

Tropical Timber Market Report

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Contents

| | |
|------------------------------|----|
| Central/West Africa | 2 |
| Ghana | 3 |
| Malaysia | 3 |
| Indonesia | 4 |
| Myanmar | 5 |
| India | 5 |
| Brazil | 8 |
| Peru | 9 |
| Japan | 10 |
| China | 15 |
| Europe | 17 |
| North America | 20 |
| Currencies and Abbreviations | 22 |
| Ocean Freight Index | 22 |
| Price Indices | 23 |

Headlines

| | <i>Page</i> |
|--|-------------|
| Ghana gets furniture testing centre to improve competitiveness | 2 |
| Commercial arm of Malaysia’s Forest Research Institute launched | 4 |
| Royalty rates to be raise in Myanmar | 5 |
| PEFC lauds Indian certification system | 5 |
| SERFOR penalises forestry consultants for manipulating data | 9 |
| China’s national accreditation body recognised by US EPA | 15 |
| Kevazingo not a recognised ‘redwood’ in China’s new national standard | 15 |
| Upswing in EU timber consumption not benefitting tropical suppliers | 17 |

Top Story

EU importers – “2018 could be a good year for those with plentiful stocks”

EU importers anticipate competition for supplies will be a challenge in 2018. The other main challenge anticipated is stricter implementation of the EUTR.

Large importers with economies of scale able to order and store large volumes of tropical timber to meet just-in-time market requirements and also with resources to manage legality regulation requirements will flourish as small and medium sized companies exit the trade.

See page 20

Central and West Africa

Buyers reject the higher asking prices for logs

Reports from Cameroon say that buyers for the Chinese market are not accepting the new and higher asking prices for logs.

Analysts say, taking into account that the Chinese New Year celebrations and vacations are now in full swing and the undermining of business confidence by volatility in stock markets, it is scarcely surprising that log importers are not in any mood to buy and certainly not at the new asking prices. In retrospect, the timing of the decision to raise export duties on logs was very unfortunate.

There has been little knock-on impact from the hike in log asking prices on prices for other products such as sawnwood and plywood. However, if and when log exporters manage to secure higher log prices then sawnwood and plywood prices will likely move up.

Demand for sawnwood is generally quiet and prices remain unchanged but business in the large dimension slabs is firm. It seems likely, say analysts, that this quiet phase in markets will remain for some time.

The early months of every new year are usually the slowest period, especially in western markets which would explain why producers are saying European buyers are not yet in the market for new orders, even for the usual 'stock top-ups'.

Adding to the stock market gloom in EU markets has been the adverse winter weather in Europe and the uncertainties over the way in which the UK will exit the EU. This negative sentiment is likely to linger for some weeks to come.

Hopes for higher demand pinned on Middle East

Middle East demand is holding firm and producers still expect a surge in rebuilding when a more peaceful situation is achieved in the region.

Decision on kevazingo sawnwood trade still pending

Producers in Gabon say the kevazingo issue has not been resolved and there has been no decision on whether to limit sawnwood exports to only kiln dry stock. In the meantime, the forest authorities are battling to stem the flow of illegally harvested Kevazingo, a tough task where such a high value timber is concerned.

Log export prices

| West African logs Asian market | FOB Euro per cu.m | | |
|---|-------------------|-----|------|
| | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 260 | 255 | 170 |
| Ayous/Obeche/Wawa | 270 | 260 | 225 |
| Azobe & Ekki | 270 | 270 | 180 |
| Belli | 295 | 295 | - |
| Bibolo/Dibétou | 195 | 175 | - |
| Bilinga | 265 | 265 | - |
| Iroko | 370 | 350 | 270 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 250 | 250 | 190 |
| Moabi | 355 | 345 | 275 |
| Movingui | 230 | 230 | 170 |
| Niove | 175 | 160 | - |
| Okan | 240 | 240 | - |
| Padouk | 335 | 290 | 245 |
| Sapele | 310 | 300 | 245 |
| Sipo/Utile | 335 | 315 | 245 |
| Tali | 380 | 370 | - |

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 | 1020 |
| 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

Furniture testing centre to improve competitiveness

To improve the quality and add more value to locally made furniture a testing facility has been established by the Timber Inspection Development Division (TIDD) near Kumasi, a centre for wood product manufacturers.

The centre has modern equipment for testing furniture, plywood and wood-based panels and was made possible by technical support from UNIDO.

Funding of the project was provided by the Government of Switzerland under its Trade Capacity Building Programme. This centre, say analysts, is the first of its kind in the West Africa.

The centre is expected to stimulate growth in Ghana's added value wood product sectors. The Minister for Trade and Industry, Alan Kwadwo Kyeremanteng, has said the government will do all it can to support growth in the wood products sector to lift Ghana's productivity and competitiveness locally and internationally.

Praise for efforts to reclaim degraded forests

The Forestry Commission has engaged local firms to help with the reclamation of forest reserves degraded by illegal mining. Over the next 12 months the work will be carried out in the worst affected areas in the Ashanti, Eastern and Western regions.

The Chief Executive of the Forestry Commission, Kwadwo Owusu Afriyie, announced these plans during a tour of affected areas by Commission officials and the Chairman of the Parliamentary Select Committee on Lands and Natural Resources.

The Commission has indicated it will recruit an additional 15,000 personnel, half of which will be trained as forest guards to strengthen measures against illegal activities in forest reserves.

In the State of the Nation address, the President, Nana Addo Dankwa Akufo-Addo, praised the efforts of the Inter Ministerial Team on gamsemy (illegal mining).

Ghana to host international trade fair

In conjunction with the Ghana International Trade Fair scheduled from 28 February to 2 March in Accra, BVRio will hold an event dedicated to promoting the trade of 100% legal and certified timber dubbed 'The Responsible Timber Trade Fair'.

The BVRio website says the event will provide an opportunity to meet with potential trading partners in the region. Leading experts will provide an overview of trends in West African timber trade, the regulatory framework involved and progress in eliminating illegal timber from the international timber trade.

BVRio is an electronic marketplace where timber producers and traders have the possibility to promote timber products.

For more see: <http://tradefairgh.com/>
and
<https://bvriotradefairs.org/>

Boule Export prices

| | Euro per m ³ |
|----------------------|-------------------------|
| Black Ofram | 330↓ |
| Black Ofram Kiln dry | 414↓ |
| Niangon | 585↑ |
| Niangon Kiln dry | 655↑ |

Export Rotary Veneer Prices

| Rotary Veneer, FOB | Euro per m ³ | |
|--------------------|-------------------------|-------------|
| | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba | 300 | 450 |
| Chenchen | 449↑ | 502 |
| Ogea | 473↑ | 596 |
| Essa | 413↑ | 566 |
| 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 | 926↓ |
| Avodire | 1,177↑ |
| Chenchen | 760↓ |
| Mahogany | 1,623↓ |
| Makore | 913↓ |
| Odum | 2,525↑ |

Export Plywood Prices

| Plywood, FOB | Euro per m ³ | | |
|--------------|-------------------------|-------|----------|
| | Ceiba | Ofram | Asanfina |
| BB/CC | | | |
| 4mm | 352 | 640↑ | 641 |
| 6mm | 640↑ | 535 | 626 |
| 9mm | 355↓ | 446↓ | 560 |
| 12mm | 470 | 463 | 480 |
| 15mm | 450 | 383↑ | 430 |
| 18mm | 417 | 417 | 383↑ |

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

Export Sawnwood Prices

| Ghana Sawnwood, FOB | Euro per m ³ | |
|-----------------------------------|-------------------------|------------|
| | Air-dried | Kiln-dried |
| FAS 25-100mm x 150mm up x 2.4m up | 860 | 925 |
| Afrormosia | 485↓ | 564 |
| Asanfina | 240 | 288↓ |
| Ceiba | 400↑ | 440 |
| Dahoma | 520 | 580 |
| Edinam (mixed redwood) | 380 | 428 |
| Emeri | 843↓ | 1018↓ |
| African mahogany (Ivorenensis) | 775↑ | 846 |
| Makore | 598↓ | 675 |
| Niangon | 918↑ | 1029 |
| Sapele | 700 | 796↑ |
| Wawa 1C & Select | 408↑ | 449 |

Malaysia

Malaysia's exports and the strengthening ringgit

Malaysia's exports rose almost 19% in 2017 compared to a year earlier, the fastest pace of expansion since 2005. For the ninth consecutive year, China was again Malaysia's main trading partner. Last year Malaysia's exports to China rose by almost a third while imports jumped 15%.

Of concern to exporters is the pace at which the ringgit is appreciating, especially against the US dollar. Furniture exporters have voiced concern saying their competitiveness will inevitably be undermined by the stronger ringgit.

Analysts write that few of Malaysia's furniture exporters use hedging to minimise currency fluctuation risks. In addition to the impact of a strong local currency, manufacturers are facing rising production cost as wages rise.

Gaharu wood worth millions seized

Forestry officials in Sabah have seized a huge quantity of illegally harvested gaharu wood (known in international markets as agarwood or aloeswood) a fragrant dark wood used in incense, perfume and carvings.

Sam Mannan, the Director of Forestry in Sabah, announced that the timber was stolen from protected forest areas including the Maliau Basin. During a survey in 2004 it was estimated that there were around 3 million karas trees (the source of gaharu wood) in the state but illegal cutting has halved that number.

Commercial arm of the Forest Research Institute launched

Malaysia's Deputy Prime Minister recently officially launched FRIM Inc., the commercial arm of the Forest Research Institute (FRIM), a statutory agency of the Government of Malaysia. FRIM Inc. was established last year as a FRIM's subsidiary to transform and commercialise research and development findings as well as deliver FRIM's technical services.

