

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

Rise in Japan’s log and sawnwood exports

In the first six months of this year Japan exported almost 480,000 cubic metres of logs, up over 50% year on year. Sawnwood exports jumped almost 60% to around 63,000 cubic metres in the same period.

China was the largest buyer of Japanese logs and the Philippines became one of the major buyers of sawnwood.

Importers in Taiwan P.o.C have expressed interest in Japanese plywood, LVL and CLT. Japanese sawnwood is exported to the US where it is used as a substitute for western red cedar for fencing.

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Central and West Africa

Dip in log FOB prices – a short term adjustment say producers

The slight downward adjustment in some log FOB prices has not telegraphed through into changes for sawnwood prices as yet. The drop in log FOB prices has been reported for acajou, movingui, andoung and bomanga.

Both sapelli and sipo log prices are a little weaker as demand continues to be only moderate but current supply is more than adequate. In mid-September there was a fall in FOB price for doussie sawnwood caused by sudden dip in demand but the price has now stabilised.

Other than these changes there is no overall movement in the market. Most prices are stable at levels previously reported however, some exporters suggest stocks in China are trending higher and this may eventually effect the volume contacted in the short term demand.

The effect on prices of any short term weakness in demand could be offset by tightening supply especially in Cameroon where heavy rains are disrupting operations.

Kevezingo felling and export ban likely next month

News from Gabon suggests the government is planning a 4-6 month ban on felling and export of kevezingo from the end of October this year. The reasoning is that this will allow time for the government to consult with the private sector and plan how to best control and monitor trade in this valuable timber.

It is anticipated that the final plan will involve priority supplies of kevezingo for companies able to guarantee downstream processing for export. Demand for kevezingo slabs for export to China continues to be very strong.

Direct imports by Iraq encouraging

Producers say markets are generally quiet and that order levels from European buyers suggest there is no clear direction in the market. However, Middle East markets continue to perform well with growing demand directly from Iraq. Until recently timber for Iraq was transported through another country and final deliveries were mainly overland.

An initiative needed to reverse decline in EU imports

Producers are very carefully monitoring the level of business with China and are expecting that any slight relaxing of demand for specific species will be short term.

Recent reports of the continued decline in European imports of tropical timber are of concern and once again point to the need for promotional and marketing initiatives by African producer countries.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	225↓	220↓	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)	240↓	240	190
Moabi	330	300	235
Movingui	210	200↓	160
Niove	175	160	-
Okan	230	205	-
Padouk	300	275↓	210↓
Sapele	270↓	275↓	220
Sipo/Utile	290↓	270↓	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

Industrial fund to aid manufacturers

The Minister of Trade and Industry, Alan Kojo Kyerematen, has announced the creation of a US\$2 billion Industrial fund which will provide medium and long term financial support to entrepreneurs who want to engage in manufacturing.

The Association of Ghana Industries (AGI) has for many years identified the high cost of borrowing as a major cause of slow investment and of business failures across the country. The AGI has frequently offered suggestions on how the financing needs of companies could be addressed so it welcomes the government initiative on financing for the private sector.

Many wood product manufacturing companies in Ghana have collapsed largely due to the high cost of borrowing which led to falling productivity and competitiveness.

In related news, the Bank of Ghana also recently announced a new lower minimum capital requirement of GHS400m for all commercial banks which should encourage banks to lend more.

Training in weapon handling for Forest Guards

The Forestry Commission has conducted a series of training programmes on capacity building and teamwork for staff at various levels. The most recent workshop was for 200 Forest Guards and 10 Range Supervisors.

Participants were taken through a two-week intensive training programme which included weapons handling and jungle training, effective patrolling, offence detection, mapping and intelligence gathering.

The Chief Executive Officer of the Commission, Kwadwo Owusu Afriyie, indicated that further training will be provided for about 1,000 field officers to help fight the increasing wave of illegal activities in protected forest reserves in the country.

He emphasised that field staff were the pivot around which effective forest protection revolves adding that it would be very difficult for them to work with outmoded weapons which cannot match those of the illegal operators.

He pledged the Commission's commitment to provide all frontline staff with the necessary training and equipment to enable them to carry out their duties effectively cautioning them against acts that could bring the name of the Commission into disrepute.

Domestic market starved of wood

Abubakari Halifa, Secretary of the Ashanti Region Domestic Lumber Traders Association, has called for a ban on timber exports because the domestic market is starved of timber and local timber traders are going out of business.

He said firm demand in export markets results in scarce timber resources being diverted away from the local market and because of this much of the domestic demand is met by illegally harvested timber.

Stressing the need for the ban, Halifa said demand for timber in the domestic market far outweighs supply. The Association is also of the view that restricting exports will help curb illegal logging.

Boule Export prices

	Euro per m ³
Black Ofram	400
Black Ofram Kiln dry	482
Niangon	570
Niangon Kiln dry	620

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9mm)	FACE (>2mm)
Ceiba	300	400
Chenchen	425	468
Ogea	467	604
Essa	439	500
Ofram	350	406

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

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanfina	916
Avodire	897
Chenchen	838
Mahogany	1073
Makore	880
Odum	917

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m ³		
	Ceiba	Ofram	Asanfina
4mm	373	586	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	356	430
18mm	417	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	Euro per m ³	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	209	280
Dahoma	380	400↑
Edinam (mixed redwood)	520	580
Emeri	380	510
African mahogany (Ivorenensis)	870	889
Makore	685	730↑
Niangon	620	650
Odum	755	840↑
Sapele	700	765↑
Wawa 1C & Select	370↑	427

South Africa

Central Bank (SARB) keeps rates on hold

The South African Reserve Bank decided to keep interest rates unchanged at its latest meeting. The prime rate remains at 10.25%. The main reason for the hold was expectations that rates will soon be raised in the US and UK. On news of the rate hold the Rand was trading at R13.26 to the US Dollar, up from the recent R13.40.

All eyes on December ANC leadership election

With government infrastructure projects still stalled millers continue building up stocks as truss manufacturers, which consume sawn pine, have little business. Analysts write "A lot of contracts are still on hold but there is no sign of government spending coming to the rescue".

The property market is stagnant and retailers are also quiet as the customers are not in any mood to spend.

Overall, the construction sector is likely to be looking forward to December, when it is anticipated that the appointment of a new leader for the ANC could bring some economic stability.

Even prospects in refurbishment market have waned. The refurbishment market for shops and hotels was one bright spot in the market but prospects have been dented with the closure rather than refurbishment of a major hotel.

Imports of American hardwoods remain steady and demand is said to be firm but the South African consumption of panels is very subdued. The persistent problem of erratic delivery of African hardwoods is still a major problem which undermines the confidence of companies wishing to use imported African hardwoods.

The delivery of meranti is more reliable but demand remains under pressure as the window market for the high end houses is very weak as is the door market. In addition, many home builders are choosing aluminium windows, traditionally a market for meranti.

Demise of furniture making in South Africa

In early 2000 the South African Forestry Company (the major domestic source of logs) adopted a policy of import parity pricing which, along with the strengthening of the Rand, started the demise of the domestic furniture industry.

The increase in log price meant that the local sawmillers were, in effect, paying a premium of approximately 30% for raw materials. This forced the closure of a lot of sawmills as the sawwood export business dried up and it also initiated a lot of closures in the furniture industry as they could not cope with the rising raw material costs.

Because of the parity pricing policy sawmillers concentrated on the more profitable structural market and abandoned grading out sawnwood suitable for the furniture industry. The impact of this was that furniture manufacturers had to utilise mixed grade sawnwood from which recovery of material for furniture making dropped. This added to costs and undermined competitiveness.

At the same time, the stronger Rand enabled retailers to expand imports of furniture. This situation continues to the present and the largest case goods plant in South Africa was forced to close last year.

During this period, South African company Steinhoff, the world's second-biggest furniture retailer after IKEA, moved most of their manufacturing out of South Africa but the local industry did not expand to fill the gap as imports boomed.

Analysts write "The sad result of this is that we (South Africa) have lost over 60% of the furniture manufacturing sector. The remaining factories are high end bespoke manufacturers using mainly American hardwoods."

Malaysia

Eliminating corruption the first step in halting illegal logging

Illegal logging, which has cost the country millions of ringgit in losses in taxes and revenue, is the latest target of the Malaysian Anti-Corruption Commission (MACC). Investigators will be focusing on this issue after tackling illegal land clearing, bauxite mining and unlicensed factories.

MACC Deputy Chief Commissioner, Azam Baki, said illegal logging activities must be stopped as this causes severe damage to the forest eco-system. Azam said the main focus of investigations will be on elements of corruption and abuse of power involving enforcement agencies, their officers and logging companies.

In November 2014, the then Sarawak Chief Minister, Adenan Satem, declared war on illegal logging, saying Sarawakians must not tolerate corruption adding that Sarawak had earned a bad reputation internationally because of illegal forest activities.

GeoDrone initiative in Sarawak

The Sarawak Forestry Corporation's (SFC) new GeoDrone initiative will enhance its forest management activities, including monitoring and enforcement. Chief Minister Abang Johari Tun Openg said drone technology can play a role in ensuring that the state's forestry resources were well managed.

