

# 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](mailto:ti@itto.int).

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## Top Story

### US survey - architects and designers lack knowledge on endangered species

A survey of US architects and designers finds few have knowledge of endangered and threatened wood species and often do not know which alternative species or materials to use.

The survey also found that few respondents could correctly identify the most endangered timbers from a list provided but 70% agreed that using responsibly sourced wood is a priority.

Suppliers of tropical wood products have an opportunity to educate designers in the US about tropical species, sustainable tropical forest management and legal procurement.

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**The next issue of this report will be available around 6-7 December**

## Central and West Africa

### Demand in Asian markets unabated

Buyers for the Chinese market continue to be active and producers report that the level of orders suggests there are no signs of a slowing in demand in this market. Also, business with Middle East importers is brisk, say producers.

However, despite the positive buying signs, there has been little opportunity for increases in FOB prices. Overall, trading conditions are steady but demand in the EU remains subdued such that there were only a few moderate price changes for logs and sawnwood during the first weeks of November.

At current levels of demand producers will be able to maintain normal production but say there seems little prospect of demand improving in the remaining weeks of this year.

### Gabon task force acts on kevazingo felling

The authorities in Gabon have instituted firm action to halt the illegal logging of bubinga/kevazingo by informal, clandestine operators who scout remote areas in the country and, by night, fell kevazingo and transport logs, (again overnight) to small sawmills which produce boards that are then smuggled out of the country.

A Gabon government task force has been successful in locating and arresting a number of illegal loggers and raiding sawmills thought to be involved in processing kevazingo.

### Milled plantation okoume disappointing

Several attempts have been made in Gabon to establish okoume plantations and news is circulating that recent milling trials on plantation okoume have yielded disappointing results. It is reported that sawnwood and veneer milled from plantation okoume lacks the signature reddishness of naturally grown trees of this popular species.

### Some markets now easier to satisfy than EU

Producers say they are getting the impression that EU importers are becoming even more vigilant in ensuring that imports fully comply with the EUTR. This, and the hollowing out of the small importer/agent businesses who found meeting the strict requirements for due diligence to time consuming, costly and possibly risky for their businesses, is of concern.

Analysts say that trade in markets with less stringent regulations are proving more attractive to producers and this may result in less pressure on African governments and their industries to advance negotiations on a VPA. The downside to this could be alienation of traditional buyers in EU markets and the potential undermining of this important market. Exporters have yet to be convinced that with the FLEGT licensing system in place they will see market opportunities improve.

### Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220↑	220↑	160
Ayous/Obeche/Wawa	245	240	190
Azobe & Ekki	235↑	235↑	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	190
Moabi	330	300	235
Movingui	210	200	160
Niove	175	160	-
Okan	230	205	-
Padouk	300	275	210
Sapele	260	260	220
Sipo/Utile	290	270	200
Tali	330	320	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1000
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

## Ghana

### Industries to enjoy reduced power rates

Ghanaian industries, including timber manufacturing companies, could benefit from reduced electricity tariffs if the budget submission from Ken Ofori-Atta, the Minister of Finance is accepted. The Vice President, Dr. Bawumia, has hinted at a 25% reduction in power tariffs aimed at accelerating industrialisation.

Dr. Bawumia recently told an international conference that the government had shifted its focus from taxation to production and is working to create an industrial environment that focusses on technology as one tool for growth.

At an Association of Ghana Industries (AGI) awards event, Ghana's President confirmed that efforts are underway for a review of electricity tariffs. AGI President, James Asare-Adjei, welcomed the move by the government to address the power crisis in the country as it will pave the way to restore economic stability and an improvement in the business environment.

The AGI has been lobbying for a change in the high electricity tariffs paid by local manufacturing companies. The unreliable supply of electricity was the biggest challenge faced by local manufacturers as it undermined competitiveness.

#### Strengthen financial sector for economic growth

Bank of Ghana Governor, Dr. Ernest Addison, has said the Bank aims to create a stronger and more sophisticated financial sector to meet the needs of the domestic private sector and provide a boost to attracting investment from overseas.

He said the Bank will build on policies to attain macro-economic stability which is critical if the country's economic growth is to be maintained.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	400
Black Ofram Kiln dry	450
Niangon	570▲
Niangon Kiln dry	620

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315	450▲
Chenchen	425	468
Ogea	428-	604
Essa	400-	530▲
Ofram	350	406

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

#### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Arormosia	-
Asanfina	815
Avodire	897
Chenchen	951
Mahogany	915
Makore	783
Odum	917

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	355	586	641
6mm	600▲	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	356	430
18mm	417	417	370

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

#### Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	492	564
Ceiba	240▲	310▲
Dahoma	390▲	494
Edinam (mixed redwood)	520	580
Emeri	380	550▲
African mahogany (Ivorenensis)	870	1033
Makore	685	730
Niangon	620	675▲
Odum	755	936
Sapele	700	870▲
Wawa 1C & Select	370	441

### Malaysia

#### Exports on track for a record high

Malaysia's Ministry of Plantation Industries and Commodities says exports of wood products are forecast to rise to RM23 billion this year, up from the RM21.86 billion last year.

Nasrun Datu Mansur, the Deputy Minister said the government will do all it can to develop the talent of Malaysian wooden furniture manufacturers as the sector is of importance to the economy. In the first eight months of this year wood product exports rose 7% year on year to almost RM16 billion.

#### SMEs to be offered soft loans for automation

Malaysia's 2018 budget will, for the first time, deliver support through a loan facility for expanded automation in small and medium-sized enterprises.

The President of the Malaysian Furniture Council, Chua Chun Chai, welcomed this initiative saying one way around the acute labour shortage in the furniture making sector is automation. He said many furniture factories were keen to automate production to minimise dependence on foreign workers and improve productivity.

Chua said if the furniture industry can boost productivity through greater levels of automation then Malaysian exporters will be better equipped to meet the competition from countries like China, Vietnam and Indonesia. The president of the Johor Furniture Association, Koh Choon Chai, said furniture manufacturers were struggling to meet export orders on time because of a shortage of workers.

#### Third party verification of certification in Sarawak

The state government has indicated it will make it mandatory for all timber concessions in Sarawak to obtain forest management certification in order to enhance sustainable forest management in the state.

Deputy Chief Minister, Awang Tengah Ali Hasan, said the state government has strengthened the Sarawak Timber Legality Verification System (STLVS) by providing a formal standard to include independent third party verification.

He also said his ministry aims to reduce reliance on the natural forests for raw materials through the establishment of a viable and robust industrial forest estate in the state.

#### Off-site fabrication mandatory for government projects

The recent International Conference on Wood Architecture, hosted by the Malaysian Timber Council (MTC), delivered the message that a magnificent building material like timber should not be reduced to secondary functions and that Malaysian architects as well as structural engineers need to relook the use of timber in architecture.

In an opening address stakeholders in the construction industry were urged to embrace the concept of industrialised building systems whereby components, such as timber frames, are fabricated off-site to improve productivity and reduce onsite construction waste. For government funded construction projects there is a minimum level of mandatory off-site fabrication.

For more see:

[http://www.mtc.com.my/images/media/555/20171109\\_WA2017\\_Post\\_release-eng.pdf](http://www.mtc.com.my/images/media/555/20171109_WA2017_Post_release-eng.pdf)

#### Plywood prices in October

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US\$ 620 FOB
CP (3' x 6')	US\$ 510 C&F
UCP	US\$ 580 C&F
Standard 4x8 panels	
Middle East (12mm)	US\$ 440 FOB
S. Korea (9mm and up)	US\$ 460 FOB
Taiwan P.o.C (9mm & up)	US\$ 440 FOB
Hong Kong	US\$ 440 FOB

## Indonesia

#### Bright prospects in furniture markets says Ministry

Panggah Susanto, Director General of Agro Industries within the Ministry of Industry (Kemenperin), is on record as saying within two years furniture exports could rise to US\$5 billion as demand in the United States, Japan, and Western Europe picks up.

Currently the value of annual furniture exports is US\$1.7 billion.

Much of the furniture exported from Indonesia is made from rattan and Paggah said rattan furniture production will be increased.

Kemenperin noted employment in the formal segment of the domestic furniture industry in 2016 was around 101,000 but this could double in a few years.

To boost rattan furniture production the Ministry of Industry is encouraging development of the furniture industry as it is a labour intensive sector and has decided to make Cirebon, a port city on the north coast of Java,

one of the main centres for rattan supply and rattan furniture and handicraft production.

In contrast to the positive outlook from the Ministry of Industry, the Chairman of Association of Indonesian Furniture and Handicraft Industry (Asmindo) Mugiyo said furniture manufacturers are facing challenges in international markets where sales of Indonesian furniture face tough competition and suffer from a poor image due to perceptions that illegal timber is being utilised.

Mugiyo said to expand sales manufacturers need to be deliver innovative product designs and to expand outreach to address the negative perceptions of Indonesian wood products in international markets.