FRIM Inc. will conduct marketing and sales activities for FRIM R&D products, expertise and skills services, intellectual property (IP) protection services, technical services in the form of technology transfer and training as well as commercialisation of IP in open markets. From December 2017 to January 2018, the company has secured business worth around RM1 million.

<https://www.frim.gov.my/en/tpm-lancar-frim-inc/?wppa-occur=1&wppa-cover=0&wppa-album=462&wppa-photo=2278>

Indonesia

Success in slowing deforestation

Indonesia has reported a significant decline in deforestation over the past years. In a recent statement to the press, the Minister of Environment and Forestry, Siti Nurbaya, said total deforested area between 2016 and 2017 was recorded at just over 496,000 hectares a 20% decline compared to the 630,000 hectares in the period 2015-2016.

Siti said strengthened forest management, hard work by the country's forestry staff and the moratorium on clearing for palm oil plantations had brought down the pace of deforestation.

<http://nasional.republika.co.id/berita/nasional/jabodetabek-nasional/18/01/29/p3b51a284-klhk-angka-deforestasi-menurun>

In related news, the Minister said plans are being made to take back unused land which had been allocated but not cleared for palm oil plantations. She hinted that if the land in question has a recoverable forest then it will be secured as natural forest.

Plantation production can underpin export growth

The Secretary General in the Ministry of Environment and Forestry, Bambang Hendroyono, said Indonesia will export wood products worth around US\$12 billion this year. In support of this the Chairman of the Indonesian Forest Entrepreneurs Association (APHI), Indroyono Soesilo, said Indonesia export potential is yet to be fully realised. But, as plantation log production expands investment in export oriented production will follow.

In 2015 plantation log production was 32 million cubic metres which expanded to 33 million in 2016 and then 39 million in 2017.

However, to achieve export growth the government must act to encourage investment said Indroyono Soesilo, Chairman of APHI.

Indroyono suggested that business activities need to be diversified into area such agroforestry, ecotourism, environmental services and bioenergy.

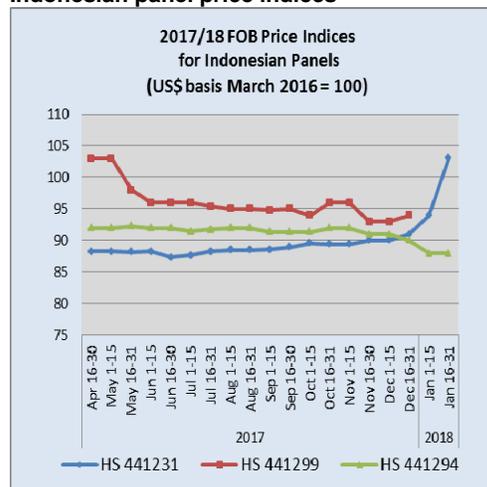
APHI offered suggestion to the government on ways to expand exports from the forestry sector including speeding up work to demarcate concession boundaries, expanding market promotion and addressing deregulation.

Industry calls for allowing semi-finished rattan exports

Julius Hoesanoesan, Vice Chairman of Indonesian Rattan Entrepreneurs (APRI), has indicated that association members want the Ministry of Commerce to allow exports of semi-finished rattan this year. This, they say, will allow the industry to recover and become a profitable sector once more.

Their argument is that domestic demand has dropped and many enterprises that produced semi-finished rattan have stopped operation. In response, the Director General of Foreign Trade in the Ministry of Trade, Oke Nurwan, has said the Ministry is still gathering data on the demand in the domestic rattan industry so that it can determine a suitable policy on rattan exports.

Indonesian panel price indices



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

Myanmar

Royalty rates to be raised

The domestic media (Daily Eleven) has quoted a Forest Department spokesperson as saying the Department is revising the royalty on Myanmar's natural forest timber species. Reports say teak, padauk and tamalan will now attract a 30,000 Kyats per ton, Pyinkado and Inn-Kanyin 20,000 per ton and between 6-10,000 Kyats per ton for others species depending on their commercially value.

However, if the timbers come from the forest conversion areas or are confiscated timbers a different rate will apply namely 150,000 Kyat per ton for teak logs, 300,000 Kyats per cu.m for teak sawnwood and 150,000 Kyats per ton for padauk and tamalan logs. Analysts write "it is understood that the revenue is to be paid by the Myanmar Timber Enterprise to the Forest Department".

No harvesting in Kayah State

In the another development, harvesting in Kayah State for 2018-19 will be postponed despite the fact that the Forest Department estimated the annual allowable cut for the State to be 10,000 tons for hardwoods.

The Regional Government and the Civil Society have welcomed this. It is noted that it will be third consecutive year of logging suspension in Kayah State.

Hot-line opens for public to report illegal logging

The Forest Department has introduced a 'Community Monitoring and Reporting System' through which anyone can contribute to combat illegal logging. The Forest Department has announced 'Hot Line' telephone numbers for people to call in and report illegal logging.

Further action against illegal forest activities has been discussed in parliament and news laws and regulation to protect the natural resources, to reduce the dependency on the raw materials and to encourage value-added production are being considered.

Private sector wants interest rate cut

A debate between members of parliament, the business community and the banks on the need to reduce interest rates has become very heated. Currently, Myanmar banks offer 8% on saving but charge 13% on loans. One member of parliament proposed a 1% drop in interest on savings and a 2% cut in loan rates. The private sector has been pointing out that the current interest rates and the unfavorable tax regime do not encourage investment and trade.

On a brighter note it has been hinted that the revenue department will eliminate the 2% withholding tax which is also called the retention tax.

Currently, all exporters have to pay 2% on the value of the exports prior to shipment. In response to the complaints from the private sector the Ministry of Planning and Finance made it clear through the local media that Myanmar has the lowest tax rate amongst ASEAN members.

January teak auction prices

| Grade | H.tons | Average US\$/H.ton |
|-------|--------|--------------------|
| SG-1 | - | - |
| SG-2 | - | - |
| SG-4 | 19.5 | 3,525 |
| SG-5 | 68.3 | 2,515 |
| SG-6 | 94.8 | 2,665 |
| SG-7 | 145.6 | 1,945 |

India

Wood product price index slides

India's official wholesale price index for all commodities (Base: 2011-12=100) for December 2017 released by the Office of the Economic Adviser to the government (OEA) declined to 115.7 from 116.3 from the previous month. The annual rate of inflation, based on monthly WPI, in the financial year so far was 2.21%

The overall price index for wood and cork products declined 130.3 from 131.6 in the previous month due to due to lower price of sawnwood and wooden boxes/crates. However, the price of plywood and blockboard moved up.

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindustry.nic.in/cmonthly.pdf>



Data source: Ministry of Commerce and Industry, India

PEFC lauds Indian certification system

In a press release after the official launch, Sarah Price, Head of Projects and Development at PEFC International, said that given the size of India and the diversity of its forests, the development of a national certification system is to be applauded.

Shri Siddhanta Das, Director General of Forests and Special Secretary, Government of India, added that India has practiced scientific management of forests since 1864, built upon the principles of sustainability.

Early forest management was predominantly focused on timber extraction but now there has been a shift to achieve sustainable ecosystems as well as the sustained livelihoods forest communities.

PEFC worked with the Indian Network for Certification and Conservation of Forests (NCCF) headed by Mr. Vijai Sharma. NCCF was responsible for developing the Indian national system, a task that began in 2015.

“To achieve our commitments for mitigation and adaptation to climate change, we have to take forestry beyond forests, through agroforestry, urban plantations, plantations by corporations, companies, communities and voluntary organizations,” said Mr. Sharma.

See: <https://www.pefc.org/news-a-media/general-sfm-news/2490-india-launches-its-national-forest-certification-system>

Expansion of bamboo resources supported in government budget

In the 2018 budget the government has allocated Rs 12.9 billion to promote the bamboo sector. The aim, say analysts, is to expand India’s ‘green cover’ and at the same time create a resource base for the panel, furniture and joinery sectors.

Currently most of India’s bamboo resources are in the North East Region and is vital to local industries especially the rural poor.

Opportunities await at Delhiwood 2019

In readiness for DelhiWood 2019 the organisers have produced a useful overview of the Indian wood processing sector and market prospects for wood products.

The Delhiwood press release says the Indian woodworking and furniture manufacturing industry is worth around US\$20 billion annually (and growing) and employs over 3 million in the so-called organised sector which contributes less than half to total output from the sectors.

Further Delhiwood says the Indian furniture industry is expanding in line with increasing income levels and that this is also influencing consumer purchasing trends. The company makes the point that these trends provide an opportunity for suppliers to the furniture manufacturing sector.

The press release says “while wooden home furniture is the biggest segment, the fastest growth is seen in the modular furniture and the kitchen segment. The industry has seen a compounded annual growth of 30%.”

For more see: http://www.delhi-wood.com/market_scenario.html

Imported plantation teak

Reduced freight rates, along with the weaker US dollar, on top of a plentiful supply have worked to keep import costs in check.