Abang Johari called on SFC to equip the drones with the latest technology available, such as sensors to transmit data directly to a control centre. The SFC has been using drones for its forest management activities since 2015.

The new GeoDrone initiative incorporates ICT and geographic information system technology in the drones to enhance the performance of activities such as enforcement, licensing, monitoring of forest health, forest resource inventory, wildlife monitoring and protection of totally protected areas (TPAs).

SFC Chief Executive, Wong Ting Chung, said the corporation currently has 58 drones and is aiming to secure more.

Furniture exporters ready to supply hurricane affected areas

Manufacturers with export ties with the United States are likely to see a spike in demand as recovery work begins in the hurricane damaged areas in the Caribbean and US. Malaysia's wooden furniture exports surged by 25% a few months after Hurricane Katrina in 2005 and analysts expect another surge in exports.

Rachael Hong Hui Chee, a Hong Leong Investment Bank Research's analyst, said it is difficult to anticipate when the expected rise in demand in the US will occur.

Reducing dependence on foreign workers in the plantation sector

There is a need to increase and equip the local workforce with the proper knowledge and skills required in the plantation sector. This will improve productivity and reduce the dependency on foreign workers said Deputy Minister of Plantation Industries and Commodities, Datuk Nasrun Datu Mansur,

To address the shortage of local workers in the plantation sector the Ministry, along with the Ministry of Human Resources, is emphasising the development of skilled and semi-skilled workers to meet the demands of the plantation sector. It is estimated that there are over 400,000 workers in the Malaysian palm oil plantation sector alone, many of which from overseas.

August plywood prices

Plywood traders based in Sarawak reported the following export prices:

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

Please note the corrected FOB price of plywood exported to Hong Kong

Indonesia

A welcome August trade surplus

Data from the Central Statistics Agency (BPS) shows Indonesia's August trade balance recorded the highest surplus in nearly six years on the back of rising commodity prices. The surplus stood at US\$1.72 billion in August with exports worth US\$15.21 billion up almost 20% year on year.

The head of BPS, Suhariyanto, said better prices for coal, palm oil, palm kernel oil, rubber, copper and nickel drove up export earnings. Manufactured products accounted for just over three quarters of exports with the balance coming from the mining, gas and oil sectors.

Belgium a gateway to the EU

Rosan P Roeslani, Chairman of Indonesian Chamber of Commerce and Industry (Kadin), has said Belgium is a vital gateway for Indonesian products into the EU market. His statement came in response to negotiations for a comprehensive economic partnership between Indonesia and the EU.

Indonesia expects total bilateral trade with the EU to increase annually, reversing the stalled level of trade over the past few years. Data from Kadin shows Indonesia's exports to Belgium consist of footwear, clothing, furniture, plywood and a wide range of other products.

Peatland regulations discourage investments

A report from the Economic and Community Research Institute (LPEM) says government regulations (PP) aimed at the protection and management of peat ecosystems (PP 71/2014 jo. PP 57/2016) could stifle investments in the forestry and plantation sectors and that investments in the region of Rp. 270 trillion could be at risk.

The chief researcher, Riyanto, argues that infrastructure developments will come to nothing if investors are frightened away.

Furniture industry struggles to secure raw rattan

Chairman of Indonesian Furniture and Handicraft Association (HIMKI), Soenoto, has said Indonesian furniture and craft industries are finding it increasingly difficult to secure raw rattan raw material.

He went on to suggest that the smuggling of raw rattan to neighbouring countries which are paying good prices for rattan is part of the explanation for the domestic shortage.

Indonesia is a major producer of rattan accounting for around 80% of the rattan traded globally but domestic industries are becoming staved of raw rattan while in other countries rattan product exports are growing.

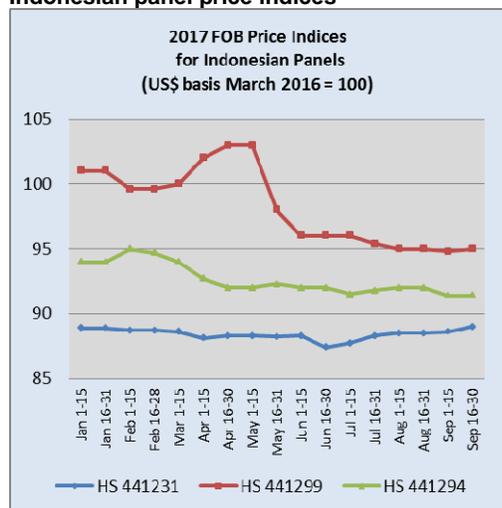
The concerns raised by Soenoto come as the government relaxed restrictions on the export of partially processed rattan to benefit both furniture makers and rattan producers.

In related news, Chairman of the Jabodetabek Regional Board of the Association of the Indonesian Furniture and Handicraft Industry (HIMKI), Ade Firman, has pointed to the disadvantaged position of local furniture makers compared to foreign own companies operating in Indonesia.

He says foreign companies have much better access to financing and can invest in the latest technologies but local companies are disadvantaged as they do not have easy access to capital.

According to Firman, the government needs to establish a mechanism to provide capital assistance for domestic companies so that they can employ the latest technologies to be competitive.

Indonesian panel price indices



Myanmar

Workshop discusses looming log deficit

A recent workshop on how to promote the wood-based industry in Myanmar used as the basis for discussion a paper “Developing Wood Based Industry in Myanmar”, written by Dr Kyaw Tint, the retired Director General of the Forestry Department.

According to the paper, the estimated annual requirement of teak for export oriented factories is 220,950 Hoppus tons while the RWE for the 129,498 tons of sawn timber exported in 2015-16 is over 250,000 H. tons. This points to a looming deficit between the raw material requirements of existing mills if they want to maintain export levels.

MTE earning plan revealed

The Myanmar Timber Enterprise (MTE) is targeting export earnings of US\$70 million and Kyat 81,400 million (around US\$ 60 million) from sales to the domestic market. According to the plan, MTE will take the 10,000 H. tons of teak from 15,000 H. tons to be harvested as well as 90,000 H. tons of hardwoods from the planned harvest of 350,000 H. tons.

According a book written by a retired General Manager of the MTE 30 million H. tons of logs were harvested in the 26 years from 1990 of which some 24 million H. tons were non-teak hardwoods. This is the most updated figure publicly available on past MTE harvest levels.

For the financial year 2016-17 harvesting was suspended but resumed this year targeting 15,000 H. tons of teak and 350,000 H. tons of other hardwoods.

Import duty on raw material cancelled

The Custom Department has announced a decision by government to eliminate import duties on imported logs and raw material to reduce the dependence on the country’s timber resources. However, The duty on imported wooden furniture has been increased from 15 to 20%.

Analysts point out that this move is aimed at addressing the diminished resource base due to illegal logging and to ensure local demand for wood products can be maintained.

But it is not yet clear how exports of products manufactured from imported raw materials will be managed as the forest regulation is not clear on this issue.

King of the forest

A teak tree, said to be the largest ever recorded, has been found in Sagaing Region in the north west of the country. The girth at breast height has been reported as 27ft and 5”, about 835 cm. In addition, another tree with a girth of 27 ft (822cm) has been located.

September teak tender prices

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

India

Rise in food prices and cost of services drives inflation higher

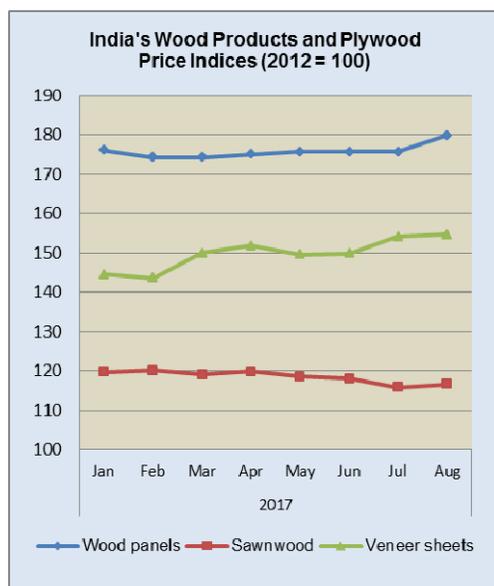
India’s official wholesale price index for all commodities (Base: 2011-12=100) for August 2017 released by the Office of the Economic Adviser to the government (OEA) rose by 0.8% to 114.8 from 113.9 in July.

The annual rate of inflation, based on monthly WPI, stood at 3.24% (provisional) for August 2017 compared to 1.88% for the previous month. Inflation for this financial year so far was 1.41% compared to a rate of 3.25% in the corresponding period last year.

The sharp rise in prices for food and higher service charges stemming from the introduction of the national goods and services tax (GST) is thought to be the main driver of the rise in inflation.

The August wholesale price index for wood products and plywood rose by 0.3% to 132.1 (provisional) from 131.7 for the previous month due to higher price of plywood and sawnwood.

