

# Tropical Timber Market Report

Volume 22 Number 8 16th – 30th April 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	3
Indonesia	4
Myanmar	5
India	5
Brazil	8
Peru	9
Japan	10
China	15
Europe	17
ITTO/EC IMM Report	19
North America	22
Currencies and Abbreviations	25
Ocean Freight Index	25
Price Indices	26

## Headlines

	<i>Page</i>
<b>Ghana endorses the Africa Free Trade Agreement</b>	<b>2</b>
<b>Regional forestry training centre for Myanmar</b>	<b>5</b>
<b>Indian traders still cannot get adequate bank credit to sustain imports</b>	<b>6</b>
<b>Structure of Indian plywood sector changing</b>	<b>7</b>
<b>Improved domestic furniture sales in Brazil</b>	<b>8</b>
<b>China to reduce tax on imported logs and to halt wood residue imports</b>	<b>15</b>
<b>Market role of EUTR and FLEGT licensing discussed</b>	<b>20</b>
<b>Affordability and supply affecting US housing market</b>	<b>23</b>

## Top Story

### **Indonesia - Largest supplier of hardwood plywood to US**

US hardwood plywood imports fell to 173,179 cu.m in February as imports from most countries declined. The largest fall was in shipments from China and Russia. While volumes have been falling the value of imports are rising as prices climb.

US imports from Vietnam and Cambodia gained after the US introduced antidumping and countervailing duties on Chinese hardwood plywood. In terms of volume, Indonesia has replaced China as the largest supplier of hardwood plywood to the US.

**See page 22**

## Central and West Africa

### Veneer production potential in Gabon

Gabon is the 6th largest producer of tropical veneer. Its production of 270,000 cubic metres in 2016 represented 6% of global tropical veneer production according to the International Tropical Timber Organization.

150,000 cubic metres of veneer is currently produced in Gabon outside Gabon's Special Economic Zone according to Dr. Bernard Cassagne, CEO of the FRM Group which recently undertook a study of veneer production in Gabon. He says, with the expected increase in its industrial capacity, Gabon would be able to produce around 500,000 cubic metres of veneer annually or nearly 1.7 times its current production thus becoming the second largest exporter of tropical veneer after Vietnam.

### Species under sustainable development for veneer production in Gabon

Approximately one million cubic metres of logs will be required annually to achieve the potential and Cassagne says there are adequate logs resources of the main species for this level of veneer production.

The report from the FRM Group says "if Gabon continues its industrialisation, new markets emerge and infrastructure improves then the harvests of species such as okoumé, ilomba, ahmad, aiélé and faro could reach 2 to 3 million of cubic metres annually.

For more details contact: [frm@frm-france.com](mailto:frm@frm-france.com)

### 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

### Timber Validation Committee inaugurated

A Timber Validation Committee has been inaugurated by the Ministry of Lands and Natural Resources (MLNR) to oversee validation of licenses and other processes in the forestry sector. The Deputy Minister, Benito Owusu-Bio, instructed members of the committee to uphold the principle of good governance as enshrined in the Forest and Wildlife Policy.

The committee was tasked with enforcing regulations and ensuring transparency in the implementation of the Timber Resources Management and Legality Licensing Regulations through safeguarding the principles of transparency, credibility and independence in the operation of the country's Legality Assurance System.

The Deputy Minister was emphatic that the root cause of illegal logging in the country could be traced to weak law enforcement, inadequate monitoring and coordination. It was for this reason that the committee was established to address the existing inadequacies and enforce the legal and policy framework to deal with illegality in the forestry sector.

### Ghana endorses the Africa Free Trade Agreement

Ghana has endorsed the African Continental Free Trade Agreement (ACTFA). The aims of the agreement are to:

- Create a single continental market for goods and services, with free movement of business persons and investments and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.
- Expand intra African trade through better harmonization and coordination of trade liberalisation and facilitation regimes and instruments.

- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.
- Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better allocation of resources.

See: <https://au.int/en/ti/cfta/about>

and

<https://au.int/en/pressreleases/20180321/list-african-countries-signed-establishment-african-continental-free-trade>

Many in the private sector in Ghana have expressed concern that the increased competition from FTA participants could undermine local manufacturing but the Minister of Trade and Industry, Allan Keremantem, is optimistic that a zero tariff market beyond ECOWAS will be an advantage. Ghana is considering hosting the ACTFA Secretariat.

#### 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	316	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	789
Mahogany	1,088
Makore	913
Odum	1,488

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	378	640	641
6mm	396	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	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afrormosia	490	564
Asanfina	240	195
Ceiba	414	530
Dahoma	520	599
Edinam (mixed redwood)	380	428
Emeri	843	1039
African mahogany (Ivorenensis)	775	975
Makore	620	675
Niangon	918	841
Odum	700	750
Sapele	360	446
Wawa 1C & Select		

### Malaysia

#### Furniture exports to 180 countries

2017 was a tough year for the Malaysian furniture manufacturers and exporters with persistent issues and challenges relating to production, material supply, red tape and soft global demand for furniture. However, the Malaysian furniture industry persevered and furniture exports in 2017 exceeded RM10 billion.

According to the official trade statistics from the Ministry of International Trade and Industry, Malaysian furniture exports grew by 6.4% last year, a stronger pace compared to the 4.2% in 2016, to record RM10.1 billion of furniture exports to over 180 countries.

As a net exporter of furniture, Malaysia remains in the list of top 10 furniture exporters in the world according to the CSIL Centre for Industrial Studies.

However, the Malaysia Furniture Council (MFC) has pointed out the challenges to sector growth which include:

- the availability of sawn rubberwood
- the Malaysian Timber Export Board (MTIB) export license requirement on furniture exports,
- the continued export of rubberwood veneer and finger-jointed sawnwood
- the availability of foreign labour

The Ministry of Plantation Industries and Commodities recently announced the following to support furniture manufacturers:

- a moratorium on sawn rubberwood exports
- continued deferment of the MTIB export license requirement for furniture
- review of levy on veneer and finger jointed sawwood
- review of the foreign worker levy and minimum wage rates

The MFC has confidence that the RM10 billion furniture export target as determined in the National Timber Industry Policy can be achieved.