Plantation teak prices

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

Price range depends mainly on length and girth

Plantation teak import volumes

| | 000's cu.m 2015-16 | 000's cu.m 2016-17 |
|-------------------------|--------------------------|--------------------------|
| Ecuador | 118.8 | 176.76 |
| Costa Rica | 107.6 | 100.88 |
| Ghana | 114.11 | 122.31 |
| Brazil | 61.14 | 85.47 |
| Panama | 67.21 | 63.94 |
| Togo | 31.68 | 42.25 |
| Sudan | 23.46 | 17.75 |
| Cote D'Ivoire | 69 | 17.76 |
| Nigeria | 9.8 | 22.07 |
| Colombia | 25.51 | 19.11 |
| China | 2 | 6.1 |
| Benin | 78.26 | 17.43 |
| Uganda | 8.24 | 9.95 |
| Myanmar | 1.21 | 3.33 |
| Guatemala | 10.09 | 9.96 |
| Malaysia | 4.22 | 11.08 |
| El Salvador | 8.16 | 8.01 |
| Cameroon | 4.3 | 4.95 |
| PNG | 2.18 | 5.13 |
| Taiwan PoC | 0.19 | 1.1 |
| Honduras | | 2.61 |
| Nicaragua | 2.66 | 3.27 |
| Mexico | 0.74 | 2.65 |
| Laos | 1.58 | 2.87 |
| Angola | 2.98 | 1.1 |
| Vietnam | 0.21 | 0.8 |
| U S A | 0.48 | 1.1 |
| Trinidad / Tobago | 0.11 | 0.66 |
| Congo Rep | 2.21 | 0.76 |
| Thailand | 0.31 | 0.52 |
| Kenya | 0.75 | 0.25 |
| Guyana | 0.1 | 0.52 |
| South Sudan | | 0.22 |
| Suriname | 2.1 | 0.38 |
| Denmark | 2.43 | 0.63 |
| Tanzania | 0.2 | 0.05 |
| Cen. African Rep. | 0.25 | 0.05 |
| Germany | 1.43 | 0.07 |
| UAE | 0.18 | 0.06 |

Data source: Ministry of Commerce, India

Locally sawn hardwood prices

Prices for imported hardwoods and pine remain unchanged. Analysts report that demand is picking up as housing projects get underway, especially in the low and medium cost sectors. However, with the current stiff competition in the retail market importers have little opportunity to raise prices.

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

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

Imported sawn Myanmar teak

Imports of Myanmar teak are flat and traders report sales are also flat as the competition with alternative timbers heats up.

Myanmar teak prices

| 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 | 3000-4000 |

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.

Domestic plywood prices

Plywood production capacity in India has expanded and this is putting pressure on log prices but manufacturers are still maintaining the same prices as in January.

Domestic ex-warehouse prices for locally manufactured WBP plywood

| Plywood Ex-warehouse | Rs. per sq.ft |
|----------------------|---------------|
| 4mm | 51.50 |
| 6mm | 69 |
| 9mm | 87.50 |
| 12mm | 108 |
| 15mm | 144 |
| 18mm | 150 |

Domestic ex-warehouse prices for locally manufactured MR plywood

| | Rs. per sq.ft | |
|------------------|---------------|----------|
| | Rubberwood | Hardwood |
| 4mm | 26.0 | 38 |
| 6mm | 39 | 49.50 |
| 9mm | 49.50 | 60 |
| 12mm | 60 | 71.50 |
| 15mm | 72.50 | 87 |
| 19mm | 82.75 | 98 |
| 5mm Flexible ply | 51.50 | |

Brazil

Stellar export performance by plantation sector

Brazil's 2017 pulp exports increased 14% to US\$6.4 billion. Paper exports were up marginally to US\$1.9 billion and woodbased panel exports jumped 16% to US\$289 million. Overall, 2017 was positive for the wood-based industry which saw a 13% increase in the trade balance.

In terms of volume, international trade in 2017 was good with the pulp industries seeing a 2.3% rise in export volumes to 13.2 million tonnes. The woodbased panel sector did exceptionally well seeing a 21% increase in export volumes to 1.3 million cubic metres.

China remained the main buyer of Brazilian pulp in 2017 increasing its consumption by 19% over the previous year to US\$2.6 billion. The other major market was Europe where demand was up 7.5% to US\$2 billion.

Latin America was the main market for wood panels and paper and the region accounted for just over 52% of total panel exports or US\$151 million, an increase of 11% compared to 2016.

However, growth in demand from the Asia/Oceania region topped that at 74% for wood-based panels. In contrast, the domestic market for wood panels registered a 4.0% increase rising to 6.5 million cubic metres.

Furniture production increases in December

Furniture production in Brazil during December 2017 increased almost 3% month on month, the highest rise since June 2013. Year on year, December 2017 production increased 4.3%, the eighth consecutive rise. As result, of the steady increase furniture sector output expanded almost 5% in the fourth quarter of 2017.

Companies expecting tough trading conditions in 2018

Despite the growth in export volumes in 2017 revenue continues to be below expectations, prompting the timber industry not to be too optimistic for the coming year, at time when there are likely to be political and economic changes in the country.

According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) many companies are expecting tough trading conditions in 2018 because of the strengthening currency and because of the risk of turmoil as a result of the presidential election dispute.

Several wood product sectors did well in 2017 but export volumes were modest and profit margins were low, mainly because of increased production costs and weakening prices because production had got ahead of demand.

Brazil's export of pine plywood in 2017 increased 19% year on year and the monthly average shipment was 172,000 cubic metres, an expansion of around 27,000 cubic metres from a year earlier. Among the main markets for pine plywood in 2017 were the United States (30%), the United Kingdom (13%) and Germany (8%).

Exporters losing money because of bureaucratic mix-up

Eleven timber exporting companies in Rondonia state have to absorb a daily loss of about R\$75,000 because there shipments have been held up at the port of Manaus due to a bureaucratic mix up. It has been reported that over 100 containers of wood products have been held for over 45 days even though there are no suggestions of irregularities with the shipments which were inspected by IBAMA.

The problem arose because authorities in Manaus did not recognise the inspection done in Porto Velho (capital of Rondonia) which has federal customs officers who inspected and sealed the containers. Unfortunately the containers were opened at Manaus Port which broke the chain of custody.

For the past three years shipments of wood products through Porto Velho have been authorised as they are covered by the Document of Forest Origin (DOF) an obligatory license for transportation and storage of forest products from natural forests. This license explicitly says once inspected and sealed the container cannot be opened until it reaches its final destination.

The Rondônia government has expressed concern that shipments are being delayed because of misunderstandings among the federal institutions.

Domestic Log Prices

| | US\$ per m ³ |
|-------------------------------------|-------------------------|
| Brazilian logs, mill yard, domestic | 215 |
| Ipê | 122 |
| Jatoba | 123 |
| Massaranduba | 123 |
| Muiracatiara | 114 |
| Angelim Vermelho | 104 |
| Mixed redwood and white woods | |

Source: STCP Data Bank

Domestic Sawnwood Prices

| | US\$ per m ³ |
|---|-------------------------|
| Brazil sawnwood, domestic (Green ex-mill) | 946 |
| Ipê | 467 |
| Jatoba | 438 |
| Massaranduba | 435 |
| Muiracatiara | 393 |
| Angelim Vermelho | 263 |
| Mixed red and white | 222 |
| Eucalyptus (AD) | 157 |
| Pine (AD) | 181 |
| Pine (KD) | |

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

| | US\$ per m ³ |
|----------|-------------------------|
| Parica | 579 |
| 4mm WBP | 474 |
| 10mm WBP | 422 |
| 15mm WBP | 473 |
| 4mm MR | 350 |
| 10mm MR | 327 |
| 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 | 248 |
| 15mm MDF | 297 |

Source: STCP Data Bank

Export Sawnwood Prices

| | US\$ per m ³ |
|--------------------------------------|-------------------------|
| Sawnwood, Belem/Paranagua Ports, FOB | 1446 |
| Ipe | 886 |
| Jatoba | 804 |
| Massaranduba | 777 |
| Muiracatiara | |
| Pine (KD) | 184 |

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 | 311 |
| 9mm C/CC (WBP) | 292 |
| 12mm C/CC (WBP) | 276 |
| 15mm C/CC (WBP) | 278 |
| 18mm C/CC (WBP) | |

Source: STCP Data Bank

Export Prices For Added Value Products

| | US\$ per m ³ |
|---------------------------|-------------------------|
| FOB Belem/Paranagua Ports | |
| Decking Boards Ipê | 2,500 |
| Jatoba | 1,450 |

Source: STCP Data Bank

Peru

Composite panel imports continue to expand

In 2017 Peruvian imports of particleboard (PB) and MDF were worth almost US\$84 million, an increase of 11% compared to 2016. Ecuador was the main supplier in 2017 taking about a 40% share of total imports equal to US\$33 million followed by Chile with a 33% share (US\$28 million), Spain 14% and Brazil 13%.

The main importer in 2017 was once again Novopan Peru with a US\$31 million slice of total imports of PB and MDF. The second ranked importer was Arauco Peru (US\$16 million). In third place came Grupo Martin which accounted for around 14% of imports.

SERFOR penalises forestry consultants for manipulating data

Under new powers it has been granted SERFOR has initiated proceedings against more than 90 forestry consultants for providing false information in management plans prepared on behalf of clients.

Amongst this group are those who participated in the preparation of management plans for an area from which timber on board the MV Yacu Kallpa was seized in the port of Tampico, Mexico after leaving Loreto carrying what was suspected illegal wood products.

When the revised Forestry and Wildlife Law came into force last October forestry consultants (now termed forest regents) became responsible for the accuracy of data in management plans and also, with their clients, for its implementation. Those consultants sanctioned will no longer be able to operate.

Statistical data base to aid policy and management decisions

The General Directorates of SERFOR, the thirteen Technical Forestry and Wildlife Administrations, the Regional Governments and the National Superintendent of Customs and Tax Administration (SUNAT) have joined forces to compile an extensive statistical data base.