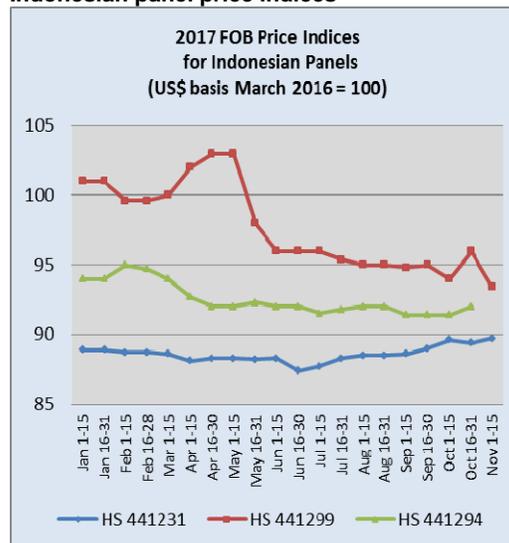
In the current trading environment Asmindo has suggested a focus on the domestic market as the building sector is very active with huge investments in family homes, apartments, hotels and office buildings where furniture will be needed.

#### Policy for forest-based energy needed

Haruni Krisnawati, from the Forest Research and Development Center, Ministry of Environment and Forestry, said the utilisation of renewable energy based on forest resources can support Indonesia's efforts on to cut greenhouse gas emissions.

However, little progress will be made until the government has a defined policy to support this. What is needed, says Haruni, is a policy on competitive tariffs for electricity from renewable sources.

#### Indonesian panel price indices



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

#### Ministry to expand community forests management

The Ministry of Environment and Forestry has targeted the allocation of 5 million hectares of social forestry from now until 2019. Currently the area of allocated to social forestry is only 1.07 million ha but this is expected to rise when full 2017 data is available.

In related news, the Indonesian President granted customary forest management rights to nine village forest management units covering an area of 80,230 hectares and promised technical help and financial support for the recipient communities.

## Myanmar

### **Myanmar millers lobby MTE to sell logs in local currency**

In a letter to the Myanmar Timber Enterprise (MTE) national sawmillers are urging that bids in tender sales be permitted in Myanmar kyats. This proposal was included in a letter submitted by the Myanmar Forest Products Merchants Federation (MFPMF) to the Vice President. In the same letter the MFPMF also asked for separate tenders only for Myanmar national manufactures

The MTE accepts US dollars for some sales and kyats for others which causes confusion. Domestic companies can pay in kyats but when these millers tried to export products from logs purchased in kyats they ran into trouble as traceability was said to be weak which resulted in the Forestry Department suspending export of wood products milled from logs purchased with kyats.

### **Exports dip as confidence of international buyers has been undermined**

From 1 April to 3 November 2017 the value of timber exports amounted to US\$4.1 million down sharply on recent years. Analysts say the recent action by authorities in Denmark and Netherland has undermined the confidence of importers and this is reflected in the level of exports.

### **MTE clarifies export documentation**

The MTE has issued a document "The Current Situation of the MTE and the Future Plans and Documentation for Myanmar Timber export.

See:

<https://drive.google.com/file/d/0B7YRHkC0qQ-mak83X3ZJTENhcXM/view>

This attempts to clarifying what documents will be provided to importers and how they can be interpreted. MTE is making this effort in order to satisfy the demands of importers especially those in the EU who are required to satisfy the EUTR.

### **Myanmar seeks PEFC membership**

A delegation from the Myanmar Forest Certification Committee (MFCC) attended the PEFC General Assembly in Helsinki and formally declared their intention to be a PEFC member within three years.

MFCC and PEFC are undertaking a three-year project supported by the Prince Albert II of Monaco Fund to strengthen MFCC as an institution and to strengthen the Myanmar Forest Certification System (MFCS) as the National Certification System.

This, say analysts, will contribute the mitigation of risk in Myanmar's forestry and timber industry sectors.

### **Aim to have forestry sector included in EITI negotiations**

Myanmar's most recent economic policy identifies the role that satisfying the requirements of the Extractive Industries Transparency Initiative (EITI) can play in assuring transparent natural resource governance.

The extractive sector in Myanmar makes a significant and growing contribution to the country's GDP and U Tin Tin, leader of EITI working group in the Forestry Department, told the local media that discussions are underway to have the forest sector assessed independently in readiness for further discussion with EITI.

It is anticipated that assessment of the forestry sector for the EITI will demonstrate improvements in transparency and the growing cooperation between the Forestry Department, the private sector and civil society. The ultimate aim is to strengthen the international image of the Myanmar forestry sector.

For more see: [eiti.org/myanmar](http://eiti.org/myanmar)

### **India and Myanmar promote bilateral relations**

A recent workshop "India-Myanmar relations: "The Way Forward" organised jointly by the Calcutta-based Institute of Social and Cultural Studies (ISCS) and the Yangon-based Myanmar Institute of Strategic & International Studies (MISIS) highlighted trade between India and Myanmar and reported that this had doubled to over US\$2 billion over the past 10 years.

Participants called on both countries to work towards removing obstacles to trade through addressing connectivity, infrastructure, labour movement, logistics and complementary financial services. This last point is particularly relevant as at present most international transactions between India and Myanmar are through Singapore. The meeting called for the authorities in Myanmar to modernise its banking sector.

The workshop also recommended the creation of Special Economic and Industrial Zones along main road arteries linking the two countries.

A 19 point action plan was adopted which can be found at:

<http://www.mizzima.com/development-news/yangon-declaration-india-myanmar-cooperation>

### **Encourage investment in Myanmar's inland waterways**

Earlier this year the government announced plans to develop six inland maritime port terminals – four on the Ayeyarwaddy River and two on the Chindwin River.

The Ayeyarwaddy ports will be built at Mandalay, Pakkoku, Sinkham and Magway, while the Chindwin ports will be located at Kalewa and Monywa.

Myanmar's Minister of Transport and Communications, U Thant Sin Maung, said that the government is encouraging private investment in infrastructure is key to the National Transport Master Plan.

In support of the Minister, U Phyo Min Thein, Chief Minister of the Regional Government of Yangon, said it is a priority to upgrade the infrastructure including the development of inland waterways.

According to estimates from the Ministry of Transport and Communications, the transport sector will require investments of over US\$50 billion over the next 20 years and investments in inland port developments can deliver attractive returns.

#### October teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	7.4	4,545
SG-2	34.3	3,680
SG-4	80.6	3,100
SG-5	109.6	3,050
SG-6	107.0	2,620
SG-7	162.9	1,665

### India

#### Gabon okoume veneers gain a foothold in India

The Indian panel sector journal, Ply Reporter in its October issue, says okoume face veneer shipped from Gabon has gained a foothold in the Indian panel market and is gradually gaining acceptance in the Indian market. Ply Reporter predicts that the supply of okoume veneer from Gabon is set to rise.

In the past plywood manufacturers in India could rely on imported raw materials from forest rich countries such Myanmar, Laos, Indonesia, Solomon Islands, Papua New Guinea and West/Central African countries. But now many of these countries have restricted log exports and even veneers in some cases.

Given some regulatory changes in the forestry sector by the Governments of Myanmar and Laos the supply of face veneers to India is severely impacted so Indian plywood manufacturers welcome the production and export of veneers from Gabon.

Recently, one of India's leading plywood manufacturers, Greenply, began veneer production in Gabon alongside the other Indian owned mills operating in the country's Special economic Zone.

For more see: <http://www.plyreporter.com/>

#### Job opportunities in the real estate sector jobs set to rise

A New report from CREDAI, the Confederation of Real Estate Developers Associations of India, says real estate sector employment is set to increase by 80% by 2025.

CREDAI commissioned the study "Assessing the Economic Impact of India's Real Estate" with CBRE (consultants to the real estate sector) to assess the impact of economic such as the new Goods and Services tax on the real estate sector.

Potential employment opportunities in the sector are expected to rise to 17.2 million jobs by 2025 up from 9.2 million in 2016. The economic contribution of the real estate sector is projected to increase significantly during the period from 6.3% in 2016 to almost 13% in 2025.

Increasing demand for new housing, especially in the so-called tier II and tier III cities in the country, will be the drivers of real estate growth says the report. However, the increase in contribution to the economy is, says the report, subject to an effective implementation of relevant policy measures to resolve bottlenecks bothering the sector.

For more see: <https://credai.org/press-releases/credai-steps-in-to-resolve-complaint-of-ncr-home-buyers>

#### Imported plantation teak

Demand for imported plantation teak logs continues to be satisfactory. Pressure for a revision of GST on wood and wood products continues. In the absence of a decision on the GST Indian importers are reluctant to commit too far ahead and are only willing to maintain current price offers to suppliers.

	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

Prices for imported hardwoods remain unchanged. Traders report demand is firming as hardwoods begin to take market share from imported teak where quality has been declining in recent months.

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

Importers say the availability of sawn Myanmar teak is satisfactory but that domestic sales are flat because the price of Myanmar teak is high compared to alternative hardwoods.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	3500-4000

Price range depends mainly on lengths and cross-section.

#### Prices for imported sawnwood

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

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

Price range depends mainly on lengths and cross-section.