### 5 year contract for container flooring

The domestic media in Malaysia has reported that Sabah based Sinora has secured a five year contract to supply container flooring to a Chinese enterprise, Foshan Zhengsen. To meet this contract Sinora will expand its container flooring production line.

### Ramin and Gharu quota

For 2018, the export quota for Ramin products (Gonystylus spp.) which includes parts and derivatives has been fixed at 10,000 cubic metres. The export quota for Karas/Gaharu (Aquilaria spp.) products which includes wood chips, wood blocks and essential oils is fixed at 150,000 kg for 2018. All exporters of Ramin and Karas/Gaharu products must secure export permits from MTIB.

### 'High income' status by 2020

The World Bank has said Malaysia's export growth is likely to be sustained in the first half of this year in line with the rise in global trade and that 2018 economic growth could top 5.4%, dipping to around 5% in 2019 because of the high level of household and public debt.

The Bank anticipates that Malaysia could achieve 'high-income' status between 2020 and 2024 but to achieve this there is a need to address structural reforms. A high-income economy is defined by the World Bank as one where income per citizen is US\$12,476 a year or more.

### Early April plywood prices

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm) US\$ 740 FOB  
CP (3'x 6') US\$ 550 C&F  
UCP (3'x 6') US\$ 650 C&F  
Standard 4x8 panels  
South Korea (9 mm and above) US\$ 480 FOB  
Taiwan P.o.C (9 mm and above) US\$ 500 FOB  
Hong Kong US\$ 480 FOB

## Indonesia

### Furniture makers consider increasing timber imports

The Association of Indonesian Furniture and Handicraft Industry (HIMKI) has raised questions on the management of the timber trading system. Abdul Sobur, Secretary General of HIMKI said that the availability of domestic timber is declining and that prices are rising as a result. Sobur commented that furniture makers are now considering increasing raw material imports which currently run to around 25% of sector consumption.

### Furniture exports could benefit from US/China trade dispute

The trade dispute between the US and China is providing business opportunities for furniture producers according to Wang Sutrisno, Director of the Indonesian company, WOOD.

Wang commented that China accounts for almost 50% of US wooden furniture imports while Indonesia, until recently, could only secure a 3% share. Indonesia's share of US imports is set to rise, said Wang, as buyers in the US look for alternative suppliers.

### 10 million Indonesians depend on the forest

The Ministry of Environment and Forestry has reported that around 70% of rural inhabitants still depend to some extent on the natural resources in forests. The Ministry estimates that some 35,000 villages are impacted and that some 10 million people in the country are assessed as poor and have no legal rights to resources from the forest.

Siti Nurbaya, Minister for Environment and Forestry, said in an official statement that data from the Ministry indicates that the past policy of forest management permits is oriented to the timber private sector.

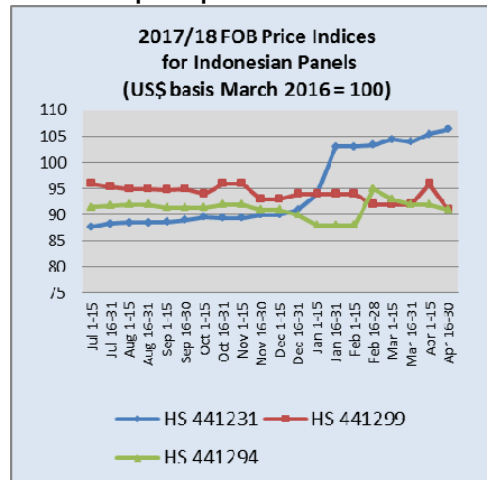
Data shows that 42 mil. ha. of state forest are subject to management permits but that only 4% of these are for community utilisation. To correct this the Ministry has established a social forestry programme through which permits are granted directly to communities. This programme involving communities has become one of the Presidents priorities.

### Indonesian furniture gaining recognition in international markets

Twenty-seven Indonesian designers attended the furniture and interior design exhibition 'Salone Internazionale del Mobile' in Milan between 17-22 April. The conclusion drawn from the event was that Indonesian furniture products and designs are increasingly gaining recognition in international markets and have a firm standing in Italy where there are several Indonesian furniture showrooms as well as online furniture sales businesses managed by Italian companies.

Aries Asriadi, from the Indonesian Embassy in Rome, commented that Indonesia furniture makers need to continue to promote products with high added value attract Italian buyers.

### Indonesian panel price indices



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

## Myanmar

### Regional forestry training centre for Myanmar

The Asian Forest Cooperation Organization has been officially launched. This is an intergovernmental regional organization with the aim of strengthening regional forest cooperation to address the impact of climate change. The member nations are Korea, Bhutan, Brunei, Cambodia, Indonesia, Kazakhstan, Laos, Mongolia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

The Organization has been promised almost US\$24 million for projects to 2023. A sum of US\$16.6 million is earmarked for programmes that include a regional education and training centre in Myanmar, development of education and training programmes, establishment of a forest genetics research centre for restoration of major timber species in Cambodia, rehabilitation and development of the mangrove forest ecosystem in the Binh Province, Vietnam and village-based forest rehabilitation in Laos.

See:

<http://www.koreaherald.com/view.php?ud=20180423000430>

### Logs seized in Bago Mountains

The domestic press has quoted the Ministry of Natural Resources and Environmental Conservation as saying over 5,000 tons of illegally harvested timber had been seized and suspects held in Bago Region in the southern central part of the country. There has been a total logging ban in the Bago Mountain Range since 2016. Of the total seized, 2,266 tons was teak.

The State Minister for Forestry in the Bago Region has been relieved of duty but the information from the Ministry does not link the illegal felling and the removal from office of the official.

The authorities in Myanmar have cracked down on illegal logging and in his mid-April New Year (Thingyan) address, Minister Ohn Win mentioned that the Community Monitoring and Reporting System (CMRS) will be used to assist combating forest crime.