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



Data source: Ministry of Commerce and Industry, India

Sales tax hangover fading

Output from the manufacturing sector expanded in August reversing the contraction seen in July which was put down to confusion over the new national sales tax. The rebound, if sustained, could mean that India's economic growth rate, which fell to three-year low in the April-June quarter from a year earlier, may improve.

Analysts say the recovery in global demand helped India's exporters and data shows that exports grew 10.3% in August. However, imports surged in August growing 21% which widened the trade deficit.

See:

http://economictimes.indiatimes.com/articleshow/60531829.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Log auctions for Western Indian forest depots

The Forest Department in Western India has announced the dates for the next log auctions. Sales in the Dangs Southern and Northern circle will run until 5 October to be followed by sales in the Valsad North division on 6 October. The final sale in October will be in Valsad South on 7 October.

Approximately 12,000 cubic metres will be offered for sale comprising approximately 8,500 cubic metres of teak with the balance being other tropical hardwoods such as *Adina cordifolia*, *Gmelina arborea*, *Pterocarpus marsupium*, *Acacia catechu* and *Mitragyna parviflora*.

Since imported plantation teak logs are mostly of small girth buyers will be looking for larger sized logs so prices are expected to be firm.

Prices for imported plantation teak

Traders report that demand for imported plantation teak logs continues to be firm and that the prices for imported teak remain unchanged.

Pressure for revision of GST on wood and wood products continues. As the GST for wood products was not discussed at the last GST Council it is likely to be taken up at the 24 October GST Council meeting.

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

Price range depends mainly on length and girth

Locally sawn hardwood prices

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

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

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

Myanmar teak prices

There were no changes in prices over the past two weeks and the availability of sawn Myanmar teak is reported as satisfactory.

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

Prices for imported sawnwood

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

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

Plywood prices

Plywood manufacturers are facing rising production costs as prices for logs, veneers and resins are all increasing and they are looking for an opportunity to raise prices. However, until there is a decision on the GST for wood products they have to maintain current price levels.

Prices for WBP marine grade manufactured by domestic mills

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Brazil

Forest Inventory continues

An additional phase of the National Forest Inventory (IFN), an initiative coordinated by the Brazilian Forest Service (SFB) began in September.

In some locations this will be the first time that assessments of biophysical data will be made. It is highly likely that new plant species will be discovered.

In order to conduct the inventory a multidisciplinary team surveyed a total of 201 points, 20 kilometers apart. The team will measure volumes, collect soil samples and botanical material among other things.

All field work is being carried out by a company hired by the SFB. The initial work is expected to be completed by April 2018.

To-date around 170 million hectares (20% of the country) have been inventoried and data collection has been completed in 11 states; Alagoas, Ceará, Espírito Santo, Paraná, Pernambuco, Rio Grande do Norte, Rondônia, Santa Catarina, Sergipe, Rio Grande do Sul and Rio de Janeiro and in the Federal District.

More than 45,000 plant samples have already been collected at about 5,000 points across the country.

Zero deforestation and income generation achieved in high risk reserve

The Juma Sustainable Development Reserve (Reserva de Desenvolvimento Sustentável-RDS), one of the Conservation Units (UC) located along the BR-319 highway in Amazonas State is considered a model protected area in the country.

In addition to achieving zero deforestation the project has succeeded in promoting generation of income for the local communities.

The zero deforestation is attributed to the establishment of the first Brazilian REDD project in 2008. In the same year an initiative of the Amazonas Sustainable Foundation (FAS) was the first in the country and in the Americas to receive an international certificate for zero deforestation.

Through REDD, national and international companies support deforestation and emission reduction activities in the Juma RDS through a financial mechanism for generating carbon credits. According to the FAS Innovative Solutions Programme, stakeholders in the project receive support for the production of mainly non-timber forest products and a payment for environmental services, through the “Bolsa Floresta” Programme.

The Juma RDS was created in 2006 by the Amazonas State government and is managed by the State Department of Environment. It is located in a high-risk area for deforestation in the Novo Aripuanã municipality some 230 kilometers from Manaus.

Export update

In August 2017, Brazilian exports of wood-based products (except pulp and paper) increased 6.1% in value compared to August 2016, from US\$224.8 million to US\$238.6 million.

The value of pine sawnwood exports increased 19% between August 2016 (US\$35.5 million) and August 2017 (US\$42.3 million). In terms of volume, exports increased 15% over the same period, from 178,500 cu.m to 205,100 cu.m.

The volume of tropical sawnwood exports increased 14%, from 30,900 cu.m in August 2016 to 35,200 cu.m in August 2017 at the same time the value of exports increased 10% from US\$15.0 million to US\$16.5 million.

Pine plywood exports increased 30% in value in August 2017 in comparison with August 2016; from US\$38.9 million to US\$50.6 million but there was only a 20% increase in the value of exports over the same period (from 148,000 cu.m to 177,600 cu.m).

Tropical plywood export volumes increased 17.5% and the value of exports rose by 16% from 14,300 cu.m (US\$5.6 million) in August 2016 to 16,800 cu.m (US\$6.5 million) in August 2017.

The positive news continued with wooden furniture exports which increased from US\$37.2 million in August 2016 to US\$44.9 million in August 2017, around a 21% increase.

IBA reports a solid export performance in 2016

According to the Brazilian Tree Industry’s (IBA) 2016 report launched recently, for the second consecutive year the slowdown in domestic construction led to a decline in domestic consumption of sawnwood. The report says consumption fell from 7.2 million cu.m in 2015 to 6.4 million cu.m in 2016.

Nevertheless, as a result of the depreciation of the Brazilian currency against the dollar the sector increased sawnwood exports by 39% compared to 2015. 2016 exports totalled 2.2 million cubic metres.

However, total production of plywood panels from planted forests increased by only 3.8% in 2016, reaching 2.7 million cubic metres of which 1.8 million was destined for export. Meanwhile, sales of this product in the domestic market fell almost 12% compared to 2015, totaling 900,000 cu.m in 2016.

Timber industry benefits from Itapoá Port efficiency

Santa Catarina State is the largest exporter of wooden furniture among the various states in Brazil. In 2015 wooden furniture exports were worth US\$190 million. Pine plywood is another major output from industries in the state and in 2015 exports totalled US\$120 million.

In the same year, 75% of Brazilian exports of wooden doors and 44% of the exported volume of sawnwood were from Santa Catarina. In terms of reconstituted wood panels, US\$24 million were exported in 2015.

In terms of logistics for wood products Itapoá Port is considered one of the fastest and most efficient terminals in Latin America and is one of the largest and most important ports in the country for handling of containerised cargo.

This port is the main export terminal for wood products in Brazil. The port can handle 500,000 TEUs per year and has already begun an expansion project that will allow the handling of 2 million TEUs annually.

The Itapoá Port, located on the northern coast of Santa Catarina state, is positioned among the most productive regions of Brazil.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	217↑
Ipê	120↑
Jatoba	121↑
Massaranduba	123↑
Muiracatiara	117↑
Angelim Vermelho	102↑
Mixed redwood and white woods	

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	952↑
Ipê	478↑
Jatoba	447↑
Massaranduba	444↑
Muiracatiara	399↑
Angelim Vermelho	266↑
Mixed red and white	
Eucalyptus (AD)	222↑
Pine (AD)	160↑
Pine (KD)	182↑

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	604↑
4mm WBP	484↑
10mm WBP	421↑
15mm WBP	501↓
4mm MR	372↓
10mm MR	345↓
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	257↓
15mm MDF	316↓

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1429
Jatoba	890↓
Massaranduba	777↑
Muiracatiara	750↑
Pine (KD)	183↓

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

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	284↓
12mm C/CC (WBP)	268↑
15mm C/CC (WBP)	253↑
18mm C/CC (WBP)	255↑

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,514↓
Jatoba	1,467

Source: STCP Data Bank

Peru

ADEX reports decline in timber exports

The Association of Exporters (ADEX) has reported that May exports of wood products, the latest available monthly data, totaled US\$58.1 million (FOB), down sharply on the US\$62.5 million exported in May last year.

Of the US\$58.1 million, China was the main export market and exports to China were up 10% year on year. Mexico was the second most important market accounting for 11% of exports but in this case May 2017 were down 10% compared to last year.

The United States market accounted for around 10% of Peru's May 2017 wood product exports but a massive 46% decline in exports was recorded. Sawnwood accounts for a major proportion of timber exports and the Dominican Republic is the main market followed by China.

Amazon community projects to improve quality of life

Fourteen indigenous Amazon organisations are set to benefit from financing and technical support to implement projects within the Specific Dedicated Mechanism (MDE) Saweto Peru. This is an initiative led by the Inter-ethnic Development Association of Peru (Aidesep) and the Confederation of Amazonian Nationalities of Peru (Conap).

Support will be provided by WWF Peru as the National Executing Agency and financing will be from the World Bank.

MDE Saweto Peru received 63 proposals which were of benefit to native communities and represented their assessment of what will be most beneficial to meet the aim of legal security of the communal territories and improvement in their quality of life.

