

# Tropical Timber Market Report

Volume 22 Number 6 16th – 31st March 2018



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

## Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	4
Myanmar	5
India	5
Brazil	7
Peru	9
Japan	10
China	14
Europe	17
North America	19
Currencies and Abbreviations	21
Ocean Freight Index	21
Price Indices	22

## Headlines

	<i>Page</i>
<b>Congestion at Douala Port frustrates shippers</b>	2
<b>Legality certification training for companies in Sarawak</b>	4
<b>Indonesian ministry rejects log export plan</b>	4
<b>Doing business in Myanmar 'super challenging' says new report</b>	5
<b>Small companies exiting Indian real estate sector</b>	6
<b>Growing market for custom made furniture in China</b>	15
<b>EU tropical sawn hardwood imports fall to all-time low</b>	17
<b>Fall in EU imports driven mainly by supply-side issues</b>	18
<b>Changing US hardwood plywood supply channels</b>	19

## Top Story

### **Skyrocketing Indonesian plywood prices**

Japanese importers say that export prices for Indonesian plywood continue to climb. In particular, prices for 2.5 mm panels have shot up to around US\$1,000 per cubic metre C&F, the highest ever recorded.

The Japan Lumber Reports (JLR) says the weather in Indonesia is partly to blame and this, coupled with the control of illegal harvesting, has driven down production. The JLR suggests log harvests have dropped by 50%.

**See page 13**

## Central and West Africa

### Buyers for China say no to raised FOB prices

Log FOB prices remained largely unchanged throughout the month because new business for China and India has still not picked up. Buyers for the Chinese market have made it clear they will not accept the higher log prices proposed by Cameroon exporters saying that the recent rise in export duties is an issue for the exporter to settle with the government of Cameroon.

Whilst currently there are adequate supplies of logs, except for okoume peelers, producers are seeing a steady tightening of supply which will eventually have to translate into higher log prices in the medium term.

Current demand is focused mainly on red species and the heavier density timbers, niove, tali, okan and sapele.

### Congestion at Douala Port frustrates shippers

Exporters continue to be frustrated over the congestion at Douala Port. Reports suggest up to 60,000 cu.m of logs destined for China are stuck in the port awaiting shipment.

The situation is becoming worse with ships having to leave with only part cargos and in some cases sawnwood shut out from loading is being left quayside.

Almost all export shipments from Cameroon's pass through Douala Port which also serves landlocked Chad and the Central African Republic.

Shippers complain that the procedures and costs (direct and indirect) for getting goods out of the country are a major challenge.

In a letter to the government the Port's Director General said that it is the lack of investment in upgrading port facilities that is mainly the cause of the problems at the Port.

When built the Port was equipped to handle 7 million tonnes annually but last year there were around 12 million tonnes to be shipped.

Producers in northern Congo Brazzaville are starting to truck their exports 1,500km to Point Noir Port in order to avoid the congestion at Douala.

This long distance transport is very costly but ends up cheaper than the costs arising from long delays, high charges and possible short shipment penalties from shipping through Douala.

For more see: <https://citizen.co.za/news/news-africa/1870871/cameroon-economy-port-trade-corruption/>

### 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	260↓	250↓	225
Azobe & Ekki	265↓	265↓	180
Belli	295	295	-
Bibolo/Dibétou	195	175	-
Bilinga	260↓	260↓	-
Iroko	370	350	270
Okoume (60% CI, 40% CE, 20% CS) (China only)	250	250	190
Moabi	345↓	340↓	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

### Approved contracts rose in Q4 2017

The Forestry Commission's Timber Industry Development Division (TIDD) has reported export contracts for a volume of 164,759 cu.m were processed and approved during the fourth of 2017.

This volume is close to 60% higher than in the final quarter of 2016.

Table below shows the comparative breakdown of approved export contracts for the 3rd and 4th quarters of 2017.

Category	2017 Q3 cu.m	2017 Q4 cu.m	% Change
Primary	22,117	10,067	-55
Secondary	78,240	151,696	94
Tertiary	2,860	2,995	5
<b>Total</b>	<b>103,217</b>	<b>164,758</b>	<b>60</b>

Export volumes of primary products (mainly billets/logs) fell 55% in the final quarter of 2017 compared to third quarter. This decline was as a result of fewer shipments of plantation teak logs/billets

For the period under consideration the volume of secondary products almost doubled compared to the performance in the third quarter to a volume of 151,697 cu.m. Tertiary product exports also increased from 2,860 cu.m in the third quarter 2017 to 2,995 cu.m in the fourth.

The TIDD report said contracts for overland plywood export rose 49% rise in volume. Shipments to neighbouring West African countries. Sawnwood accounted for 86% of overland shipments. In the final quarter of 2017 exports of sawn rosewood increased by 160% to 86,300 cu.m.

#### Main markets unchanged

The West African market continued to be the lead market for Ghana's plywood. Of the total 2,850 cu.m exported, 2,293 cu.m was for the West African sub regional markets notably Nigeria.

India continued to be the main destination for teak (sawnwood and logs/billets) as well as gmelina logs while the Middle East and Egyptian markets emerged as a major destinations for backing grade veneer.

The markets for tertiary products such as sliced veneer and kiln dried sawnwood were European member states while air dried rosewood and other high density species such as apa, ekki and denya found their way to the Chinese market. China also emerged as a major destination for sawn and kiln dried wawa.

#### Ghana firms up structures to weed out forest sector illegalities

As part of government measures to control illegal activities in the forest the Forestry Commission (FC) organised a workshop to assist domestic timber companies understand regulations for the forestry supply chain.

In a press statement, the FC said government is committed to the implementation of a number of interventions to address issues of deforestation, forest degradation and the improvement of the contribution of forests to the country's economy.

The battle against illegal activities in the forestry sector continues and the FC is doing every it can eliminate such activities. But much more is needed, especially building capacity of sector stakeholders.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	430↑
Niangon	580↑
Niangon Kiln dry	630↑

#### Export Rotary Veneer Prices

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

NB: Thickness

#### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Arormosia	-
Asanfina	1,098
Avodire	1,177
Chenchen	1,177
Mahogany	1,228
Makore	1,336
Odum	1,417

#### Export Plywood Prices

Plywood, FOB BB/CC	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
4mm	378↑	640	641
6mm	510↓	535	626
9mm	345	446	560
12mm	470	463	480
15mm	450	402	430
18mm	405↓	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	490↑	564
Ceiba	240	288
Dahoma	453	530↓
Edinam (mixed redwood)	520	599
Emeri	380	428
African mahogany (Ivorensis)	843	995
Makore	775	846
Niangon	620	675
Odum	918	1029
Sapele	700	780↑
Wawa 1C & Select	360	440↓

## Malaysia

### Researchers to benefit financially from discoveries

A structure is being created that will allow researchers at the Forest Research Institute Malaysia (FRIM) to benefit financially from their discoveries. This was announced by the Natural Resources and Environment Minister, Dr Wan Junaidi Tuanku Jafar.

The minister said the aim of the scheme is to provide incentives to researchers working on practical issues. At present only FRIM and the Government were entitled to royalties from discoveries.

### Raising awareness of importance of forest conservation in Sabah

An Environmental Conservation initiative was recently started in the Garinono Forest Reserve aimed at restoring the diversity of the forest structure and at the same time raising public awareness on the importance of forest conservation. The event was jointly organised by the Sabah Forestry Department and the Sandakan Polytechnic.

To launch the initiative some 400 tree seedlings, mainly kapur merah (Borneo camphor) were planted. Forty-two students were instructed on tree planting techniques.

### Legality certification training for companies in Sarawak

The state administration has targeted 2020 by which time wood products from the state will all be certified under the Sarawak Timber License Verification System (STLVS). The state Forest Department is now preparing guidelines and training for timber companies.

The Acting Director of the Forestry Department, Hamden Mohammad, said companies would be given two years to ready themselves for implementation. He stressed the STLVS will project a positive image for the timber industry as the auditing of the system would be undertaken by a third party.

The STLVS was developed through consultation with representatives of government and the timber industry. To-date 16 timber companies have adopted the STLVS since its introduction last year.

## Indonesia

### Plans to protect unique Indonesian craft designs

Haris Munandar, Secretary General in the Ministry of Industry, has said Indonesia's furniture industry is a priority industry but that Indonesian furniture exports are far below those of countries like Vietnam, Malaysia and Singapore.

The minister reiterated that the furniture sector is important for its capacity to absorb high levels of unskilled and semi-skilled labour. In related news, the minister spoke on efforts to protect the creative capacity of Indonesian craftsmen and women.

The Ministry of Industry will facilitate Intellectual Property Right (HAKI) registration for such the crafts persons. Efforts are also underway to boost exports through more effective promotion of the unique national furniture and handicraft products.

The ministry has launched an e-Smart on-line programme in cooperation with some domestic manufacturers.

