

Tropical Timber Market Report

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Top Story

Delays in VAT refund and shipping issues undermine Rougier finances

Rougier International, with timber businesses in Gabon, Republic of Congo, Central African Republic and Cameroon is facing extreme financial problems.

French media sources quote two main causes, Rougier is owed euro 8 million in VAT credit by Cameroon and another euro 7.6 million by the Republic of Congo and Gabon. This, along with serious problems with shipping out of Douala Port, has crippled the company.

The issue of VAT refunds is a long outstanding problem for all businesses in Gabon (and other countries in the region) but there are no signs of governments addressing this.

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Central and West Africa

Delays in VAT refund and shipping issues undermines Rougier finances

The most prominent news from the region is that Rougier International, which has timber businesses in Gabon, Republic of Congo, Central African Republic and Cameroon, is facing extreme financial problems.

French media sources quote two main issues have created this situation, Rougier is owed euro 8 million in VAT credit by Cameroon and another euro 7.6 million by the Republic of Congo and Gabon and in addition there are serious problems with shipping out of Douala Port which has undermined profits.

The issue of VAT refunds is a long outstanding problem for all businesses in Gabon (and other countries in the region) but there are no signs of governments addressing this. The French media have reported that Francis Rougier said the delay in refunds is linked to low oil prices which have caused cash flow problems for African governments.

Shipping out from Douala Port has always been a problem because large vessels are unable to berth alongside the quays and load full cargoes because of the shallow depth. This, as well the large sandbar at the mouth of the Wouri river which is inadequately dredged, which means vessels cannot be fully loaded resulting in short shipments.

In a televised interview the President of the French Trade Court said that the Court wants to put in place a 'safeguarding procedure' that would also be looking at how to safeguard jobs in Africa.

The safeguard procedure applies to companies which are not in a state of insolvency but are facing difficulties that they cannot overcome and which may lead to insolvency. The aim of this procedure is to enable the company to continue its activity, maintain its jobs, and discharge its liabilities by reorganizing the company under the Court's supervision.

According to the French media report Rougier is discussing a restructuring plan and not a judicial liquidation.

See: <https://france3-regions.francetvinfo.fr/nouvelle-aquitaine/deux-sevres/niort/groupe-rougier-devant-tribunal-commerce-poitiers-1437581.html>

Analysts speculate that Rougier International is likely to reorganise and possibly consolidate operations in Gabon.

Strong demand for peeler quality okoume

Log and sawnwood prices are largely unchanged from last month with demand assessed as 'moderate' with most interest from China for belli, tali and other heavy species.

Producers report very strong demand for good quality okoume peeler logs and slightly better demand for okoume sawnwood. Okoume log prices are very firm at euro 250/255 cu.m.

The firm demand in international markets has created a shortage of good peeler logs at domestic peeler mills in the Gabon Special Economic Zone (SEZ) and a build-up of stocks of lower quality non-peeler logs.

The capacity of the mills in the SEZ is said to be more than sufficient to process all the available peeler quality logs.

Because of the shortages of peeler logs some mills have mooted the idea of importing okoume logs from the Republic of Congo but freight and other charges would make this uneconomic .

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	480
FAS fixed	480
Moabi FAS GMS	625
Scantlings	630
Movingui FAS GMS	440

Ghana

Dramatic cut in power charges delights manufacturers

Described as the best news of the year, manufacturers have warmly welcomed the decision of the government to reduce electricity tariffs by 30% from mid-March this year.

A statement from the Public Utilities Regulatory Commission (PURC) Executive Secretary, Ms. Mami Dufie Ofori, said residential customers will enjoy a 17.5% reduction, while those in the manufacturing sector will see their tariffs cut by 30%.

Analysts write that the tariff reductions are aimed at lightening the burden on consumers and reducing production costs to make Ghanaian manufactured products more competitive thus driving industrialisation.

Proposals have also being made for a review of water tariffs which, says the PURC, will require time so that consultations can be undertaken.

Transparency in forestry sector gets a boost

A 2-day BVRio conference also known as the Responsible Timber Trade Fair was held recently. This aimed at generating an increase in the international demand for legally and sustainably sourced timber products particularly from West and Central Africa.

At a news conference John Allotey, Deputy Chief Executive of the Forestry Commission (FC), said Ghana has a system to provide forest management information on the commission website to assist buyers of wood products satisfy due diligence requirements. In support of efforts to boost international acceptance of Ghana's wood products Allotey mentioned the Ghana Wood Tracking System (GWTS) Portal, which provides forestry sector transparency.

Adding value the key to Industrialisation

Speaking during Ghana's independence anniversary celebrations the President, Nana Addo-Dankwa Akufo-Addo, stressed the key to expanded industrialisation lays in adding value to the country's raw materials. He mentioned in particular the opportunities for further processing in the cocoa and forestry sectors.

To build a strong industrial base the President said his government is working on policies to digitalise Ghana and build a modern self-driving economy.

In related news the World Bank, in its Ghana Economic Update report, has urged the government to sustain its fiscal consolidation efforts and to improve domestic resource mobilisation. The report also said the country's macroeconomic performance improved in 2017 after a difficult 2016.

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	414
Niangon	544
Niangon Kiln dry	610

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	369	450
Chenchen	449	505
Ogea	473	596
Essa	413	525
Ofram	350	406

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

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Aromosia	-
Asanфина	1,098
Avodire	1,177
Chenchen	1,177
Mahogany	1,228
Makore	1,336
Odum	1,417

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanфина
BB/CC			
4mm	352	640	641
6mm	640	535	626
9mm	345	446	560
12mm	470	463	480
15mm	450	402	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
Aromosia	485	564
Asanфина	240	288
Ceiba	453	557
Dahoma	520	599
Edinam (mixed redwood)	380	428
Emeri	843	995
African mahogany (Ivorenensis)	775	846
Makore	620	675
Niangon	918	1029
Odum	700	746
Sapele	360	449
Wawa 1C & Select		

Malaysia

Malaysia expand trade deals through CP-TTP

Malaysia is a signatory to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP) along with Australia, Brunei Darussalam, Canada, Chile, Japan, Mexico, New Zealand, Peru, Singapore and Vietnam.

This increases the number of countries with which Malaysia has trade deals as previously Malaysia did not have agreements with Canada, Peru and Mexico.

Analysts write that soon Malaysian consumers will benefit from an expanded choice of goods and services.

The benefits to signatories will be significant but economists say compared with the earlier TPP countries such as Vietnam, Malaysia and Japan will not benefit as much since much of their trade is with the US.

Other countries, such as Indonesia, South Korea, the Philippines, Taiwan P.o.C and Thailand have expressed an interest in joining the CP-TTP which would expand the benefits to all signatories.

MTC Chairman outlines support for mechanisation and automation

The Chairman of the Malaysian Timber Council (MTC), Dato' Gooi Hoe Hin, has acknowledged that the Selangor and Kuala Lumpur Wood Industries Association (SKLWIA) has made tremendous progress in the manufacture of wood products over the past six decades and has demonstrated that the Malaysian timber industry is indeed sustainable, progressive and robust.

Speaking at a SKWIA recent event Dato' Gooi drew attention to the MTC 'Financial Incentive For Purchase of Machinery' (FIPM) programme aimed at complementing the government's efforts to elevate the level of mechanisation and automation in the industry, thereby helping address the labour shortage challenge.

Under the FIPM, an allocation of RM3 million has been set aside and RM1 million will be disbursed yearly to encourage industry members, particularly the SMEs, to mechanise or automate their operations.

In addition, MTC's 'Mechanisation and Automation' (M&A) programme is also geared towards improving production efficiency by reducing dependency on labour and wastages as well as increasing output with consistent product quality.

See press release at:
http://www.mtc.com.my/images/media/572/Press_Release_on_SKLWIA_---ENG-.pdf

Furniture industry a major force in Malaysian economy

The Malaysian International Furniture Fair (MIFF) 2018 ran for four days in March. International exhibitors included those from China, Taiwan, Indonesia, Hong Kong, South Korea, India, Japan, Vietnam, Thailand, Turkey, Singapore and the United States.

Malaysia's Plantation Industries and Commodities Minister, Mah Siew Keong, who spoke at the opening said Malaysia's furniture industry has been a key driver for the economy and prospects are bright for a RM12 bil. export target in 2020.

Trans-boundary conservation – Heart of Borneo initiative

At a recent ASEAN/ITTO workshop: "Asia-Pacific Regional Workshop on Trans-boundary Biodiversity Conservation: Empowering Forestry Communities and Women in Sustainable Livelihood Development" held in Pontianak, West Kalimantan, the Acting Director of the Sarawak Forest Department Hamden Mohammad

confirmed that Sarawak will collaborate with Indonesia in protecting its watershed and water catchment areas at the Heart of Borneo (HoB) Trans-boundary Conservation Area.

This area is rich in biodiversity and is also the source of water for all the hydroelectric power (HEP) dams in the state.

Through cooperation between Malaysia and Indonesia, ITTO was able to pioneer the concept of trans-boundary conservation as forest areas in Sarawak and Kalimantan were combined to create a 970,000 ha. biodiversity conservation area called Lanjak Entimau – Bentuang Karimun.