The selected projects for organizations in Loreto, Junín, San Martín, Ucayali, Huánuco, Madre de Dios and Amazonas include tourism development, fish farming, agroforestry, non-timber harvesting and forest management.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	461-482
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	645-672
Marupa 1", 6-13 length KD	
Asian market	493-562

Domestic Sawnwood Prices

Peru sawnwood, domestic	US\$ per m ³
Mahogany	-
Virola	241-259
Spanish Cedar	332-374
Marupa (simarouba)	191-204

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m ³
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1296-1380
Cumaru KD, S4S	
Swedish market	962-1095
Asian market	1059-1089
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

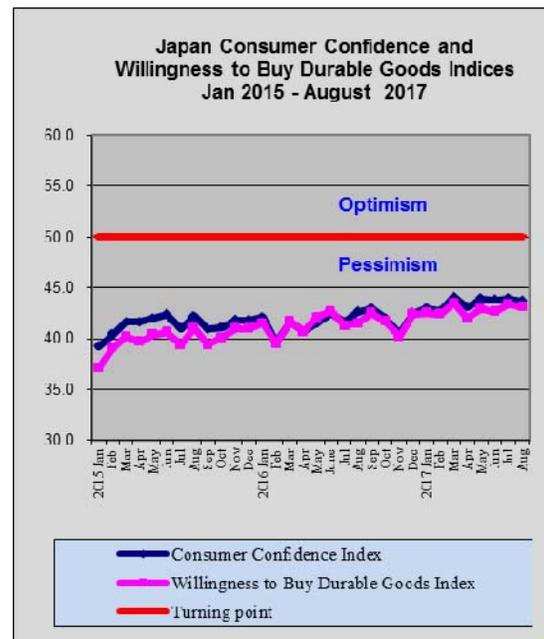
Japan

Good second quarter results

In the second quarter of this year Japan's economy expanded at the fastest pace in more than two years driven by higher consumer spending and corporate investments. But it will require a steady increase in prices and in wages if this is to be sustained. Overall, growth remains weak because companies are not passing on part of their profits as higher earnings for employees.

It appears that manufacturer's assessment of the prospects for the economy is such that they do not want to risk raising sales prices for fear of undermining what little growth has been recorded.

All eyes are now on the Tankan survey results due to be released 2 October. The consensus is that confidence levels in the largest Japanese manufacturers should move higher on the back of improved global demand however, further growth will depend on defusing tensions between the US and North Korea.



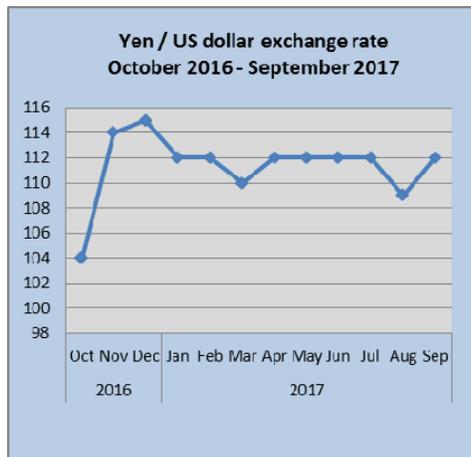
Data source: Cabinet Office, Japan

Yen weakens on plans for new stimulus package

Two issues affected the yen/dollar exchange rate in the second half of September, the growing tension between the US and North Korea and the package of stimulus measures proposed by the ruling party in Japan as it heads into a surprise general election.

As is usual when regional tensions increase there is Yen buying however, the decision for a massive Yen 2 trillion stimulus weakened the yen. Immediately the stimulus package was unveiled the yen fell to around 112 to the US dollar.

The Prime Minister of Japan said he intends to use the income raised from the planned consumption tax increase in 2019 to subsidise education, child-care costs and on boosting corporate investments to improve productivity. The earlier plan was to use the extra income to pay down some of the national debt and expand social services.



Residential land prices at 26 year low

The latest data from the Ministry of Land, Infrastructure, Transport and Tourism show the average price of commercial land across Japan, as of 1 July 2017, rose 0.5% from a year earlier. This extends the gains noted in the 2016 survey when data showed commercial land prices bottomed out for the first time in nine years.

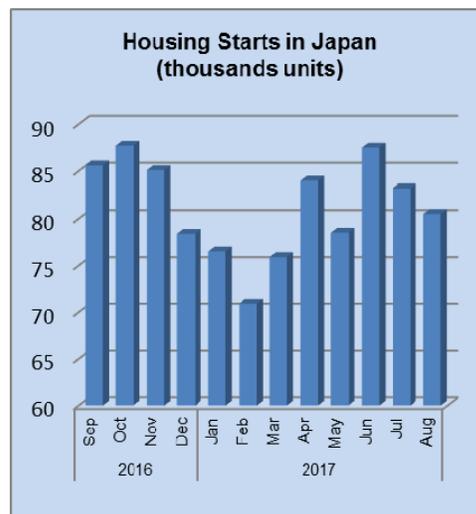
Commercial land prices, as of July this year in the three major cities, rose 3.5% year on year, the fourth consecutive annual. Prices in four regional cities surged almost 8% with Sendai, a city in central Japan leading the charge.

However, residential land prices moved in the opposite direction falling almost 1% across the country, the 26th year of decline.

August housing starts

Japan's August housing starts were expected to be higher than in July but instead they dropped unexpectedly marking two straight months of decline. Year on year starts were down around 2% in August, a month that saw extended holidays in the construction sector.

Other data from the Ministry shows orders received by construction companies fell around 10% in August in contrast to the rise in July.

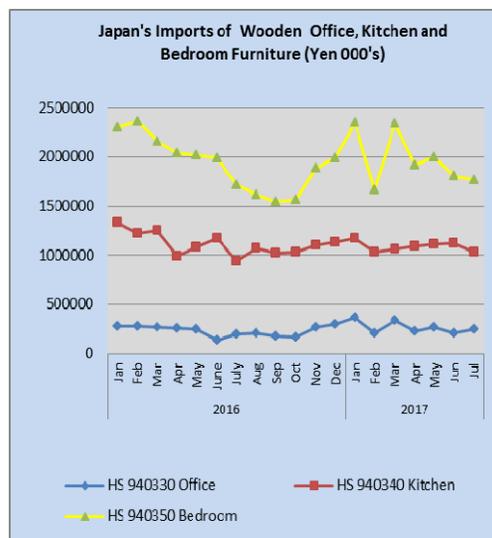


Data source: Ministry of Land, Infrastructure, Transport and Tourism

Japan's wooden furniture imports

The overall trend in Japan's July imports of wooden furniture reinforces the steady decline observed since the beginning of this year. Bedroom furniture imports, the largest by value of the three categories tracked, have been falling as have imports of wooden kitchen furniture.

Wooden office furniture imports are a fraction of the value of bedroom and kitchen furniture and have remained fairly steady since the end of the first quarter 2017 but picked up in July.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year, Japan's imports of wooden office furniture rose 26% and compared to a month earlier July imports rose 18%.

Exporters in China and Italy are successful in the Japanese wooden office furniture market and always feature in the top 3-4 shippers.

Third placed shippers tend to be either Portugal or Poland and in July the third ranked supplier was Portugal. The top three shippers accounted for around 80% of July shipments of wooden office furniture to Japan with China dominating imports at 69%.

Office furniture imports

	Imports July 2017 Unit 1,000 Yen
S. Korea	301
China	171694
Taiwan P.o.C	9046
Vietnam	4081
Thailand	2826
Malaysia	2423
Philippines	-
Indonesia	3349
Sweden	-
Denmark	2882
UK	-
Belgium	-
France	-
Germany	9325
Switzerland	-
Portugal	10097
Italy	11709
Finland	-
Poland	4133
Turkey	2971
Lithuania	4574
Czech Rep.	2742
Slovakia	3477
USA	3545
Mexico	-
Brazil	-
Australia	-
Total	249175

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Japan's imports of wooden kitchen furniture increased every month for the past 4 months but July saw a correction with month on month imports falling 8.5%. However, year on year imports are up 9%.

Imports of wooden kitchen furniture from Vietnam and the Philippines dominate the market for imported kitchen furniture as together shippers in the two countries account for over 70% of all wooden kitchen furniture imports. The third place supplier over the past months has been China.

Kitchen furniture imports

	Imports, July 2017 Unit 1,000 Yen
South Korea	-
China	151869
Taiwan P.o.C	-
Vietnam	410340
Thailand	20950
Malaysia	5258
Philippines	354161
Indonesia	24759
Denmark	-
U KING	388
Belgium	-
France	1193
Germany	34646
Spain	-
Italy	17562
Poland	-
Austria	-
Romania	-
Slovenia	-
Canada	6580
USA	2389
Total	1030095

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Japan's imports of wooden bedroom furniture increased steadily in the second half of 2016 only to fall back in 2017.

First quarter 2017 import values were very volatile but a steady downward trend in the value of imports emerged in the second quarter of this year and has been reinforced by the flat to slight decline reported for July.

Manufacturers in China account for around 60% of Japan's imports of wooden bedroom furniture with another 30% originating in Vietnam. In July, only the only significant shipments from EU member states came from Poland and Italy.