### Ministry of Industry rejects log export plan

In a surprise move, the Ministry of Industry has said it rejects the plan to allow plantation log exports. The Director of Forest Products and Plantation Industries in the Ministry of Industry said that the focus of national industrial development is to add value to natural resources.

See: <http://industri.bisnis.com/read/20180312/257/748688/kemenperin-tegaskan-tolak-wacana-ekspor-bahan-mentah>

### First e-commerce sale to the US

For the first time processed wood products offered through the e-commerce scheme have been shipped to the United States. Recently a shipment of processed merbau from CV Indo Jati Utama, in Semarang, Central Java, was shipped.

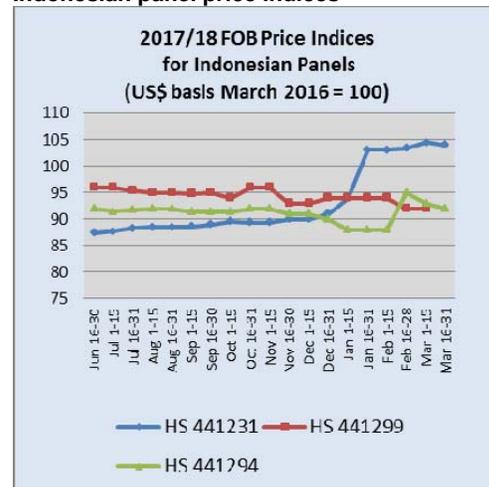
The overseas order was through the online marketing system launched by the Association of Indonesian Forest Concessionaires (APHI). The system is called Indonesian Timber Exchange E-Commerce. Director of CV Indo Jati Utama, Gunawan Budikentjana, said the US market is very demanding but selling SVLK certified wood products on-line has great promise.

In related news, a spokesperson in the Ministry of Environment and Forestry said the ministry expects the use of online marketing of SVLK certified timber will boost exports.

### Correction

We wrong reported Ida Bagus Putera Parthama as APHI Executive Director, when it is Indroyono Susilo. Our apologies to both.

### Indonesian panel price indices



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

**Foreign investment in-flow target achieved**

Aung Naing Oo, Director General at the Directorate of Investment and Company Administration (DICA) and secretary of the Myanmar Investment Commission (MIC) said Myanmar’s foreign investment inflows will exceed the targeted for the 2017-18 financial year that ends 31 March, 2018.

For the year, the MIC has granted investment approvals valued around US\$ 6.11, which includes the value of expansion and investment in the Thilawa Special Economic Zone (SEZ). The total investment injected into the Thilawa SEZ in the 2017-18 financial year is around US\$400 million.

Manufacturing, real estate and the services sectors are the top three investment areas while mining, livestock and fisheries saw limited inflow.

In the current fiscal year the oil and gas sector as well as construction saw zero investment said Aung Naing Oo. Myanmar enacted a new Myanmar Investment Law last year to attract investment, stimulate the job market and improve the Myanmar economy.

**Doing business super challenging say new report**

Recently the Yangon-based Myanmar Centre for Responsible Business (MCRB) - an initiative funded by the UK, Denmark, Norway, Switzerland, the Netherlands and Ireland- announced its latest "Pwint Thit Sa" ("Blossoming") study which says a lack of transparency and 'murky' financial dealings continue to make doing business in Myanmar "super challenging".

The study, the most ambitious of its kind, ranks Myanmar’s public, private and listed companies on a range of criteria covering everything from auditing practices and ethics to whether the company has a website.

There are some companies that have attained standards common to the region says the report but there is much more to do according to the co-author and director of the Myanmar Centre for Responsible Business, Vicky Bowman.

See: <http://www.myanmar-responsiblebusiness.org/index.php>

**March teak auction prices**

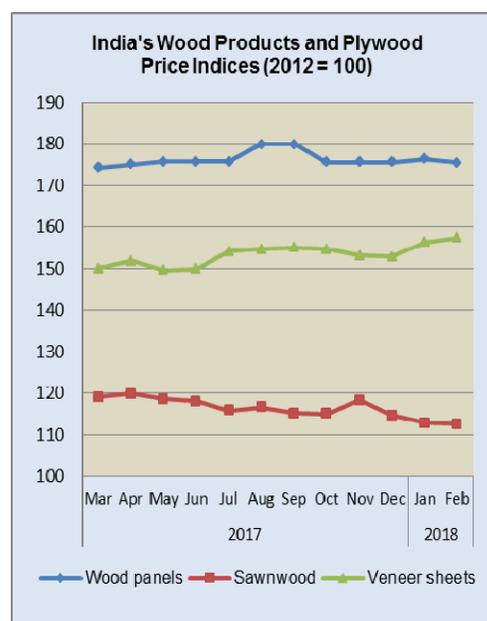
Grade	H.tons	Average US\$/H.ton
SG-1	23	6,209
SG-2	6.4	4,555
SG-4	45	3,760
SG-5	67	2,980
SG-6	88.5	2,350
SG-7	266.5	1,655

**Unexpected drop in panel price index**

India’s official wholesale price index for all commodities (Base: 2011-12=100) for February 2018 released by the Office of the Economic Adviser to the government (OEA) remained unchanged from January at 115.8

The annual rate of inflation, based on monthly WPI in February 2018 was 2.48% up on February 2017 and was also higher than in January. The overall index for the wood products and cork group rose by 0.1% to 130.9 due to the higher prices for wooden splint (+2%), veneer sheets and wooden boxes/crates (1% each). However, the index for plywood, blockboard and other woodbased panels declined.

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

**Negative impact of GST and demonetisation eases**

India’s industrial output expanded faster than expected to 7.5% in January from 7.1% in December and inflation figures showed a modest decline laying the foundation for further growth. Analysts are interpreting the latest data as suggesting the negative impact of de-monetisation and initial turmoil from introduction of the standard Goods and Services Tax has waned. The economy is forecast to grow 6.6% in the current financial year.

**Double digit rise in Maharashtra’s forest cover**

At an International Day of Forests 2018 event it was announced that over the past 20 years the forest cover in Maharashtra State increased by 6,839 sq. km or around 16%. In addition the area of mangrove forest had almost doubled from 155 sq. km in 1995 to 304 sq. km in 2017.

Two main reasons were given for the success in expanding the forest cover, improved conservation efforts at the district level and the active participation of local people in forest management.

### Small companies exiting real estate sector

The Indian housing market is undergoing significant change in that there is an ongoing consolidation of house builders in the so-called 'unorganised' sector which, until recently, accounted for most almost 90% of house building in the country.

These small and medium sized companies are struggling to cope with stringent regulations in the Real Estate Regulation and Development Act (RERA). This resulted in many companies failing and having to put properties on the market a reduced prices.

Analysts speculate that the number of SME builders could drop to a tenth of the previous 45,000. Those companies that are managing to continue in business say they are being offered a large number of partially completed homes by distressed companies. This is happening at a time when the demand for houses is growing and news reports say the top 'formal' sector builders are looking to expand land purchases.

### Imported plantation teak prices

Demand for imported plantation teak logs is reported as steady and current levels of delivery are adequate to meet market requirements. Analysts continue to complain that average girths for log parcels are declining and that overall quality is below that of recent years.

#### 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

Prices for locally sawn hardwoods remain unchanged. Analysts write that, while importers are looking for better domestic wholesale prices as log FOB prices climb the level of competition in the local market is too strong for this to be achieved.

Sawnwood	Rs per cu.ft.
Ex-mill	
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

Prices for imported Myanmar teak remain unchanged.

#### 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.

### Plywood

Plywood manufacturers are facing growing competition from wood/plastic composite boards as many new mills are being established. The marketing of WPC panels emphasises the waterproof and insect resistance properties of these panels.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	51.50
6mm	69.0
9mm	87.50
12mm	108.0
15mm	144.0
18mm	150.0

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	26.0	38.0
6mm	39.0	49.50
9mm	49.50	60.0
12mm	60.0	71.50
15mm	72.50	87.0
19mm	82.75	98.0
5mm Flexible ply	51.50	

## Brazil

### Community forests can deliver more timber

BVRio and Imaflora (Forestry and Agricultural Management and Certification Institute) have published a study "Commercialisation of wood products from community forest management: diagnosis, options and recommendations for the sector".

This study presents a survey of the current situation of community forest management (CFM) in Brazil to identify barriers and opportunities for improving growth in the sector.

The report suggests CFM in Brazil has the potential to be applied over 46 million hectares in the Amazon. The national and state forests of the Amazon which total more than 28 million hectares could, through sustainable management, generate forest products worth between R\$ 1.2-R\$ 2.2 billion per year the report says.

However, the current contribution of CFM to timber production said to be well below its potential and there are many hurdles to overcome to release the full potential says the report.

See: [http://www.bvrrio.org/wp-content/uploads/2018/03/BVRio\\_Imaflora\\_Manejo-Florestal\\_WEB\\_Low.pdf](http://www.bvrrio.org/wp-content/uploads/2018/03/BVRio_Imaflora_Manejo-Florestal_WEB_Low.pdf)

### Proposals to eliminate unnecessary timber seizures

A national forum on forest-based activities presented a proposal to amend the Normative Instruction 21/2014 and CONAMA Resolution 411/2009 and 474/2016, which deals with the identification of forest products for the purpose of inspection.