Foreign workers levy now in force

The Sarawak Timber Association (STA) website carries a news item on the levy charged on companies employing foreign workers. See <http://sta.org.my/>

Quoting the STA website "The Labour Department Sarawak has issued a letter ref: JTKSWK-DG-23(A)JLD.11(6) dated 6 March 2018 to confirm employers in Sarawak shall bear the cost of foreign workers' levy with effect from 1st January 2018."

The STA provides a summary of the notification from the Federal government which reads "Please be informed that the Cabinet had on 25th March 2016 decided that levy payment by employers for foreign workers which was supposed to be implemented with effect from 1st January 2017 be deferred for one year.

The Government had also decided that employers throughout Malaysia shall be responsible to pay foreign workers' levy with effect from 1st January 2018."

The full text can be found at:
http://sta.org.my/images/staweb/New_Archived/2018/Letter%20fm%20LDS%20FW%20Levy%206318.pdf

Indonesia

Factors other than certification affecting exports to the EU

The Association of Indonesian Forest Concessionaires (APHI) has reported that there are 3.3 million hectares of certified forest in Indonesia and that the Association is continuing to encourage members to fully implement sustainable forest management so as to secure certification.

In Indonesia, forest certification is being encouraged by the Forest Stewardship Council (FSC), the Borneo Initiative, WWF and the UK Timber Trade Federation and this is adding to the momentum in the forestry sector driven by the domestic timber legality verification system.. The SVLK and its recognition in the EU have however, not created expanded marketing opportunities in the EU despite the introduction of FLEGT licenses according to the Association.

Commenting on this, Ida Bagus Putera Parthama, Director General of Sustainable Production Forest Management in the Ministry of Environment and Forestry, said there are several factors other than certification and licensing that affect demand for Indonesia’s wood products, the main being design, quality and price.

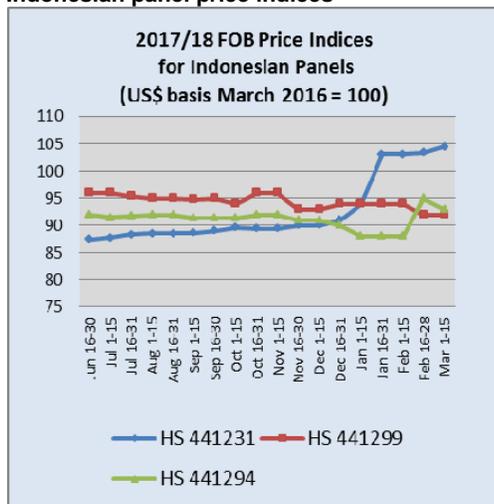
Ida Bagus Putera Parthama, APHI Executive Director, said that greater efforts are needed to promote Indonesian certification in the EU because after years of shipping to the EU with no problem exporters have become complacent but now they must address all the concerns in the EU market. To begin a new year of promotion APHI will work with non-profit organisations in the EU to promote Indonesia's timber certification system to consumers.

Momentum gathers for approval of plantation log exports

The Ministry of Environment and Forestry reported that its proposal to allow plantation log export has received support from the Ministry of Trade. The Director General of Sustainable Production Forest Management in the Ministry of Forestry said most ministries support the proposal, including the Ministry of State Owned Industries and the Directorate General of Customs and Excise under the Ministry of Finance.

Putera said approval for plantation log export needs to be addressed immediately to maximise the returns to plantation owners who have seen prices fall because of oversupply to domestic mills.

Indonesian panel price indices



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

Wood products now on ‘negative list’ –export permits required

The Myanmar Times is reporting that, according to the Ministry of Commerce (MOC), as of March 2018 over 3000 items including forestry products will be in an Export Negative List meaning for named products export licenses will be required.

The MOC’s notification (9/2018) came into effect 1 March. The rationale being given is that this will ensure maintain food security and help address environmental degradation.

The items for which export licenses are required are; animals and animal products, rare plants, seeds, rice, oil and oil-producing plants, raw-product from mines, chemical products, fertilizers, forestry products, precious gems and stones, vehicle and heavy machineries and antiques. In total some 3,345 items have been placed on the list.

The new regulation explains that even if products were previously exempted under notification (60/2017) an export license will now be required by the 90th day the notification came into effect.

See: <https://www.mmtimes.com/news/new-export-negative-list-include-3345-items.html>

MTE tapping Asian markets - private sector focus on EU and India

According to the Ministry of Commerce forest product exports totaled US\$194 million for the financial year to the end of February. Exports of wood products by the state sector companies totalled almost US\$12 million.

Analysts interpret this to indicate that the Myanma Timber Enterprise is exporting sawnwood to mainly Asian markets and that the balance is exported by the private sector.

There are about 110 active manufacturers who are exporting mainly to the EU and India which are regarded as major markets for high valued teak sawnwood and veneers.

Carbon credits cannot match returns from clearing forests for rubber

A press release from the University of East Anglia in the UK draws attention to a study published in Nature Communications that finds that schemes designed to protect tropical forests from clearance based on the carbon they store do not pay enough to compete financially with potential profits from rubber plantations.

The authors argue that, without increased financial compensation for forest carbon credits, forest clearing will remain more attractive than protecting them.

Carbon credits are currently priced at US\$5-13 per tonne of CO2 on carbon markets. But this doesn't match the real break-even cost of safeguarding tropical forests from conversion to rubber in Southeast Asia – between US\$30-51 per tonne of CO2 says the report.

This research was led by the University of East Anglia, in collaboration with scientists from the universities of Copenhagen, Exeter, Oxford and Sheffield as well as the Wildlife Conservation Society.

The lead researcher, Eleanor Warren-Thomas, from UEA's School of Environmental Sciences, now working at the University of York, said: "Forests are being converted to rubber plantations in Southeast Asia – especially in Cambodia, China, Laos, Myanmar and Vietnam".

The study, 'Protecting tropical forests from the rapid expansion of rubber using carbon payments' was published in the journal Nature Communications in early March this year.

For more see: <http://www.uea.ac.uk/about/-/payments-to-protect-carbon-stored-in-forests-must-increase-to-defend-against-rubber-plantations>

February teak auction prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	70.5	5,350
SG-5	76.4	3,555
SG-6	81.7	2,518
SG-7	121.2	2,186

India

Manufacturing activity continues to expand

Analysts report that manufacturing output in February rose marking the seventh consecutive rise however the pace of growth in new orders slowed from the previous month.

The response of enterprises has been to increase job offers and this is having a knock-on impact on the overall economy. The bad news for consumers is that increased demand has given companies the opportunity to raise prices.

Red Sanders logs seized

The Indian authorities recently seized more than 7 tons of red sanders in two containers at Nhava Sheva Port in Navi Mumbai. The illegal timber was en route to Dubai.

Reports say the exporter illegally opened sealed shipping containers by removing the doors so the timber could be concealed.

Housing market stirs as RERA enforced

The enforcement of the Real Estate (Regulation & Development) Act (RERA) has resulted in lower house prices and an almost 20% increase in home sales in Mumbai Metropolitan Region according to the Knight Frank India report 'India Real Estate'.

The report says the recent price discounts are the first since the housing boom in 2010. The report also says housing stocks fell by a quarter between 2016 and 2017.

See:

<http://www.knightfrank.co.in/research/india-real-estate-january-june-2017-4796.aspx>

Farm grown sandalwood - a bright future in India

As restrictions on growing and selling sandalwood have been eliminated in most Indian states farmers are planting this valuable species knowing they can legally sell and raise their income.

Sandalwood heartwood can be sold for as much as Rs.14,000 per kg which is driving planting utilizing seedlings provided by commercial nurseries. Sandalwood needs careful nurturing as the species photosynthesises but takes water and inorganic nutrients from other plants via 'parasitic' roots. Analysts say that growing sandalwood appears to have a bright future in India.

The growing interest in private sandalwood wood lots is being supported by the State Forest Department and non-governmental organizations.

Teak log auctions in Central India

Teak logs in the Harda, Jabalpur, Hoshangabad and Betul areas are mainly in 2 to 5 metre lengths and mostly of a girth of 120 cms and below. Logs in these areas are cylindrical and the timber is a golden colour with black stripes. Teak log auctions at almost all the depots in Harda, Jabalpur, Hoshangabad and Betul divisions are now over.

Analysts write that sales were brisk and attracted local buyers as well as those from Gujarat, Maharashtra, Rajasthan and Southern India.

	Girth cm.	Rs./cu.ft.
4-5 m Length	91+	2000-2100
	76-90	1900 - 2000
	61-75	1700 - 1800
3-4 m Length	46-60	1400 - 1500
	91+	1600+
	76-90	1400 - 1500
2-3m Length	61-75	1250 - 1350
	46-60	1150 - 1200
	91+	1500+
	76-90	1300 - 1400
	61-75	1200 - 1300
	46-60	1100 - 1150

Good quality non-teak hardwood logs attracted firm prices. Logs 3 to 4 m long, having girths 91 cm and above of haldu (*Adina cordifolia*), laurel (*Terminalia tomentosa*), kalam (*Mitragyna parviflora*), birra (*Chloroxylon swietenia*) and *Pterocarpus marsupium*, fetched around Rs.700 to 750 per c.ft. Second quality logs attracted prices of between Rs.350 to 500 per c.ft and prices for the lowest quality were from Rs.250 to 300 per c.ft.

Imported plantation teak prices

Analysts write that the quality of plantation teak logs is not as good as in previous years and average girths appear to be declining. Under these circumstances importers are in no mood to offer better prices.