### No to foreign investments utilising natural forest logs

Last year the Myanmar Investment Commission (MIC) suspended approvals of foreign investment in the forestry sector if the business plan involved utilisation of logs from the country's natural forest.

Last year investment approvals fell for the second consecutive year, underscoring the challenges the government faces in keeping up the momentum of capital inflows. Despite the decline in international investment domestic investments topped US\$12 billion in 2017 according to the MIC.

The Thilawa Special Economic Zone attracted around US\$400 million last fiscal year. The zone on the outskirts of Yangon is being developed jointly by Japan and Myanmar.

### No log sales in April

Due to the Thingyan celebrations there were no log tender sales in April.

### 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

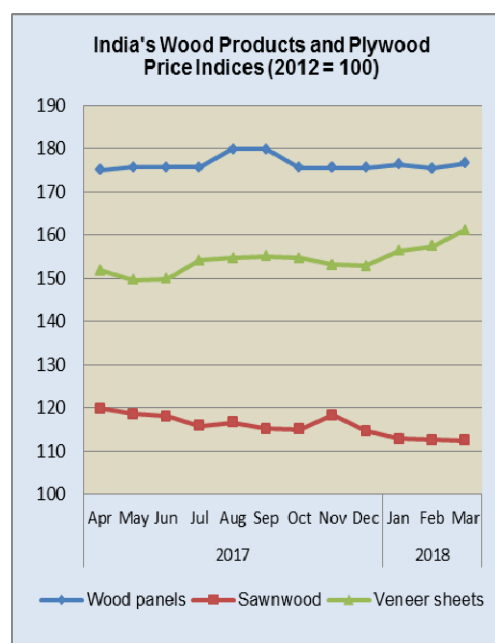
## India

### Surge in veneer prices lifts wood products index

India's official wholesale price index for all commodities (Base: 2011-12=100) for March 2018 released by the Office of the Economic Adviser to the government (OEA) rose by 0.2 percent to 116.0 (provisional) from 115.8 (provisional) for the previous month.

The annual rate of inflation, based on monthly WPI in March 2018 was 2.47% compared to 2.48% (provisional) for the previous month. The overall index for wood products and cork group rose by 0.6% to 131.7 due to the higher prices for laminated wood, veneer sheets and wood panels. However, the price of wooden boxes/crates 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

### Firm expansion of industrial production

Industrial production in India expanded almost 2% in February on the back of robust manufacturing and good sales of consumer durables. The other positive news is that retail inflation slowed for the fourth consecutive month in March supporting the view that the Indian economy may be on a sustained recovery path.

The Reserve Bank of India has lowered its inflation forecast for 2018-19 to 4.7%-5.1% in the first half and 4.4% in the second half.

### Discussions continue on forest policy revision

Discussions on the draft revision of the national forest policy continue. The draft proposes a 'green' cess to promote "ecologically responsible behavior" and says greater use of wood products has the potential to create employment opportunities by boosting indigenous manufacturing using domestic resources.

The draft policy is open for public comments until the June 30 and the Ministry is emphasising that the country needs to change its mind set from forests to landscapes, from canopy cover to healthy ecosystems, from substituting wood to promoting sustainable wood use, from participatory approaches to empowerment and to greater community participation.

India has set an ambitious target of bringing 30% of its geographical area under forest cover within a decade (from the current 25%) and recommends that this be achieved by rehabilitating degraded land with native species.

### Traders still cannot get adequate bank credit to sustain imports

Demand for imported logs is stable and there are no reports of changes in C&F prices. The pace of plantation teak imports continues to be impacted by the withdrawal of credit facilities offered to importers due to the recent financial scams at Indian Banks. With limited working capital importers have had to cut back on purchases. Analysts write "efforts to return to normal practices continue but it seems this will take some longer time to settle".

From recent import data it appears that shippers in Brazil and Ghana are offering larger volumes than was common.

### 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 domestically milled imported hardwoods continue unchanged.

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

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%) ex-warehouse 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

### Structure of plywood sector changing

Competition from composite panels is increasing as new mills come on line. Plywood manufacturers complain that the GST (sales tax) for composite panels is 18% as against 28% for plywood panels.

Adding to the problems for plywood manufacturers is the rising price for peeler logs, this, and the expected increase in resin and other chemical costs, signals a further plywood price increase may be imminent.

The application of a national Goods and Services tax (GST) is impacting the structure of plywood manufacturing in India with the share of production between the 'organised' and 'unorganised' sectors narrowing from 25:75 to around 50:50 at present.

Current domestic plywood prices are shown below.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	54.00
6mm	72.50
9mm	92.00
12mm	113.00
15mm	151.00
18mm	157.50

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	27.50	40.00
6mm	41.00	52.00
9mm	52.00	63.00
12mm	63.00	75.00
15mm	76.00	91.00
19mm	87.00	103.00
5mm Flexible ply	54.00	

## Brazil

### Improved domestic furniture sales

February domestic furniture sales expanded almost 2% in comparison with February 2017 building on the modest growth recorded in January.

The best performance came from traders in Espírito Santo (42.7%), Pernambuco (26.4%), Distrito Federal (19.0%), and Goiás (17.5%). In contrast, of the 12 states surveyed, five reported negative results: São Paulo (-9.2%), Ceará (-2.7%), Bahia (-2.6%), Paraná (-2.0%) and Minas Gerais (-.9%).

### Amazon Fund promotes recovery in the Amazon

The Amazon Fund will make available around R\$200 million for projects focused on increasing the forest cover in the Amazon.

With the support of the Ministry of the Environment (MMA) and the Brazilian Forest Service (SFB) the Fund has started a series of workshops on forest recovery. The first workshop took place on 10 April in Porto Velho, Rondônia. The objective was to guide participants on preparing project proposals in support of the National Plan for Native Vegetation Recovery (PLANAVEG).

### Export update

In March 2018, Brazilian exports of wood-based products (except pulp and paper) increased 19% in value compared to March 2017, from US\$226.6 million to US\$270.4 million.

The value of pine sawnwood exports increased 13% between March 2017 (US\$39.2 million) and March 2018 (US\$44.3 million) while in terms of volume there was an almost 9% increase from 193,400 cu.m to 210,600 cu.m.