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

At its 23rd meeting the GST Council almost 200 items were shifted from the upper tax bracket of 28% to 18%. Amongst the items which will enjoy a lower GST are plywood and panel products.

This has been welcomed by manufacturers who have lobbied strongly for a lower tax.

Plywood Ex-warehouse	Rs. per sq.ft
4mm	50
6mm	67
9mm	85
12mm	105
15mm	140
18mm	147

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	25.0	37
6mm	37.75	48
9mm	48	58
12mm	58	69.5
15mm	70.5	84.25
19mm	80.25	95
5mm Flexible ply	50	

## Brazil

### Furniture production increases in Southern Brazil

Rio Grande do Sul and Paraná states are two prominent furniture centres in Brazil and according to IBGE (Brazilian Institute of Geography and Statistics), furniture production in Rio Grande do Sul state in August expanded just over 10%. In the Paraná state the equivalent growth was almost 5%. Year on year, production in Rio Grande do Sul increased 2.2%, while that in Paraná rose 11.6%.

### Wood-plastic panel production from wood residues

Early work on the production of a wood-plastic panel in the state of Amazonas has been encouraging. Trial production has utilised timber residues.

This value added product from residues of Amazonian timber offers an opportunity to expand the range of wood based panels available in the market.

### Furniture exports increase

Data from the Ministry of Development, Industry and Foreign Trade (MDIC) show the trend in furniture exports in the first nine months of this year in comparison with the same period of 2016.

From January to September 2017 furniture exports amounted to US\$456.9 million against US\$ 432.1 million in 2016. Looking ahead, the MDIC expects total exports for 2017 to be around US\$660 million. Brazilian contribution to the global furniture trade of about US\$270 billion is around 0.25%.

The trade balance in the furniture sector continues positive as imports have been falling reflecting the state of the economy.

Between January and September 2017 furniture imports totalled US\$398 million, down 14% year on year. Brazil imported furniture from China worth US\$124 million, down 6% compared to the first nine months of 2016.

### Huge reforestation initiative in 'Arch of Destruction'

Conservation International (CI) along with the World Bank, the Brazilian Ministry of Environment, the Brazilian Biodiversity Fund, the Global Environment Fund and the "Living Amazon" will begin a major planation effort in the Amazon region known as the Arch of Destruction.

This area encompasses large parts of Rondônia, Pará, Acre, Amazonas and the Xingu basin areas considered most seriously affected by deforestation for cattle ranching. It has been reported that around 70,000 hectares will be planted.

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	219
Jatoba	122
Massaranduba	122
Muiracatiara	125
Angelim Vermelho	118
Mixed redwood and white woods	103

Source: STCP Data Bank

### Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	963
Jatoba	484
Massaranduba	452
Muiracatiara	449
Angelim Vermelho	403
Mixed red and white	269
Eucalyptus (AD)	224
Pine (AD)	161
Pine (KD)	184

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	611
10mm WBP	490
15mm WBP	425
4mm MR	506
10mm MR	377
15mm MR	349

Prices do not include taxes. Source: STCP Data Bank

### Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m <sup>3</sup>
15mm MDP/Particleboard	260
15mm MDF	319

Source: STCP Data Bank

### Export Sawnwood Prices

Sawnwood, Belem/Paranaguá Ports, FOB	US\$ per m <sup>3</sup>
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

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

Source: STCP Data Bank

**Export Prices For Added Value Products**

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

Source: STCP Data Bank

## Peru

**Exploring new export opportunities**

Through a cooperative effort the Tambopata and Tahuamanu Export Consortiums in the Madre de Dios region and Tropical Forest Business EIRL, a consulting firm, work has begun to seek international marketing opportunities.

The aim is to improve the levels of competitiveness of products manufactured in the Madre de Dios region and identify potential markets.

In the first week of November the Tropical Forest team completed an assessment of the Dominican market, an important consumer of solid wood products, especially precious wood of tropical origin such as that produced by Peru.

Information on major Dominican timber importers and their buying trends will be used to develop a marketing plan. The initial survey suggests there is demand for species such as cachimbo, ishpingo, congona, quillosa and interest in others such as sapotillo and misa. There is also a growing demand for decking particularly in the main tourist centres.

**Strengthen skills of professionals in Iquitos**

Around 30 forestry professionals will be selected to participate in a second course "Supervision, Use and Conservation of Forest Resources", organized by the Forestry and Wildlife Resources Oversight Agency (Osinfor), together with the National University of the Amazon (UNAP).

The purpose is to strengthen the skills of professionals through training and shared experience in the forestry sector as well as to train professionals responsible for monitoring forest resources and wildlife. Emphasis will be placed on supervisory methodologies and the collection of field information.

**Plan for planting 10 million seedlings**

Within the framework of the National Forestry Week, the Ministry of Agriculture and Irrigation (Minagri) and authorities in five regions (Apurímac, Ayacucho, Ica, Huancavelica and Junín) launched their plan to plant 10 million seedlings from now until 2018.

Planting began the first half of November in the town of José María Arguedas, Apurímac region where the authorities and communities actively participated by planting the first million seedlings in the five regions.

The species planted are mainly pine, teak and eucalyptus.

**Export Sawnwood Prices**

	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	461-482
Cumarú 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	655-678
Marupa 1", 6-13 length KD	
Asian market	496-569

**Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	-
Virola	244-262
Spanish Cedar	332-374
Marupa (simarouba)	191-204

**Export Veneer Prices**

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

**Export Plywood Prices**

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

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

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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

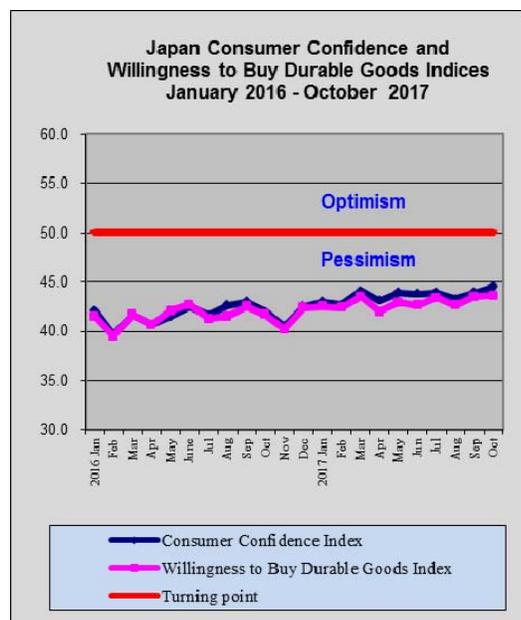
Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumaru KD, S4S	Swedish market 962-1095
	Asian market 1059-1089
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
	2x13x75cm, Asian market 732-815

## Japan

### Consumer confidence mirrors Bank of Japan assessment of prospects

The Bank of Japan (BoJ) monetary policy board meeting in early November concluded that the economy continues to proceed at an acceptable pace, but warned of downside risks to growth from unpredictability in US economic policies as well as uncertainty caused by the UK's withdrawal from the EU.

The BoJ said inflation is expected to continue to rise moderately adding that the Bank will continue its stimulus as long as necessary. The BoJ board also decided to retain the -0.1% interest rate on current accounts that financial institutions maintain at the Bank.



Data source: Cabinet Office, Japan

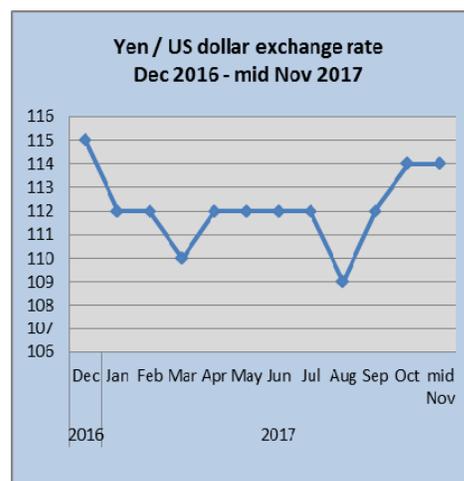
As if mirroring sentiment of the BoJ, Cabinet Office data shows that consumer confidence improved in October rising to the highest level in four years. The index for overall livelihood rose to 43.5 in October from 42.5 in September while consumer views on likely income growth also improved lifting the income growth index higher.

The assessment of willingness to buy durable goods such as wooden furniture and other household items rose slightly.

### BoJ and US Fed on a vastly different track

The Japanese Yen began November a little higher than reported for October but weakened again against the US dollar on news that the BoJ decided to maintain its current monetary policy.

The US dollar was trading at 114.7 yen early in November, its highest since January but soon eased back to 114.0 to the US dollar. The US Federal Reserve and the BoJ are on a very different track in terms of monetary policy with the US likely to raise interest rates again in the short term while the BoJ is sticking to its easy monetary policy.



### Banks pulling out of housing loan business

Year on year, September housing starts in Japan dropped 3% the third consecutive year on year fall. Data from the Ministry of Land, Infrastructure, Transport and Tourism shows that the decline was largely due to a drop in starts of houses for rent, including apartments.