The aim of the new proposal is secure adoption by inspection agencies of identification by species and conversion rates in cubic metres. This proposal was backed by the State administrations in Mato Grosso, Pará, Rondônia, Acre, the major suppliers of forest products.

The current inspection procedure is a problem say analysts. For example, fresh cut sawnwood measuring 40mm thick will be measured for volume but as the timber dries there is shrinkage and the timber could become 38mm thick.

If the timber shipment is re-measured at 38mm thickness the volume will differ from that of the volume for fresh cut timber and this can be deemed mis-reporting and can lead to seizure. The new proposal aims to provide suggestions on shrinkage allowances to improve inspection processes and avoid unnecessary seizures.

The proposal was well received by the environmental agencies which control the origin, transportation and commercialisation of forest products and analysts anticipate a change to the system will be adopted in May this year.

### February export round-up

In February 2018, Brazilian exports of wood-based products (except pulp and paper) increased 27% in value compared to February 2017, from US\$192.3 million to US\$244.0 million.

Over the same period the value of pine sawnwood exports increased almost 26% from US\$30.8 million to US\$38.7 million. In terms of volume exports increased 21% over the same period from 152,700 cu.m to 185,600 cu.m.

On the other hand tropical sawnwood exports declined slightly from 31,100 cu.m in February 2017 to 31,200 cu.m in February 2018 however, export values rose around 4% to US\$ 14.3 million.

In February pine plywood exports increased sharply (56%) in value in comparison with the figure of US\$36.7 million February 2017, from. The increase in the volumes of pine plywood were more modest at 27%, from 138,100 cu.m to 175,200 cu.m.

As for tropical plywood, export volumes and value increased from 9,800 cu.m (US\$3.6 million) in February 2017 to 12,700 cu.m (US\$5.2 million) in February 2018.

In addition, exports of wooden furniture also rose from US\$32.8 million in February 2017 to US\$38.7 million in February 2018, an 18% increase.

Monthly data released by the Ministry of Development, Industry and Foreign Trade (MDIC) for February show a significant increasing pace of all types of furniture exports. Compared to February 2017 furniture export increased by 17% to US\$51.6 million compared to US\$44.1 million.

The positive result is mainly due to the expansion of sales to the United States, which rose 27% in the first two months of this year and to the United Kingdom (up 24%). The top three importers (US, UK and Argentina) increased their share of the total volume from 47% in the first two months of 2017 to 49% this year.

### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	224p
Ipê	126
Jatoba	128
Massaranduba	128
Muiracatiara	119
Angelim Vermelho	108
Mixed redwood and white woods	108

Source: STCP Data Bank

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	965p
Ipê	477
Jatoba	445
Massaranduba	446
Muiracatiara	406
Angelim Vermelho	269
Mixed red and white	227
Eucalyptus (AD)	161
Pine (AD)	186
Pine (KD)	

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	588
4mm WBP	480↓
10mm WBP	427↓
15mm WBP	479↓
4mm MR	355↓
10mm MR	330↓
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	252
15mm MDF	303↑

Source: STCP Data Bank

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1446
Jatoba	912↑
Massaranduba	826↑
Muiracatiara	799↑
Pine (KD)	190↑

FOB Belém/PA; Paranaquá/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 <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	322↑
12mm C/CC (WBP)	303↑
15mm C/CC (WBP)	284↑
18mm C/CC (WBP)	282↑

Source: STCP Data Bank

### Export Prices For Added Value Products

		US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports		
Decking Boards	Ipê	2,563↑
	Jatoba	1,450

Source: STCP Data Bank

### Timber industry: barriers and opportunities in internal trade

The Technological Institute of Production (ITP) - CITEMadera in cooperation with FAO has released a report "The Timber Industry in Peru: Identification of Barriers and Opportunities for the Internal Trade of Responsible Wood Products". This warns that the timber sector is characterised by a high level of business informality.

See:

<https://gestion.pe/economia/industria-maderera-barreras-opportunidades-comercio-interno-229820>

The report concludes that the domestic market absorbed some 90% of all output in 2015 up from just over 60% in 2007.

Analysis of domestic demand looking at domestic supply and imports found that, on the basis of volume, the main products and distribution were as follows sawnwood (14.3% imported), agglomerated panels (78.3% imported), industrial round wood (13.8% imported), sheets and plywood (26.0% imported), wood charcoal (0.5% imported) and sleepers (27.5% imported). Domestic production did not satisfy demand in the domestic market in 2015.

The report concludes that the main barrier to trade in wood from sustainable and legal sources is the high rate of 'informality' in the sector. To address this it is necessary to strengthen of business management, improve company control procedures, strengthen concepts of quality and sustainability and create a culture responsible business.

### Tecno-mueble 2018 Fair

The aim of the Tecno-mueble 2018 Fair, a domestic event, was to provide an opportunity for furniture manufacturers in the country that could not afford to attend international fairs to experience the latest technologies.

The Fair was opened as part of the Day of the Carpenter celebrations in the Industrial Park of Villa El Salvador, Lima and showcased, machinery and industrial equipment for wood working.

This eighth Fair attracted more than 4,000 furniture entrepreneurs from the interior of the country such as Loreto, Ucayali, Pasco, Madre de Dios, Tacna, Cajamarca, Piura, Ica, Moquegua, Ayacucho, Arequipa.

### APEC adopts new suggestions on combatting illegal logging

A proposal from Peru on approaches to combating illegal logging was incorporated into the 13th meeting of the APEC Expert Group on Illegal Logging and its Associated Trade (EGILAT) which took place in Port Moresby, Papua New Guinea.

The Executive Director (e) of the National Forestry and Wildlife Service (SERFOR), John Leigh Vetter, who was at the meeting reported that APEC member countries agreed to organise a workshop in 2019 in Chile, the purpose of which would be increasing knowledge of the tools and methods available to prevent and combat illegal logging.

In a presentation, the Executive Director of SERFOR made known the ongoing activities in sustainable management and the building cooperation between institutions and authorities to prevent and confront illegal logging.

### Peru major buyer of Ecuador's particleboard

Ecuador's exports of particleboard amounted to US\$97.3 million in 2017, an increase of 8.5% compared to 2016. Colombia and Peru were once again the main export markets for Ecuador's particleboard. Exports to these two markets accounted for 94% of total exports in 2017.

Exports to Colombia amounted to US\$57.3 million (2016: US\$50.9 million) a significant rise of around 12%.

Exports to Peru amounted to US\$34.1 million, a 4.6% rise compared to US\$ 32.6 million in 2016. Exports to Panama, the third most important market, recorded a slight drop US\$2.71 million in 2016 to US\$2.66 million in 2017. Bolivia, the fourth largest market, posted a sharp drop (-18%) to US\$1.31 in 2017.

### Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	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 Sawnwood Prices

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

### Export Veneer Prices

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

### Export Plywood Prices

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

### Domestic Plywood Prices (excl. taxes)

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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

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

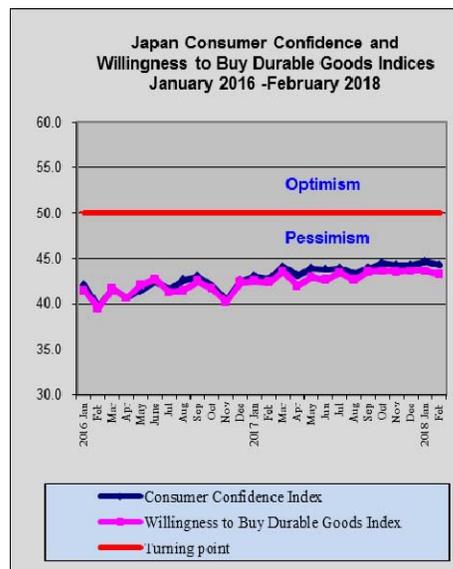
## Japan

### Missing element in plan to beat deflation

Wages for workers in Japan fell in December and worse, the decline was the quickest in six months. This was despite the continuous efforts on the part of the government to try and convince companies to raise wages.

Rising incomes is a cornerstone of the government's plan for the economy. The argument goes that as wages rise this would spur consumption to lift the economy. This is not happening even as the labour market heats up and unemployment falls.

The Ministry of Labour, Health and Welfare figures demonstrate that, year on year, wages (adjusted for inflation) were down 0.5% in December 2017. What seems to be missing from the economic plan is how to lift confidence amongst households and release some of the savings into the economy.