Bedroom furniture imports

	Imports July 2017 Unit 1,000 Yen
S Korea	317
China	1027843
Taiwan P.o.C	22895
Vietnam	552052
Thailand	80001
Malaysia	39098
Philippines	446
Indonesia	5992
Cambodia	-
Sweden	-
Denmark	354
UK	-
Belgium	-
France	-
Germany	-
Switzerland	-
Portugal	-
Spain	-
Italy	9929
Poland	22491
Russia	975
Austria	734
Hungary	-
Romania	-
Turkey	1679
Estonia	-
Latvia	-
Lithuania	2315
Bosnia-Herzegovina	1494
USA	-
Mexico	-
Total	1768615

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>

Wood product exports from Japan

Wood products export this year is increasing. During January and June this year, log export volume was 479,141 cbms, 51.2% more than the same period of last

year and lumber export was 62,557 cbms, 58.6% more. China is the largest buyer of Japanese logs and Philippines becomes one of major lumber buyers.

The Ministry of Agriculture, Forestry and Fisheries has set a target of one trillion yen of export of farm, marine and forest products by 2020. For forest products export, a target is 25 billion yen but 2016's export was 27.4 billion yen, which is more than the target. Next target is to increase export of value added products like plywood and lumber from logs but for this, development of new markets is necessary.

The Ministry allocated some budget to develop new markets and main targets are China, Korea, Taiwan and Vietnam. In particular, it has been working to add Japanese wood species for Chinese wooden building standards to increase Japanese style wooden buildings.

The Japan Wood Products Export Promotion Council is promoting activities of construction of model houses, displaying wooden interior materials of condominiums and participation to exhibitions and holding seminars. Export has started of kiln dries wood products, which have durability and dimensional stability and precut laminated lumber for temple construction.

On September 16, it opened model room of 65 square meters, which displays Japanese tea room with well-known high grade lumber of cedar from Yoshino and Akita. There is demand for Japanese style relaxing room but in China, price is always priority matter so it is questionable if high priced Japanese products are selected easily.

Japanese cypress is very popular in Korea as it is believed to have sterilizing power so cypress furniture and interior materials are in high demand. Antenna shop was opened in last August in Seoul, where cypress bed and interior materials are displayed and sold. Export of Japanese style house to Korea is more than China and export of precut materials by Japanese builders is increasing.

Taiwan shows interest to Japanese wood products like plywood, LVL and CLT. Vietnam market is unknown yet but there are many furniture manufacturers exporting finished products to Europe so demand of furniture materials may be one of major business. For the U.S.A., Japanese cedar lumber is exported to substitute short supplied Western red cedar for fencing

Price hike proposed on softwood plywood

Supply of domestic softwood plywood is getting tighter again with increasing orders for the fourth quarter deliveries. Delay of deliveries about two weeks started again for wholesale business.

With prospect of tight supply for coming months, some plywood manufacturers have started proposing price increase due to climbing production cost.

Large precutting companies have kept ample orders through the summer then small and medium precutting companies are now having future orders and they have started procuring plywood for busy fall demand. Supply of thick panels was short last year so users are placing orders before things change.

Normally small precutting companies carry minimum volume but now they are building inventories to deal with possible tight supply in fall. Building materials trading firms are having more orders but allocated volume by plywood manufacturers is firmly set so they are not able to deal with spotty orders. They give priority to regular customers like large precutting plants so there is no delay of deliveries now.

Stabilising plywood industry

Plywood used to be typical un-stabilizing and market sensitive commodity with frequent price fluctuations by unbalance of supply and demand. Imported plywood used to take more than 50% share of the market. Then supply of raw materials relied on imported logs like South Sea hardwood and Russian larch logs for many years.

Up until 2015, it was considered depressed industry by over supply then plywood manufacturers tried desperately to restore the market by production curtailment. Then the market stabilized and at the same time, the demand recovered so for last two years, it has been sellers' market and the manufacturers enjoyed profitable business.

Plywood production of South East Asian countries has been declining mainly by difficulty of acquiring raw material logs due to declining resources and environmental protection.

Large production of South Sea hardwood plywood is now becoming history. The prices of imported plywood have been steadily climbing. Now share of imported plywood is less than half. Indonesian plywood has been used for floor base and Malaysian plywood is used for concrete forming panel. Since steady supply in future is diminishing, Japanese industries, which relied on import plywood, are now trying to switch to domestic softwood plywood.

Now main raw material of domestic plywood is domestic species of cedar, cypress and larch, which is available consistently and the prices are stable without being influenced by fluctuation of exchange rate.

Shipments of domestic softwood plywood for the first half of this year were 1,447,000 cbms, 2.2% more than the same period of last year. Use of plywood for a unit of newly build houses is 3.12 cubic meters, which was 2.83 cbms in 2014, 10.2% more. Not only plywood but other panel products such as structural particleboard, MDF and gypsum board for bearing wall expand market by easy workability and high wall strength factor. This is the first time that plywood market has stabilised for long time.

South Sea (tropical) lumber and logs

Demand for South Sea lumber such as laminated free board is firm but the supply is tight by log shortage in South East Asian countries. With log harvest restrictions and related tax increase, future cost will be climbing.

An immediate concerned matter is severe environmental restrictions by the Chinese government on red pine laminated freeboard lumber manufacturing plants. Many small plant are quitting without any money for capital investment and orders are concentrating to large manufacturers so the prices are climbing.

China

Sawn softwood domination in imports

Data from China's Customs shows there was a considerable expansion in the value of sawnwood imports in the first half of 2017. China's sawnwood imports totalled 18.12 million cubic metres valued at US\$4.75 billion, a year on year increase of 16% in volume and 24% in value.

The average price for imported sawnwood in the first half of 2017 was US\$262 per cubic metre, up 7% over the same period of 2016.

Of total sawnwood imports, sawn softwood imports rose 37% to 12.41 million cubic metres, accounting for 68% of the national total. The average price for imported sawn softwood in the first half of 2017 was US\$192 per cubic metre, up 12% over the same period of 2016.

On the other hand, sawn hardwood imports fell 13% to 5.71 million cubic metres. The average price for imported sawn hardwoods in the first half of 2017 was US\$414 per cubic metre, up 20% over the same period of 2016.

Of total sawn hardwood imports, sawnwood from tropical countries amounted to 3.02 million cubic metres valued at US\$1.127 billion, up 14% both in volume and in value. Sawn hardwood imports from tropical countries accounted for 17% of the national total.

The average price for sawnwood imported from tropical countries was US\$373 per cubic metre, a year on year slight increase of 0.3%.

China's sawnwood import, first half 2017, volume

	Mil. cu.m	% Change 2016/17
Total sawnwood imports	18.12	16
Sawnwood softwood	12.41	37
All sawn hardwood	5.71	-13
of which tropical	3.02	14

Source: China Customs

China's sawnwood imports, first half 2017, value

	US\$ mil.	% Change 2016/17
Total sawnwood imports	4,745	24
Sawnwood softwood	2,378	54
All sawn hardwood	2,367	4
of which tropical	1,127	14

Source: China Customs

Average price, first half 2017

	Average CIF Price US\$/cu.m	% change 2016/17
Sawnwood price	262	7
Sawn softwood	192	12
All sawn hardwood	414	20
of which tropical	373	0.3

Surge in sawn softwood imports from Brazil

Russia was the main sawn softwood supplier to China in the first half of 2017 and imports from Russia surged 31% to 7.08 million cubic metres, accounting for 57% of total softwood sawnwood imports.

However, in the first half of this year there was a surge in sawn softwood imports from Brazil rising to 160,000 cubic metres. There was also a significant increase in the growth of imports from the US, Austria, Germany and Finland (+700%, +500%, +100% and +60% respectively).

Main countries shipping sawn softwood to China, first half 2017

	Mil. cu.m	% Change 2016/17
Russia	7.08	31
Canada	2.51	20
Finland	0.83	69
Sweden	0.45	43
Chile	0.35	2
USA	0.29	730
New Zealand	0.19	16
Brazil	0.16	2490
Germany	0.15	157
Austria	0.06	545

Average sawn softwood prices from top 10 suppliers, first half 2017

	US\$/cu.m	% Change 2016/17
Total	191.63	12.36
Russia	181	13
Canada	189	25
Finland	223	-4
Sweden	217	1
Chile	241	2
USA	190	12
New Zealand	257	4
Brazil	200	-6
Germany	202	-11
Austria	213	-30

Main countries shipping sawn hardwood to China, first half 2017

	Mil. cu.m	% Change 2016/17
Thailand	2.17	15
USA	1.19	-7
Russia	0.67	-43
Vietnam	0.29	76
Gabon	0.19	35
Philippines	0.17	28
Indonesia	0.14	9
Malaysia	0.14	22
Romania	0.12	14
Germany	0.09	16

Average sawn hardwood prices from top 10 suppliers, first half 2017

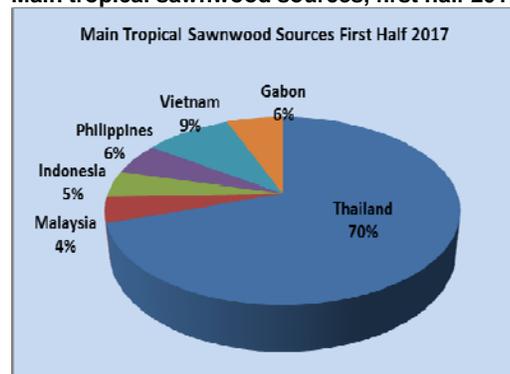
	US\$/cu.m	% Change 2016/17
Thailand	313	6
USA	603	21
Russia	285	29
Vietnam	326	-3
Gabon	551	-3
Philippines	140	0
Indonesia	859	9
Malaysia	367	-2
Romania	365	-2
Germany	383	4

Thailand, the main tropical supplier

Of total sawn hardwood imports, sawnwood imports from tropical countries were 3.02 million cubic metres valued at US\$1.127 billion, up 14% both in volume and in value and accounted for 17% of the national total.