Tropical sawnwood exports also increased in March rising 10% from 34,600 cu.m in March 2017 to 38,100 cu.m in March 2018. The value of March tropical sawnwood exports increased 14% from US\$15.3 million to US\$17.5 million year on year.

There was a sharp rise in the value of year on year pine plywood exports in March (+49%) in value in March. Exports increased from US\$43 million to US\$64 million year on year. The 22% increase in the volume of pine plywood exports underlines the steady rise in prices. Exports increased from 159,300 cu.m to 194,600 cu.m year on year.

Brazil's tropical plywood, exports are modest but in March export volumes and values rose; from 13,900 cu.m (US\$5.4 million) in March 2017 to 16,600 cu.m (US\$7.1 million) in March 2018.

An almost 6% increase in the value of wooden furniture exports was recorded in March this year. Exports rose from US\$42 million in March 2017 to US\$ 44 million in March this year.

### Export of panels grows

According to Indústria Brasileira de Árvores (Ibá), wood panel exports in the first two months of 2018 totalled 192,000 cu.m, an almost 10% increase compared to the same period last year.

Markets in Latin America accounted for more than half of the volume exported in January and February, up 14% over the first two months of 2017. The second largest market for Brazilian wood panels was the US at US\$11 million (up 38%).

In the first two months of this year the domestic market for wood panels expanded over 6% to 1.1 million cubic metres.

### New IBAMA control system

Last year the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) launched the National Forest Products Control System (SINAFLOR), SINAFLOR is a system that integrates existing platforms used by IBAMA for forest control, such as the Document of Forest Origin (DOF), the Annual Operational Plan (POA) and the National Rural Environmental Registry System (SICAR).

The objective is to improve the level of control of the origin of forest products from logging permits to transportation, storage, processing and export. The system aims to increase the degree of reliability to meet international demands regarding the origin of legal timber.

All states in the country have until May this year to issue logging permits and document commercialisation of forest products.

IBAMA says the SINAFLOR system will significantly reduce the possibility of fraud by bringing more operational security to the issuance of logging permits, key elements in achieving two objectives of the Brazilian Coalition, to curb illegality in the timber sector and to increase the area of sustainable forest management and tracked area in the country to 25 million hectares by 2030.

### Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	220↓
Jatoba	124↓
Massaranduba	125↓
Miiracatiara	126↓
Angelim Vermelho	116↓
Mixed redwood and white woods	105↓

Source: STCP Data Bank



**Domestic Sawnwood Prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	946↓
Ipé	468↓
Jatoba	437↓
Massaranduba	437↓
Muiracatiara	399↓
Angelim Vermelho	264↓
Mixed red and white	223↓
Eucalyptus (AD)	158↓
Pine (AD)	182↓
Pine (KD)	

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	576↓
4mm WBP	471↓
10mm WBP	419↓
15mm WBP	469↓
4mm MR	348↓
10mm MR	323↓
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

**Prices For Other Panel Products**

<i>Domestic ex-mill Prices</i>	US\$ per m <sup>3</sup>
15mm MDParticleboard	247↓
15mm MDF	297↓

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; 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 <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**

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

Source: STCP Data Bank

**Osinfor aims for ISO standard**

The Forestry and Wildlife Resources Oversight Agency (Osinfor) has initiated a process for adopting international management standards with the support of the German development cooperation agency, GIZ.

If this is successful then Osinfor could become accredited under the international management standard ISO 9001 and ISO 27001. This would mean Osinfor would become the first public institution in the forestry sector in Peru to acquire ISO accreditation.

ISO accreditation will help boost confidence in the information that the Osinfor makes available through its General Information System and its Geographical Information System both of which contribute to addressing illegal logging.

**Conclusion of mission to Milan Fair**

A group of forestry entrepreneurs, together with the company specializing in commercial and technology missions, 'Tropical Forest', visited the Milan Furniture Fair from April 17 to 22.

The group was made up of diverse timber exporters from around the country. Dialogue was conducted with European importers and suppliers of technology.

Other mission planned for this year include Technological Mission to Xylexpo of Milan - May 8-12, Technological Mission to IWF USA fair - August 22-25, Business Mission to Furniture China fair - September 11-14 and Technological Mission to Exposicam Italy - October 16-19.

**Ministers gather for 2020 Initiative**

Agriculture and Forestry Minister from Argentina, Colombia, Belize, El Salvador, Nicaragua, Honduras and Peru recently gathered for the Fourth Annual Meeting of the '2020 Initiative'. The aim of this initiative is to control deforestation and further develop the forestry and wood processing sectors.

Peru's Minister of Agriculture said "In order not to continue degrading the lands and deforesting them, we propose alternatives to cocoa or coffee crops in ecologically sustainable and profitable mixed activities, rather than subsistence agriculture". This was supported by the Ministry of the Environment whose intention is to fight deforestation.

The '2020 Initiative' was conceived at the Lima Climate Change conference and is in support of the goals of the Bonn Challenge and the New York Declaration on Forests.

### Export Sawwood Prices

	US\$ per m <sup>3</sup>
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 <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 Sawwood Prices

	US\$ per m <sup>3</sup>
Peru sawwood, domestic 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 Lupuna plywood	389-412
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	466-487

### Domestic Plywood Prices (excl. taxes)

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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

	US\$ per m <sup>3</sup>
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumaru KD, S4S Swedish market	979-1098↑
Asian market	1072-1105↑
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

### 2019 could mark a turning point on the road to recovery

The Japanese economy has enjoyed a period of stable growth buoyed in part by the Bank of Japan's weak yen policy and more recently by improvements in global economic expansion.

But short-term prospects have become precarious. The government is under attack for a series of scandals involving officials and public support for the Cabinet has dipped. This, and the prospect of a hike in the sales tax next year, is bearing down on both business and consumer sentiment.

2019 could mark a turning point on the road to recovery according to the International Monetary Fund which is forecasting slower growth. This, combined with an anticipated fall in consumer demand because of the sales tax increase and the suggestion from the BoJ that it could begin unwinding its easy monetary policy, does not bode well for the economy.

