of construction shows in the lack of inventory of homes for sale. Inventory was at an 11-year low with homes for sale representing only 3.6 months of supply.

The rental market is also extremely tight despite higher-than-average construction of multi-family homes.

Several factors contribute to the relatively low construction rate, according to the National Association of Home Builders. Labour shortages, strict financing requirements and limited building lot supply are the main factors that raise the cost of home development and construction. Moderately priced homes, such as small houses, townhomes, and affordable rental apartments, are in extremely short supply.

The number of new households increased from just over half a million per year during the recession to 1.2 million by 2015. But the share of adults under 34 living with their parents was still at an all-time high in 2015. The Joint Center for Housing Studies projects household growth to reach 13.6 million between 2015 and 2025. After 2025 household growth is expected to slow.

These forecasts depend not only on US economic growth, but also on immigration policies. If immigration is curtailed, growth in housing construction would be lower in the near-term. More certain is the center's projection about spending by baby-boomers on home renovation and remodeling.

In the coming years the baby-boom generation will modify their homes, driving more investment growth in renovation and remodeling.

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.

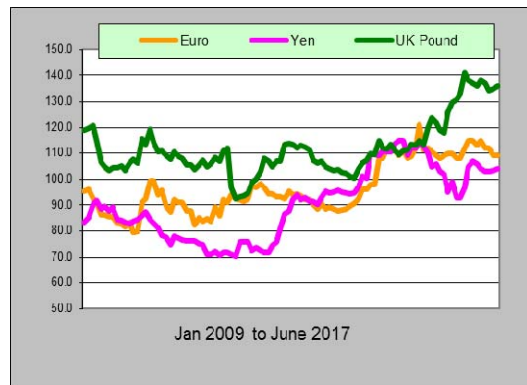
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 26 June 2017

Brazil	Real	3.2959
CFA countries	CFA Franc	574.80
China	Yuan	6.8411
EU	Euro	0.8943
India	Rupee	64.422
Indonesia	Rupiah	13326
Japan	Yen	112.00
Malaysia	Ringgit	4.2985
Peru	New Sol	3.2542
UK	Pound	0.7861
South Korea	Won	1133.51

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



Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
July 2016 – June 2017

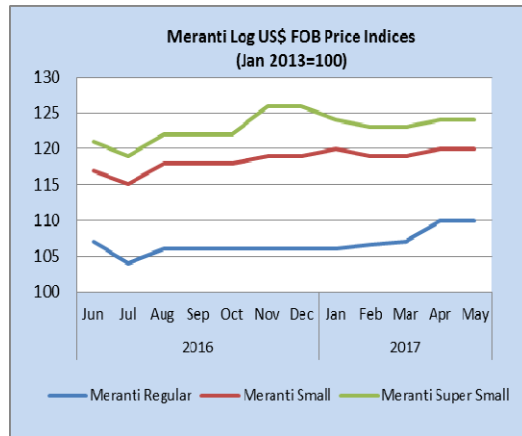


Data source: Open Financial Data Project

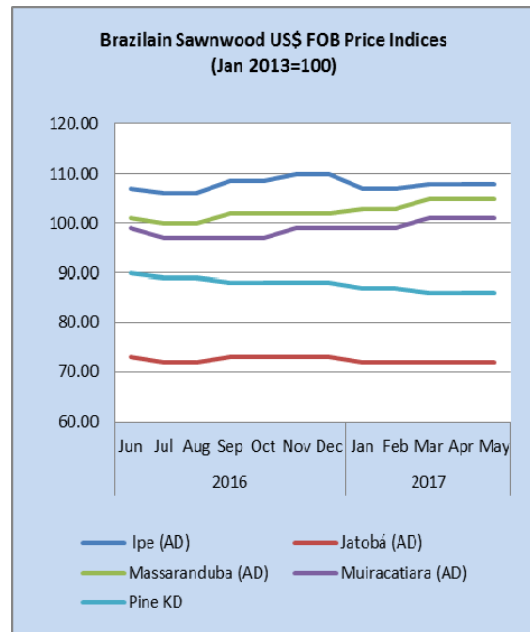
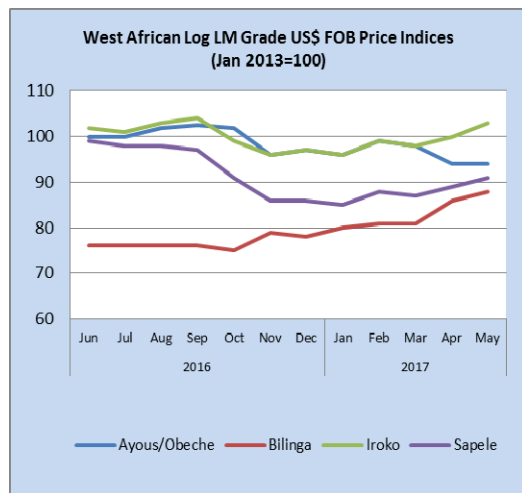
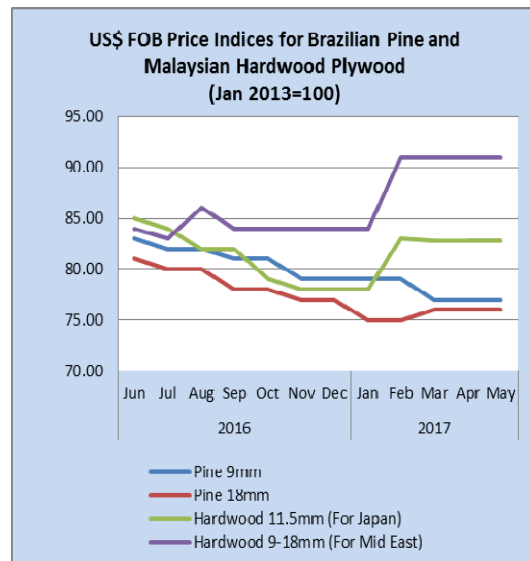
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

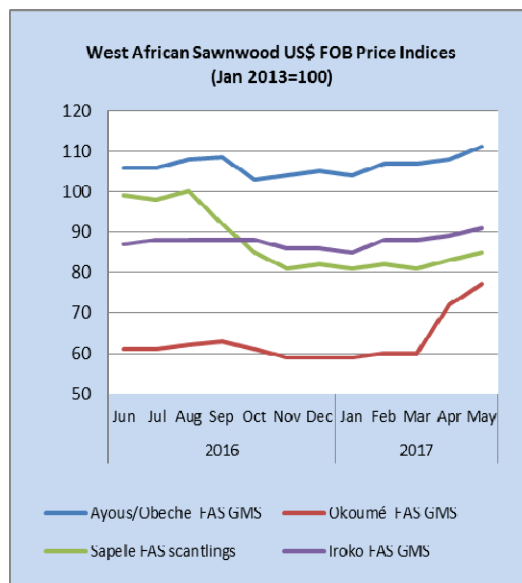
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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