Five tropical countries supplied just over 90% of China's 'tropical' sawnwood requirements in the first half of 2017 namely, Thailand (72%), Gabon (6%), Philippines (5%), Indonesia (5%) and Malaysia (5%).

Main tropical sawnwood sources, first half 2017



Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-30000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	28000-40000

Sawnwood

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

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

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots pine	No knot	2100

Shanghai Furen Forest Products Market Wholesale Prices

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

Europe

Tropical and Chinese suppliers claw back EU furniture market share

Previous ITTO reports have highlighted how European furniture manufacturers have been taking larger share of the internal EU market in recent years, gradually squeezing out overseas competitors.

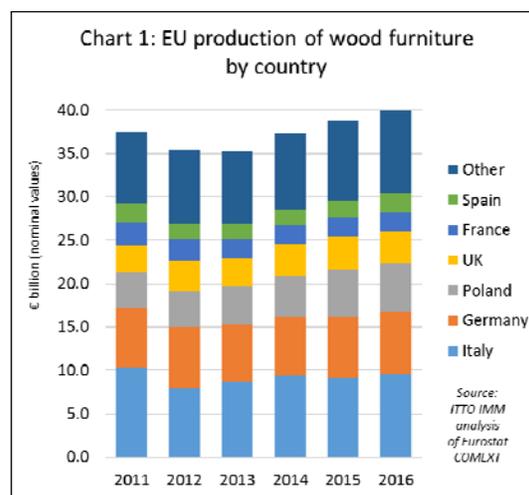
This trend has been driven partly by increased price competitiveness at a time when the euro and other European currencies have been weak relative to the US dollar.

There are also more enduring factors, including the underlying strength of European furniture manufacturers and their brands in terms of innovation and design; the obstacles to overseas suppliers complying with complex EU technical and environmental standards; and the expansion of furniture manufacturing in Eastern Europe, a location which combines ready access to raw materials, relatively cheap labour, and the internal EU market.

The latest Eurostat data shows that European manufacturers share of the EU internal market increased even more sharply last year than indicated by preliminary estimates. However, there are also signs that suppliers in China and South-East Asia are clawing back some market share in 2017.

Analysis of official Eurostat manufacturing production data for 2016, just released in August, shows that wood furniture production value in the EU increased by 3.3% to Euro40.1 billion last year (Chart 1).

That is the highest level of production since 2008. It is also greater than the preliminary estimate of 2016 production of Euro39.6 billion reported in the previous ITTO TTM report on the EU wood furniture market published in May 2017 (based on analysis of EU trade flow volumes and other indices of furniture business activity).

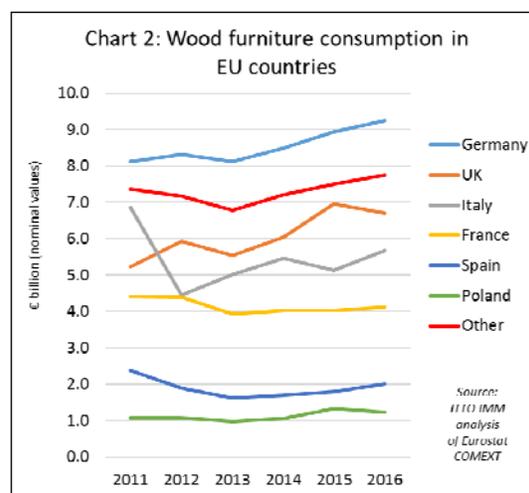


Economic stimulus in Italy behind rise in furniture consumption

According to the latest Eurostat data, EU wood furniture consumption increased 3% to Euro36.7 billion in 2016. This compares to the preliminary estimate of Euro36.1 billion reported in the ITTO TTM report in May.

The latest Eurostat data reveals that wood furniture consumption in Italy increased by more than 10% in 2016, to Euro5.7 billion, recovering ground lost the previous year (Chart 2). This is a much larger increase than initially predicted given widespread reports of slow economic growth and weak consumer confidence in the country.

However, Italian furniture consumption last year was boosted by the Italian Stability law implemented in January 2016 to support the national economy. The law included tax credits for building renovation work, including a bonus for new furniture, and direct public support for the “Made in Italy” brand.



In addition to Italy, wood furniture consumption increased in several other key EU markets in 2016 including Germany (rising 4% to Euro9.2 billion), France (rising 2% to Euro4.1 billion) and Spain (rising 12% to Euro2 billion).

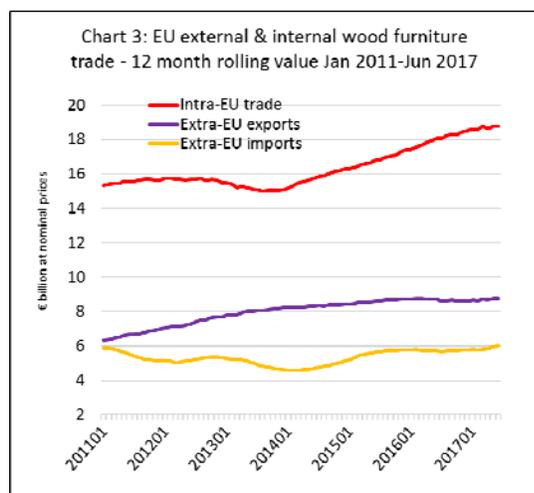
These gains offset a 4% decline in consumption in the UK, a trend widely forecast owing to the economic uncertainty and weakness of the British pound following the Brexit vote.

Intra-EU furniture trade continues to rise

Analysis of Eurostat trade data reveals that internal EU trade in wood furniture, which increased 4% to Euro16.2 billion in 2016, continued to rise in 2017. This trend is driven both by the slow rise in EU consumption and by rising dependence of the internal EU market on manufacturers located in lower cost member states of Eastern Europe, particularly Poland, Romania, and Lithuania.

The EU has maintained a trade surplus in wood furniture since 2011 when exports to non-EU countries overtook imports from outside the EU. This surplus remained broadly flat between the start of 2015 and the first quarter of 2016 (averaging close to Euro3 billion per annum), as both imports and exports were stable.

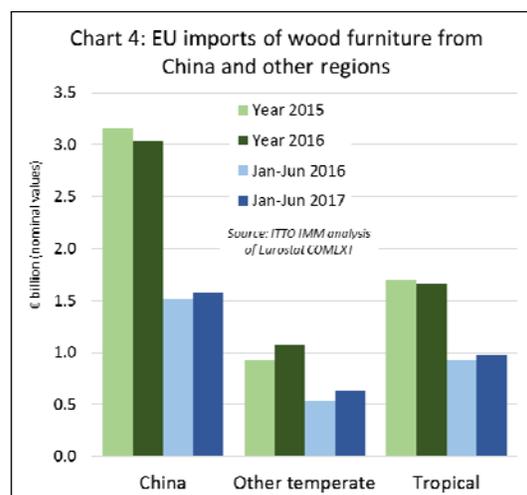
However, there were some early signs of a slight narrowing in the trade surplus in the second quarter of 2017 (to around Euro2.8 billion per annum) as imports began to pick up. (Chart 3).



Biggest gains in EU imports of wooden furniture are from temperate countries

After slipping back last year, EU wood furniture imports from tropical countries and China recovered some lost ground in the first 6 months of 2017. EU imports from tropical countries increased 4.5% to Euro970 million, while imports from China increased nearly 5% to Euro1.58 billion.

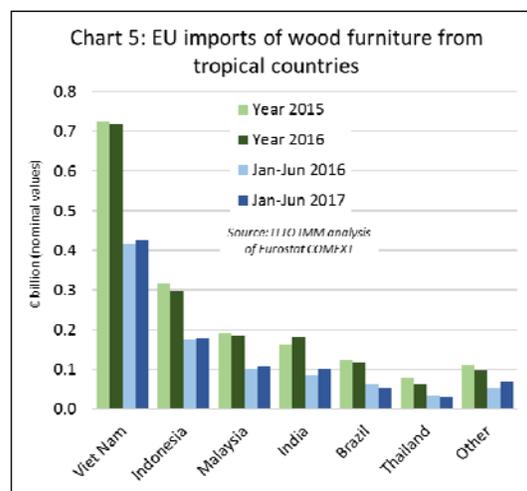
However, the biggest gains in EU imports of wood furniture this year are from other temperate countries, mainly bordering the EU such as Bosnia, Turkey, Switzerland and Ukraine. EU imports from these countries increased 20% to Euro630 million in the first 6 months of 2017, building on a 14% gain recorded the previous year. (Chart 4).