This, say analyst, contains statistical reports on forest product exports and imports, data on vehicle inspections from the control posts of the Forestry and Wildlife Technical Administration, details of concessions and also price bulletins. This says SERFOR will make it possible to promote competitive businesses at a national and international level.

This new consultative tool is interactive and easy to access. Users can filter the information according to their needs and share information easily.

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 | 483-496▲ |
| Cumaru 4" thick, 6'-11' length KD Central American market | 887-933 |
| Asian market | 957-994▲ |
| Ishpingo (oak) 2" thick, 6'-8' length Spanish market | 509-549 |
| Dominican Republic | 662-679 |
| Marupa 1", 6-13 length KD Asian market | 499-577 |

Domestic Sawnwood Prices

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

Export Veneer Prices

| | US\$ per m ³ |
|------------------------|-------------------------|
| 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 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)

| | US\$ per m ³ |
|------------------|-------------------------|
| 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

| | US\$ per m ³ |
|--|-------------------------|
| Peru, Domestic Particleboard 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

| | US\$ per m ³ |
|--|-------------------------|
| Peru, FOB strips for parquet | |
| 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

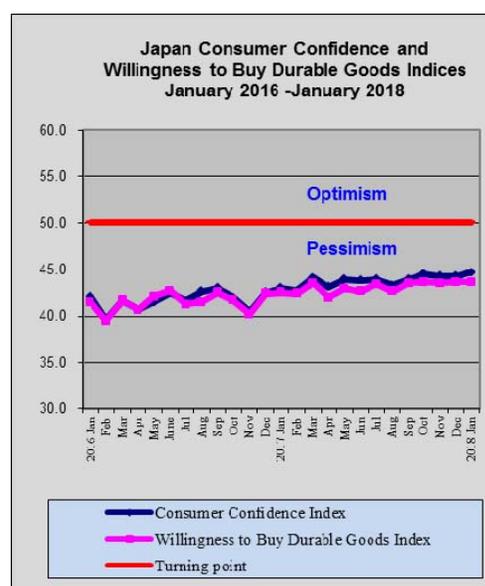
Disappointing wage growth in 2017

2017 data on Japanese wage growth released by the Ministry of Labour has shown real wages adjusted for inflation were actually lower than in 2016. This, and the news that consumer prices barely budged in 2017, has undermined the attempts by the government and the Bank of Japan (BoJ) to stimulate inflation.

December data shows that wages of Japanese workers fell in December at their fastest pace in five months. Against this backdrop the task of convincing companies to raise wages during the spring wage negotiations with employee groups will be tough.

Consumer confidence un-moved

Japan's Cabinet Office released the results of its January consumer confidence survey at the beginning of February. This reveals a largely unchanged situation. The index for overall livelihood expectations fell slightly in January as did the perception for income growth. On the other hand, consumers were more optimistic on prospects for growth in employment opportunities.



Data source: Cabinet Office, Japan

Bank holds steady as yen strengthens

After a sharp decline early in the month stock markets around the world recovered slightly bringing some relief to Japan's policy makers.

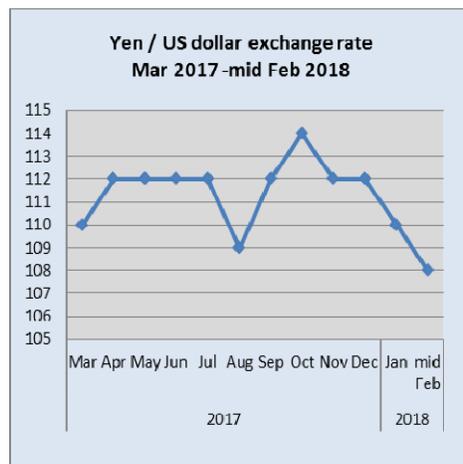
The impact of falling stock prices, especially in the US, caused investors to seek a safe haven, the Japanese yen. From around yen 112 to the US dollar in mid-January the rate strengthened to yen 108 to the US dollar at one point in February. A strong yen is bad for exporters and this was reflected in a sell-off on the Tokyo stock market.

If the yen strengthens in the short-term importers will be pleased but a prolonged spell of a strong yen will eventually impact prospects for growth in the economy.

In the face of the strengthening yen, BoJ governor, Haruhiko Kuroda, said this is likely a short term response to the prospect of higher US interest rates and that it was certainly not the time for Japan to be thinking of raising rates.

BoJ Governor likely to be reappointed

The Japanese media are reporting that the Prime Minister seems to have decided to allow Bank of Japan (BoJ) Governor, Haruhiko Kuroda, to continue leading the BoJ. This will see Kuroda in post until 2023 allowing him to continue trying to create conditions for sustained inflation in Japan.



Smart home market potential

A press release from Research and Markets is promoting a new report "Japan Smart Home Market, Volume, Household Penetration and Key Company Analysis - Forecast to 2024"

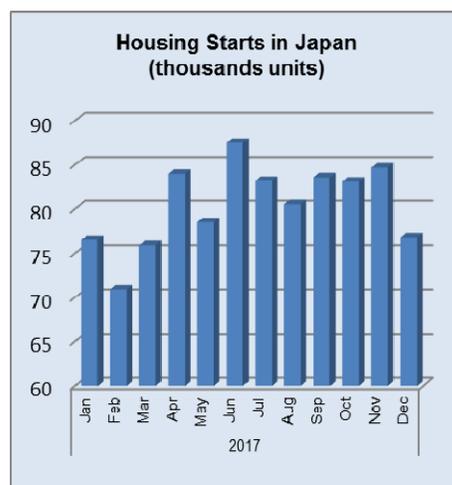
The press release says the Japanese smart home market is likely to grow fivefold by the year 2024 from its current level. Smart home is a system that allows home owners to control and monitor different devices in the home including heating, lighting, security and entertainment remotely via the Internet. In Japan, there is a demand for a safe and secure living environment especially for elderly people.

Growth in the smart home market is attributed to factors such as a significantly expanding middle class, cost reduction measures enabled by home automation systems, the large number of manufacturers expanding their product portfolios and increasing importance of home monitoring from remote locations.

With the increasing use of smart home devices the risk of security and privacy breach will also be increasing. Issues pertaining to privacy and security are currently holding back the growth of the smart home market.

For details see :

https://www.researchandmarkets.com/research/x6f4vl/japan_smart_home?w=4



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

Furniture imports

The value of Japan's November wooden furniture imports were higher month on month and year on year except for wooden office furniture which was down 7% year on year. Wooden office furniture (HS 940330) imports were up over 30% month on month in November.

November data for both wooden kitchen and bedroom furniture imports followed the upward trend seen in previous years. The traditional cyclical up-tick in the final quarter of the year is partly the result of retailers getting ready for when consumers spend their year-end bonuses.

In Japan, most companies pay bonuses twice a year to full time employees. The summer bonus or *Kaki Shoyo* is paid in June or July and *Toki Shoyo* or Winter bonus is paid in December. The bonus amount varies from company to company and from year to year, but is generally several months' salary.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Japan's imports of wooden office furniture are becoming a smaller and smaller proportion of the value of wooden bedroom and kitchen furniture imports.

Year on year, the value of November imports of wooden office furniture down 7% but month on month imports jumped over 30%. For 2017 it would appear that wooden office furniture imports will be slightly above that for 2016.

In November shippers in China accounted for around 75% of Japan's wooden office furniture, up from the approx. 60% a month earlier. The other main shippers were the US (6%), Poland (4%) and Italy (3.6%).

Office furniture imports

| | Imports Nov 2017 Unit 1,000 Yen |
|--------------|------------------------------------|
| S. Korea | 2483 |
| China | 180919 |
| Taiwan P.o.C | 7564 |
| Vietnam | 1167 |
| Thailand | - |
| Malaysia | 2687 |
| Philippines | - |
| Indonesia | 4788 |
| Israel | - |
| Sweden | 248 |
| Denmark | - |
| UK | - |
| Belgium | - |
| France | - |
| Germany | 5554 |

| | |
|--------------|---------------|
| Switzerland | 411 |
| Portugal | 5526 |
| Italy | 8653 |
| Finland | - |
| Poland | 10261 |
| Hungary | - |
| Turkey | - |
| Lithuania | 2380 |
| Czech Rep. | - |
| Slovakia | 920 |
| USA | 15010 |
| Mexico | - |
| Brazil | - |
| Australia | - |
| Total | 248571 |

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The value of Japan's imports of wooden kitchen furniture has been steadily rising since July and November marked the fourth straight monthly rise.

This year end surge in imports has been observed in past years and, as mentioned above is related to consumers spending year-end bonuses. The up-tick in wooden kitchen furniture imports between July and November 2017 was greater than in the same period in 2016.

Year on year, November 2017 imports were up 31% but compared to a month earlier imports were flat.

The combined shipments from the Philippines, Vietnam and China once again account for over 90% of all November shipments of wooden kitchen furniture. November shipments from the Philippines and China were at almost the same level as a month earlier but shipments from Vietnam jumped month on month.

Kitchen furniture imports

| | Imports, Nov 2017 Unit 1,000 Yen |
|--------------|-------------------------------------|
| South Korea | - |
| China | 137597 |
| Taiwan P.o.C | - |
| Vietnam | 539484 |
| Thailand | 23774 |
| Malaysia | 6982 |
| Philippines | 698392 |
| Indonesia | 6295 |
| Cambodia | - |
| India | - |
| Denmark | 688 |
| UK | 224 |

| | |
|--------------|----------------|
| Belgium | - |
| France | - |
| Germany | 12597 |
| Spain | - |
| Italy | 18901 |
| Finland | 347 |
| Poland | 257 |
| Austria | - |
| Greece | - |
| Romania | 532 |
| Slovenia | - |
| Canada | 5909 |
| USA | 1319 |
| Total | 1453298 |

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The 25% burst in November 2017 imports of wooden bedroom furniture is reinforcing the traditional year-end increase in imports of this category of wooden furniture. If December imports follow this trend then it appears as if the value of 2017 imports of wooden bedroom furniture could be slightly above that for 2016.