Early in the year cash flowed into the housing market in response to changes in Japan's inheritance laws but that now seems to have run its course. In September construction orders received by the largest 50 builders fell sharply.

The uncertain housing market and the BoJ stance on interest rates has un-nerved two of Japan's biggest housing loan providers.

Media report say Mitsubishi UFJ Trust and Banking will stop offering housing loans next year as the declining profitability of its housing loan business because of Japan's negative interest rate policy.

Mizuho Financial Group is also reportedly ready to follow suit and end its housing loan business in some regions next year.

In an effort to sustain business some of the larger builders are looking beyond Japan. It has been reported that Sumitomo is exploring opportunities to market family homes in Indonesia where there is a rapidly growing affluent middleclass.

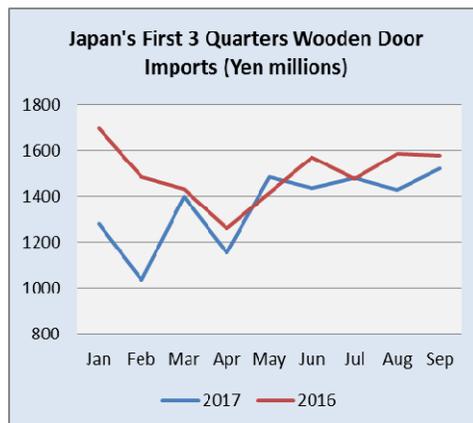


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

### Import round-up

#### Doors

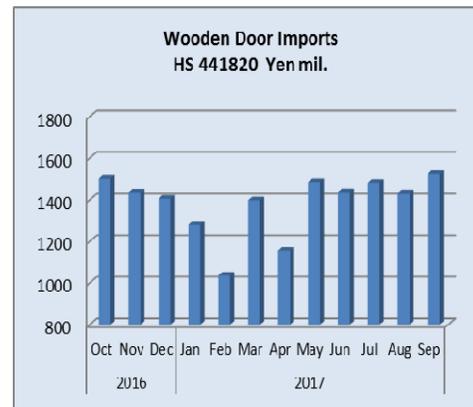
Japan's 2017 first three quarter imports of wooden doors (HS441820) were down 9.5% year on year. First quarter 2017 imports crashed after the 2016 year end surge but recovered steadily throughout 2017 apart from the dip in the value of imports in April.



Data source: Ministry of Finance, Japan

Year on year, September imports of wooden doors were flat but compared to a month earlier there was a 6.5% rise recorded in September.

Almost 90% of Japan's wooden door imports in September 2017 were derived from three sources, China (61%), the Philippines (18%) and Indonesia (9%).



Data source: Ministry of Finance, Japan

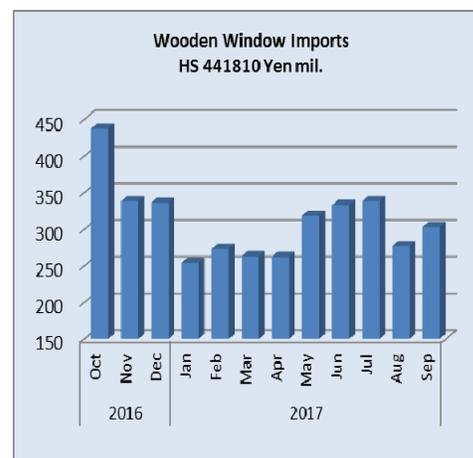
#### Windows

The trend in Japan's imports of wooden windows (HS 441810) in the first three quarters of 2016 and 2017 was quite different and overall, the value of imports for the first nine months of 2017 was down 11% from a year earlier.



Data source: Ministry of Finance, Japan

A rise in the value of wooden window imports in September 2017 reversed the decline recorded in August. Compared to a month earlier, September the value of imports climbed 9% and year on year there was a slight rise in the value of September imports.



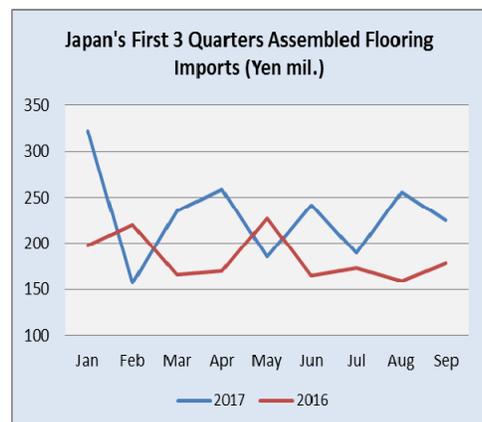
Data source: Ministry of Finance, Japan

Over 90% of Japan's September imports of wooden windows were derived from three sources, China (31%), The US (31%) and the Philippines (23%).

### Assembled flooring

While February 2017 wooden flooring (HS 441871-79) imports marked a low point in the first three quarters of 2017 there was a recovery such that for the three quarters as a whole the value of imports increased almost 25% compared to the same period in 2016.

In contrast to the monthly trend in imports in 2016 those for the first three quarters of 2017 became much more erratic with regular, periodic dips and peaks.



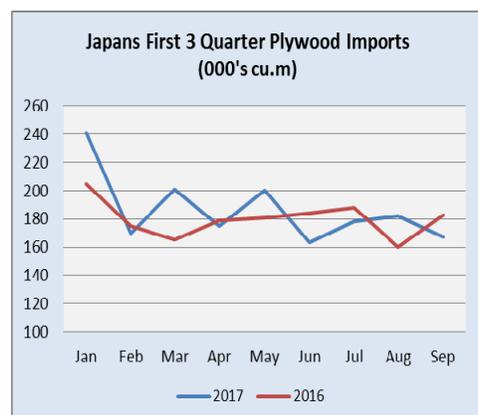
Data source: Ministry of Finance, Japan

The value of September 2017 imports of wooden flooring wase up 26% from levels in September 2016 but dipped when compared to a August imports(-12%).

For September 2107 HS 441875 accounted for 70% of Japan's assembled flooring imports followed by HS 441879 at 25%. Shippers in China dominated September imports of HS 441875 accounting for 63% of all imports of this category followed by Indonesia (16%) and Malaysia (4%).

For HS 441879, the top suppliers were China (34%), Indonesia (32%) and Thailand (14%).

### Plywood



Data source: Ministry of Finance, Japan

For both 2016 and 2017 the volume of plywood imports dipped sharply early in the year but recovered slightly from the end of the first quarter. Year on year, the volume of plywood imports during the first nine months of 2017 were almost unchanged in comparison with 2016 despite the rather steep peaks and dips in monthly trade.



Data source: Ministry of Finance, Japan

In the first three quarters of 2017 imports from China were much the same as in 2016 however, imports from Malaysia grew 9% year on year while imports from Indonesia fell 4% year on year.

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

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65
	Jul	10.6	100	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6

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 products trade with EU**

In last July, rough agreement was made by EPA trade negotiation. On wood products, import duty will be reduced step by step for next seven years and will be duty free after eighth year on 10 items like SPF lumber, structural laminated lumber and fiber board. Import duty rate and imported value by items are shown in the chart. Import duty used to be high of 20% but now it is about 6%.

TPP (Trans Pacific Partnership) involves 12 countries around the Pacific and it is basic rule to abolish all the duties immediately but after the president Trump was elected, U.S.A. decided to get out of TPP so this is dead-locked now.

Meantime, it is significant that Japan and EU came up with agreement since European wood products are now major items for Japanese housing.

Demand on European lumber and laminated lumber has been expanding largely in Japan as strength, quality and supply capacity of European products cannot be replaced by other sources so they surpassed share of North American products.

It is certainly a good news that the duty will be abolished, which reduces the cost of the products. However, it is hard to predict how duty free will influence the market after seven years, which is too far away to see.

European lamina is basic raw material for domestic laminated lumber manufacturers but European suppliers have other markets to play with while finished laminated lumber like whitewood post and redwood beam are made for Japan market so the suppliers have very little choice and the prices are subject to Japanese market while lamina has wider markets so actually the prices have kept climbing despite considerable strong Euro.

Whitewood laminated post has competition of domestic cedar laminated post and the same is on KD stud. Since last summer, whitewood laminated post has not expanded the share despite lower prices.

Redwood laminated beam has tight supply so despite higher prices, it has been accepted in the market but the demand for all the wood products will decrease in a long run by decline of population in Japan so the demand for European lumber will shrink.

Meantime, European market is active and other markets like China continues growing so elimination of import duty is easily wiped out by export price increase by the suppliers and it does not help reduce the cost of import products.

In board and plywood, OSB and particleboard are the most influenced by the EPA. European OSB is the second largest source of import. In 2016, total OSB import was 277,601 cbms, out of which European OSB was 90,442 cbms and Canadian OSB was 184,651 cbms, 66.5% share in total import. Due to higher transportation cost from Europe and strong Euro, European OSB is relatively higher in prices compared to the Canadians.

In total import of particleboard in 2016, European PB was 168,792 cbms, 68.4% share. Majority is low melamine decorative board.