The share of the various tropical countries in supply of wood furniture to the EU has varied quite widely this year. After falling 2% to Euro716 million in 2016, EU imports from Viet Nam rebounded 3% to Euro427 million in the first six months of 2017.

Imports from Indonesia also increased during the period, but by only 1% to 178 million m³, not sufficient to recover ground lost in 2016. Imports from Malaysia recovered more strongly in the first half of this year, rising nearly 8% to Euro108 million.

Imports from India have also continued to rise, up 18% to Euro103 million during the six-month period. (Chart 5).

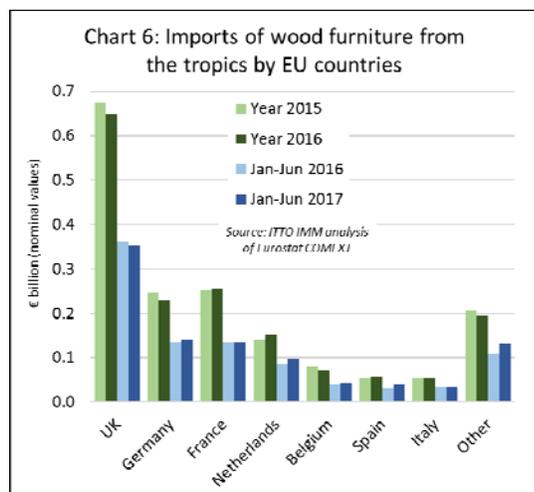


There were also significant shifts in the destinations for furniture exported into the EU from tropical countries in the first half of 2017. The UK imported Euro353 million of wood furniture from tropical countries between January and June 2017, 2% less than the same period in 2016.

Imports of tropical wood furniture in Italy also declined, by 4% to just Euro33 million, a sign that the recent surge in Italian furniture consumption has not been to the benefit of tropical suppliers.

However, all other leading EU furniture markets imported more furniture from tropical countries in the first 6 months of 2017 compared to the same period the previous year.

Imports increased 3% to Euro139 million in Germany, 1% to Euro134 million in France, 16% to Euro99 million in the Netherlands, 4% to Euro43 million in Belgium, and 30% to Euro42 million in Spain. (Chart 6).



European destinations for wood furniture imported from individual tropical countries have shifted this year. A significant decline in UK trade with Viet Nam in the first half of 2017 was offset by rising Viet Nam trade with a wide range of other EU markets including Sweden, Spain, France, Poland, Denmark, Ireland, Greece and Austria.

A decline in UK, French and Swedish imports from Indonesia, was compensated by a rise in Indonesian trade with Spain, Netherlands and Ireland during the six-month period. Malaysia exported less to Sweden and Germany, but increased sales to the UK, Poland and Ireland. The rise in EU imports from India this year is mainly concentrated in the UK, Netherlands and Germany.

‘Top 200’ account for nearly a quarter of world furniture production

Of the world’s 200 top furniture manufacturers, 40% are headquartered in the EU, 22% in North America, 31% in Asia Pacific, 2% in South America, and 2% in central Eastern Europe, Russia and Turkey.

The “Top 200” account for around 23% of total world furniture production, indicating a relatively low degree of concentration in a sector which continues to be dominated by smaller enterprises.

These are key conclusions of a new report on the Top 200 published by CSIL, the Italian furniture industry research organisation.

The report also highlights that around 65% of the Top 200 are involved only in manufacturing and the remaining 35% operate both as manufacturers and retailers.

The share of companies that directly manage retailing activities increases with the size of the company.

The share is highest in the upholstered market segment and lowest in the office and kitchen segments which tend to be more dependent on other channels such as contract sales and direct sales to building companies.

The Top 200 have an average turnover per employee of USD178,000 per year, with the larger companies generally having higher levels of productivity. This is due partly to their greater investment in R&D and production machinery, and a greater propensity to operate via subcontracting and specialist production units.

The report notes that total world furniture production was worth about USD 400 billion in 2016, a slight gain on 2015, but marginally down on 2014. However, in recent years, world furniture trade has been growing faster than production with greater concentration in low-cost manufacturing hub locations.

The Top 200 are gradually increasing their share of global production and sales. In 2016, the turnover of the Top 200 was 17% higher than in 2011, rising year-on-year more rapidly than the market as whole.

See CSIL: ‘Top 200 Furniture Manufacturers Worldwide’ report available at www.worldfurnitureonline.com

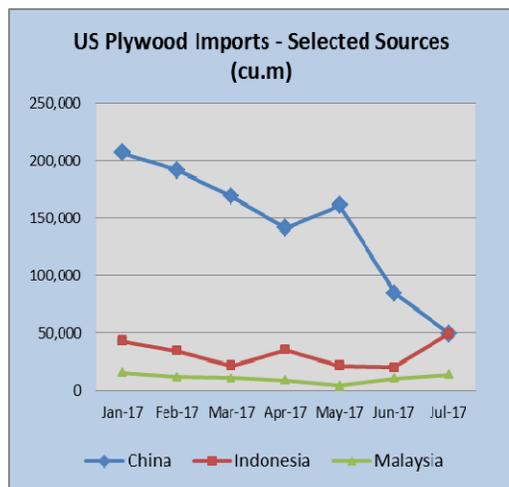
North America

Drop in plywood imports from China

Hardwood plywood imports were almost unchanged in July at 207,604 cu.m. Year-to-date imports were 6% higher than in July 2016. The value of plywood imported in July increased 5% from the previous month to US\$146 million.

Plywood imports from China have tumbled since the US introduced preliminary antidumping duties on Chinese hardwood plywood. In July only 49,820 cu.m. of hardwood plywood were imported from China, down 41% from June. Year-to-date imports from China declined 5% compared to July 2016.

Plywood imports from Indonesia soared in July. Imports more than doubled from June to 49,904 cu.m. Malaysian plywood shipments to the US increased to 14,001 cu.m. in July. Hardwood plywood imports from smaller suppliers such as Cambodia and Brazil also grew in July to help make up for drastically lower imports from China.



Data source: US Census Bureau, Foreign Trade Statistics

Veneer imports recovered in July

Tropical hardwood veneer imports increased 10% in July to US\$2.9 million, but year-to-date imports were only half of the veneer imports at the same time last year.

Veneer imports from Italy increased month-over-month to US\$1.6 million. Imports from Ghana were also up in July, while veneer imports from Cote d'Ivoire fell to US\$236,583.

Higher moulding imports from Brazil, Malaysia and Indonesia

Imports of hardwood moulding were worth US\$15.6 million in July, up 4% from June. Year-to-date imports were approximately the same as in July last year.

Imports from Malaysia, Brazil and Indonesia increased in July, while China exported less moulding to the US. July imports from Brazil were US\$2.6 million, compared to US\$4.6 million from China.

Moulding imports from Malaysia and Indonesia were worth US\$1.2 million and just over US\$900,000, respectively.

Growth in assembled flooring panel imports from Vietnam and Thailand

Hardwood flooring imports were slightly down in July at US\$5.2 million, following high imports in June. Year-to-date hardwood flooring imports were up 24% compared to July 2016.

Canada expanded hardwood flooring shipments to the US, but imports from most other countries declined in July. Flooring imports from China were US\$1.7 million, down 12% from June. Imports from Indonesia were down 13% at US\$665,126.

Assembled flooring panel imports grew 5% to US\$14.1 million in July. However, year-to-date imports of assembled flooring panels were slightly below July 2016 levels.

China's share in total assembled flooring imports grew in July, while imports from Indonesia were down. Thailand shipped close US\$900,000 worth of flooring panels to the US in July, up one third from June.

Vietnam has become a significant supplier of assembled flooring panel to the US market. July imports from Vietnam were worth over US\$1 million.

Growth in wooden furniture imports

Wooden furniture imports were up 1% in July from the previous month. Year-to-date imports increased 11% from July 2016. Furniture imports from China, Mexico and India declined in July, while imports from most other countries increased.

Vietnam's shipments to the US increased 4% in July to US\$318.9 million. Wooden furniture imports from Malaysia were worth US\$59.5 million in July, up 5% from June. Imports from Indonesia increased 6% to US\$48.0 million.

Imports of all types of wooden furniture imports grew in July with the exception of upholstered seating.



Data source: US Census Bureau, Foreign Trade Statistics

GDP growth 3% in second quarter

GDP grew at an annual rate of 3% in the second quarter of 2017, according to the second estimate by the Bureau of Economic Analysis. In the first quarter, real GDP increased 1.2%. Personal consumption and non-residential construction investment were higher in the second quarter than previously estimated.

The unemployment rate was 4.4% in August. After declining earlier in the year, unemployment has been 4.3 to 4.4% since April.

Consumer confidence declined in September according to the University of Michigan's survey of consumers. Consumers were concerned about the economic effect of the two hurricanes that devastated large areas of Texas and Florida. However, gains in income, home and equity values contributed to an overall positive assessment of current economic conditions.