Shippers in China and Vietnam continue to dominate Japan's imports of wooden bedroom furniture accounting for 52% and 34% respectively of bedroom furniture imports.

If shipments from Thailand are added then around 90% of all wooden bedroom furniture imports is accounted for. In November shippers in Vietnam did well seeing a significant jump in the share of imports but, not to be outdone, shippers in China and Thailand saw November shipments to Japan rise.

Bedroom furniture imports

| | Imports, Nov 2017 Unit 1,000 Yen |
|--------------|-------------------------------------|
| S Korea | - |
| China | 1040084 |
| Taiwan P.o.C | 24148 |
| Vietnam | 683656 |
| Thailand | 76382 |
| Malaysia | 56210 |
| Philippines | - |
| Indonesia | 17661 |
| Cambodia | - |
| India | - |
| Sweden | 9695 |
| Denmark | 2422 |
| UK | - |
| Netherlands | - |

| | |
|--------------------|----------------|
| Belgium | - |
| France | 6918 |
| Germany | - |
| Switzerland | - |
| Portugal | 17487 |
| Spain | - |
| Italy | 10219 |
| Poland | 36203 |
| Russia | - |
| Austria | - |
| Hungary | - |
| Romania | 633 |
| Turkey | - |
| Estonia | 1107 |
| Latvia | - |
| Lithuania | 12836 |
| Bosnia-Herzegovina | - |
| Canada | 437 |
| USA | 970 |
| Mexico | 1144 |
| Total | 1998212 |

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>

Plywood production in 2017

Total plywood supply in 2017 was 6,114,600 cbms, 4.8% more than 2016. Domestic production was 3,210,500 cbms, 4.8% more. In this, softwood production was 3,064,700 cbms, 5.8% more. Imported plywood was 2,904,100 cbms, 4.8% more. Consequently, share of domestic and imports is 52.5% of domestic and 47.5% of imports and domestic share is over imports for two straight years.

Production of softwood structural panel was 2,925,500 cbms 5.0% more and the shipment was 2,914,400 cbms, 3.3% more so produced volume was shipped immediately by active demand for housing. Production of non-structural panel was 139,100 cbms, 37.2% more. Because of considerable delay of shipment of floor base by the suppliers from South East Asian countries, Japanese floor manufacturers rapidly shift to use domestic softwood plywood and other building materials manufacturers also shift to domestic softwood plywood to avoid risk of exchange rate fluctuation.

Production of softwood concrete forming panel was 28,800 cbms, 6.5% more. The increase is small due to slow demand for concrete forming panels. Plywood inventories remain low with only 93,000 cbms at the end of last December.

As to imported plywood, Malaysia supply was 1,190,400 cbms, 10.7% more. Malaysian supply peaked in 2013 with 1,604,400 cbms then it had been dropping considerably for three years but this is the first time in two years that the volume exceeded 1,100,000 cbms. Indonesian supply had been steady for the first half of the year then it started dropping in the second half by about 30% less every month and ended up with 877,700 cbms, 2.8% less.

Concern to the Chinese supply was mills' closures by strict environmental restrictions but it did not have much impact on the supply so far.

Plywood in December

Softwood plywood demand is easing but precutting plants are asking delivery of delayed production. Normally the movement slows down in the first quarter but because of labour shortage, construction works are delayed so the demand is being carried over. Domestic plywood manufacturers are busy catching up delayed orders.

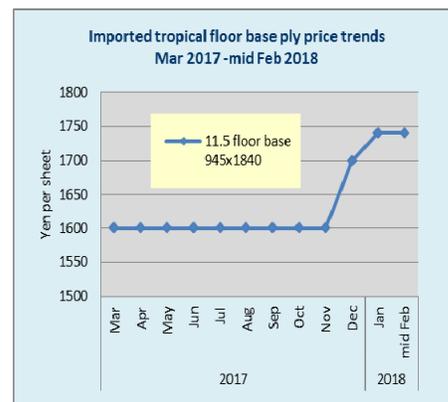
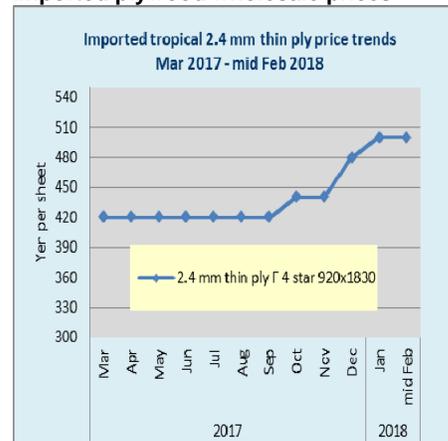
December production and shipment maintained high level despite many holidays. December domestic plywood production was 271,100 cbms, 4.8% more and 4.1% less. Softwood production was 259,300 cbms, 8.6% more and 4.4% less. Softwood structural panel production was 244,800 cbms, 6.5% more and 5.0% less.

December imported plywood was 232,300 cbms, 0.5% less than December last year and 16.7% less than November. Malaysian supply was 97,200 cbms, 10.7% more and 15.9% less.

Indonesian supply was 56,900 cbms, 20.8% less and 37.6% less. Major plywood mills in Indonesia stopped the operation because of log shortage so the arrivals dropped considerably.

The production in Malaysia and Indonesia should stay low during rainy season so the arrivals do not seem to increase until next spring. The inventories of imported plywood in Japan keep declining by reduced arrivals.

Imported plywood wholesale prices



National accreditation body recognised by US EPA

According to the China Daily website China's National Accreditation Service for Conformity Assessment (CNAS) has been recognised by the United States Environment Protection Agency (EPA).

The CNAS has authority to offer accreditation services internationally which will benefit China's wood product traders who will be able to provide certificates issued by CNAS without the need for repeated certification and testing.

In December the CNAS alerted manufacturers that the EPA issued a revised Formaldehyde Emission Standard for Composite Wood Products which raised safety standards and required detailed information on composite wood products destined for the US market.

Meeting the US regulations became a major technical and cost issue for Chinese manufacturers which impacted exports of wood products to the US.

The US regulation calls for composite wood products to be tested by a certification body recognised by the EPA before entering the US. The prerequisite for becoming a certification body recognized by EPA is the accreditation which the CNAS secured in January this year.

Now the CNAS is officially recognised by the US EPA as a certification body so it can play an active role in the export of wood products from China to the United States.

For more see:

<https://www.epa.gov/sites/production/files/2018-02/documents/epa-recognized-accreditation-bodies-under-the-formaldehyde-emission-standards-for-composite-wood-products-rule-0.pdf>

Kezazingo not a recognised 'redwood' in new national standard

A revised national standard, (GB/T 18107-2017 effective 1 July 2018), for Chinese redwood has been released by the National Standard Committee replacing GB/T 18107-2000.

The number of recognised redwood species has been reduced to 29 from 33. The following have now been excluded: Vietnamese padauk (*Pterocarpus cambodianus* Pierre), maidu (*Pterocarpus pedatus* Pierre.), black rosewood (*Dalbergia fusca* Pierre) and ponce's kamagong (*Diospyros poncei* Merr.).

According to analysts these changes only reflect rearrangement of species with different names. For example Vietnamese padauk (*Pterocarpus cambodianus* Pierre) and maidu (*Pterocarpus pedatus* Pierre.) are regarded as the same as Myanmar padauk (*Pterocarpus macarocarpus* Kurz), black rosewood (*Dalbergia fusca* Pierre) is another name for Myanmar blackwood (*Dalbergia cultrate* Grah.).

In addition to changes in nomenclature, information on 6 redwoods in 8 categories have been modified with new data on wood characteristics.

These changes, say analysts, are aimed at making it more convenient for consumers and for market promotion. The changes also are a reminder to redwood enterprises that the 'redwoods' are becoming scarce.

The revision of the national standard for redwoods has disappointed many in the private sector who hoped the revision would add more species in particular mukula (*Pterocarpus chrysothrix*), from Zambia and bubinga/kevazingo (*Guibourtia demeusei*).

See:

<http://www.gb688.cn/bzgk/gb/newGbInfo?hcno=6E961C6DB78254EF883B5053D08BFA3B>

and

http://www.vekea.com/news/info_11_itemid_3899.html

Rise in flooring sales

According to the flooring Committee, China National Forestry Forest Industry Association (CNFPFA), China's wood and bamboo flooring sales in 2017 totalled 415.2 million square metres, a year on year increase of 5%.

Of the total, the volume of solid wood flooring sales rose 9% to 47.9 million square metres, wood composite flooring sales grew 10% to 114.9 million square metres, laminate flooring sales increased 2% to 214.7 million square metres while bamboo flooring sales were down 1.2% to 33.6 million square metres, the balance being other flooring types.

Laminate flooring sales accounted for more than 50% of total sales followed by wood composite flooring which accounted for 28% of all sales. Solid wood flooring accounted for 12% of sales with the balance being mainly bamboo flooring.

Top 10 ports ranked

At the recent China Wood Supply Chain Conference and Wood Industry Zone Development Forum, the China Timber and Wood Products Distribution Association (CTWPDA) announced the top 10 ports handling wood products. These were in order of rank:

Zhangjiagang, Taicang, Jinjiang, Dafeng, Xinminzhou and Changshu Ports in Jiangsu Province, Penglai and Rizhao Ports in Shandong Province, Zhangzhou Port in Fujian Province and Qinzhou Port of Guangxi Province.