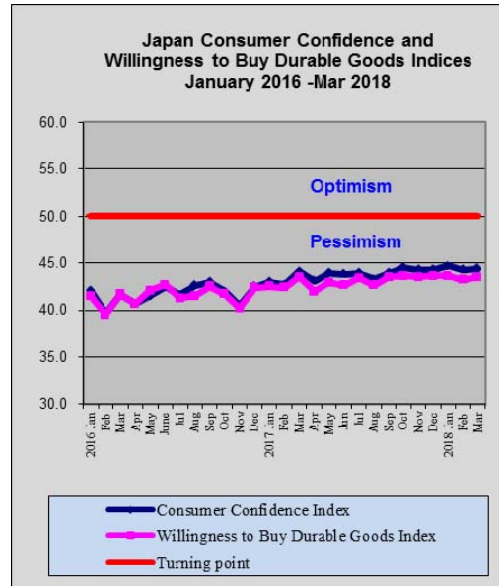
Angel Gurría, OECD Secretary-General, was recently in Tokyo and during a meeting with the media said Japan faces important challenges if it is to achieve sustainable and inclusive growth and labour productivity is one of the major challenges.

The press release from the OECD says the government recently launched the New Economic Policy Package, which aims to double labour productivity growth to 2.0% per year by 2020. The Package has a number of measures to boost innovation, including financial support for investment by SMEs and tax incentives for investment increases. In addition, Japan is promoting the development of new industries.

Japan has exceptionally high levels of human capital and a skilled labour force, which, together with high R&D intensity, has made it a world leader in technology. Raising productivity requires better leveraging these important strengths. Enhancing co-operation between industry and academia and strengthening Japan's integration in international research networks would increase the return from R&D.

Strengthening Japan's integration into the global economy would also boost productivity. Achieving the 2013 goal of doubling inflows of foreign direct investment by 2020 and continued measures to enhance openness to trade, building on the TPP-11, are priorities in this regard.

See: <http://www.oecd.org/about/secretary-general/oecd-sg-press-conference-japan-april-2018.htm>



Data source: Cabinet Office, Japan

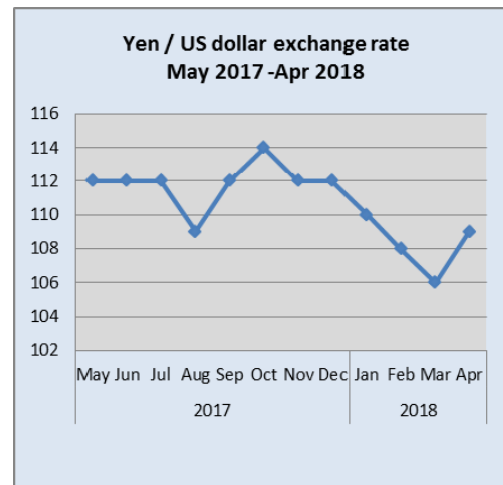
#### Up-tick in US dollar brings some relief to Japanese exporters

The US dollar strengthened for five consecutive days towards the end of the month driving down the yen exchange to yen 109 to the dollar.

Japan's March trade balance continued in surplus but there was a dip in exports to the US and the EU. The weaker than forecast growth in exports, despite an improving global economy, seems to be related to increased uncertainty driven by fears of a trade war between the US and China.

The modest weakening of the yen was also attributed in part to domestic politics. The approval rating of the Japanese cabinet has slumped as the opposition continues to attack the ruling party. There have been calls for the Prime Minister to resign.

Several analysts have commented that it seems odd that the yen should weaken against the US dollar on rumours that the Prime Minister may resign since it is he that firmly supports the weak yen policy of the Bank of Japan (BoJ). If he resigns there is no certainty that this support for the BoJ would continue.



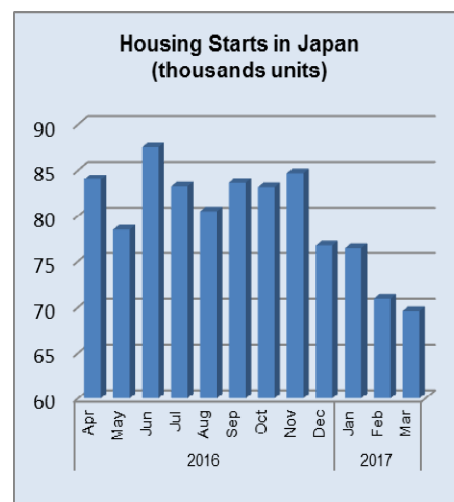
#### 8% drop in March housing starts

Data from Japan's Ministry of Land, Infrastructure, Transport and Tourism showed housing starts continued to decline in March. Starts declined over 8% year-on-year in March, much faster than the 3% year on year decline in February. At the current pace annualised housing starts would come in at 895,000 for the year.

Data also showed that construction orders received by big 50 contractors dropped 4% in March after a sharp growth of 19% in February.

#### Foreign investment pouring into Japanese real estate

Foreign investors are pouring into Japanese real estate particularly business premises. Between 2014 and 2017 overseas real estate investment funds have spent around US\$15 billion in Japan and continue to do so believing that the Bank of Japan will hold down interest rates for the medium term.



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

Demand for office accommodation has been boosted by a period of economic expansion, the best for more than 15 years which buoyed capital investment especially by the big corporations. F

or as long as the yen is held down against the US dollar exporters in Japan can expect healthy growth.