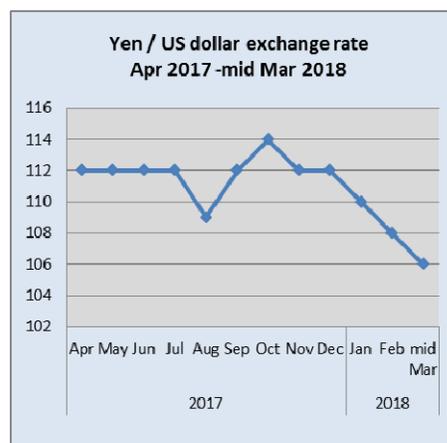
Data source: Cabinet Office, Japan

### Trend to higher interest rates – except in Japan

At its latest meeting the Bank of Japan (BoJ) indicated that it plans to maintain its monetary policy despite the modest economic expansion but also because expectations for rising wages have not been met.

The risk is that any change to the policy of the BoJ will immediately impact the yen/dollar exchange rate and for now the Bank does not want to see the yen strengthen and undermine exports. If the yen appreciates beyond 100 to the US dollar Japanese exporters will suffer. Currently the yen is 106 to the dollar after strengthening sharply over the past 3 months.

Analysts point out that in most other major economies the trend is towards higher interest rates which puts Japan in a class of its own. Interest rates in the US are set to rise throughout the year and in the EU rates are firming as they are elsewhere creating even more of a divergence between Japan and the rest of the world.



### 'Slash and burn' Japanese homes

The housing market in Japan is unique in that the value of an average Japanese home depreciates rapidly, in sharp contrast to other countries where the home is considered as a sound investment and retains its value.

In Japan, after around 30 years families usually follow the local tradition and consider demolishing the house and rebuilding. Across Japan, sales of new homes are much higher than second hand homes, the reverse of the situation in western countries.

The short replacement cycle is good for home builders but a waste of resources and does not create wealth and the confidence that brings to home owners.

The Economist Newspaper has quoted Chie Nozawa of Toyo University as saying this is just like 'slash-and-burn' farming. As the population declines there is little justification for continuing this cycle of home replacement. To give it credit the Japanese government is looking to realign housing policies to encourage the sale of secondhand homes.

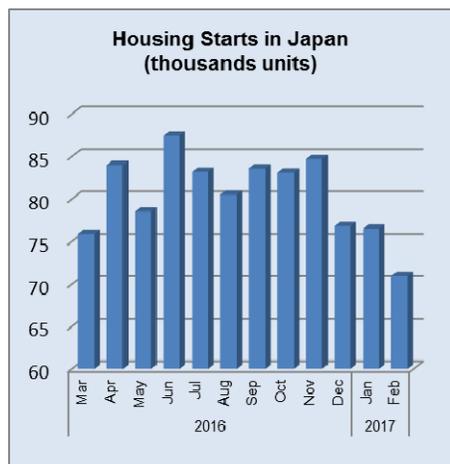
As if to drive home the state of the Japanese real estate market, the domestic media has reported that in 2017 over US\$3 billion was invested in overseas real estate by Japanese companies and pension funds. This was almost double the investment in 2016.

This marks a significant shift as previously investments have been focused on the domestic market.

Japanese real estate developers have also been moving into new markets, for example Sumitomo is investing in multi-million dollar residential projects in India and Vietnam.

For more see:

<https://www.theinvestor.jll/news/japan/others/japanese-investors-boost-spend-overseas-real-estate/>



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

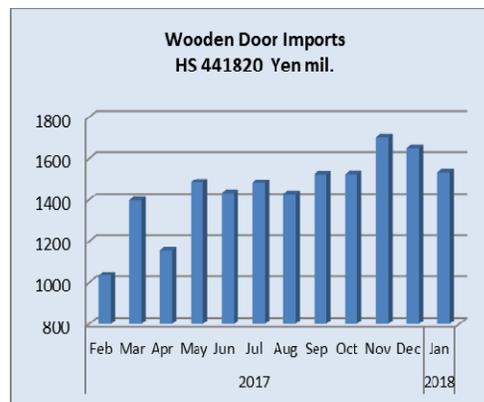
### Import round up

#### Doors

##### January door imports

January imports of wooden doors (HS441820) were up 20% year on year with the top four shippers, China (58%), the Philippines (18%), Indonesia (8%) and Malaysia (7%) accounting for over 90% of all January imports.

Compared to a month earlier January imports were down 7%, a reflection of slowed in building activity due to winter storms across the country.



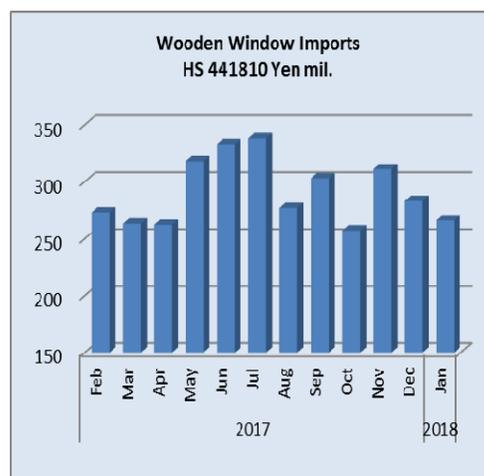
Data source: Ministry of Finance, Japan

#### Window imports

##### January window imports

Four shippers accounted for over 90% of Japan's January 2018 wooden window imports; China (32%), US (24%) the Philippines (22%) and Sweden (14%).

Month on month wooden window imports were down 6% in January but year on year there was a 5% gain in wooden window imports.



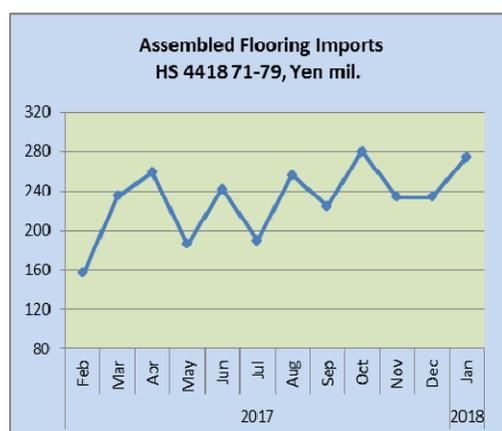
Data source: Ministry of Finance, Japan

## Assembled flooring

### January imports

As in previous months wooden flooring imports were dominated by HS 441875 which accounted for 78% of January imports followed by HS441879 (13%). China, Finland, Malaysia, Indonesia and Thailand were the main shippers of HS441875 (59%, 12%, 7%,6% and 5% respectively).

Year on year, January 2018 imports of assembled wooden flooring were down 13% but month on month imports were up 22%. The figure below illustrates the upward trend in assembled wooden flooring over the past 12 months.

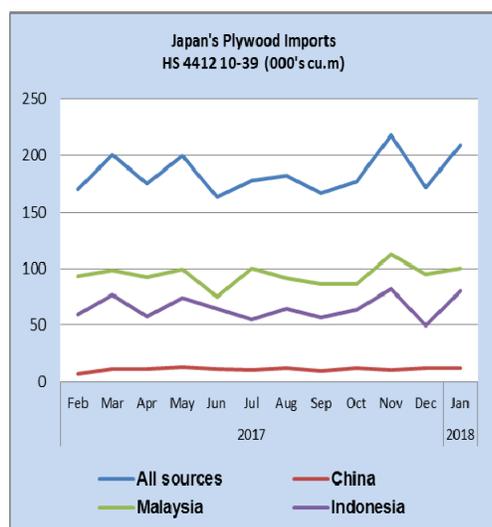


## Plywood

### January plywood imports

Year on year, Japan's January 2018 plywood import volumes were down 13% with Malaysia seeing exports to Japan fall in contrast to the steady year on year shipments from Indonesia. Shipments of plywood from China remained stable at around 12,000 cu.m for the month.

### Plywood imports by main sources



Data source: Ministry of Finance, Japan

Plywood in HS 441231 accounts for most of Japan's imports and in January this category of plywood accounted for 88% of all imports followed by HS441234 at 6% and HS441239 at just 2%. The balance was HS441210.

Compared to a month earlier shipments from China were flat while shipments from both Malaysia and Indonesia rose. Shipments from Indonesia rose 60% compared to levels in December 2017.

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

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65
	Jul	10.6	100	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82
	Dec	12	95.2	50
2018	Jan	12	100.5	80

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>

### Japan's wood export in 2017

Total value of wood products' export was 32.6 billion yen, 37% more than 2016. By items log export was 970,000 cbms, 49% more than 2016 and lumber was 130,000 cbms, 49% more. Wood export started increasing since 2013. Total value in 2013 was 12.37 billion yen then it increase by three times in 2017 with total value of 32,648 billion yen.

The largest factor of the increase in 2017 was log export particularly for China. Value of log export to China in 2017 was 10.3 billion yen, 84% more.

Volume of log export was 780,000 cbms, 62% more. An average value per cbm was 13,271 yen as compared to 11,701 yen in 2016, 1,570 yen more in 2017.

Log export to Korea in 2017 was 130,000 cbms, 29% more with the value of 2.3 billion yen, 22% more. Since Korea buys heavy to cypress, an average value per cbm was high at 17,384 yen.

Log export to Taiwan decreased in volume but the value increased. An average unit price per cbm was 16,000 yen, 3,084 yen more.