Local experts think that about 40% of China's log are imported through Jiangsu provincial ports, including Zhangjiagang, Taicang, Jinjiang, Dafeng, Xinminzhou, Changshu, Lianyungang and Taizhou Ports, the second is Shandong Province ports such as Penglai, Rizhao, Qingdao and Lianshan. Guangdong Province and borders in the Inner Mongolia Autonomous Region are important for sawnwood imports.

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 |

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 |

Zhangjiagang Timber Market Wholesale Prices

| Logs, All grades | Yuan/tonne |
|------------------|------------|
| Sapelli | 3000-4000 |
| Kevazingo | 8000-32000 |
| Padouk de afric | 2400-3100 |
| okoume | 1400-1800 |
| Okan | 2400-2800 |
| Dibetou | 2200-2500 |
| Afromrosia | 5500-6500 |
| Wenge | 4700-5500 |
| Zingana | 3400-4800 |
| Acajou de afica | 3000-3500 |
| Ovengkol | 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 |

Upswing in EU timber consumption not benefitting tropical suppliers

Sawn hardwood distributors in Europe are reporting good levels of activity but this has yet to feed through into a significant rise in tropical sawn hardwood imports.

Against an improving economic backdrop, the EU’s sawn hardwood trade was reported stable to very good from 2016 through the first three quarters of 2017, with customers, notably joinery producers, reporting healthy order books.

A clear indication of long-term confidence in the European hardwood market derives from latest developments at Vandecasteele. The company is already one of Belgium and Europe’s biggest hardwood importers and international traders. Now it is expanding its stock holding capabilities by building a further four hectares of warehousing at its Aalbeke distribution hub. That will take total undercover storage to 16 hectares and the overall area of its site to 20 hectares.

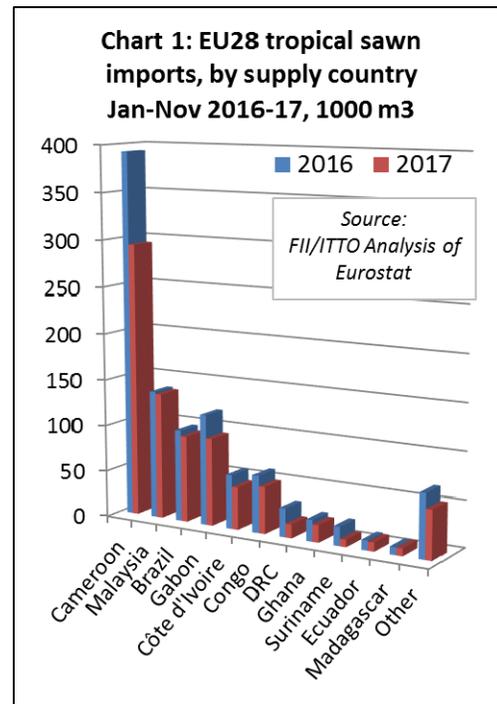
In contrast to this positive picture, however, latest statistics (to November 2017) show tropical sawn hardwood imports declined sharply last year.

The EU imported 822,600 cu.m of tropical sawn hardwood between January and November 2017, 20% less than the same period in 2016.

In the eleven-month period, tropical sawn hardwood imports declined from all 10 of the top suppliers to the EU.

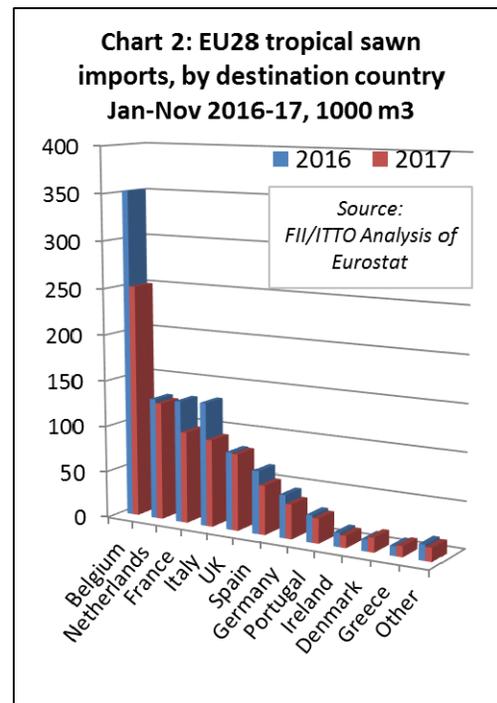
From Cameroon imports fell 21% to 293,800 cu.m, from Gabon 21% to 93,700 cu.m, from Brazil 6% to 92,500 cu.m, Congo 18% to 49,900 cu.m, Cote d’Ivoire 21% to 45,200 cu.m, Ghana 19% to 18,600 cu.m, Democratic Republic of Congo 51% to 15,000 cu.m and Ecuador 11% to 9,600 cu.m.

The best performance was by Malaysia and Madagascar, but EU imports were still down from both countries, albeit just 1% to 135,400 cu.m and 8,300 cu.m respectively (Chart 1).

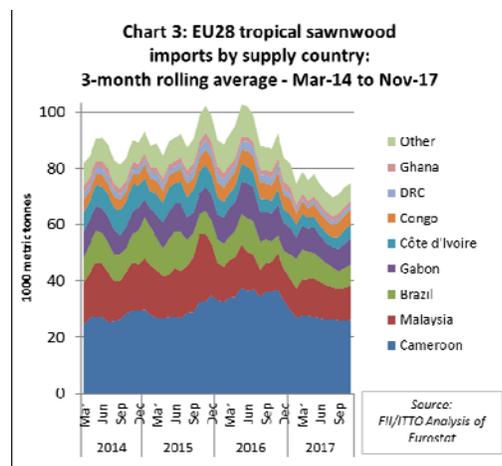


The decline in tropical sawn hardwood trade affected nearly all the main EU countries. Belgian imports were down 29%, at 251,000 cu.m, French 24% at 98,000 cu.m, Italian 30% at 93,400 cu.m, Spanish 21% at 53,200 cu.m, German 20% at 37,300 cu.m, Portuguese 9% at 26,600 cu.m, and Ireland 14% at 13,000 cu.m.

UK imports were only down 1% at 81,900 cu.m while Denmark’s were up 24% at 15,700 cu.m and Greece’s 12% at 11,600 cu.m (Chart 2).



Closer analysis of the monthly data indicates that following a sharp dip in EU imports of tropical sawn hardwood in the middle of 2017, imports were rising slowly again between September and November 2017. However, it is too early to say whether this is just a seasonal trend or the start of a longer-term recovery. (Chart 3).



Weak EU imports of tropical sawn wood, why?

European timber businesses suggest a range of factors that may explain the apparent dichotomy between good underlying demand for hardwoods and the sharp fall in imports of tropical wood in 2017. Some are short-term trade trends, others longer-term international market structural changes.

According to some importers, one reason is adjustment after over optimistic buying in 2015 and 2016. Trade was further disrupted in 2017 by particularly heavy seasonal rains in both Africa and Asia.

Worsening congestion at the Cameroon port of Douala, due to supply bottlenecks following the rains, combined with lack of dredging resulting in reduced vessel load factors, added to problems in West Africa.

While also pointing out that a significant proportion of timber shipped into their country is en route to other European markets, Belgian importers also attributed the dramatic fluctuation in its imports from Cameroon from 2015/16 to 2017 to post-recession improvement in supplier mills' capacity and efficiency.

Long lead times immediately after the international downturn, in some cases extending to two years, led to some Belgian importers increasing order volumes to secure sufficient stock.

However, as Cameroon mills improved performance, numerous orders were reported arriving in quick succession in 2016. That resulted in excess stocks in 2017 and further orders being reined back until these had been cleared.

The downturn in EU tropical imports is also attributed to international economic improvement and increase in demand elsewhere, with supply diverted to other such healthy markets as the US, Middle East and, most notably, Vietnam and China.

Rising demand in the latter is put down particularly to the continued rise of the country's affluent middle class and consequent growth in domestic consumption of timber and wood products. While referring to temperate hardwood, this is most clearly illustrated in American Hardwood Export Council (AHEC) statistics for Chinese timber imports from the US.

As little as a decade ago, AHEC estimates that 85% of China's US hardwood imports were re-exported as manufactured goods, with just 15% staying in China. Today that ratio is almost exactly reversed and the vast bulk is consumed in the Chinese market.

EUTR deterring tropical suppliers say EU importers

Some EU importers maintain that the EU Timber Regulation (EUTR) has also played a part in an international hardwood trade shift. They may welcome the EUTR as a tool to combat the illegal timber trade.

However, they say the due diligence requirements it imposes on suppliers can deter them from the European market and make Chinese customers especially appear easier to do business with.

This is even more the case as the latter are also reported now to be buying a wider range of wood, from logs and lower quality sawn timber, to top end lumber.

Rising global demand, combined with supply constraints, has also led to generally firming prices and tighter margins.

That, say some EU buyers, has increased customer caution in forward ordering, reinforcing a longer term underlying trend towards buying little and often, or just-in-time, where customers expect importers increasingly to act as their stockholders, from which they can draw timber as required.