### **Sawnwood exports up 60%**

Export of lumber has been increasing rapidly in last two years. For the first eight months of this year, the exported volume is 84,370 cbms, 62.4% more than the same period of last year. Total volume of the year will be 100,000 cbms.

This is quite progress since total lumber export volume is about 40,000cbms in 2008 and 2009 and about 60,000cbms in 2010 and 2015. In 2016, Chinese economy slowed down and log export slowed down but lumber export has steadily growing.

China is the leading buyer of lumber, which is used as lamina for laminated lumber and interior finishing then sheathing of housing. Average unit prices are 34,000 yen per cbm, which is not high but makes steady business.

Noticeable move is export of lumber to the U.S.A. This year's export volume is 7,338 cbms, four times more than the same period of last year. Average unit price is nearly 50,000 yen, much higher than the prices for China.

Lumber export for Taiwan P.o.C and Vietnam is also 30-40% more than 2016. Lumber export to the Philippines has been large but this is for some major Japanese house builder's precutting business in the Philippines so that processed lumber returns to Japan. Log export volume for the first eight months is 677,582 cbms.

### **Plywood**

The plywood market is generally firm. There is no tight supply feeling but there are some delivery delays for small precutting companies. Wholesalers, trading firms and precutting plants are anxious to build up the inventories toward the year end so that orders the manufacturers are very active.

September softwood plywood production was 262,800 cbms, 4.1% more than September last year and 3.2% more than August.

The shipment was 267,400 cbms, 4.9% more and 7.0% more. This is the highest record of monthly shipment in last five years.

The inventories were 105,300 cbms, 4,700 cbms less than August. The market prices are firm and price hike by the manufacturers are fully accepted now. The supply in the Western Japan is much tighter in Kyushu and Osaka region and there are delivery delays of about a month even for direct delivery to precutting plants.

The market of imported plywood is getting firm on all the products. Coated concrete forming panel prices have been inching up but others like uncoated concrete forming panel and structural panels had been without much price increase but now that the suppliers are proposing higher export prices on these items with softening yen, general mood is price escalation.

As the importers have purchased high priced plywood, they need to keep pushing the market prices further up.

With shipment delay, trading companies' inventories are very little so they have no plywood to sell. The movement of imported plywood continues inactive but the importers try to buy back plywood from lower end of distribution channels

**Itochu Kenzai's business plan**

Itochu Kenzai Corporation (Tokyo) held lecture meeting in Osaka to review market trend and business plan of the company.

It plans to increase supply of hybrid plywood made from all planted trees to 1,200 cbms in 2017. It also plans to expand supply of certified concrete forming panel and structural panel. In this, sales expansion of structural panel with selected cypress veneer is another target. Basic policy is to increase handling of environmentally friendly wood products.

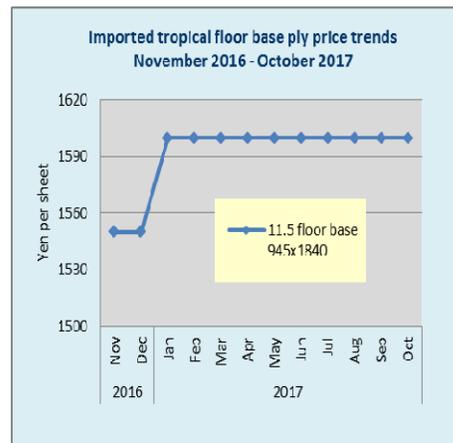
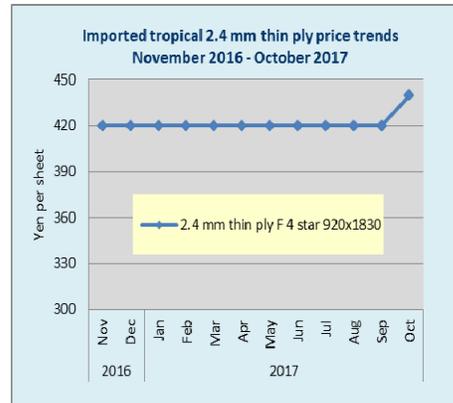
Sales for the first half of 2017 would be 147.3 billion yen, 7% more than the same period of last year. In this, wooden board sales of domestic and imported plywood and fiberboard are 31.5 billion yen, 13% more.

Hybrid plywood of all planted trees means that it is not traditional falcate plywood or meranti for face and back but on top of falcate from agriculture forest, other planted species grown in this forest is used.

To expand handling of forest certified plywood, it is necessary to tie up plywood suppliers, which have limited source of quality natural wood or have steady supply of certified logs.

On domestic cypress plywood, it will tie up with domestic manufacturers like Nisshin group and Noda. On wood products, it is reviewing all the supply sources to make sure supply of certified products.

**Imported plywood wholesale prices**

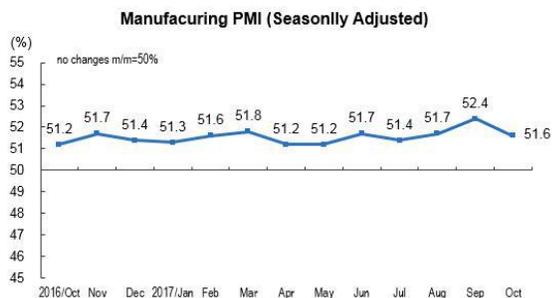


## China

### First hint of slowing consumption

The economy in China is on track to meet targets set by government but many analysts have expressed concern over rising debt levels. Domestic consumption is strong but China's official manufacturing Purchasing Managers' Index (PMI) for October was lower than expected.

The October PMI for large-sized enterprises was 53.1 (down 0.7 points) but still in an expansionary mode. The PMI for medium-sized and small-sized enterprises came in at 49.8 and 49.0 points signaling decline.



Source: National Bureau of Statistics, China

Among the five sub-indices composing PMI the raw materials inventory index, employed person index and supplier delivery time index were lower than the positive threshold.

The official data suggest that both production and demand fell in October, a decline put down to reduced output as companies, especially those in the NE of the country, complied with environmental regulations and the long holiday in October.

For the year to October the manufacturing sector has achieved solid growth on the back of consumer spending and expenditure on infrastructure developments.

For more see:

[http://www.stats.gov.cn/english/PressRelease/201710/t20171031\\_1548112.html](http://www.stats.gov.cn/english/PressRelease/201710/t20171031_1548112.html)

### First half 2017 softwood log imports

In the first half of 2017 China's softwood log imports were 17.51 million cubic metres. The main imported softwood log species in the first half of 2017 were radiata pine (7.56 million cu.m, 43%), spruce and fir (2.51 million cu.m, 14%), Korean and Scots pine (2.04 million cu.m, 12%), larch (1.20 million cu.m, 7%) and douglas fir (0.88 million cu.m, 5%).

The volume of radiata pine and douglas fir imports rose 14% and 6%, but Korean pine and scots pine, spruce, fir and larch imports fell 18%, 5% and 2% respectively. These species accounted for 81% of total softwood log imports.

China's radiata pine log imports were from New Zealand (78%) and Australia (21%). Minor amounts were from

South Africa and Chile. Over 90% of spruce and fir logs were imported from Russia (61%), Canada (16%) and the USA (15%) while pine logs (Korean and scots pine) were imported from Russia (86%) and Ukraine (6%).

China's larch log imports were from Russia and New Zealand while douglas fir logs were imported from the USA (55%), Canada (28%) and New Zealand (17%). Small amounts were from France, Australia, Denmark and Russia.

### First half hardwood log imports

In the first half of 2017 China's hardwood log imports totalled 8.38 million cubic metres. The main imported hardwood log species were birch (1,041,100 cu.m, 12.4%), beech (676,000 cu.m, 8.1%), oak (554,800 cu.m, 6.6%), okoume (512,500 cu.m, 6.1%), North America hardwood (434,800 cu.m, 5.2%), redwood (419,800 cu.m, 5.0%), poplar (315,200 cu.m, 3.8%), eucalyptus (284,000 cu.m, 3.49%) and merbau (112,900 cu.m, 0.3%).

While the volumes of US hardwoods, okoume and redwood rose, imports of merbau fell.

Recent additions to the Customs code include birch (4403.9500 sectional dimension equal to or more than 15cm and 4403.9600 sectional dimension less than 15cm), poplar (4403.9700) and eucalyptus (4403.9800) which will make analysis more accurate.

### Sawn softwood species imports

In the first half of 2017 China's sawn softwood imports were 12.41 million cubic metres. The main imported sawn softwood species in the first half of 2017 were spruce and fir (4.78 million cu.m, 39%), Korean and scots pine (1.33 million cu.m, 11%), other pines (1.20 million cu.m, 7%), radiata pine (0.59 million cu.m, 5%) and douglas fir (0.14 million cu.m, 1%).

The volume of douglas fir, spruce and fir, Korean, scots pine and radiata pine imports rose 26%, 15%, 13% and 8% respectively. These species accounted for 83% of total sawn softwood imports.