Plantation teak prices

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

Price range depends mainly on length and girth

Locally sawn hardwood prices

Ex-mill hardwood prices are shown below.

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

The level of imports of Myanmar teak continues as stable. The only price change reported was that for plantation teak from Myanmar.

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	4000-4500

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 ex-warehouse prices for locally manufactured WBP plywood

Plywood	Rs. per sq.ft
Ex-warehouse	
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

Firmer domestic demand for furniture offers opportunity for manufacturers to raise

According to the monthly survey by the Instituto Brasileiro de Geografia e Estatística (IBGE) the Producer Price Index (IPP) for January reflects a significant upward trend in furniture prices.

The Producer Price Index - IPP, whose scope is mining, quarrying and manufacturing industries, has the purpose of measuring the average change of the sales prices received by domestic producers of goods and services.

According to IBGE the index gained 1.4% in January and the accumulated rise in 2017 was around 5%. Analysts note that the January 2018 data suggests that the furniture sector will see a recovery in prices in the domestic market reversing a downward trend that began in 2014.

Analysts caution that the positive index data does not necessarily mean there will be an adjustment of prices for products on the market but future price levels should improve slowly.

Main factors influencing the solid wood market in Brazil

Investment in the forest sector continues to rise but returns on investment have been disappointing many. Among the main factors influencing the solid wood market in Brazil analysts say success depends on the following:

- Having a clearly defined production and marketing plan that takes account of market demand fundamentals.
- Be innovative and develop new ideas, this applies to companies of all sizes.
- Through market analysis define the ideal scale of production taking into account the trends in the market not only for logs and sawnwood but the entire wood consuming sector including pulp and paper, furniture and construction and plan marketing strategies based on prospects in each.
- Finally, pay attention to the causes of price differentials between markets and price products accordingly.

Forestry sector exports growing

In January 2018, forestry sector exports totalled US\$901 million, an increase of 18% compared to a year earlier. The rise was largely because of increased exports of pulp, woodbased panels and paper. Forestry sector exports account for almost 15% of the value of all Brazilian agribusiness exports and 5% of total foreign export.

China remained the main buyer of Brazilian pulp in January, accounting for 47% of the total. The total value of pulp exported to China in January this year (US\$338 million) was 21% more than in the same month in 2017. Exports to Europe increased by 16%.

For woodbased panels and paper markets in Latin America remained well ahead of other regions. Latin American markets accounted for more than half (US\$12 million) of all volumes exported, a 9% increase over January 2017. As for paper products, demand in Latin America grew 14% year on year.

Amazon tree DNA database planned

Scientists at the National Institute of Amazonian Research (INPA) and the Center for Natural Biodiversity in the Netherlands, in partnership with other institutions with collections of Amazon flora will construct a DNA database of tree species found in the Amazon region.

This initiative is part of “The DNA-mark” project, which will consolidate information on Amazonian species in an interactive database accessible by scientists round the world. Analysts say this information will help environmentalists develop strategies for the preservation and sustainable use of forests.

The Amazon has an amazing diversity in its flora but also suffers the most deforestation. Brazil committed to zero deforestation by 2030 and cataloging the genetic material of tree species is an important tool in this process.

For more see:

<http://portalamazonia.com/noticias/projeto-pretende-identificar-plantas-da-amazonia-a-partir-de-informacao-no-dna>

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	218
Jatoba	124
Massaranduba	125
Muiracatiara	125
Angelim Vermelho	116
Mixed redwood and white woods	106

Source: STCP Data Bank

Domestic Sawwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	961
Jatoba	474
Massaranduba	4458
Muiracatiara	442
Angelim Vermelho	399
Mixed red and white	267
	226
Eucalyptus (AD)	160
Pine (AD)	184
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	588
10mm WBP	481
15mm WBP	429
4mm MR	480
10mm MR	356
15mm MR	332

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
<i>Domestic ex-mill Prices</i>	
15mm MDP Particleboard	252
15mm MDF	302

Source: STCP Data Bank

Export Sawwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1446
Jatoba	886
Massaranduba	804
Muiracatiara	777
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	
9mm C/CC (WBP)	311
12mm C/CC (WBP)	292
15mm C/CC (WBP)	276
18mm C/CC (WBP)	278

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

Trade mission to the Dominican Republic

The recent trade mission to the Dominican Republic for companies exporting tropical wood from Ucayali, Loreto and Madre de Dios organized by the company Tropical Forest has been deemed successful.

Participating companies held business meetings with Dominican importers and visited sawmills and wood processing plants in Santo Domingo. The participants are confident that they can secure orders for sawnwood, decking, structural timber and doors.

For 2018 Tropical Forest is planning missions to Interzum Guangzhou, March 28 to 31, a mission to the Milan Furniture Fair, April 17-22, a mission to Xylexpo Milan, May 8 to 12, a mission to IWF USA fair August 22 to 25 and a mission to the Furniture China fair, September 11 to 14.

Plans for major investment in plantations

A major global investment company based in the US is planning a significant investment in forest plantations in Peru having just completed a pre-feasibility. Initially the plan calls for the planting of 1,500 hectares of native bolaina as part of the overall plan for an eventual 8,000 hectare plantation investment.

The company says its choice of bolaina is to provide an alternative to imported pine for domestic consumption. Bolaina is an alternative to imported pine due to its technical characteristics and its dimensional stability says the company.

Furniture imports worth US\$60 million in 2017

In 2017 Peruvian imports of wooden furniture totalled US\$57 million. The main importers of wooden furniture in 2017 were Sodimac with US\$17 million and Homecenters of Peru through its Promart stores (US\$11 million).

The consolidated imports of these two home improvement retailers represented almost 50% of imported wooden furniture in 2017.

Brazil was the main supplier country in 2017 with exports to Peru of around US\$38 million followed by China with US\$6 million and Malaysia US\$2 million.

USTR tests Peru's progress in timber tracking

The United States Trade Representative (USTR), on behalf of the Interagency Committee on Trade in Timber Products from Peru, has called on the Government of Peru to verify that three timber shipments exported to the United States in 2017 complied with all applicable Peruvian laws and regulations. This action was announced in a press release from the USTR in early March.

See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/february/ustr-tests-peru%E2%80%99s-progress>

The press release goes on to explain the timber verification provision is a monitoring tool provided for in the United States – Peru Trade Promotion Agreement (PTPA) to ensure robust monitoring and enforcement of Peruvian forestry laws throughout the supply chain.

The United States and Peru have an active record of engagement on timber-related issues under the PTPA. However, despite improvements in some areas, serious concerns about illegal logging in Peru remain.

The call for verifying the legality of some 2017 shipments will, says the USTR, provide an opportunity to test Peru's progress in addressing this continuing challenge and help ensure that Peruvian timber is legally harvested and violators are held accountable.

By way of background, the USTR press release says “The PTPA contains a landmark Environment Chapter and Forest Annex, which includes a requirement for Peru to conduct audits and verifications of particular timber producers and exporters upon request from the United States and provides for U.S. participation in the verification process. The PTPA further permits the United States to take compliance measures based on the results of such verification”.

Export Sawwood Prices

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

Peru Sawwood, FOB Callao Port (cont.)	US\$ per 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", 6-11 length KD	
Asian market	511-591

Domestic Sawwood Prices

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

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	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

CP-TTP heralds reduced import tariffs

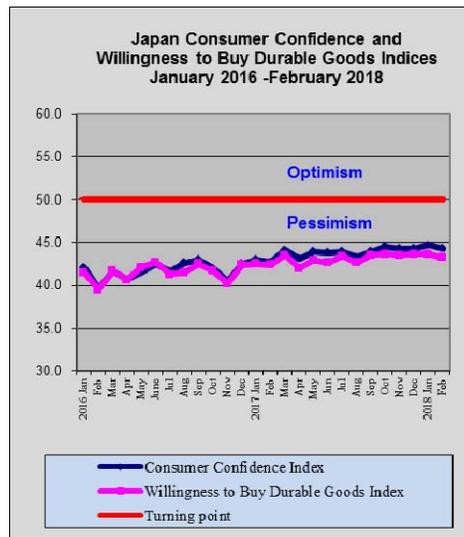
Japan is one of eleven countries to have signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP) which was negotiated after the US pulled out of the Trans-Pacific Partnership negotiations when the new US administration came to power.

The CP-TPP will reduce tariffs in participating countries that together account for over 10% of the global economy worth US\$10 trillion. The CP-TTP eliminates some requirements of the original TPP demanded by US negotiators at the earlier TPP talks so efforts to bring the US into the new agreement will be difficult.

It is difficult to anticipate how long it will be before the new tariff structures impact consumers in Japan who are still waiting for signs of improved incomes so continue to hold onto savings rather than boosting the economy by spending.

The latest consumer survey by the Cabinet Office in Japan shows that in February consumer confidence slipped slightly. The overall index dropped to 44.3 from 44.7 in January, analysts had anticipated a rise.

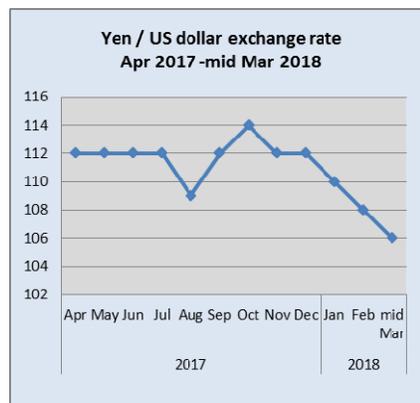
The index for livelihood expectations fell as did the indices for employment and the willingness to buy durable goods. The only positive news was that consumers are anticipating some level of income growth.