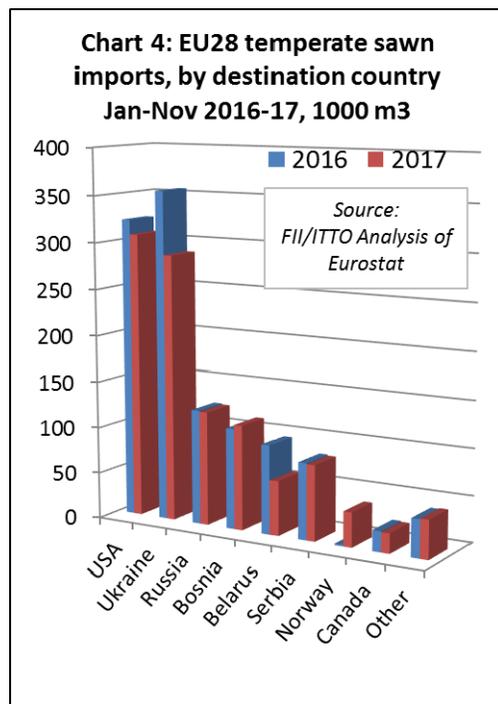
EU imports of sawn temperate hardwood decline 7%

EU imports of sawn temperate hardwoods also declined in 2017, although less dramatically than imports of sawn tropical hardwoods. Total EU imports of sawn temperate hardwoods from outside the region were 1,072,300 cu.m in the first eleven months of 2017, down 7% compared in 2016.

The sharpest falls in EU imports of sawn temperate hardwood were from Ukraine, down 19% to 287,300 cu.m, and Belarus, 39% lower at 59,100 cu.m. Imports also fell from the US (down 5% to 307,400 cu.m), Russia (down 1% to 123,200 cu.m), Serbia (down 1% to 81,400 cu.m), and Canada (down 1% to 21,400 cu.m).

Imports increased from several countries, but these insufficient to offset the declines elsewhere. Imports increased from Bosnia (by 4% to 113,400 cu.m), Norway (a dramatic 2,111% increase to 37,000 cu.m) and other temperate countries (by 2% to 41,800 cu.m). (Chart 4).

As for tropical timber, the downturn in imports of temperate hardwoods was also attributed to some stock adjustment to clear an excess from earlier over-ordering, together with a rising demand elsewhere, notably China and other South East Asian importers.



Particularly good EU demand for sapele

Looking at individual species and products, importers in several EU countries, report particularly good demand for sapele in 2017, with prices firming as a result. Iroko continued in especially tight supply, due at least partly, it is thought, to less coming out of the forest in current harvest cycles, and prices reflected that.

Some predict that framire/idigbo is gradually being replaced on the EU market due to mills’ inability to satisfy due diligence information requirements, although there are also now reports of suppliers improving their legality assurance.

Particularly tight supply and firm prices were also reported by a Belgian importer in afzelia/doussie, ayous, tali, padouk and azobe.

Malaysian meranti and Indonesian bangkirai availability declined towards the end of 2017, with prices in the last quarter up for the former by 9-12% and by 9-17% for the latter, according to a UK importer. Meranti lead times were also reported up to four to five months. Brazilian ipe supply is said to be increasingly short too.

European importers remain concerned about the supply of teak from Myanmar. This follows concerns about the reliability of legality assurances which triggered EUTR enforcement agencies in several countries into taking action against importers and demanding that teak be more effectively tracked to forest of origin in Myanmar.

The EU’s successful boat building industries, notably in Italy, Denmark and the UK raised particular anxieties over this and importers are now urging greater legality assurance collaboration between EU and Myanmar authorities.

For temperate species, white oak remains the EU leader among US varieties, although it is reported to be facing increasing competition from European oak. The supply of the latter has been an issue recently due to curbs on Croatian log and green lumber exports, ostensibly to stop spread of oak lace beetle.

However, Croatian kilning capacity is increasing, partly thanks to inward investment by Italian mills, and customers are still said to be showing increasing preference for the European species due to various factors, including specification, FSC certification and lead times.

US walnut, tulipwood and ash are all reported to be in generally good to strong demand, with maple and cherry faring better in some countries than others.

Market resistance to US red oak continues, but the Americans hope that its large-scale use in 2017 in the new European headquarters of financial data giant Bloomberg in London will give it a prime, prestige European showcase. The building includes 37,150 m² of red oak flooring alone.

Efforts to introduce more lesser known tropical species to the EU were reported to be meeting some success, with movingui mentioned by several importers. Further processed and engineered hardwood products were also said to be gaining momentum, notably laminated and finger jointed joinery components. Gaining ground too is Eucalyptus grandis in both sawn and engineered form.

At the same time hardwood is also meeting increasing competition from substitutes. Modified timber, notably Accoya and Kebony brands, are reported to becoming ‘staples’ in certain markets and wood-plastic composites continue to gain in popularity, particularly for external applications, such as cladding, decking and outdoor furniture.

Importers - 2018 could be a good year for companies with plentiful stocks

Other challenges anticipated for the EU hardwood trade in 2018 include more checks on EUTR compliance and tougher policing as EU authorities gain expertise and increasingly collaborate and exchange intelligence. Belgium has been ordered by the EC to improve enforcement generally. The combined result of this thrust is expected to be more multi-national actions, such as the simultaneous probes in several EU countries into teak imports last year.

Global competition for supply is also expected to continue to grow. The longer-term consequence anticipated by some is that the EU hardwood trade will become increasingly polarised.

On the one hand are forecast that there will be fewer small to medium-sized niche operations, with a limited number of long-established supply connections. On the other hand, larger operations with economies of scale able to order and store large volumes to meet just-in-time market requirements and also with the resources to manage market legality regulation requirements with numerous suppliers will flourish.

In fact, this trend, say analysts is already being observed. Importers in several countries forecast that 2018 will be a good year for EU companies holding plentiful stocks.

North America

Hardwood import volumes down but values up in 2017

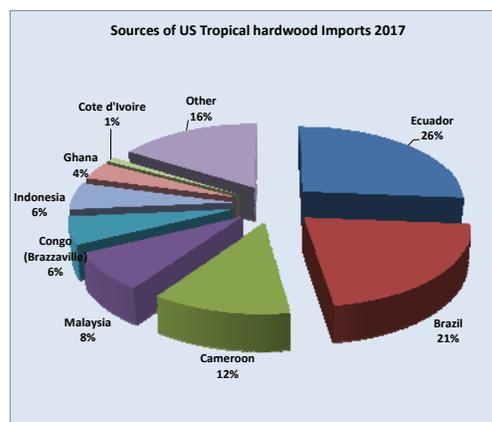
The volume of US imports of temperate and tropical sawnwood fell for the second year in a row in 2017. Annual imports of sawn hardwood fell 13% in 2017 from the previous year, but the value of imports was up.

While overall hardwood imports were down tropical sawnwood was not affected by the overall decline in 2017, instead tropical imports increased 2% from 2016 to 239,738 cu.m.

The lower sawnwood import volumes may not be all bad news for wood product suppliers as this appears to be part of the continuing trend towards higher US imports of semi-finished and finished wood products, something tropical sawnwood suppliers should take note of. Imports of most finished products such as flooring and furniture were significantly up in 2017.

The value of sawn hardwood imports was steady at US\$252 million. The share of tropical sawnwood in the total value of US hardwood imports was 52% in 2017, unchanged from 2016.

The following species posted the largest volume gains in the US market in 2017: jatoba, balsa, sapelli and cedro. Imports of mahogany and keruing sawnwood declined from the previous year.



Data source: US Census Bureau, Foreign Trade Statistics

Canadian imports of tropical sawnwood mainly via US

Canadian imports of tropical sawnwood declined 3% in 2017 to US\$19.8 million. The decline was largely in the "other" category.

Mahogany sawnwood imports more than doubled in 2017 to US\$1.7 million. Imports of sapelli and the collective category of virola, imbuia and balsa also grew in 2017. Imports through the US tripled in 2017, while direct imports from tropical countries declined for most species. Imports from the US accounted to one quarter of all Canadian tropical sawnwood imports in 2017.

Analysis of trends in US hardwood markets

A recently published article explores US market developments that affect hardwood demand. Some industrial markets, such as pallets, packaging and railway ties, concern only temperate hardwoods, but most trends apply to tropical species as well.

Up until the housing market crash in 2007/2008, residential construction had become an increasingly important market for hardwoods in the US. Hardwood use in domestic furniture manufacturing steadily declined as furniture imports captured an increasing share in the US market. About one third of all sawn hardwood was used in housing before the financial crisis.

Not only did the housing market crash and recession reduce demand for hardwoods, but per capita sawn hardwood consumption decreased due to increasing imports of finished products. US sawn hardwood consumption fell from 104 cu.m. per person in 1995 to 49 cu.m. in 2013.

Housing construction, renovation and remodeling, and furniture manufacturing accounted for 36% of US sawn hardwood consumption in 2014, down from 50% in 2002. While wood demand in construction will increase again as the recovery in housing starts continues, the report authors expect the types of hardwood products to change.

New hardwood products for US housing and construction markets include thermally-modified wood and cross-laminated timber (CLT).

Thermally-modified temperate hardwoods and softwoods have ideal properties for siding, decking, flooring, millwork and other applications that are also typical end uses for tropical hardwoods. Much of the US production of thermally-modified wood is currently exported to Europe, but domestic demand could grow when builders and homeowners become more aware of the products.

CLT panels are a fast growing product for structural use in larger and taller wood buildings, including non-residential construction. CLT is primarily manufactured from softwoods, but it can also be made from hardwoods. The US is at the forefront of research and production of hardwood CLT. Yellow poplar is the primary species used for hardwood CLT at this time.