Most of China's Korean and scots pine sawnwood were imported from Russia., Other sources of sawn softwood included Finland (3.3%), Sweden (1.3%) and Germany (1.1%).

Imports of radiata pine sawnwood were from Chile (59%) and New Zealand (32%). Imports of spruce and fir sawnwood were from Russia (38%), Canada (35%), Finland (14%) and Sweden (8%).

### Sawn hardwood species imports

In the first half of 2017 China's sawn hardwood imports were 5.71 million cubic metres. The main sawn hardwood species imported were oak (740,900 cu.m, 13%), beech (312 500 cu.m, 5.5%), birch (285 200 cu.m, 5.0%), North America hardwoods (280,300 cu.m, 4.9%), white ash (251,000 cu.m, 4.4%).

The volumes of beech, North America hardwoods, oak and white ash rose 34%, 25%, 18% and 4% respectively.

The Customs code for tropical redwood (4407.2940), birch (4407.9600) and poplar (4407.9700) sawnwood are newly added from 2017 so there are no comparative data.

#### Production of plywood in 2016

In 2016 plywood production rose 7% to 177.56 million cubic metres accounting for nearly 60% of total woodbased panel output and was valued at RMB367.5 billion. Of the total, 163.82 million cubic metres were plain plywood, 7.34 million cubic metres were laminated or wood/bamboo composite plywood and 6.4 million cubic metres were bamboo.

The output from mills in Shandong province was the largest and rose 6% to 51.57 million cubic metres in 2016. The output in almost all provinces increased in 2016. The output of Hebei, Fujian, Jiangsu and Hu'nan provinces grew dramatically by 38%, 35%, 23% and 16% respectively. However, the output of Guangdong Province alone fell 4% in 2016.

#### Plywood output by province 2016

	Vol. mil. cu.m	% Change 2015-16
Shandong	51.57	6%
Jiangsu	38.96	23%
Guangxi	21.38	4%
Anhui	16.34	10%
He'nan	8.42	7%
Hebei	8.12	38%
Guangdong	6.69	-40%
Fujian	5.66	35%
Hu'nan	3.07	16%

#### 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
<b>yuan per tonne</b>		
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 africa	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

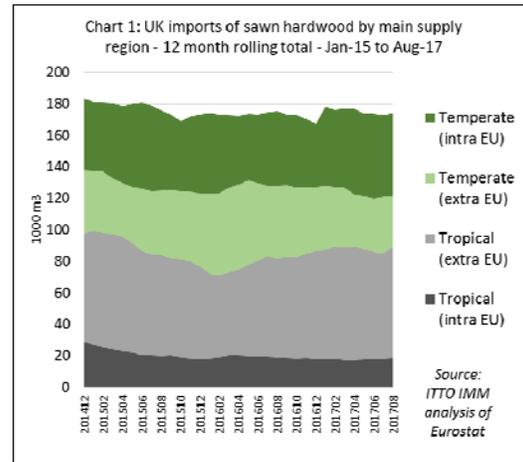
### UK sawn hardwood market holds up well despite Brexit concerns

While imports of tropical sawn hardwood into the eurozone countries have failed to live up to expectations in 2017, having declined as economic growth has revived, imports into the UK have followed the opposite trajectory.

UK imports of tropical sawn hardwood have held up well this year despite slowing economic growth. The UK imported 70,475 cu.m of sawn tropical hardwood in the first 8 months of 2017, marginally more than 70,322 cu.m imported in the same period in 2016.

Chart 1 puts the UK's relatively strong imports of tropical sawn hardwood in their wider market context. Total UK imports of sawn hardwood, both tropical and temperate, have been consistent at between 170,000 cu.m and 180,000 cu.m per year since the start of 2014.

The moderate growth in UK tropical sawn hardwood imports this year has come partly at the expense of temperate hardwood imports which have declined in 2017, particularly from the USA, Estonia and Italy.



African sapele is by far the dominant tropical hardwood imported into the UK, being strongly preferred for a wide range of joinery applications. UK importers report that sapele prices, which were stable in the first three quarters of 2017, are now beginning to rise.

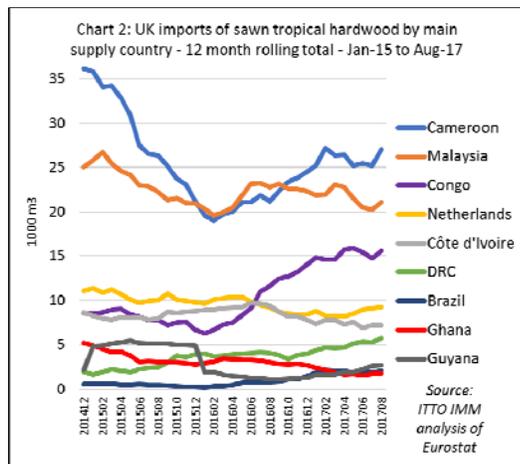
They also report that supply of some other popular tropical hardwoods – such as iroko and meranti – has been limited this year. However, availability of idigbo and utile has been good, with stable prices.

This year, demand for sapele in the UK was boosted following the catastrophic fire at Grenfell Tower which led to at least 70 deaths in London in June this year. One outcome of the subsequent nationwide review of fire safety standards has been withdrawal of approval to use beech for manufacture of 60-minute fire doors and a partial switch to sapele in this application.

Chart 2 shows that UK imports of tropical sawn hardwood from Cameroon have recovered this year following a significant decline in 2015 and 2016. There has also been a notable rise in UK imports from the Congo Republic. Imports from Ghana and Ivory Coast have been sliding this year.

Imports from Malaysia, mainly of meranti, recovered ground at the end of 2016, but have been declining in 2017. Imports from Brazil, which fell to negligible levels in 2014 and 2015, have been slowly recovering in the last two years.

The EU Timber Regulation has had a major impact on tropical timber procurement practices in recent years. It has focused supply on a much more limited range of companies in tropical countries for which UK importers are confident of assurances that timber is legally harvested. In practice this has meant increased demand for FSC and PEFC certified products.



The fact that UK imports of tropical sawn hardwood have been rising from DRC this year, and are still high from Ivory Coast, both countries with no certified forest area, indicates that other forms of legality assurance are still being accepted.

#### Pressure mounts for imports of certified timber

However, the pressure on UK importers to purchase only certified material is mounting. Many of the UK's largest timber distributors are signatories to the WWF Forest Campaign which commits them to sourcing 100% certified material by no later than 2020.

Significant changes are already underway in UK imports of temperate hardwoods. The recent decline in UK imports from the US, of which around 55% comprises oak, was initially currency driven. The slide in UK trade in American hardwood began immediately after the Brexit vote in June 2016 when the pound plunged in value against the dollar.

Since then, UK importers have grown accustomed to the greater uniformity and more appropriate moisture content of European oak (which is slightly higher and better suits UK ambient temperatures) compared to US oak and have been reluctant to switch back even as prices for European oak have risen. This is particularly true of thicker sizes of oak, a market which is now heavily dominated by the European variety.

The decline in UK sawn hardwood imports from the US this year is also partly due to deteriorating supply of American ash, now seriously impacted by the emerald ash borer infestation.

This is devastating ash stocks in the US and has also encouraged the EU to impose stringent phytosanitary controls on US ash imports. US suppliers are diverting most of the ash that is available to markets with less stringent phytosanitary rules, particularly China where there is strong demand for the stocks available.

On the other hand, UK imports of American tulipwood have been consistent, with strong demand for this species for lighter interior joinery and furniture applications.

Estonia is not traditionally known as a supplier of higher grade hardwood, and much UK import from the Baltic state comprises lower grade boreal species such as aspen and alder used for pallets and other industrial applications.

However, Estonia is also now heavily engaged in thermal modification of imported hardwoods, notably ash from other parts of Europe and the US, to supply a product which competes directly with tropical hardwood in external applications like decking, cladding and window frames.

The recent decline in UK imports from Estonia, while tropical imports have been robust, suggests that tropical hardwood continues to resist this market pressure from a potential substitute, at least in certain applications in the UK.

Slower UK imports of hardwoods from Italy are primarily due to Croatia's ban on exports of oak logs and lumber over 25% moisture content. Italian companies were heavily engaged in the Croatian oak trade, purchasing logs and lumber for further processing in Italy for shipment to the rest of Europe.

However, in June 2017, the Croatian government implemented the two-year ban on unprocessed oak exports, ostensibly to stop spread of oak lace beetle – although some traders suspect a tactic to underpin greater investment in wood processing in Croatia.

Italian mills are now setting up plants in Croatia to secure supplies, but lack of kilning capacity is still causing bottlenecks. European oak prices have risen accordingly, with another 10% increase anticipated for the new cutting season.

#### Stock levels in UK are high

Due to the strong buying activity in the first half of the 2017, UK traders report that hardwood stock levels of unsold timber on the ground are now quite high. The September to November period is traditionally very busy for UK hardwood traders, as customers ramp up buying between summer vacations and the year-end, but business has slowed a bit this year.