Data source: Cabinet Office, Japan

Dollar repatriations drives up yen

After hovering around yen 112 to the US dollar for months the yen has suddenly strengthened and analysts say this is likely to continue until the end of March as Japanese companies with overseas operations repatriate foreign funds before the end of the fiscal year.



This annual transfer is a feature of the yen dollar exchange rate and this year the conversion of foreign dollars to yen should sustain the yen strength for some time.

However, at the current rate of yen 106 to the dollar seems unusually weak given the wide divergence between the policies of the US Federal Reserve which is set to raise interest rates and the Bank of Japan which is committed to ultra-loose monetary policy for the foreseeable future.

Seven years on from the 11 March earthquake

March 11 2018 marked seven years since a massive earthquake in NE Japan caused a tsunami which claimed thousands of lives and destroyed coastal towns and villages. Ceremonies have been held to try and remind the nation that there are valuable lessons to be learned from this disaster and that everyone must be better prepared for the next major quake.

In the worst affected areas rebuilding of infrastructure is almost complete but there are still around 30,000 people living in 'temporary' housing in the worst affected areas of Iwate, Miyagi and Fukushima.

Relaxed regulations and aversion to second hand homes raises concerns

According to Chie Nozawa, a science and engineering professor at Toyo University in Japan, the country has too many homes while still more continue to be built. Her main contention is that the children of current home owners will be stuck with the burden of worthless inheritances. The issue is that homes in Japan are not built to last, commonly being torn down and replaced after 30-40 years.

In an informative interview she blames policies by local governments saying local authorities are competing to attract migrants and are easing regulations to make more land for residential development available.

Another major cause, says professor Chie, is that the business model of construction companies is built around new home building and not renovation of existing properties. This unfortunate cycle reflects desire of home buyers to have a newly built home, Second hand homes in Japan are considered second class.

For more see: <http://the-japan-news.com/news/article/0004261801>



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

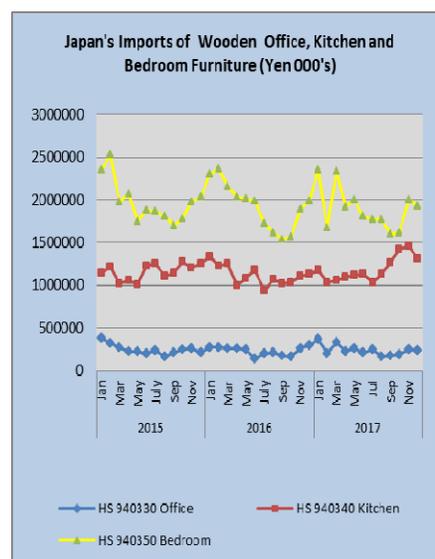
Furniture imports

The graph below shows the trends in Japan's imports of office, kitchen and bedroom furniture (HS 940330/40 and 50). For the three years illustrated in the graph a familiar trend of end year highs and mid-year lows was observed for wooden bedroom furniture.

Over the three years illustrated there was little movement in wooden office and kitchen furniture imports. The 2017 rise in wooden kitchen furniture is thought to be mainly in response to the surge in apartment renovations in the buy-to-let market in Japan.

The value of Japan's 2016 imports of wooden office, kitchen and bedroom furniture were all below levels in 2015. Imports of wooden office furniture declined 6%, imports of wooden kitchen furniture dropped 4% and imports of wooden bedroom furniture dropped over 2%.

In contrast, 2017 wooden furniture imports expanded with wooden office furniture imports growing 4%, wooden kitchen furniture growing 6% with only imports of wooden bedroom furniture falling (-2%).



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The value of Japan's imports of wooden office furniture continues to represent a declining proportion of the value of wooden bedroom and kitchen furniture imports. Year on year, the value of December imports of wooden office furniture fell by 18% and month on month the value of imports barely changed.

In December shipments from China accounted for around 71% of the value of Japan's wooden office furniture imports down slightly from a month earlier. The other main shippers in December were Italy (10%), Vietnam (3%) and Taiwan P.o.C (2%).

Office furniture imports

	Imports Dec 2017 Unit 1,000 Yen
S. Korea	1256
China	171277
Taiwan P.o.C	5883
Vietnam	6998
Thailand	835
Malaysia	2568
Philippines	-
Indonesia	2086
Israel	-
Sweden	1014
Denmark	1148
UK	-
Belgium	-
France	732
Germany	2226
Switzerland	-
Portugal	5406
Italy	25517
Finland	-
Poland	5589
Hungary	-
Turkey	-
Lithuania	1806
Czech Rep.	-
Slovakia	1068
USA	5698
Mexico	698
Brazil	-
Australia	-
Total	241805

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The value of Japan's imports of wooden kitchen furniture grew in the third quarter of 2017 but then reversed direction in the final months of the year. Year on year Japan's imports of wooden kitchen furniture were up 16% but month on month imports fell around 10%.

The combined shipments from the Philippines, Vietnam and China once again account for over 90% of all December shipments of wooden kitchen furniture. The Philippines accounted for 46% of the value of Japan's wooden kitchen furniture imports followed by Vietnam (36%) and China (12%).

Kitchen furniture imports

	Imports, Dec 2017 Unit 1,000 Yen
South Korea	-
China	118532
Taiwan P.o.C	749
Hong Kong	211
Vietnam	498229
Thailand	19547
Malaysia	2822
Philippines	620512
Indonesia	5791
Cambodia	-
India	-
Denmark	3962
UK	206
Belgium	-
France	-
Germany	25805
Spain	-
Italy	5955
Finland	-
Poland	-
Austria	-
Greece	-
Romania	665
Slovenia	-
Canada	3521
USA	2618
Total	1309125

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The surge in Japan's year-end imports of wooden bedroom furniture came to an end in December. Year on year December imports were down 3% and month on month imports dropped around 4%. Looking at previous years the 2017 year end surge was well below expectations.

Shippers in China and Vietnam continue to dominate Japan's imports of wooden bedroom furniture accounting for 60% and 30% of the value of December imports. Compared to a month earlier December imports from China were up around 10% while imports from Vietnam dropped 13%.

Bedroom furniture imports

	Imports, Dec 2017 Unit 1,000 Yen
S Korea	-
China	1145837
Taiwan P.o.C	14453
Vietnam	592339
Thailand	70586
Malaysia	35227
Philippines	-
Indonesia	12779
Cambodia	-
India	-
Sweden	-
Denmark	1706
UK	-
Netherlands	-
Belgium	216
France	-
Germany	1158
Switzerland	-
Portugal	-
Spain	-
Italy	9532
Poland	26812
Russia	-
Austria	1098
Hungary	725
Romania	8025
Turkey	2154
Estonia	-
Latvia	-
Lithuania	2095
Ukraine	410
Bosnia-Herzegovina	373
Canada	-
USA	778
Mexico	-
Total	1926303

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>

Import of wood products in 2017

The Japan Lumber Importers Association disclosed total import of foreign wood products in 2017. Total of logs and lumber was 9,740,000 cbms, first time to drop under 10,000,000 cbms after two years. Lumber import has been almost flat but log import was 3,275,000 cbms, which was less than 1958' 3,340,000 cbms.

According to the statistics since 1950, South Sea log import is the second from the bottom. Russian log import is the fourth from the bottom and North American log import is the fourteenth from the bottom.

Log import dropped by 320,000 cbms out of which about half is North American logs of about 180,000 cbms then logs from New Zealand dropped by 67,000 cbms. Log supply situation of South Sea countries and Russia becomes inflexible with high prices so that log users in Japan have lost interest.

On lumber import, the volume from Europe and Chile exceeded previous year's volume, which covered drop of import from other sources. In 2016, there was large price gap between Japan market and European export on items like stud so the importers suffered large loss.

1,940,000 cbms of North American lumber import was Canadian products. Chilean radiate pine lumber volume of 288,000 cbms was the second highest next to 2008's 320,000 cbms. The demand of radiate pine lumber is shifting from New Zealand to Chile after log purchase from New Zealand is overpowered by China.

Import of plywood did not reach 3,000,000 cbms but increased from 2016. Demand for MDF in Japan was very active so orders for both softwood MDF and South Sea hardwood MDF increased. Import of structural laminated lumber was 867,000 cbms, 12.5% more than 2016, which was the record high volume.

Soaring wood fuel import in 2017

According to the statistics the Ministry of Finance publicizes, import of biomass fuel (wood pellet and PKS) increased. Main demand is for newly built biomass power generation plants by FIT system and combined use of biomass fuel by coal burning power plants. There will be more large FIT system power generation plants on the coast so import of biomass fuel will keep increasing.

Wood pellet import in 2017 was about 510,000 ton, 46% more than 2016 and PKS was about 1,140,000 ton, 49.4% more. This is the first time that PKS import volume surpassed one million ton.

Main sources of wood pellet are Canada with 360,000 ton, 38% more than 2016 and Vietnam with about 130,000 ton, 110% more. These two takes 97% share of total volume.

Sources of PKS are Indonesia with about 790,000 ton, 99.1% more and Malaysia with about 340,000 ton, 5.1% less because of active demand in the Peninsula Malaysia.