Lumber export increased for two straight years by both volume and value. Main markets of China, Philippines, Taiwan and Korea increased the volume then cedar fence lumber for the U.S. market increased by four times by shortage of North American red cedar supply and soaring prices. Rough lumber with dark red color is preferred.

### Forest Management law to be submit

To support new forest management system, basic idea of forest management law is drafted. Main idea is management of forest, which ownership is unknown. When forest owners consign forest management to local government, management right of forest, which ownership is unknown, can be shifted to the local government with certain procedures, which opens up log harvest from such forests.

The new forest management system is that local governments are assigned or donated forest management right from forest owners, who have no will to manage by themselves so that the governments can assign log harvest and replantation to forest owners, who have will and ability.

For forests, which ownership is unidentified, local government would give public notice to shift management to the government and if there is no response in six months, management right is shifted to the public government with governor's decision.

Also if certain forest owner does not agree to consign management right but it is not managing forest properly, the government can have management right if neighboring forest owners hope public management. There are many forests, which have good condition for log harvest but ownership is unknown so legal log harvest is impossible.

This new law opens up solution for log harvest from such forests.

To promote shifting of management right, the government requires proper forest management as owner's responsibility and if mismanagement could cause natural disaster such as landslide and floor, local government can order owner to take necessary precautions or the government can take over and take necessary measures.

### Skyrocketing Indonesian plywood prices

Export prices of Indonesian plywood continue to climb with no sign of slowing down. In particular, thin panel of 2.5 mm prices shot up to about US\$1,000 per cbm C&F, the highest record.

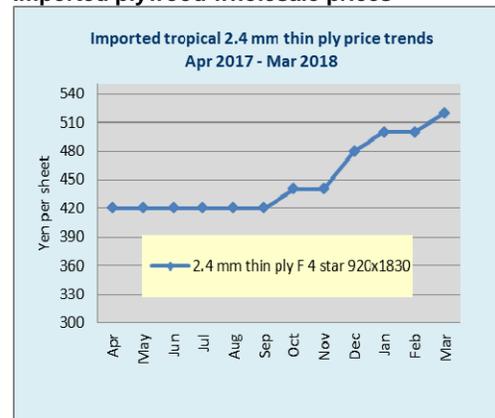
Weather in Indonesia is much worse than Malaysia and with tightening control of illegal harvest, log production is plunging. Log production seems to have dropped more than half of normal pace with no sign of recovery. By this log supply shortage, plywood mills' deliveries are largely delayed.

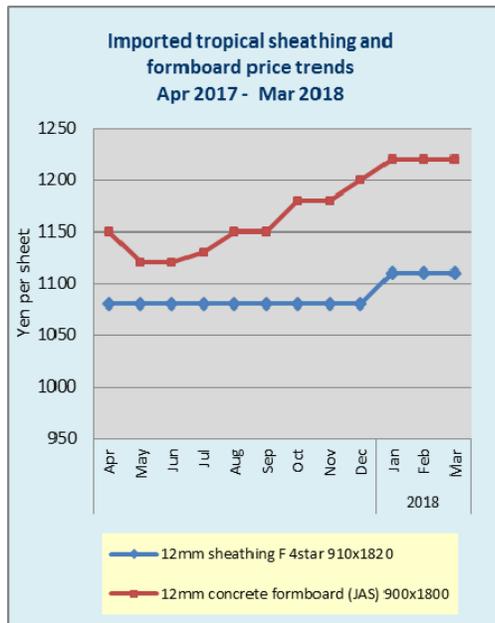
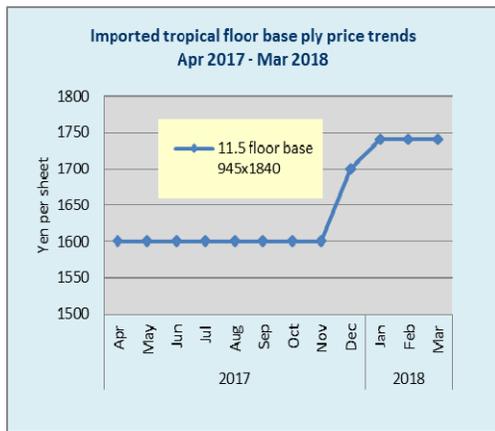
Even regular suppliers are two to three months behind schedule and some have not delivered volumes contracted last summer.

Looking at price trends for Indonesian plywood, the bottom prices were summer of 2016. 4 mm plywood prices were about US\$600 per cbm C&F, which are about US\$750, 25% up. 2.5 mm panel prices were US\$720-750 in 2016, which are now over US\$950 with some offer of US\$1,020.

In Japan, 2.5 mm panel market prices were 350-390 yen per sheet in summer of 2016, which are now about 500 yen. 4 mm prices are 630-650 yen, 30-50 yen up from February.

### Imported plywood wholesale prices





**Malaysian plywood market in Japan**

Log production in Malaysia continues slow due to prolonging rainy season so many plywood plants are forced to shut down and the supply for Japan is largely delayed.

Supply of coated concrete forming panel is particularly tight so the prices are firming. Prices of 3x6 JAS coated concrete forming panel are 1,410-1,420 yen per sheet, 10 yen up from February. The importers are now asking 1,450 yen but there are still some low price offers so price hike is not going so easy.

However, there is no more offers of less than 1,400 yen so the prices are gradually climbing. Green 3x6 JAS concrete forming panel prices are 1,230-1,240 yen, 20 yen up from February.

Offers made in February are US\$530-540 on 3x6 JAS green concrete forming panel and US\$640-650 per cbm C&F on JAS 3x6 coated concrete forming panel, nearly US\$50 increase. In tight supply, Japan has not much choice but to accept higher prices to secure the volume.

**Plywood**

Future supply of South Sea (tropical) hardwood plywood is becoming more uncertain but with dull demand in Japan, end users are not so concerned.

Domestic softwood plywood movement is slowing so supply tightness is easing. Supply of imported plywood in January was 273,800 cbms, 11.2% less than January last year and 17.9% more than December.

By source, Malaysian was 103,500 cbms, 22.4% less and 6.4% up. Indonesian was 87,600 cbms, 1.0% less and 54.0% more. Chinese was 63,600 cbms, 7.9% less and 3.9% up. Although the arrivals increased in January, port inventories remain low and some large warehouse company commented that the inventories are dropping so much that they have never experienced.

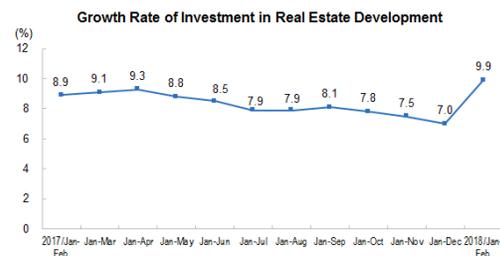
In Malaysia and Indonesia, rainy season still continue even in March and high quality logs to produce thin plywood, floor base and coated concrete forming panel, are very hard to get so plywood mills have very little log inventories.

By higher export prices, Japanese floor manufacturers are increasing the sales prices of flooring and other building materials since late February. Market prices of coated concrete forming plywood are hard to go up by inactive demand.

**China**

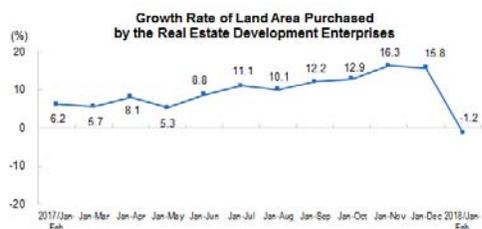
**Real estate sales in first two months of 2018**

Investment in Chinese real estate development in the first two months of 2018 increased almost 10% year-on-year which lifted annual growth to almost 3%. Of the total investment there was a rise of 12% in residential building which accounted for 68% of all real estate development investment.



Source: National Bureau of Statistics of China

In terms of region, investment in eastern region rose 12% year-on-year, the central region by 13% ; western by 3.7%; northeastern declined 15%. In the first two months the land area purchased by real estate developers was down slightly year-on-year.



Source: National Bureau of Statistics of China

February residential real estate prices showed signs of cooling as fewer cities reported rises. The National Bureau of Statistics data shows the slowdown was most pronounced in first- and second-tier cities.

For more see [http://www.stats.gov.cn/english/PressRelease/201803/t20180319\\_1588851.html](http://www.stats.gov.cn/english/PressRelease/201803/t20180319_1588851.html)

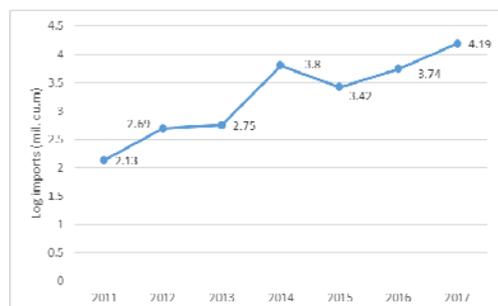
### Growing market for custom made furniture

At present, the market for custom-made furniture in China is mainly concentrated in the cupboard and wardrobe sectors where the penetration rate is up to 60% and 30% respectively. Analysts expect demand for custom-made furniture to expand to other categories of furniture.