There is no signs of crises in the UK market just yet, but many expect demand next year to fall short of the level in 2017. Economic prospects certainly seem to have cooled. The British Chambers of Commerce (BCC) says that the UK economy is now on a "low growth trajectory". In its latest economic review, the BCC revised its growth forecast for 2018 UK downward, from 1.3% to 1.2%, and for 2019 from 1.5% to 1.4%.

The BCC says that the post EU referendum slide in the value of the pound had "done more harm than good" as the rising cost of imported raw materials had driven inflation, which was now expected to hit 3% by the year end, suppressing consumer spending.

Uncertainty over Brexit and the UK's subsequent trade deal with the EU is cited as a key factor in the deceleration of the UK economy, with Commerzbank commenting that it was running at 0.5% slower growth than before the EU referendum.

UK construction had been on an upward curve, with housing starts in the year to June up 13% at 164,960. But the industry contracted in the second and third quarters of 2017 and forecasts for growth in 2018 have been downgraded to under 1%.

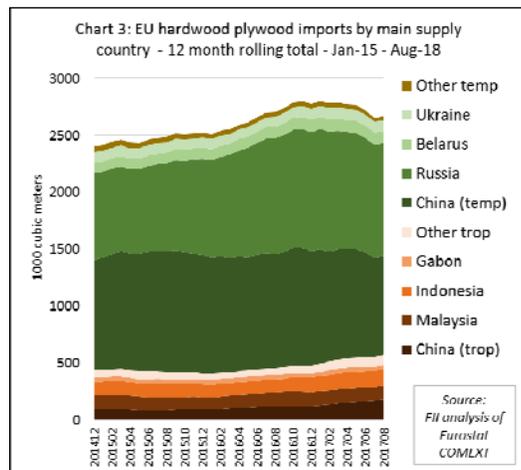
Various industry bodies are now urging the UK government to push for rapid conclusion of a transition deal with the EU on Brexit to help lift the economy. In the meantime, the International Monetary Fund has revised down long-term and short-term UK growth forecasts in response to 'negative effects' from the Brexit vote starting to show. It now predicts the economy will expand 1.7% this year and 1.5% next.

### Falling EU imports of mixed hardwood plywood from China

After rising strongly in 2016, EU imports of hardwood plywood have been slowing this year. The decline in imports has been concentrated in mixed hardwood products from China. Imports of tropical hardwood plywood, both directly from tropics and from China, have been rising this year (Chart 3).

EU imports of hardwood plywood peaked at an annualised level of 2.80 million cu.m in November 2016, but this figure had fallen to 2.65 million cu.m by July 2017. During this period, imports of mixed hardwood plywood from China fell from an annualised level of 1.03 million cu.m to 862,000 cu.m.

This decline in imports was partly offset by a rise in annualised imports of tropical hardwood plywood from China from 124,000 cu.m in November 2016 to 181,000 cu.m in August 2017.



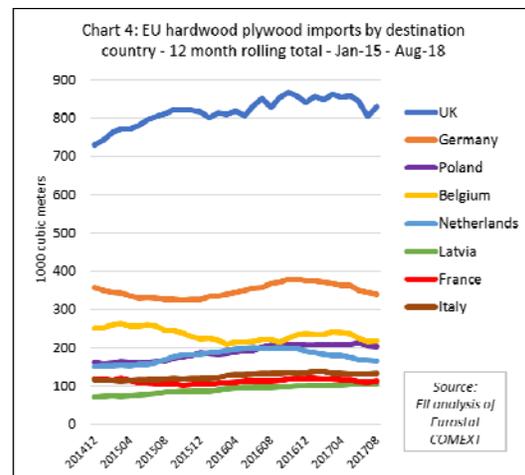
During the same period, direct imports of hardwood plywood from tropical countries also increased, from an annualised level of 356,000 cu.m in November 2016 to 393,000 cu.m in August 2017.

Between November 2016 and August 2017, there were significant gains in annualised imports from Indonesia (129,000 cu.m rising to 144,000 cu.m), and Brazil (19,970 cu.m rising to 23,000 cu.m). Imports also increased from a range of smaller supplying countries including Vietnam, Thailand, and Morocco.

During the same period, annualised imports were flat from Malaysia at 123,000 cu.m and declined from Gabon from 38,000 cu.m to 35,000 cu.m.

In terms of destination countries, imports of hardwood plywood in the UK were broadly flat at an annualised level of 860,000 cu.m in the 12 months prior to June 2017, but then slowed sharply to 810,000 cu.m during summer this year.

Imports in Germany, Belgium, and the Netherlands have fallen more gradually since the start of 2017, and have remained stable in Poland and France. (Chart 4).



Regulatory factors appear to have had a significant impact on the EU hardwood plywood trade this year. EUTR has encouraged greater concentration of trade into a few larger suppliers with resources required to meet the due diligence requirements.

Indonesian plywood appears to have received a boost since issue of the first FLEGT licenses in November 2016 which allows import of Indonesian product without any further due diligence.

EUTR coupled with increased technical demands of the EU Construction Product Regulation has also increased the trade's awareness of the importance of accurate identification of species content for any product placed on the EU market.

The apparent rise in imports of tropical hardwood plywood into the EU from China may be at least partly due to more accurate identification of the actual species content.

This trend may also be partly due to a greatly increased range of named species being specifically listed as “tropical non-coniferous” rather than “other non-coniferous” following an amendment to the Harmonised System (HS) of product codes used to compile trade data from January 2017.

## North America

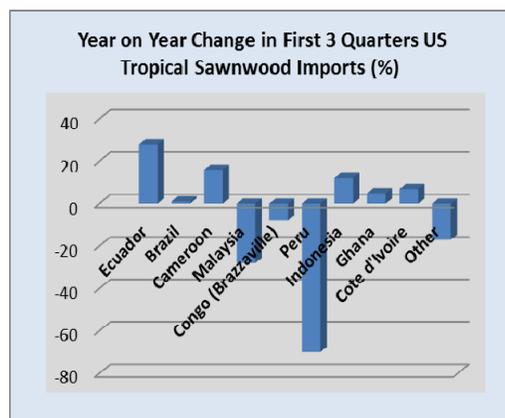
### Brazil expands market share

US imports of temperate and tropical sawn hardwood declined 13% in September from the previous month to 62,939 cu.m. Tropical sawnwood imports fell 22% to 16,755 cu.m., primarily due to a 40% drop in balsa imports in September.

Imports of several other major tropical species were also down in September, with the exception of ipe, virola and mahogany. Ipe sawnwood imports increased 19% from the previous month to 2,871 cu.m., while the value of imported ipe grew at an even higher rate to US\$6.5 million.

1,043 cu.m. of virola sawnwood were imported in September, up 24% from August. The majority came from Brazil, whose tropical shipments to the US reached 4,900 cu.m. in September due to the higher ipe and virola imports.

Imports from Malaysia fell by more than half in September. Keruing sawnwood imports were significantly down from August. Imports of meranti, teak and jatoba also declined from the previous month.



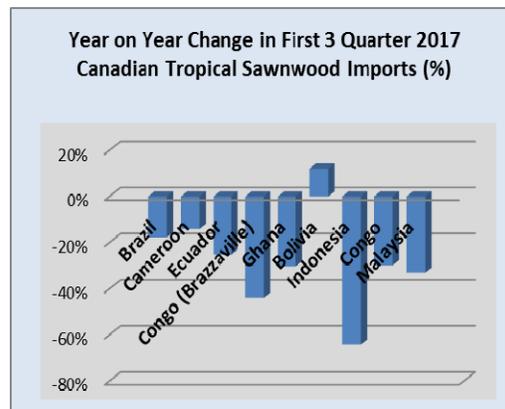
Data source: US Census Bureau, Foreign Trade Statistics

### Canadian tropical imports up in September lead by balsa

The value of Canadian imports of tropical sawnwood grew by 11% in September to US\$1.68 million (all values in US dollars). Year-to-date imports were 4% lower than at the same time last year.

Imports of virola, imbuia and balsa (combined) and mahogany recovered from the drop in August. Unlike in the US the growth was largely in balsa imports from Ecuador, which more than tripled in September to US\$17,643.

At US\$324,560 sapelli sawnwood imports were slightly down in September, but year-to-date imports were unchanged from the same time last year. Sapelli exports from Cameroon grew to US\$209,795 in September, while Cameroon’s shipments of “other” tropical species to the US reached US\$237,457.



Source: Statistics Canada

### Note:

In addition to the sources mentioned above, Canadian imports of tropical sawnwood from US sources in the first 9 months of this year more than tripled compared to 2016. Imports from the US totalled more than 3 million cubic metres accounting for around 25% of all tropical sawnwood imports into Canada.

### US architects and designers lack knowledge on endangered species

Many US architects and designers have limited knowledge of endangered and threatened wood species and often do not know which alternative species or materials to use. Even if they do know that a species is endangered, 40% would still chose the wood if a client requested it.

These are the findings of a national survey of architects and designers that was commissioned by laminate manufacturer Wilsonart. The survey results were presented at an event for architects in New York and reported by Woodworking Network.