Newly built FIT power generation plants in 2017 are Summit Handa Power (Aichi Prefecture) with output of 75,000 kw, Tsuruga Green Power (Fukui prefecture) with output of 37,000 kw, SGET Sanjo Biomass (Niigata prefecture) with output of 6,300 kw and Paltec Energy (Hyogo prefecture) with 22,100 kw. Both Handa and Tsuruga use imported wood chip with annual consumption of 275,000 BD ton.

Total wood chip import in 2017 was about 14,354,000 BD ton, which is mainly used for paper and pulp manufacturing.

South Sea (tropical) lumber and logs

Both plywood mills and lumber mills struggle to secure volume of South Sea hardwood logs. South East Asian countries are in rainy season and heavy rain fall continues so log production is sharply dropping.

Export prices in Sarawak and Sabah, Malaysia and PNG and Solomon Islands are climbing. Meranti regular log prices in Japan are 12,000 yen plus per koku CIF.

Logs like keruing for lumber are harder to get. Log inventories by lumber manufacturers in Japan are in critical level but as there is traditional ceiling prices for solid wood hardwood lumber, sawmills are caught in between high cost and limited sales prices.

Prices of laminated free board are unchanged on both supply side and Japan market. Supply volume of Chinese red pine lumber is decreasing due to active demand in China. The prices are firming at 110,000 yen per cbm FOB truck.

Prospects for material supply in 2018

Focus of materials' supply in 2018 is supply situation of European and North American lumber, which are main building materials.

Housing starts in 2018 are forecasted about the same as last year. If the supply would get tight from these sources or the prices soar, it would become challenging year for supply of substituting materials of domestic wood products. The Forestry Agency has been promoting to increase share of domestic wood by taking share from importing materials.

North American logs and lumber prices for Japan have been climbing as U.S. economy is booming and export to other countries are also active so that the export prices continue rising. Japanese sawmills manufacturing lumber from imported North American logs have been increasing sales prices but log cost climbs faster than lumber price hike.

North American lumber export prices also go up in fast pace. European lumber is the same. Redwood beam and whitewood post export prices will be higher so unless Japan follows higher export prices, the supply would decline as the suppliers have options to go other markets.

Russian lumber, New Zealand radiata pine logs and South Sea hardwood logs depends on China since China becomes dominant buyer and price leader.

Demand for domestic wood has been expanding in various fields of not only plywood and lumber but also for export of logs and lumber for neighboring countries. North America becomes a new market.

Domestic log supply and demand should stay firm through the year with temporary softness during rainy season. There will be new sawmills and plywood mills starting up so despite demand situation, log demand should continue to increase.

Small mills may face difficulty of getting enough logs by start-up of new large mills. Log production has been steady since beginning of the year so that the market eased after sharp increase of log prices in last fall but cypress should stay firm with positive demand for sill lumber.

Plywood mills may have difficulty of obtaining quality logs for face and back particularly plywood mills are now producing not only structural but floor base and concrete forming panel, which are new additional market. Log and lumber export of domestic wood will continue increasing this year.

Log export was about one million cbms in 2017 and lumber export was more than 100,000 cbms and they will be much more this year, particularly lumber export. Cedar lumber for exterior use in the U.S. market is new market and this will also be climbing.

Focus on North American logs is fast rising Douglas fir log prices for sawmills in Japan and how much surplus logs B.C., Canada will put up for export. Log supply last year was largely influenced by weather factor like heavy snow and forest fires in summer then housing starts increased in the U.S.A.

This year's housing starts in the U.S.A. are predicted more than last year so the lumber market prices are likely to stay firm. Lumber supply in the North America could not catch up expanding demand last year, which pushed the lumber market prices and the same would happen this year.

IS sort Douglas fir log FAS prices were \$860 per M Scribner in July last year then they have kept rising to US\$1,040 in January this year. Douglas fir cutting sawmills in Japan increased the sale prices of lumber four times last year but not enough to fast rising log cost so mills need more price hike.

Same as logs, North American lumber export prices will continue rising this year. Export prices of SPF, Douglas fir and hemlock lumber for Japan market increased across the board but not high enough to attract the suppliers so if Japan is not able to follow higher prices, the supply volume would decline after the second quarter.

There is no immediate substitution of SPF lumber so the component companies have to follow higher export prices but they will seek other sources like domestic cedar and European dimension lumber.

European lumber has two different moves. Redwood lamina for laminated beam continue to be firm while demand for whitewood lamina will decline for the first half of the year because of sluggish demand for laminated post in competition with domestic cedar laminated post.

For the European suppliers, there are other active markets for whitewood products. Specifically China is expanding purchase of European wood. The volume for China from Finland and Sweden is more than Japan. Supply of whitewood KD stud is reduced after hot North American market buys more volume. After all, supply volume and the prices for Japan depend on other markets.

Laminated lumber supply may not be the same as last year. Redwood laminated beam should stay the same but whitewood laminated post is likely to drop due to stagnated market. Problem is climbing lamina cost.

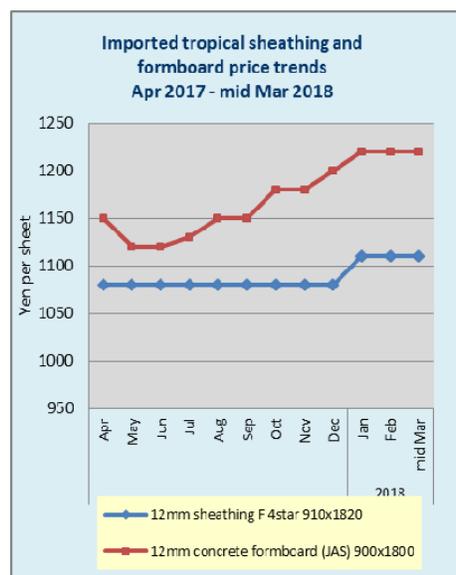
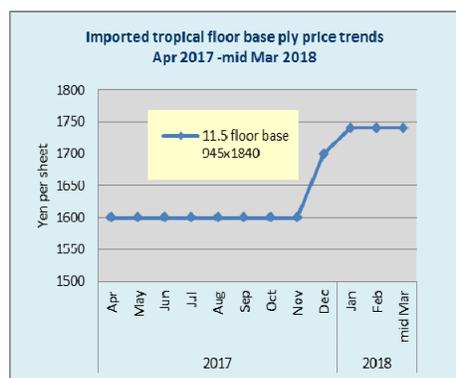
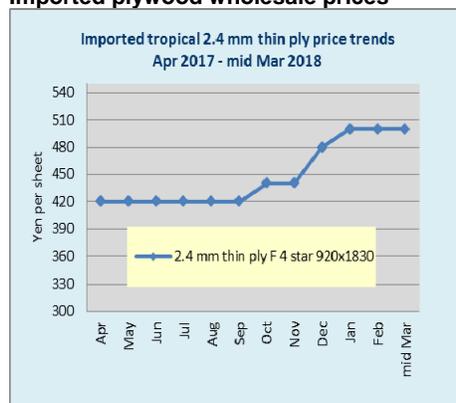
Redwood lamina cost for the first quarter is 42,000 yen per cbm FOB truck port yard, which is 7,000 yen higher than the first quarter last year. Present redwood beam prices are 63,000 yen per cbm delivered but to cover higher lamina cost, they have to go up to 66,000 yen. Imported redwood beam prices are 63,000-66,000 yen per cbm FOB truck.

Competing Douglas fir KD solid wood beam prices are 58,000 yen per cbm delivered, only 4,000 yen higher than the same quarter last year so difference between laminated beam and solid wood beam is about 5,000 yen, which was 2,000 yen a year ago. Solid wood KD beam prices should go higher as sawmills face climbing Douglas fir log prices.

Prices of hybrid laminated beam of cedar and Douglas fir are 62,000-63,000 yen per cbm delivered. Lamina prices for whitewood laminated post for the first quarter are 39,000 yen per cbm FOB truck, 4,000 yen higher than the first quarter last year but prices of laminated post are 1,880 yen per piece delivered, only 20 yen higher so the manufacturers are notable to pass high lamina cost. Reasons are increasing volume of imported whitewood laminated post and low priced domestic cedar laminated post.

Domestic whitewood laminated post manufacturers need to reduce the production to avoid loss. Supply of imported post will continue at high level and prices of domestic cedar laminated post do not seem to drop so price hike of whitewood laminated post is remote.

Imported plywood wholesale prices



China

Imported wood products to be tested for toxins

The China National General Administration for Quality Supervision, Inspection and Quarantine has announced a new regulation aimed at eliminating potentially harmful products from the market and this could affect imports of fibreboard, laminated wood and wooden furniture.

The items that will be closely checked for formaldehyde emissions and flame retardants will be fibreboard (HS code: 4411131900, 4411141900 and 4411192900), laminated wood (HS code: 4413000000) and wooden furniture (HS codes: 9403300090, 9403400090, 9403500910, 9403509990 and 9403609910).

Close attention will be paid to the heavy metal coatings on imported wood children's furniture, structural safety and flame resistance. Imported wood products identified in the new regulation entering China after 1 March 2018 are being checked.

For more see:

http://www.aqsiq.gov.cn/xxgk_13386/jlgg_12538/zjgg/2018/201801/t20180131_512167.htm

First company approved to import wood waste

Qunyi Wood Co., Ltd of Zhangshou City, Fujian Province has secured government approval to import waste wood to be used in the manufacture of added value products for export.