For more see: <https://www.cbre.com/research-and-reports/apac-real-estate-market-outlook-2018>

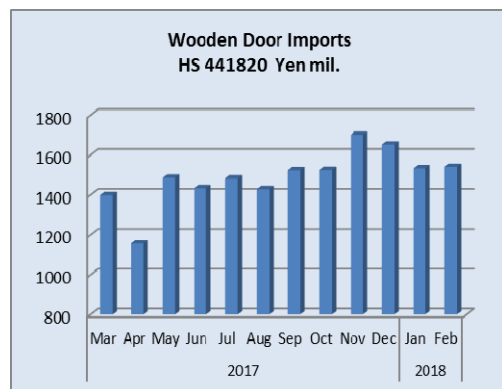
## Import round up

### Doors

#### February door imports

February imports of wooden doors (HS441820) continued to rise compared to a year earlier rocketing up almost 50% year on year. However, compared to the value of imports in January there was little change in February

In February there was a sharp rise in imports from China which accounted for almost 70% of all wooden door imports to Japan (58% in January). The combined value of imports from Philippines and Indonesia plus those from China amounted to around 90% of all February imports.

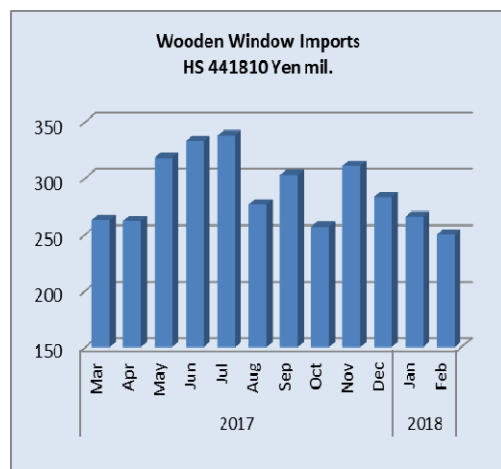


Data source: Ministry of Finance, Japan

### Window imports

#### February window imports

February marked the third straight decline in the value of wooden window imports. Year on year February imports dropped 8% and month on month the value of imports fell 6%.



Data source: Ministry of Finance, Japan

The top three shippers of wooden windows to Japan remain China (45%), the Philippines (22%) and the US (16%) thus accounting for over 80% of all wooden window imports by Japan.

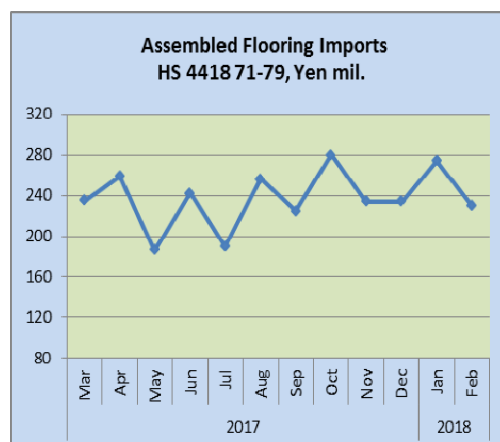
### Assembled flooring

#### January imports

As in previous months wooden flooring imports were dominated by HS 441875 followed by HS441879. Together these two categories of assembled flooring account for almost 90% of all assembled wooden flooring imports.

In order of rank by value, China, Sweden and Thailand were the main shippers of HS441875 in February while for HS441879 the main shippers, in order of rank, were Thailand, China and Indonesia.

Year on year February imports rose over 45% but compared to the value of imports in January there was a 16% decline in February.



Data source: Ministry of Finance, Japan

### Plywood

#### February plywood imports

Plywood in HS 441231 accounted for most of Japan's imports of plywood and in February accounted for over 85% of all plywood imports. HS441234 accounted for just 8% of February plywood imports and HS441239 less than 1% of imports.

Year on year two of the top three shippers of plywood (Indonesia and China) increased exports to Japan in February but shipments from Malaysia were down compared to a year earlier.

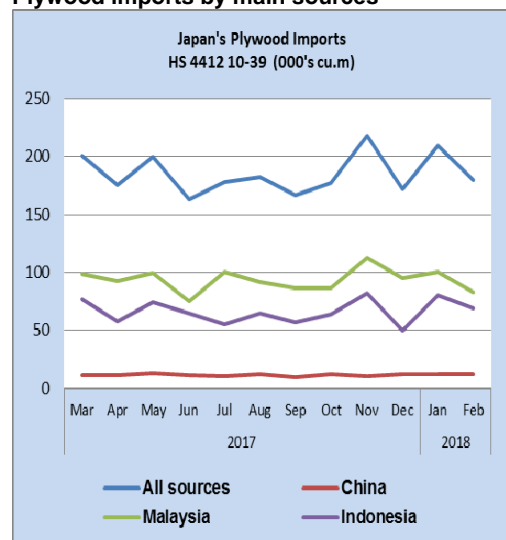
However, month on month, both Malaysia and Indonesia saw shipments to Japan decline. Shipments from Malaysia were down 17% while shipments from Indonesia were down around 14%.

### 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
	Feb	12.5	83	69

Data source: Ministry of Finance, Japan

### Plywood imports by main sources



Data source: Ministry of Finance, Japan

### Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

### Wood use for public buildings

The Ministry of Agriculture, Forestry and Fisheries and the Ministry of Land, Infrastructure, Transport and Tourism announced that percentage of wood used for public buildings built in 2016 fiscal year. After the 2010's law to promote using of wood for lower level public building, survey is made to see how much wood is used for lower level public buildings (lower than three stories).

Result of wood use for 97 low level public buildings was 43.3%, 14.4 points lower than 2015. Wooden buildings were 42, 22 units less than 2015 but by large buildings with floor space of 1,500 square meters, total floor space of wooden units doubled compared to 2015. Therefore, total wood use including interior use increased by 60%. The Ministries are investigating reasons why buildings are not wooden.

In 97 public buildings with total floor space of 13,816 square meters, wooden units were 42 with 7,282 square meters. In remaining 55 units, 35 units are not suitable for wooden building. Some need to have structure with heavy load with cranes and some use plenty of water for cleaning like glass built sun room or storage of precision machines.

Anyway it is necessary to make more campaign to other government offices to promote of using wood for newly built buildings. Lack of awareness may be the largest reason.

### South Sea (tropical) logs and lumber imports in 2017

Total import of logs from South Sea countries was 146,806 cbms, 24% less than 2016. During 2017, one of major South Sea plywood mills quit. Remaining plywood mills purchase quality logs instead of volume.