The survey also found that almost none of the survey respondents could correctly identify most endangered wood species from a list provided but 70% agreed that using responsibly sourced wood is a priority.

Potential legal liabilities under Lacey Act are not well understood by architects and designers.

Producers and suppliers of tropical wood products have a significant opportunity and challenge to educate designers in the US about tropical species, sustainable tropical forest management and legal procurement.

A good starting point for understanding the educational needs are the survey results and recommendations provided on the Wilsonart website.

See: <https://www.wilsonart.com/understanding-wood>

The survey respondents were designers, architects and specifiers who work on a wide range of building projects, including residential, office and hospitality.

#### **Chemically modified pine for outdoor applications**

The US internet portal Woodworking Network recently featured the use of chemically modified radiata pine in a landmark high-end apartment building near downtown Washington DC. The pine product (Kebony) is used for outdoor decking, benches and a pergola. The manufacturer of Kebony compares its properties to ipe, teak and thermally modified temperate species. While the product falls short of ipe in hardness and dimensional stability, it rates similarly to teak according to the Norwegian manufacturer's data.

#### **More US antidumping investigations**

Enforcement of trade laws is a prime focus of the Trump administration, according to the US Department of Commerce.

Between January 20 and November 1 of this year the department has initiated 77 antidumping and countervailing duty investigations, which represents a 61% increase from the same period in 2016.

The US Department of Commerce announced in early November the final duties on sawn softwood products from Canada. Five Canadian manufacturers were assessed combined duties between 9.92% and 23.76%, while all others will pay 20.83%.

US home builders and other users of Canadian softwood criticized the decision since it will raise cost to US consumers. Canadian manufacturers and their customers in the US had hoped for a long-term settlement between the two countries, similar to the previous softwood trade agreements, but a negotiated agreement was not reached.

#### **Commerce Department plywood investigation goes against Chinese manufacturers**

The US Secretary of Commerce has announced its final determinations in the antidumping duty (AD) and countervailing duty (CVD) investigations of imports of hardwood plywood products from China.

The Commerce Department determined that exporters from China sold hardwood plywood products in the United States at 183.36 percent less than fair value.

Commerce also determined that China is providing unfair subsidies to its producers of hardwood plywood products at rates ranging from 22.98 to 194.9 percent.

As a result of these decisions the Commerce Department will instruct US Customs to collect cash deposits from importers of hardwood plywood products from China based on the determined rates.

In 2016, imports of hardwood plywood products from China were valued at an estimated US\$1.12 billion. The investigation was conducted after petitions were filed on behalf of the Coalition for Fair Trade in Hardwood Plywood and its individual members: Columbia Forest Products (NC), Commonwealth Plywood Inc. (NY), Murphy Plywood (OR), Roseburg Forest Products Co. (OR), States Industries, Inc. (OR), and Timber Products Company (OR).

For the press release see:

<https://www.commerce.gov/news/press-releases/2017/11/us-department-commerce-finds-dumping-and-subsidization-imports-hardwood>

and more at:

<https://www.trade.gov/enforcement/factsheets/factsheet-prc-hardwood-plywood-products-ad-cvd-final-111317.pdf>

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

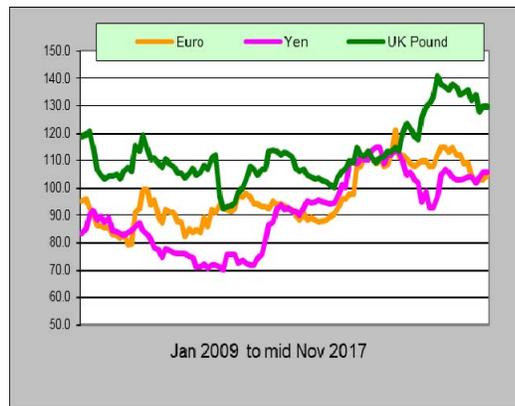
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 10 November 2017

Brazil	Real	3.2779
CFA countries	CFA Franc	558.50
China	Yuan	6.6415
EU	Euro	0.8573
India	Rupee	65.19
Indonesia	Rupiah	13533
Japan	Yen	113.54
Malaysia	Ringgit	4.1915
Peru	New Sol	3.2426
UK	Pound	0.7581
South Korea	Won	1120.97

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  
December 2016 – mid November 2017

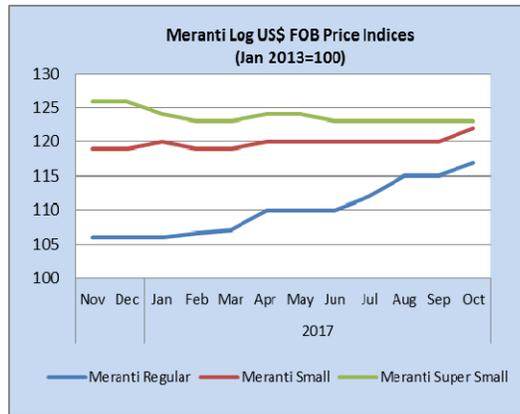


Data source: Open Financial Data Project

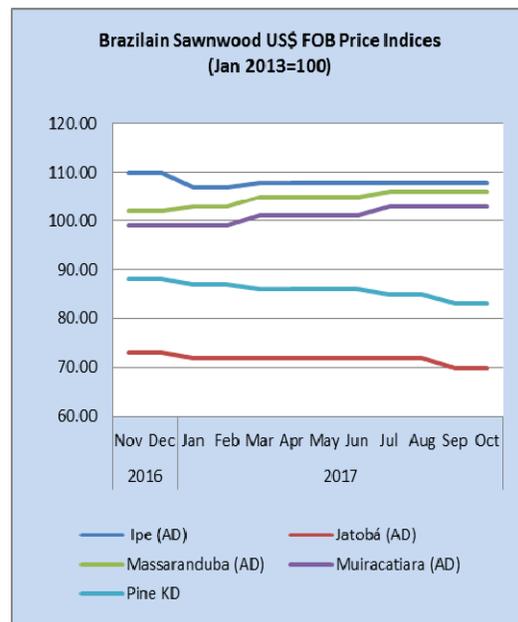
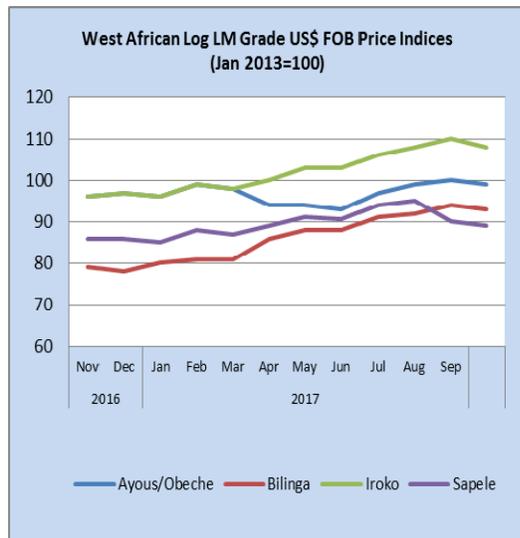
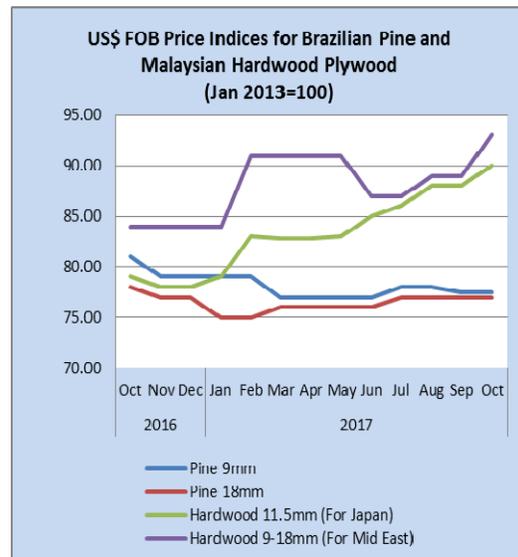
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

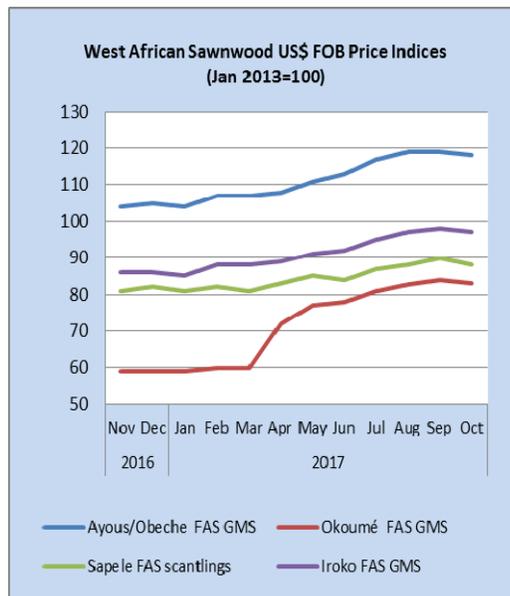
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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