Qunyi Wood is the first company to secure approval and the company has identified Japan as the first choice from which to obtain waste wood and has developed business arrangements with suppliers in Japan.

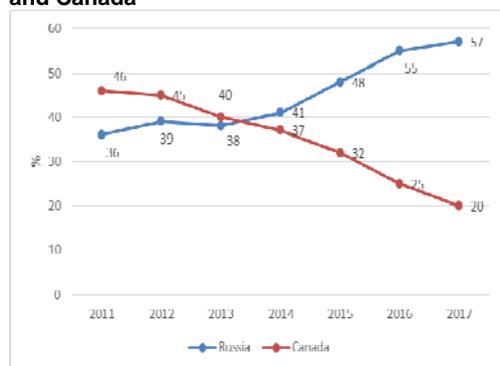
Russia's domination of China's sawn softwood imports

According to data from China's Custom, total sawnwood imports from Russia amounted to 15.58 million cubic metres in 2017. China's sawn softwood imports from Russia have been increasing in recent years and totalled 14.282 million cubic metres in 2017, a year on year increase of 23%.

Softwood shipments from Russia dominating China's sawn softwood imports and the average price for the year was US\$83 per cubic metre, up 6% year on year.

The proportion of China's sawn softwood imports from Russia grew to 57% in 2017 from 36% in 2016. The rising imports from Russia resulted in a decline in sawn softwood imports from Canada. The proportion of China's sawn softwood from Canada fell to 20% in 2017 from 46% in 2011.

Trends in China's sawn softwood imports from Russia and Canada



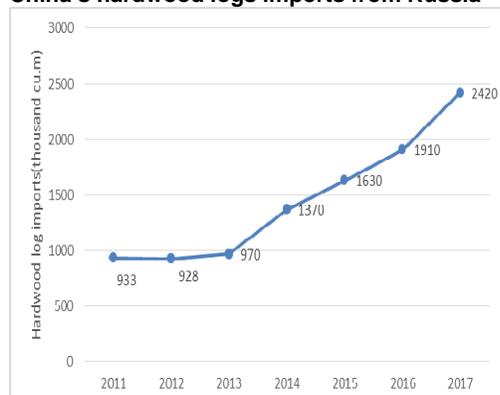
Data source: Customs, China

China's sawn hardwood imports from Russia in 2017 rose 12% to 1.298 million cubic metres at an average price of US\$279 per cubic metre, down 1%. Around 45% of sawn hardwood imports from Russia were birch. China's imports of birch sawnwood from Russia will fall in 2018 because the Russian government has announced controls on birch exports.

China's hardwood log imports from Russia

Data from China's Customs shows that hardwood log imports from Russia rose 27% to 2.419 million cubic metres in 2017 at an average price for the year of US\$146 per cubic metre, up 2% year on year. China's hardwood log imports from Russia have surged since 2013.

China's hardwood logs imports from Russia



Data source: Customs, China

Soaring timber imports through Haicang Port

According to Xiamen Haicang Entry-Exit Inspection and Quarantine Bureau, 2017 timber imports of logs and sawnwood through the Xiamen Haicang Bonded Port amounted to 1.14 million cubic metres valued at US\$199 million, a year on year increase of 25% in volume and 39% in value.

In 1989 the Chinese government established the Haicang investment zone as a petrochemical industrial area in Xinglin. Since then Haicang has developed into a world class port.

All imported timbers through Xiamen Haicang Port were containerised and originated from 47 countries according to Customs data.

The top three supply countries are Australia (323,000 cubic metres) valued at US\$37 million, Chile (199,000 cubic metres) valued at US\$46.08 million and the United States (163,000 cubic metres) valued at US\$40.46 million.

Timber imports through Xiamen Ports totaled 2.462 million cubic metres valued at US\$390 million in 2017. Haicang Port accounted for about half of the total volume and value of 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

Zhangjiagang Timber Market Wholesale Prices

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

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

Europe

Rising demand and limited supply push plywood prices

Plywood prices are rising sharply in the EU on the back of buoyant demand across the region and supply issues in a range of key exporting countries.

There is also now an increasing tendency to order more just-in-time, little and often to hedge against the risk of the present 'market bubble' bursting.

That summarises recent feedback from leading European plywood importers and distributors on trade and market trends.

One leading player described market dynamics over the last six months as 'increasingly tricky'. It had reached the point where, due to constrained supply and competition for what supply there was, the company was now effectively rationing product.

"There's certainly no need for advertising currently – everything we're bringing in is already sold," he said. "In fact, we're allocating product to a waiting list, with loyal, long-term customers obviously at the front of the queue."

Adding to market challenges, importers say they have had to become ever more selective in choice of supplier in response to what they describe as increasingly stringent and more uniform application of the EU Timber Regulation (EUTR).

"This and our own increasingly strict corporate social responsibility policy and stress on minimising reputational risk means that, where we previously had 10-15 suppliers, we now have just four or five who we know we can rely on to consistently satisfy our due diligence requirements," said another importer. But clearly that potentially exacerbates availability issues when supply is tight generally.

Descriptions of price rises resulting from this combination of market pressures range from 'significant' to 'seismic'. A UK importer said in the last six months they've seen prices for Malaysian and Chinese tropical plywood increase 25% and 20% respectively, while Brazilian elliotii is up 30%.

A continental European buyer said they'd seen an even steeper hike in the cost of elliotii pine plywood since last June. "Then we were paying US\$240/245 per cu.m fob for standard 20mm C+C, now we're at US\$330," they said.

"We've been cushioned to an extent by the weakening of the dollar, which nine months ago was at euro1.06 and is now euro1.23. But even so, a rise of US\$80 per cubic meter is a lot to take on board – and if the dollar strengthens, we'll be in for even stiffer rises. Larger customers with a more global perspective understand the situation and accept they have to pay more, but efforts to pass on at least some of the increases to smaller businesses are meeting with resistance."

The main driver for EU demand of both tropical and temperate hardwood and coniferous plywood is continuing construction growth across much of the EU, particularly, according to one international importer/trader, in north west European countries where a relatively mild winter has meant the market has remained more active than usual at this time of year.

The latest report from Euroconstruct forecast 2017 construction growth in its 19 focus countries at 3.5%. It added that it was the first time there had been an ‘across the board’ increase in activity in all countries since 1989, and that growth in a basket of construction market measures was at its highest since 2006.

The result, say suppliers is healthy demand for everything from shuttering/formwork plywood, to top end structural and exterior grades.

Furthermore, Euroconstruct predicts that the EU building sector will see another 6% expansion by 2020, with civil engineering projects and refurbishment and maintenance sectors taking over from residential and non-residential building in providing most market momentum.

But - Risk of overheating plywood market

For the immediate future, the EU plywood sector sees little change in trading conditions. Further ahead, however, the picture is less certain. “There are now signs of the market overheating, and at some point there will be a correction,” said an importer distributor.

“I don’t see it in the next six months but, if US buyers exit the Brazilian market, as we’ve seen happen before, our other leading global suppliers raise output and demand comes off current levels, we could be looking at a very different market scenario from the fall onwards. Leading up to this point I think we’re already seeing more cautious, hand to mouth purchasing so companies aren’t over-exposed.”

Buoyant EU economy

EU building growth is underpinned by generally buoyant economic performance and this, in turn, says the plywood sector, is fuelling sales rises in other markets, notably packaging and furniture.

Demand in the latter is reported being given added impetus by a design trend to use plywood as the sole manufacturing material, with faces and edges expressed, even unfinished, to reveal its structure and achieve an ‘industrial look’. Birch is the favoured species here, but one leading kitchen maker said they were also exploring the use of darker-faced tropical varieties.

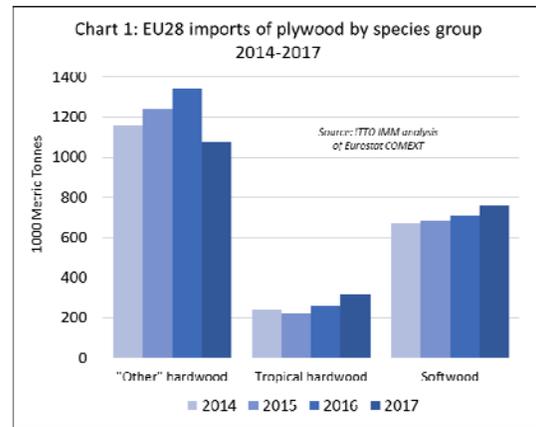
Against this bullish economic backdrop, latest EU plywood import statistics make clear why the market generally is reporting a squeeze on supply. Imports didn’t just fail to keep up with demand last year, they declined.

EU plywood imports down 7% in 2017

Total EU plywood imports in 2017 were down 7% to 2.159 million metric tonnes (MT). This was due entirely to contraction in the ‘other hardwood’ plywood category, with imports down over 20% from 1.346 million MT to 1.076 million MT.