By source, 71,202 cbms from Sabah, Malaysia, 29.7% less. 40,689 cbms from Sarawak, Malaysia, 24.3% less. 6,029 cbms from Solomon Islands, 18.9% less. 28,886 cbms from PNG, 12.6% less.

During 2017, India's aggressive purchase pushed log export prices up. In Sarawak, the government raised rate of timber premium, which also pushed log prices.

In the South Sea countries, harvest restriction of natural grown timber tightened not only in Malaysia but in other countries like Myanmar, Laos and Cambodia so hungry India and Vietnam bought heavily in the Solomon Islands.



In Sarawak, harvest quota is reduced by 20-30% while quota for local supply expanded from 70% to 80%. With all these factors, export price of merati regular soared over US\$300 per cbm FOB and even local plywood mills suffered log shortage.

Log import from Africa in 2017 was 3,787 cbms, 4.1% more than 2016.

Lumber import was 259,000 cbms, 4% less than 2016. 156,000 cbms from Indonesia and 71,000 cbms from Malaysia. Both are almost same as 2016. Products are 259,000 cbms of free board, 80,000 ccbms of lumber and 130,000 cbms of processed products.

#### **2017 review of plywood and board**

Wooden panel (plywood and board) supply in 2017 was 9,122,748 cbms, 3.7% more than 2016. It is increase of 326,986 cbms. In this, domestic supply was 5,095,378 cbms, 2.8% more and imported panel was 4,027,370 cbms, 4.9% more.

Share of domestic and imports is 55.8:44.2. In volume, domestic increased 137,320 cbms and the imports increased 189,666 cbms.

Item of increase is almost all plywood. Domestic increase of plywood was 146,949 cbms and the imports plywood was 133,469 cbms.

Domestic softwood plywood production was 3,064,765 cbms, 6.1% more. This is the first time that the production exceeded three million cbms.

New housing starts in 2017 were 964,641 units, 0.3% less than 2016. Wood based units were 545,366, almost the same as 2016. Wood panel supply peaked in 2013 and it had been declining since then bottomed out in 2015 and the increase has been for two straight years.

Looking at plywood supply, domestic supply keeps increasing but the import plywood has been below three million cbms since 2015.

Domestic plywood manufacturers enjoyed record profit. Demand for structural panel continues firm then demand for non-structural panel like floor base and concrete forming is sharply increasing.

Plywood manufacturers dictate the prices, supported by brisk demand. Prices of 12 mm 3x6 panel in January 2017 was 980 yen per sheet delivered. 1,000 yen in February. 1,030 yen in September. 1,050 yen in March this year.

Export of domestic plywood in 2017 was 113,846 cbms, first time to pass 100 M cbms in last five years. The largest destination is the Philippines.

Supply of South Sea hardwood plywood continues declining because of log supply shortage in producing regions by foul weather and various restrictions. Items like floor base and thin plywood are very tight in supply.

Domestic production of other wooden panels in 2017 was 1,884, 857 cbms, 0.5% less than 2016 while supply of imported panels was 1,123,251 cbms, 5.3% more.

Major item of the increase is MDF. MDF manufacturers suffered procurement of material logs and higher prices. Also high cost of adhesive bond affects manufacturing cost.

Domestic softwood plywood production has been holding high level all through 2017. Total production was 3,064,765 cbms, 6.1% more than 2016. This is record high production and first time to pass three million cbms. Also the shipment was record high at 3,055,708 cbms, 4.0% more.

All the plywood plants continued unusually high level production. With high level consumption, the inventories have stayed low like only 93 M cbms at the end of December for monthly shipment of over 250 M cbms so it was practically hand-to-mouth situation.

The largest change in 2017 was increasing production of non-structural panels like floor base and concrete forming panel.

These items relied on South Sea hardwood plywood but declining supply from Malaysia and Indonesia, domestic floor manufacturers feel uneasiness for future supply and have been shifting to domestic softwood plywood.

Production of non-structural plywood in 2017 was 139,172 cbms, 37.2% more than 2016. Plywood plants have been busy satisfying brisk demand of structural plywood but considering change of demand structure in future, they have been producing these items.

Floor manufacturers speeded up shifting to softwood plywood particularly in the second half of last year after the prices of South Sea plywood soared. Problem for softwood plywood plants is procurement of logs and logistics. Shortage of truck drivers is serious problem so delivery delays for long distance trucking.

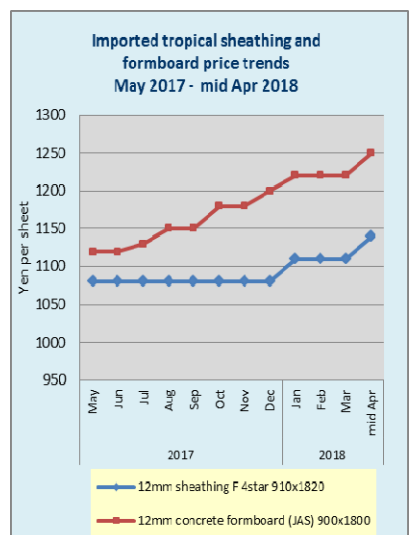
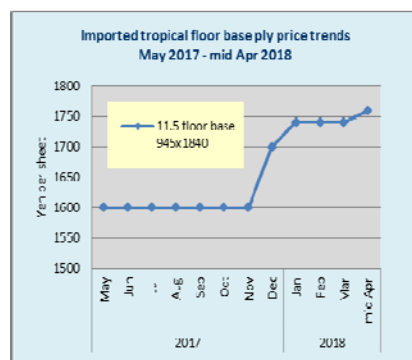
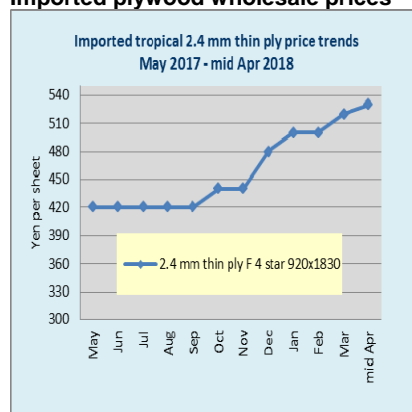
Log procurement is another problem. Mills have made up log supply network with forest unions and timber owners but after mills started making non-structural panels, not only volume but quality becomes important since floor base needs higher quality logs.