As disposable incomes and living standard rise demand for functional, well designed, space saving and personalised furniture products has been increasing. Custom-made furniture enterprises have expanded their product range to include such items as television cabinets, shoe cabinets, bookcases and wine cabinets. It is expected that market size for custom made furniture will reach RMB128 billion in 2018.

### China's log imports from Africa - 2011 to 2017

Africa is one of China's main tropical hardwood logs sources. China imported around 23 million cubic metres of logs from African countries between 2011 and 2017. Log imports from Africa in 2017 totalled 4.195 million cubic metres valued at US\$13.26 billion, up 7% in volume and 12% in value year on year and accounting for 40% of all tropical hardwood logs imports.



Data source: China Customs

### China's log imports from Africa in 2017

	Cu.m million	Average price US\$/cu.m
Equatorial Guinea	1.05	255
Republic of Congo	0.78	292
Mozambique	0.53	550
Cameroon	0.5	284
Nigeria	0.47	716
Gambia	0.13	743
Ghana	0.13	628
South Africa	0.11	123
Zambia	0.09	1386
Other	0.4	
Total	4.19	

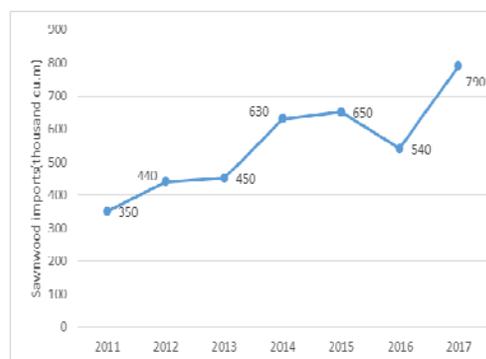
Data source: China Customs

At 1.05 million cubic metres Equatorial Guinea was the main supplier of tropical hardwood logs in 2017. Countries from which exports have been increasing include South Africa, Zambia, the Republic of Congo and Nigeria.

The average price for imported logs from Zambia was highest to US\$1,386 per cubic metre because most of these logs were rosewood substitutes.

### China's sawnwood imports from Africa

Very little of China's sawnwood imports come from Africa but they have been growing in recent years. China imported 788,000 cubic metres of sawnwood from Africa in 2017 valued at US\$433 million, a year on year increase of 46%. These imports accounted for just 11% of the total tropical sawnwood imports.



Data source: China Customs

### China's sawnwood imports from Africa in 2017

	Cu.m 000.s	Average price US\$/cu.m
Gabon	41.74	553
Cameroon	16.95	428
Republic of Congo	4.99	586
Nigeria	3.64	743
Mozambique	2.91	624
Benin	2.17	752
Ghana	1.71	473
Other	4.69	
<b>Total</b>	<b>78.8</b>	<b>550</b>

Data source: China's Customs

Gabon was the main supplier of tropical sawnwood in 2017 and accounted for around half of all tropical sawn hardwood imports. The average price for imported tropical sawnwood fell 10% to US\$550 per cubic metres in 2017 compared to a year earlier. Zhangjiagang and Jinjiang Ports in Jiangsu province are the main ports handling African timber 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
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000▲

### 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

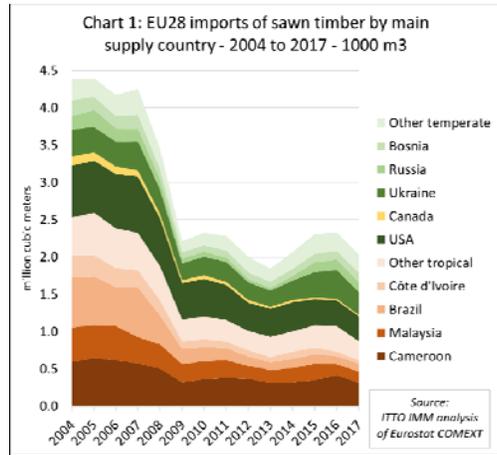
### Zhangjiagang Timber Market Wholesale Prices

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 africa	3000-3500
Ovengkol	3100-3600 ↓
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

**EU tropical sawn hardwood imports fall to all-time low**

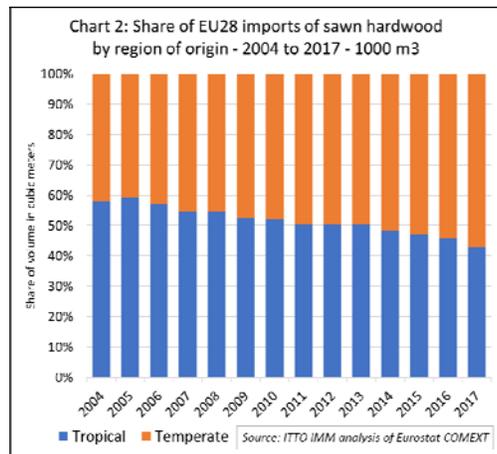
The EU imported 2.04 million cu.m of sawn hardwood from outside the region in 2017, 13% less than the previous year. (Chart 1).



EU imports of tropical sawn hardwood were 875,000 cu.m in 2017, 18% less than the previous year. Imports of tropical sawn hardwood last year were the lowest ever recorded by the EU, below the previous low of 930,000 cu.m in 2013 during the euro-zone crises and only around a third of the level prevailing before the global financial crises.

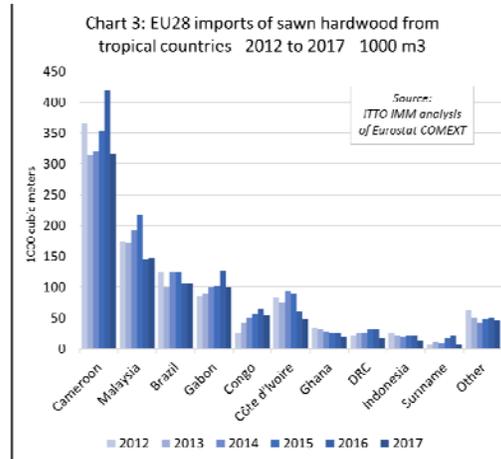
The value of EU imports of tropical sawn timber decreased by 16% to €653 million in 2017. The average unit value of tropical sawn hardwood imports into the EU in 2017 was €746 per cubic meter, up from €728 per cubic meter the previous year.

In 2017, EU imports of temperate sawn hardwood fell by 8% to 1.16 million cu.m. The more rapid pace of decline in imports from the tropics meant that the share of tropical in total EU sawn hardwood imports fell from 46% in 2016 to 43% in 2017, an acceleration in the long term downward trend (Chart 2).



**Sharp fall in EU imports of African sawn wood**

The most notable trend in the supply of sawn hardwood to the EU in 2017 was the sharp fall in imports from Africa, particularly from Cameroon, but also Gabon, Congo, Cote d'Ivoire, Ghana and DRC. Imports from Malaysia and Brazil were more stable (Chart 3).



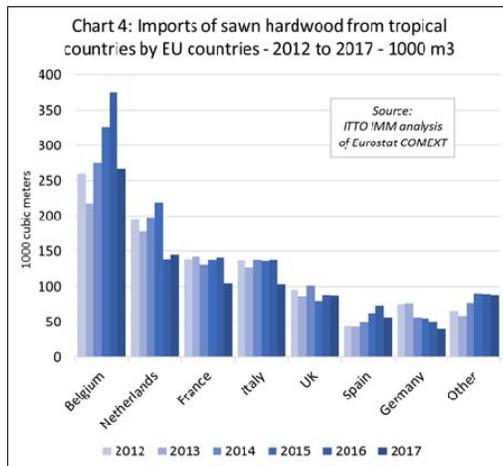
Following a surge in 2016, EU imports from countries in the Congo region declined sharply in 2017. Imports decreased by 24% from Cameroon to 316,000 cu.m, by 22% from Gabon to 99,000 cu.m, by 17% from Congo to 54,000 cu.m, and by 51% from DRC to 16,000 cu.m.

Last year, there was also a continuation of the long-term decline in EU imports of sawn hardwood from West Africa. Imports fell by 21% to 48,000 cu.m from Côte d'Ivoire, and by 23% to 20,000 cu.m from Ghana.

EU imports from Brazil and Malaysia were more stable in 2017, although only a shadow of earlier levels having already declined significantly in previous years. Last year the EU imported 148,000 cu.m of sawn hardwood imports from Malaysia 2% more than the previous year, and 105,000 cu.m from Brazil, 1% less than in 2016.

The decline in imports of tropical sawn hardwood during 2017 was particularly notable in Belgium (down 29% to 266,000 cu.m), France (down 26% to 105,000 cu.m), Italy (down 25% to 103,000 cu.m), Spain (down 22% to 56,000 cu.m) and Germany (down 21% to 40,000 cu.m).