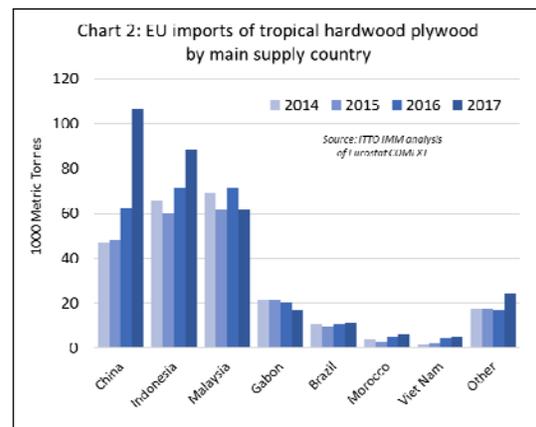
Part of this was likely due to a revision of customs product codes in 2017, which saw a large number of species previously labelled ‘other hardwoods’ now identified as ‘tropical’.

However, this was clearly not the only factor in the downturn, as tropical and softwood plywood imports increased by a combined total of only 115,000 MT in 2017; the former rising from 262,000 MT to 320,000 MT, the latter from 707,000 MT to 760,000 MT. (Chart 1)



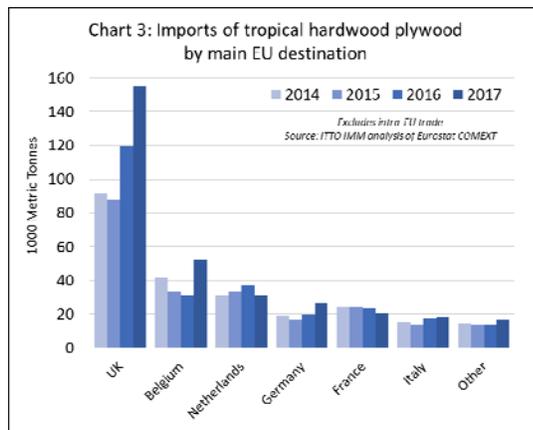
Overtaking both Indonesia and Malaysia as the largest supplier of tropical hardwood to the EU was China, with imports up 44,000 MT to 106,000 MT in 2017. This is almost entirely due to the HS product code reclassification, as Chinese ‘mixed red hardwood’ plywood was most affected.

EU imports of Indonesian plywood were ahead 24% in 2017, rising from 71,000 MT to 88,000 MT, while imports of Malaysian plywood dipped 15% from 71,000 MT to 62,000 MT, and imports of Gabon plywood fell 19% from 21,000 MT to 17,000 MT. (Chart 2).



The largest EU tropical plywood importer in 2017 remained the UK, which increased its purchases by 29% from 120,000 MT to 155,000 MT.

Belgium became the second biggest, with imports rising 21,000 MT to 52,000 MT, taking over from the Netherlands where imports fell 6,000 MT to 31,000 MT. Germany also saw an increase of 35% to 27,000 MT in 2017. (Chart 3).



FLEGT licensing and plywood demand

The extent to which the start of FLEGT licensing in November 2016 played a part in Indonesia's EU export growth last year is a matter of debate, but the consensus amongst importers seems to be that it was one of several factors and it is now becoming more important.

One importer said the availability of third-party quality assured marine plywood from Indonesian producers was more of a factor in their increased imports. But another said they had "switched sourcing to Indonesia to a degree" due to the availability of FLEGT licensed material and the savings in administrative time and cost on EUTR due diligence involved.

Meanwhile, a Belgian importer distributor saw a FLEGT licence becoming an increasingly valuable reputational guarantee. He suggested that EUTR monitoring and enforcement activity are growing, led by the national competent authorities (CAs) of Germany, the UK, Netherlands and Denmark, and to a degree France, and with others just beginning to step up capacity to undertake more checks, including in Belgium.

This importer also suggested that there's now greater operational collaboration and intelligence sharing between CAs. "It's got to the point where companies like ours are adopting a zero-tolerance policy on risk of any illegal material entering our supply chain. If we have any doubts about a supplier, species or source of supply, we won't use them", he said.

He went on, "in that context a product backed by a FLEGT licence as proof of legality clearly is set to become an increasingly attractive option."

Multiple plywood supply constraints

EU plywood importers suggest that recent trends in imports have been driven as much by supply side issues as by changes in European consumption. Supply constraints have been mounting in the last six months.

According to one importer, the severe rainy season in Indonesia was an important factor limiting supply of tropical hardwood plywood last year. Harvesting was impacted and mills were running increasingly short of raw material.

"Indonesia may have increased its exports to the EU overall last year, but more recently we've been getting as little as 50% of normal deliveries," said the company.

"Many mills must be losing money and some have gone on to short-time, or mothballed production."

This importer was hoping that the rainy season will finish, as normal, end of March. "But last year that didn't happen," said another importer. "Some feel it's another possible sign of climate change. It maybe we're facing more unpredictable weather patterns generally and our industry will just have to adapt."

Chinese environmental regulation reduces plywood supply

EU plywood importers also report that production output of their Chinese suppliers is being affected by tough new environmental and health and safety regulations. This has forced Chinese producers to invest heavily in new production and pollution control technology. Some have cut or even stopped production while installation work goes on.

"The new rules are also driving many of the small-scale, family-run, rotary cut veneer plywood manufacturers out of business," said an importer. "They principally served the domestic market, so now domestic customers are also turning to the bigger export producers, adding another supply pressure."

Chinese producers looking for higher prices

It's generally agreed that the main pressure on Elliott's supply has been rising global demand. Brazilian mills last year were reported to have topped 2 million cubic metres in output last year, but EU importers say their US counterparts have been buying particularly heavily, and demand elsewhere in the region has also risen, including in Mexico and Caribbean markets.

"Add in freight rate rises, and that's why Elliott's has become an increasingly costly commodity," said one EU importer.

Weather is cited as a factor in recent Russian supply trends. A slow start to the winter, is reported to have delayed harvesting, leading to a backlog of orders. "Now mills are sold quite well ahead, with order books full for March and April," said an EU importer. "We anticipate a price uptick as a result."

EU associations push for higher plywood quality standards

Timber trade associations in two leading EU importing countries have recently been pushing forward plywood quality, performance and legality initiatives.

In the UK, the Timber Trade Federation (TTF) has undertaken a Plywood Review over the last 18 months. This is in response to concerns over import of products, mainly from China, that the TTF claims do not meet key EU/UK legal compliance legislation.

That included products classified as high risk under the EUTR not being adequately risk mitigated through tropical veneer species testing. The initiative was also in response to insufficient glue-bond testing being undertaken, notably in EN.314 Class 2 product, to be able to draw up a Declaration of Performance (DoP).

The TTF has liaised with Chinese trade associations on these issues and produced recommendations for members. These include; for EUTR compliance, to implement regular plywood species testing from high-risk suppliers; to provide clear species marking on packs; and to ensure suppliers operate documented Factory Production Control (FPC) in compliance with the EU Construction Products Regulation.

The TTF said the review is ongoing and will be subject to more discussion and actions in coming weeks.

In Germany, GD Holz has been continuing to develop its Plywood Quality Initiative (Initiative Qualitäts Sperrholz /IQS). With five member importers, and aims to include more, the focus is on ‘ensuring correct description of all product characteristics and properties’.

The companies are obliged to ensure suppliers meet national product codes and to include all relevant product technical details and descriptions with deliveries.

Recently GD Holz has issued a leaflet to inform members’ customers what to expect from an IQS supplier and a brochure detailing softwood and hardwood plywood production codes of Brazil (ABNT), Russia (GOST), Finland (SFS) and the EU (DIN-EN).

Currently IQS is concentrated on technical issues, but it intends eventually to add legality and sustainability to its remit.

North America

Rise in ipe and mahogany imports

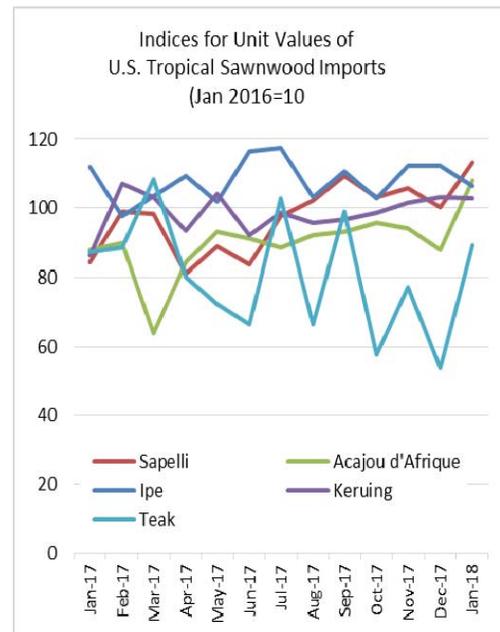
The US imported 67,577 cu.m. of temperate and tropical sawnwood in January. This was 4% less than in January 2017. Imports of tropical species declined more (-19%) than temperate species compared to January last year.

Tropical sawnwood imports were 18,602 cu.m. in January, down 6% from December. Almost one third of all tropical imports came from Brazil. Imports from Brazil increased in January, the majority being ipe (3,087 cu.m.) and mahogany (1,345 cu.m.).

US and Cameroon shipped more to Canada in January

Canadian imports of tropical sawnwood were also down in January. Imports were worth just over US\$1 million in January, down 36% compared to January 2017. Imports from most countries declined month-on-month except for imports from the US and Cameroon.

Sapelli sawnwood imports from Cameroon grew despite an overall decline in Canada’s sapelli imports in January. Imports from the US were almost all in the virola, imbuia and balsa category in January.