The full article is available at the US Forest Service library: https://www.fs.fed.us/nrs/pubs/jrnl/2017/nrs_2017_buehlmann_01.pdf

Small chamber testing for formaldehyde emissions

The Environmental Protection Agency (EPA) now allows for small chamber testing after amending the testing methods for the Formaldehyde Emission Standards for Composite Wood Products. The final rule on small chamber testing was published in early February and is effective immediately.

More information including links to an FAQ and other documents of interest to composite panel manufacturers are available at Woodworking Network:

See [:https://www.woodworkingnetwork.com/news/woodworking-industry-news/epa-issues-final-rule-formaldehyde-testing-composite-panels](https://www.woodworkingnetwork.com/news/woodworking-industry-news/epa-issues-final-rule-formaldehyde-testing-composite-panels)

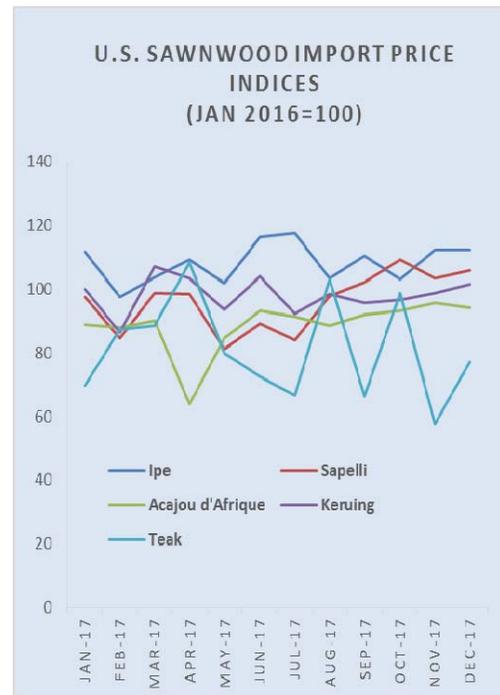
IKEA purchased forest in Alabama

The IKEA Group has purchased its first forest asset in the US, according to a media release by the company. The forest is in Alabama and covers more than 10,000 hectares. IKEA Group owns more than 100,000 hectares of forests in Europe. The company plans to apply for FSC certification for its Alabama forest.

The forest will support IKEA's goal of sustainable use of resources for operations (such as energy) and for the manufacturing of products sold to consumers. The company opened four new stores and one new distribution centre in the US in 2017 and made several other investments in the market to increase competitiveness and renewable energy supply.

In other markets IKEA is testing furniture rental and furniture buyback. The buyback scheme is being tested in Japan where customers can sell furniture back to IKEA when they no longer need it, so the furniture can be recycled instead of disposed of.

In Finland a programme was tested where customers received a gift card for returning furniture to IKEA. Furniture is the least recycled item in a household according to the EPA.



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

Note: Indices are based on US Customs value and exclude shipping, insurance and duties.

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.

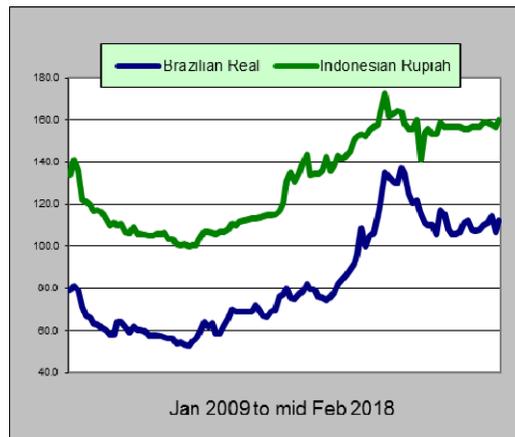
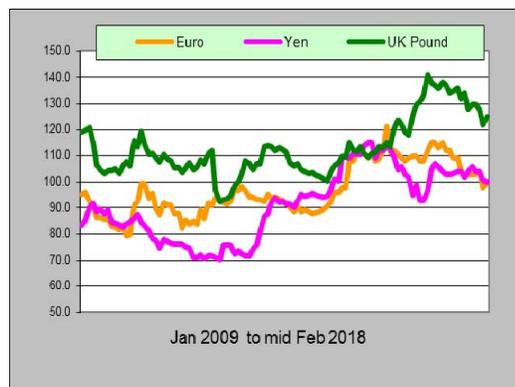
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 February 2018

| | | |
|---------------|-----------|---------|
| Brazil | Real | 3.2937 |
| CFA countries | CFA Franc | 534.47 |
| China | Yuan | 6.289 |
| EU | Euro | 0.8162 |
| India | Rupee | 64.2213 |
| Indonesia | Rupiah | 13613 |
| Japan | Yen | 108.00 |
| Malaysia | Ringgit | 3.9568 |
| Peru | New Sol | 3.26 |
| UK | Pound | 0.7231 |
| South Korea | Won | 108.36 |

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

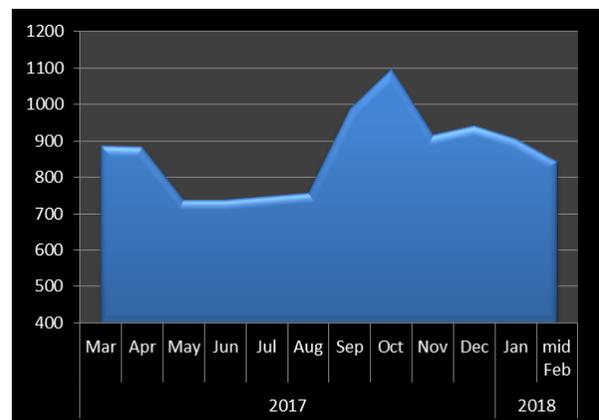


Abbreviations and Equivalences

| | |
|------------|---|
| 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
March 2017 – mid February 2018

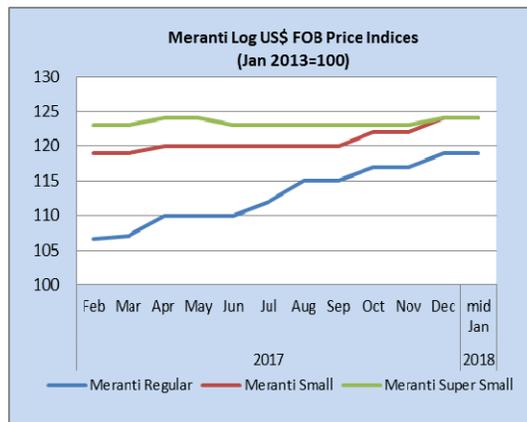


Data source: Open Financial Data Project

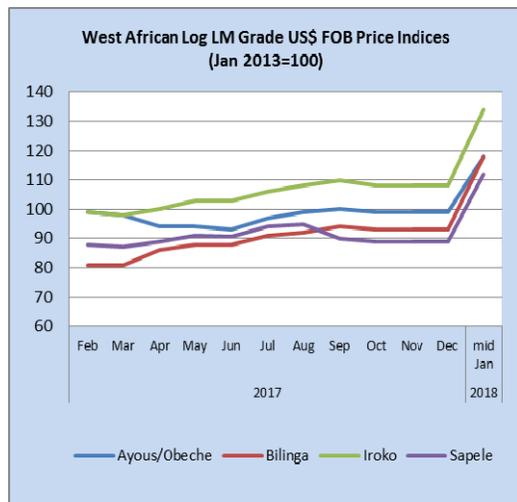
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

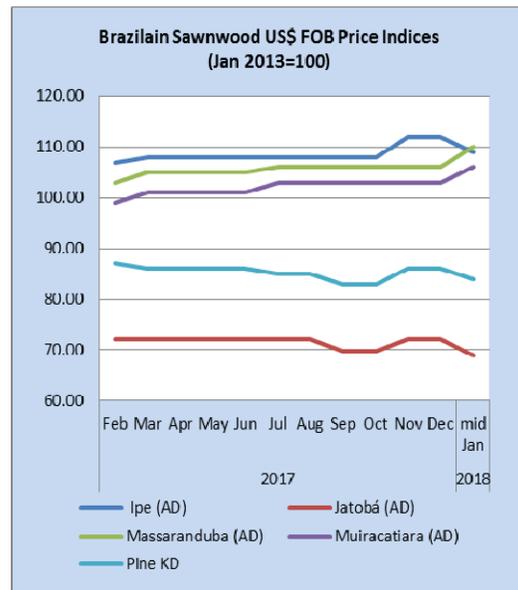
The following indices are based on US dollar FOB prices



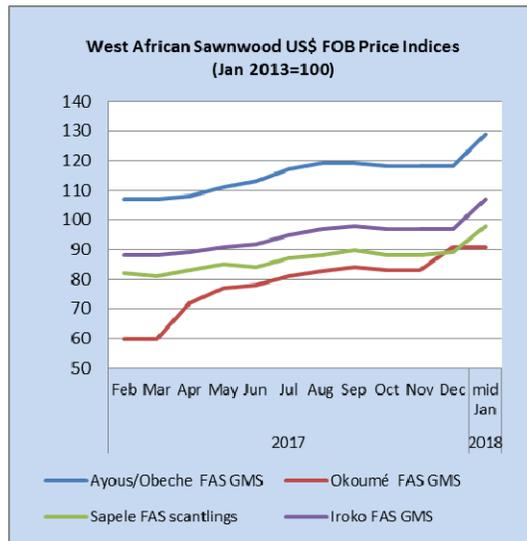
Note: Sarawak logs for the Japanese market



The surge in prices for W. African logs is the result of raised log export duties and the stronger euro. It is unlikely the raised 'asking' prices will be accepted in full by buyers.



Note: Jatobá is mainly for the Chinese market.



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