Imports increased 5% to 145,000 cu.m in the Netherlands, after a sharp decline the previous year. Imports in the UK declined only 1% to 88,000 cu.m. (Chart 4).



Increasing concentration of trade in the hands of a small number of large companies close to EU ports, and their role to distribute tropical sawn timber throughout the EU, mean it is becoming more difficult to relate import trends with changes in consumption at national level in the EU.

#### Fall in EU imports driven mainly by supply-side issues

In practice, the recent decline in tropical imports into the EU is better seen as a region-wide phenomenon driven mainly by supply side trends. In 2017, a range of factors conspired to result in extremely low tropical sawn hardwood imports across the EU. These include:

- On-going serious problems and delays with shipping out of Douala Port in Cameroon.
- Overstocking in the EU at the end of 2016 following arrival all at once of a large volume of delayed shipments from Africa.
- Diminishing commercial availability of tropical hardwood species of interest to European buyers.
- The problem of delayed payment of VAT refunds by African governments, partly linked to low oil prices, which is creating additional financial challenges for operators in the region.
- Good demand and willingness to pay higher prices for tropical hardwood in other regions including Asia, the Middle East, and North America.
- Reduced focus on supply of sawn timber to the EU by many tropical suppliers, particularly encouraged in Africa by strong demand for logs from China, and in South East Asia by on-going efforts to move into higher value products such as furniture.
- Continued substitution of tropical hardwoods for a range of modified temperate wood species and alternative non-wood products.
- Fashion changes, particularly the strong trend towards the oak look in EU and the fact that there is now very little demand for redwood finishes in the EU interiors sector.

- The on-going trend towards prefabrication in construction, is increasingly favouring tightly specified engineered wood products which are more readily accessible from domestic manufacturers than from the tropics.
- Intensifying enforcement of EUTR across the EU and the challenges and expense of legality due diligence in some tropical countries.

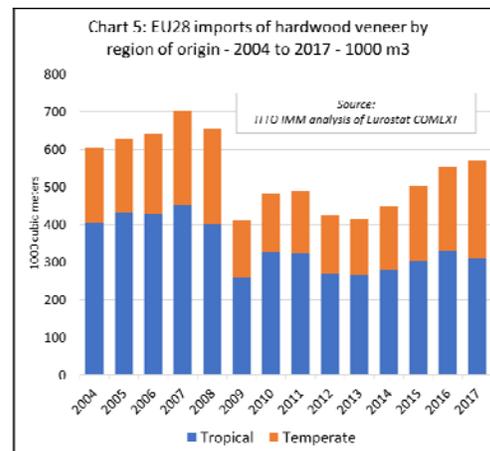
#### Loss of share for tropical veneer in EU market during 2017

Many of the same factors contributing to the downturn in EU imports of tropical sawn timber are also now impacting trade in tropical veneer. Following three years of recovery, EU imports of hardwood veneer from the tropics declined 6% to 310,000 cu.m in 2017.

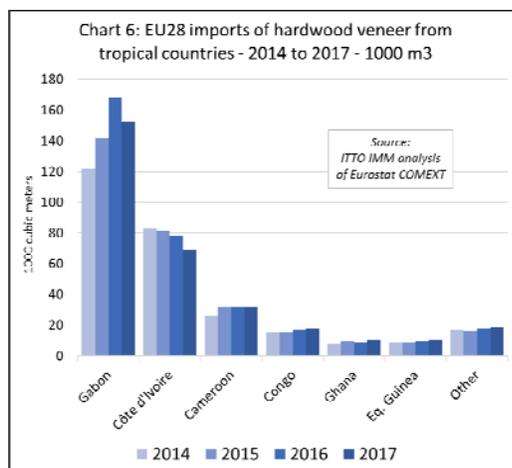
The decline in EU imports of tropical veneer contrasts with a significant rise in imports of veneer from temperate countries which increased 17% to 262,000 cu.m last year. Imports from Ukraine, the EU's largest external supplier of temperate hardwood veneer, increased 9% to 89,000 cu.m in 2017, while imports from Russia, the second largest supplier, increased 35% to 57,000 cu.m.

These increases in veneer imports from Eastern European countries during 2017 were driven partly by very weak exchange rates in the region, which has increased export competitiveness, and partly by policy measures to limit log exports and increase wood processing capacity in these countries.

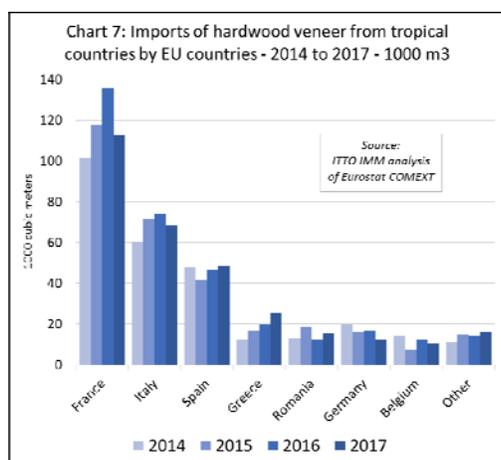
In total, the EU imported 572,000 cu.m of hardwood veneer in 2017, 3% more than in 2016. The share of tropical veneer in total EU veneer import volume fell from 60% in 2016 to 54% last year. (Chart 5).



EU imports of hardwood veneer from Gabon, the leading tropical supplier, ended the year 9% down compared to 2016 at 152,000 cu.m. EU veneer imports also declined from Côte d'Ivoire in 2017, by 12% to 69,000 cu.m. Imports from Cameroon were stable at 32,000 cu.m in 2017, but increased 3% to 18,000 cu.m from Congo, 9% to 10,000 cu.m from Ghana, and 11% to 11,000 cu.m from Equatorial Guinea (Chart 6).



The downturn in EU imports of tropical veneer during 2017 was concentrated in France, Italy and Germany. Imports fell 17% to 113,000 cu.m in France, 7% to 69,000 cu.m in Italy, and 26% to 12,000 cu.m in Germany. These falls were partially offset by rising imports in Spain (+4% to 49,000 cu.m), Greece (+27% to 25,000 cu.m), and Romania (+28% to 16,000 cu.m).



## North America

### Changing hardwood plywood supply channels

Hardwood plywood imports declined by 5% in January to 202,536 cu.m. but the value of imports increased to US\$143.9 million.

China's share in US hardwood plywood imports was only 18% in January, down from 60% in January 2017 before the US imposed anti-dumping and countervailing duties. Indonesia, Vietnam and Cambodia gained the most from the duties on Chinese plywood. Plywood imports from Vietnam and Cambodia are still relatively small, but in January they surpassed Malaysia's shipments to the US

Plywood imports from Indonesia were 29% higher than in January 2017, while the value of imports increased by 40%.

### Flooring imports down in January

Tropical veneer and hardwood moulding imports grew in January, while imports of flooring (both solid and engineered) declined from the previous month.

Tropical veneer imports from China were worth US\$830,795 in January, compared to just US\$231,827 in January 2017. Given the relatively small size of US imports of tropical veneer it is too soon to tell if the increase in veneer imports from China is related to the tariffs on Chinese hardwood plywood.

Hardwood moulding imports were US\$16.7 million in January. The strongest growth was in imports from Brazil, which accounted for 18% of total moulding imports.

For hardwood flooring Brazil lost US market share in January, however, while Indonesia and Vietnam increased their hardwood flooring shipments to the US, China remains the dominant supplier of hardwood flooring.

### Rise in wooden furniture imports from Indonesia and India

Wooden furniture imports grew 1% in January to US\$1.69 billion. Imports were 6% higher than in January 2017. Imports from China and Malaysia were slightly down in January, but most other countries increased exports to the US.

The highest growth rate was in imports from Indonesia and India – both month-on-month and compared to the same time last year. Italy also expanded its furniture shipments to the U.S.

Despite the overall growth in wooden furniture imports, imports of office and upholstered seating furniture declined in January. The strongest growth was in non-upholstered seating.

### Slow start to year for furniture and cabinet businesses

Furniture manufacturers reported contraction in February according to the Institute for Supply Management's survey (Manufacturing ISM Report On Business). Wood product manufacturing was unchanged from January, while most other manufacturing industries in the US reported growth.

For 2017, new furniture orders were up 4% over 2016 according to the Smith Leonard survey of US residential furniture manufacturers and distributors. Furniture shipments also increased 4% in 2017 from the previous year.

2018 started with lower sales by furniture retail and by cabinet manufacturers. Retail sales at furniture stores were down in January from the previous month, according to US Census preliminary figures, but sales increased 5% compared to January 2017.

Cabinetry sales were down 3% in January compared to the same month in 2017 based on the Kitchen Cabinet Manufacturers Association's Trend of Business Survey. For 2017, US cabinet manufacturers reported a 3% increase in sales.

### Lower incomes to affect consumer spending

GDP increased 2.5% in the fourth quarter of 2017 according to the second estimate released by the Bureau of Economic Analysis. The unemployment rate was unchanged in February at 4.1%. Employment continued to rise in construction, manufacturing and retail trade, according to the US Bureau of Labor Statistics.