Home builders worried about effect of hurricanes on cost of building materials

Residential construction was almost unchanged in August at a seasonally adjusted annual rate of 1,180,000, according to the US Department of Housing and Urban Development and the Commerce Department. Housing starts were 1.4% higher than in August 2016.

Single-family home construction was slightly up in August, while multi-family starts declined from July. In the next months the building market will be affected by rebuilding and repairing homes that were damaged by hurricanes.

Regionally home construction rose in the US Midwest and West in August. Housing starts fell in the South and Northeast.

Builders' confidence in the market for new single-family homes fell in September, while the August reading was revised downward. According to the National Association of Home Builders, the hurricanes have deepened builders' concerns about the cost of building materials and labour availability. Once the rebuilding of homes begins confidence in the housing market is expected to go back up to the high levels seen earlier this year.

Canadian housing market still booming, CETA now in force

Home construction in Canada continued at a fast pace driven by high consumer confidence and strong demand for housing. In August housing starts increased to 223,232 at a seasonally adjusted annual rate. Earlier this year the Canadian Housing and Mortgage Corporation (CMHC) had predicted a more downward trend in new construction for 2017.

The share of single-family homes in new construction declined to just 28% in August. The vast majority of homes built in cities are apartments and attached homes.

Canadian consumer confidence reached its highest level in ten years, according to the CMHC. At the same time household debt is at record levels. In the second quarter of 2017 the ratio of debt to disposable income rose to 168%. Home mortgages account for more than half of the debt.

Canada's central bank increased the overnight target interest rate to 1% in early September. Business investment and exports have improved, according to the Bank of Canada, but international trade issues may affect the economy.

Canada is negotiating with the US on sawn softwood exports to the US and with both Mexico and US to revise the North American Free Trade Agreement.

The Canada-EU agreement CETA (Comprehensive Economic and Trade Agreement) came into effect September 21. CETA could increase bilateral trade between the EU and Canada by 20% annually, according to a joint study.

Chinese company to build office furniture component plant in Michigan

A Chinese office furniture manufacturer has announced an investment of US\$4.9 million in Michigan to build a new plant. J-Star Motion Corp. will produce linear motion and lifting systems for the office furniture industry.

The company already opened office and warehouse facilities in Michigan earlier this year. Its parent company is Jiechang Linear Motion Technology Co. in Xinchang, China.

Another notable recent investment was a plant in Oregon for custom cabinet boxes. Cabinotch Innovative Solutions, owned by Columbia Forest Products, opened a new factory in August that produces custom frameless cabinet boxes for custom cabinet shops. US-made hardwood plywood is utilized for the cabinets.

Cabinotch plans to eventually have ten regional factories across the US. According to the company, their fast custom production process help small cabinet shops compete with mass produced and low-cost cabinet imports.

Amazon enters retail market for large furniture

Amazon is building warehouses to be able to sell more large furniture items such as upholstered and bedroom furniture according to the Woodworking Network portal.

Furniture is one of the fastest-growing product categories on Amazon based on One Click Retail data. Amazon sold US\$2.3 billion of furniture in 2016, compared to total US sales of approximately US\$70 billion.

Furniture giant La-Z-Boy Inc. reported that it considers selling through Amazon to reach younger customers. The company reported a significant decrease in sales in the first quarter of 2018 compared to last year's first quarter. The majority of La-Z-Boy sales is upholstered furniture.

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.

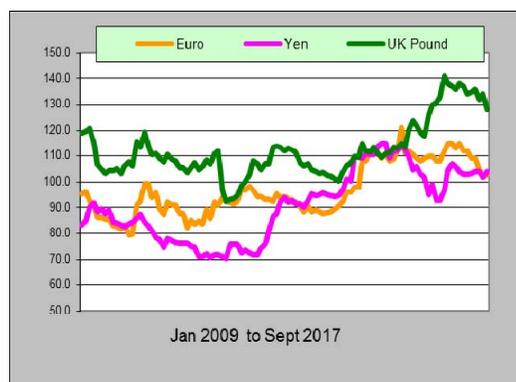
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 September 2017

Brazil	Real	3.1602
CFA countries	CFA Franc	5552.76
China	Yuan	6.6201
EU	Euro	0.8439
India	Rupee	65.275
Indonesia	Rupiah	13326
Japan	Yen	111.73
Malaysia	Ringgit	4.2050
Peru	New Sol	3.2601
UK	Pound	0.7424
South Korea	Won	1134.37

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



Abbreviations and Equivalences

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

Ocean Freight Index

Baltic Supramax Index
October 2016 – September 2017

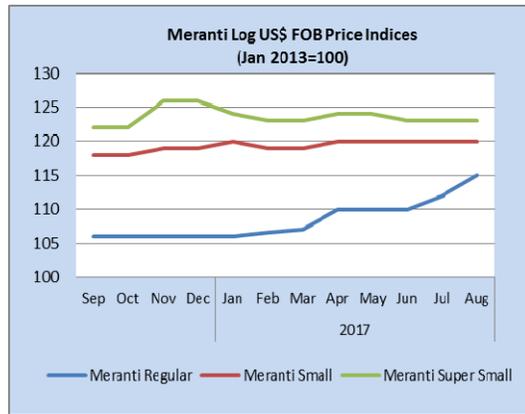


Data source: Open Financial Data Project

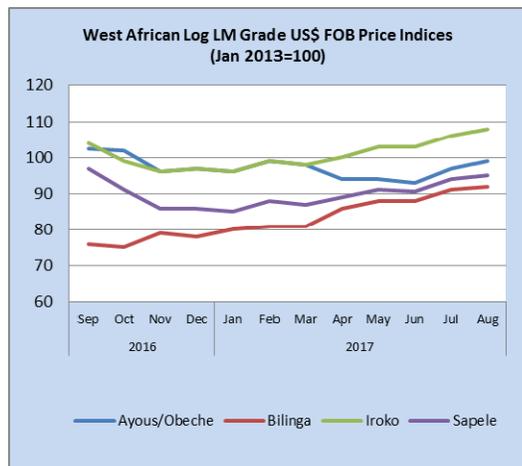
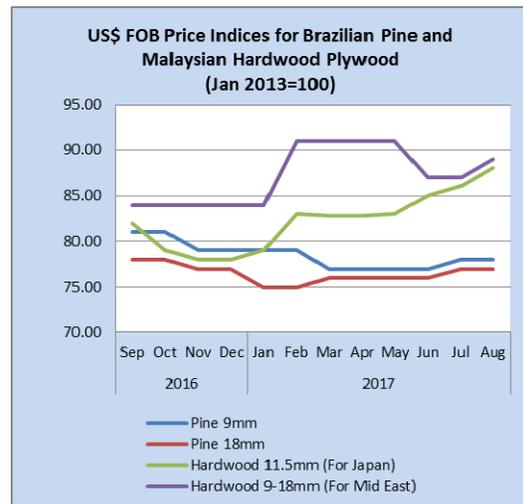
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

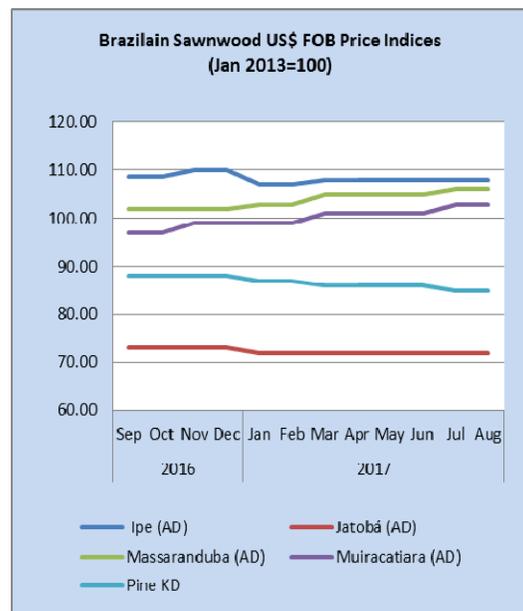
The following indices are based on US dollar FOB prices



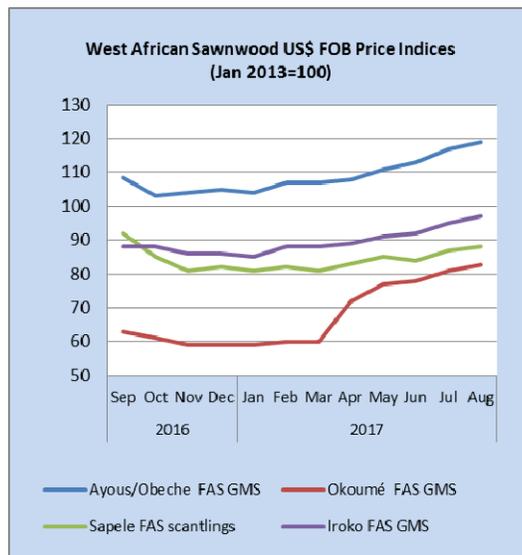
For Japanese market



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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