Data source: US Census Bureau, Foreign Trade Statistics
 Note: Indices are derived from Customs values and exclude shipping, insurance and duties

Lacey Act compliance courses offered by IWPA

The International Wood Products Association (IWPA), who represents the North American imported wood products industry, created in 2016 a course on the requirements of the Lacey Act and due diligence tools with funding from the U.S. Agency for International Development.

The course “Wood Trade Compliance Training and Due Diligence Tools” was well-received by importing companies. Based on feedback from course participants the IWPA has developed more advanced courses.

The first set of new courses are “Advanced Wood Trade Compliance”, “Audits for the Wood Trade Professional”, and “Key Components of Wood and Forestry Regulatory Schemes”. The Advanced Compliance course will provide attendees with sourcing strategies, risk assessment methods, methods to validate supplier compliance, and updates about regulatory developments and enforcement actions.

The Audits course has been developed to educate compliance professionals about the ways audits can be developed, implemented, and then used to address non-conformities and take corrective actions. The Regulatory Schemes course covers the basics of typical forest regulatory structures to help wood trade professionals better understand the regulatory environment of their wood sources.

Rollout of the new courses started in February. The Advanced Compliance course is a day-long session, while the other two courses are half-day sessions. More information about Lacey Act compliance courses as well as training dates and locations are available at the IWPA website.

Shipping rates expected to remain low despite mergers and acquisitions

Import/Export Wood Purchasing News (February/March 2018 issue) provided an overview of major developments in shipping in 2017 and how they may affect prices and container trade in 2018.

The number of large shipping lines has continually decreased through acquisitions and mergers. In 2017 Maersk acquired Hamburg-Süd. Cosco bought OOCL after absorbing China Shipping in 2016. The three Japanese carriers KLINE, NYK and MOL have announced they will merge to become ONE (Ocean Network Express). In the end three major alliances will represent approximately 85% of the global container trade in 2018.

At the same time ocean freight rates have been at record low levels. Rates are not expected to increase much in 2018, despite the shipping line mergers. This is in part because carriers are ordering larger vessels, which can hold up to 4,000 containers more than the ships they will replace. Without an increase in cargo, the larger capacity will help depress freight rates.

Washington pier the largest Kebony installation in the US

A recreational waterfront pier in Washington D.C. has the largest installation of Kebony wood decking and was featured in an article by Woodworking Network. Kebony softwood was used for decking, verticals, benches and cladding throughout. In total Kebony was used over about 10,000 square metres.

The Kebony technology modifies softwoods by polymerising the wood's cell wall. According to Norwegian Kebony, the softwoods reportedly take on the attributes of tropical hardwood including high durability, hardness and dimensional stability.

Kebony was also promoted recently as a more sustainable choice than tropical hardwoods in an in-depth technical article in Construction Canada, a design-build news source for construction professionals.

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.

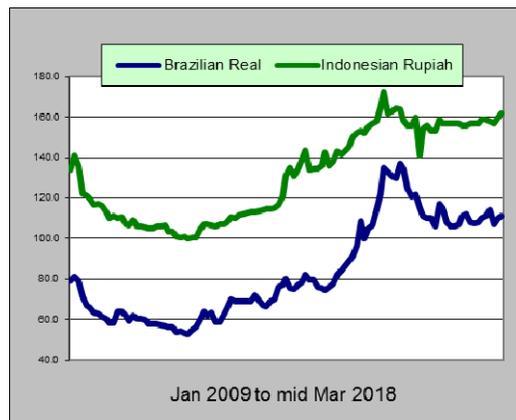
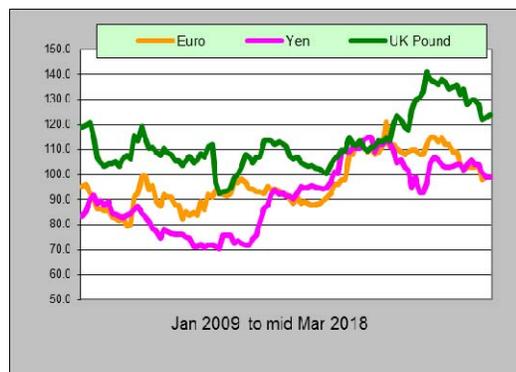
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 March 2018

Brazil	Real	3.2618
CFA countries	CFA Franc	533.21
China	Yuan	6.33
EU	Euro	0.8106
India	Rupee	64.996
Indonesia	Rupiah	13754
Japan	Yen	106.41
Malaysia	Ringgit	3.9045
Peru	New Sol	3.25
UK	Pound	0.7191
South Korea	Won	1065.02

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

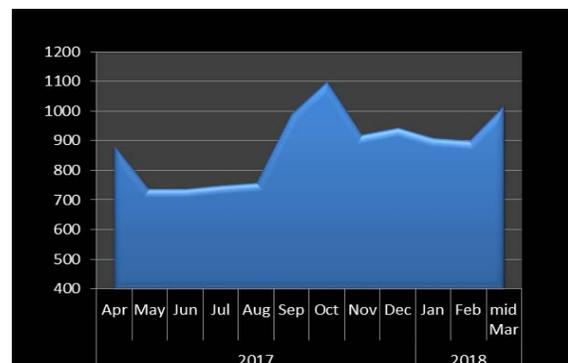


Abbreviations and Equivalences

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
April 2017 – mid March 2018

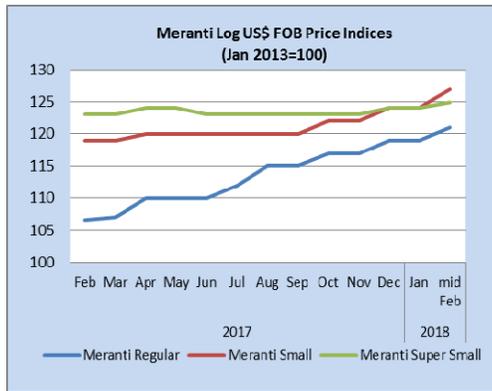


Data source: Open Financial Data Project

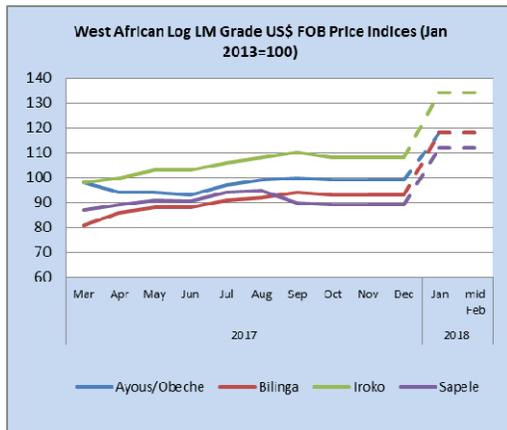
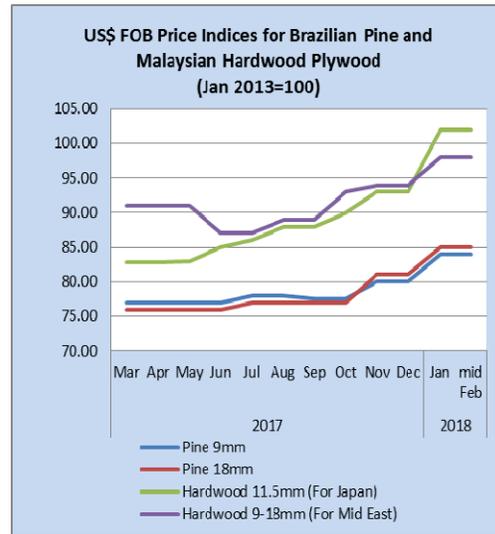
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

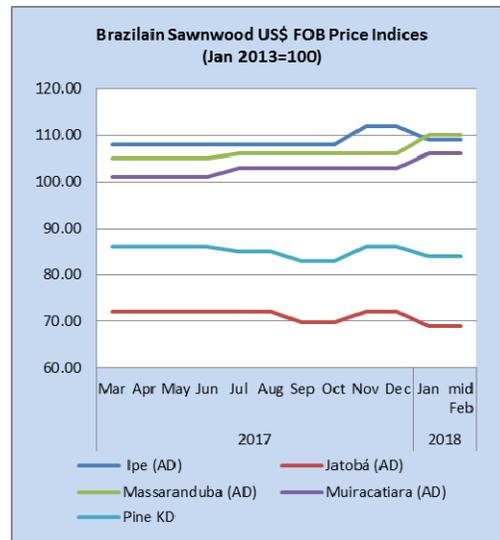
The following indices are based on US dollar FOB prices



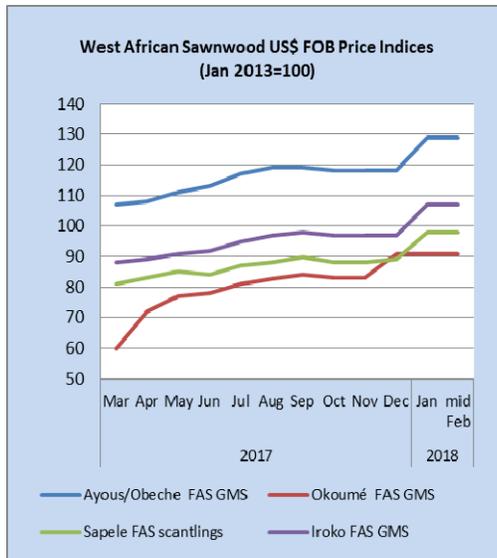
Note: Sarawak logs for the Japanese market



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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