Consumer confidence rose in March rose to its highest level since 2004 according to the University of Michigan Surveys of Consumers report. All of the gain was among households with incomes in the bottom third, while the economic assessments of those with incomes in the top third posted a significant monthly decline.

While the federal tax reform legislation was largely perceived as positive, the new import duties on steel and aluminium were spontaneously cited as unfavourable by many consumers.

Consumers' income expectations fell in March, especially among the top-third income households. Since these households account for more than half of all consumption, consumer spending may not grow in the coming quarter.

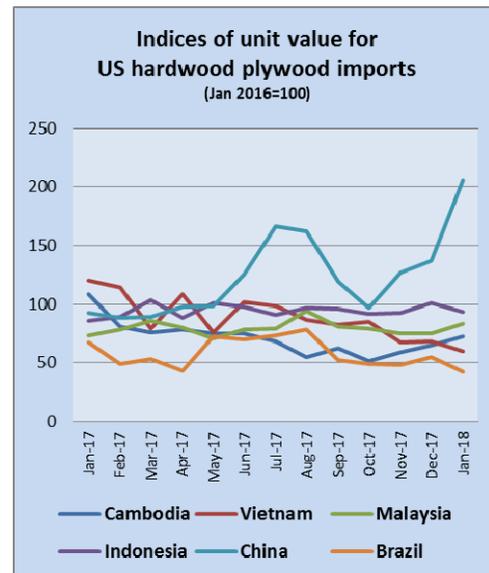
### Growing demand for housing

Multi-family construction declined in February, while single-family starts grew. January was a very strong month for multi-family construction, so the February drop is not unexpected.

Total housing starts in February were at a seasonally adjusted annual rate of 1.24 million according to the US Census Bureau and the U.S. Department of Housing and Urban Development. Starts declined 7% from January.

For sales of existing homes, the National Association of Realtors reports that despite consistently low inventory levels and faster price growth, sales bounced back in February after two straight months of declines.

Interest in home purchasing is high, but poor supply and rising prices remain pressing issues.



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

Note: Indices are derived from customs value and exclude shipping, insurance and duties

### June 1, - formaldehyde emission standard to be enforced

The US District Court for the Northern District of California has issued an order regarding the compliance dates for the federal formaldehyde standards, following a litigation over an EPA-proposed extension of the compliance dates.

By June 1, 2018 composite wood products and finished products containing composites such as furniture must be certified as compliant with either the federal EPA standards or the existing California standards, certified by a third-party certifier recognized by the EPA.

The rule applies to products manufactured in the US as well as imported products.

Dates for compliance, certification and labelling are available on the EPA website:

<https://www.epa.gov/formaldehyde/formaldehyde-emission-standards-composite-wood-products#CDamendment>

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

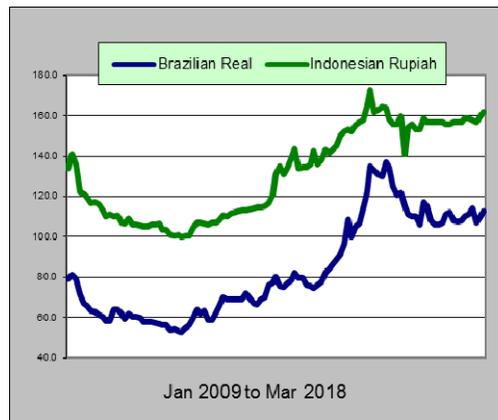
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 25 March 2018

Brazil	Real	3.3139
CFA countries	CFA Franc	528.53
China	Yuan	6.2734
EU	Euro	0.8035
India	Rupee	64.709
Indonesia	Rupiah	13736
Japan	Yen	105.4
Malaysia	Ringgit	3.8955
Peru	New Sol	3.21
UK	Pound	0.7027
South Korea	Won	1075.69

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

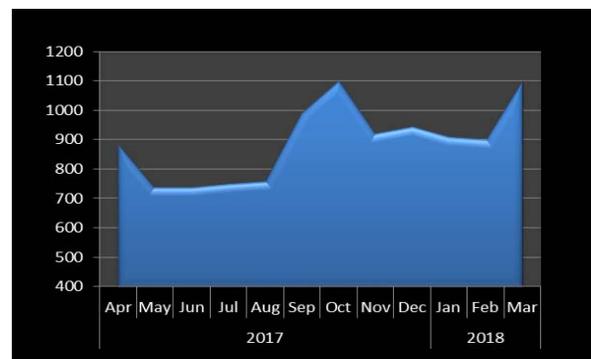


## Abbreviations and Equivalences

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 – March 2018

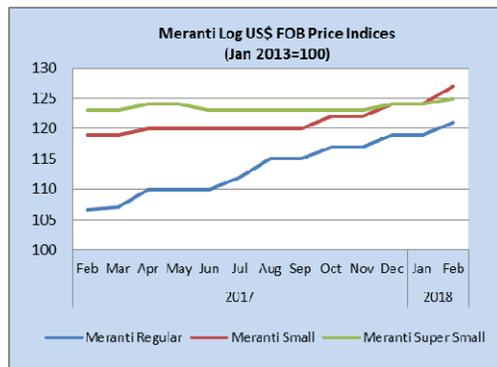


Data source: Open Financial Data Project

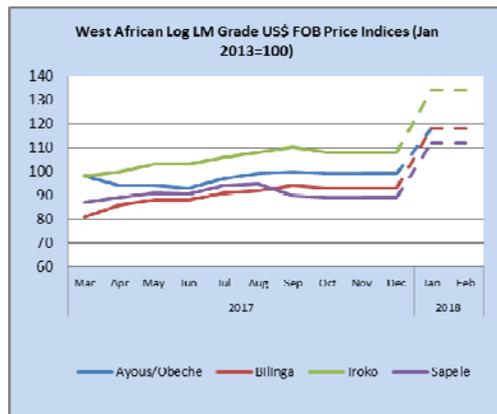
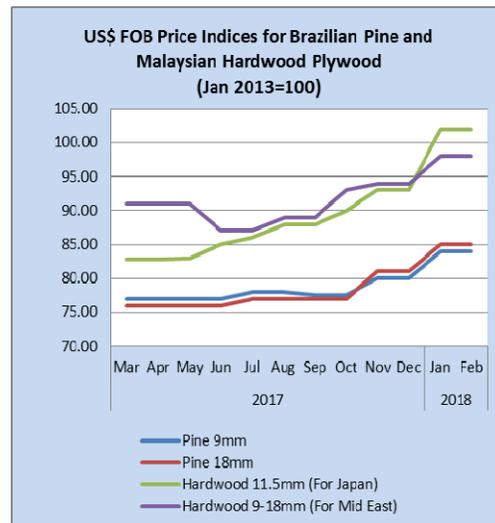
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

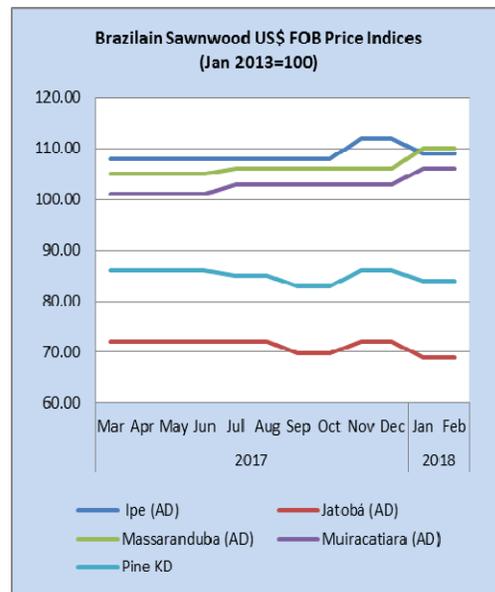
The following indices are based on US dollar FOB prices



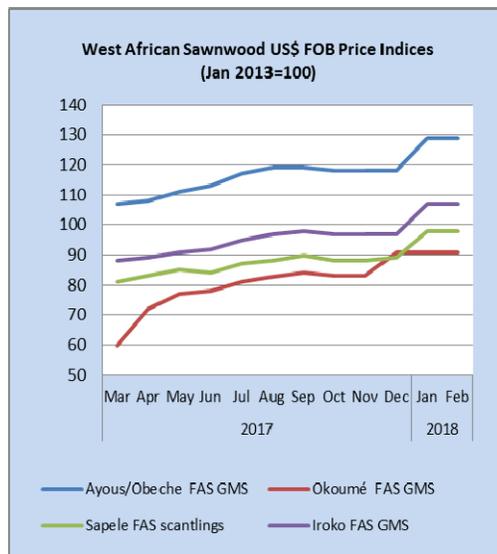
Note: Sarawak logs for the Japanese market



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.



To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

[http://www.itto.int/en/mis\\_registration/](http://www.itto.int/en/mis_registration/)