In 2017, sawmills and laminated lumber manufacturers showed strong demand for logs so competition became severe for plywood mills.

There will be three more plywood mills starting up this year so log demand further increases. Also recently started sawmills have large capacity so log purchase scramble will get fierce among users.



## Imported plywood wholesale prices



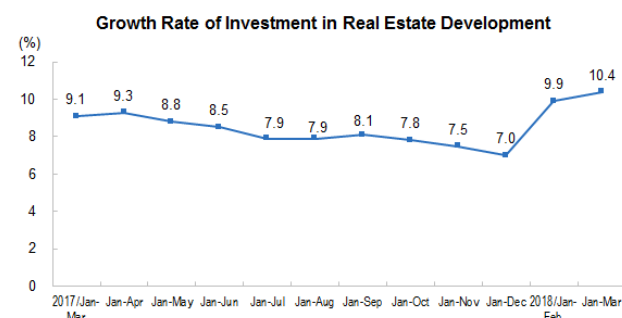
## China

### First quarter real estate investment

Investment in Chinese real estate in the first three months of 2018 increased 10% year-on-year, the fastest pace of growth in three years. However, while construction accelerated property sales slowed as borrowing costs rose and demand appeared to soften.

Activity in the real estate sector is said to directly affect some 40 other business sectors in China such that an expansion is good news for the overall economy.

Real estate investments in the eastern region increased almost 12%; in the central there was a 15% expansion; but in the western region growth slowed to around 3% while in the northeastern region there was only a 1% growth in investment.



Source: National Bureau of Statistics, China

Over the same three month period the land area purchased by real estate developers was only marginally higher than a year earlier.

See:

[http://www.stats.gov.cn/english/PressRelease/201804/t20180419\\_1595012.html](http://www.stats.gov.cn/english/PressRelease/201804/t20180419_1595012.html)

### Reduction in tax on imported timber

According to a recent statement from the State Taxation Administration, the value added tax on imported goods range between 11-17%, this will be adjusted down to a range of 10-16%. The value added tax on imported logs will be reduced to 10% from 11% as of 1 May 2018.

See:

<http://www.chinatax.gov.cn/n810341/n810755/c3377945/content.html>

### No more imports of wood waste

According to a joint press release from the Ministry of Ecology and Environment, the Ministry of Commerce, the State Development and Reform Commission and The General Administration of Customs, the rules on wood waste imports will be changed.

An official notice 'Adjustment of the Imported Waste Management Catalog' has been released detailing which solid waste can no longer be imported

As of 31 December 2018 banned waste include 32 kinds of solid waste such as scrap hardware, scrap automobile parts, smelting slag and waste plastic. A further group of products including wood residues will be banned as of 31 December 2019.

In July 2017 China laid out plans to gradually reduce the types and quantities of solid waste imported. The government aims to strengthen the criteria for solid residues and garbage to eliminate the entry of "foreign waste" into the country.

In the next step, the Ministry of Ecology and Environment, together with relevant departments, will ensure that the reform measures are effective and prohibit the entry of foreign waste.

See: [http://www.gov.cn/zhengce/content/2017-07/27/content\\_5213738.htm](http://www.gov.cn/zhengce/content/2017-07/27/content_5213738.htm)

and  
<http://news.cctv.com/2018/04/19/ARTI61J6fCZxtSvUcJKTsHoc180419.shtml>

#### Expanding national forest reserves

According to the State Forestry and Grassland Administration plans have been prepared for an expansion through planting and rehabilitation of National Forest Reserves.

This plan calls for enlarging the forest reserves by 7 million hectares by 2020 and aims to have 20 million hectares of national reserve forests by 2035. This should yield an increase of 200 million cubic metres of stock and an annual average increase of 63 million cubic metres of precious native tree species.

The national reserve forest will be multi-functional integrating of planting and cultivating industrial raw material, native tree species, precious tree species and large diameter timber.

#### Beijing Dongba 'Precious Timber Market' closed

The Beijing municipal government has begun demolishing illegal buildings in the city and this has involved removing some timber markets. It has been reported that Beijing Dongba Precious Timber Market will be closed. The Beijing Dongfang Shengze Commerce Group Co., Ltd. which manages the timber market has been required to stop operation.

Analysts write that the Beijing Dongba Precious Timber Market located in Dongba Township, Chaoyang District of Beijing, was the largest timber wholesale market in Northern China. The market covered an area of 380 000 square metres and offered a large selection of specialised wood products and provided transaction and logistic services to customers and also undertook arranging exhibitions and product promotion.

#### International furniture standard released

An international standard for Furniture -- Beds -- Test methods for the determination of stability, strength and durability (ISO19833: 2018) formulated by Chinese experts was released in March 2018.

The international standard ISO 19833, "testing methods for the stability, strength and durability of furniture beds", prescribes the test environment, test equipment, test methods, recommended indicators, force requirements and tolerances for bed products.

In the test of bed level, the standard classifies bed products into three categories: single bed screen, double bed screen and no bed screen for the first time, which has higher applicability and operability to adapt to the complicated product design in the market.

Analysts write, this effectively filled a gap in the testing method for strength and durability of beds in international furniture standards and marked a significant advance for Chinese specialists.

See: <https://www.iso.org/standard/66310.html>

#### Evaluation standards for green products

The State Administration for Market Regulation within the China National Certification and Accreditation Administration recently released a document 'Announcement on the List and Certification Catalogue of Evaluation Standard for Green Products'.

Wood-based panels, wood flooring, wooden furniture, wood/plastic products, paper and paper products are involved. Other products include coatings, sanitary ceramics, building glass, solar water heating systems, thermal insulation materials, waterproofing and sealing materials, ceramic tiles (plates) and textile products.

See:  
<http://www.cnca.cn/xxgk/ggxx/2018/201804/W020180418349178117351.pdf>

#### 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 afica	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

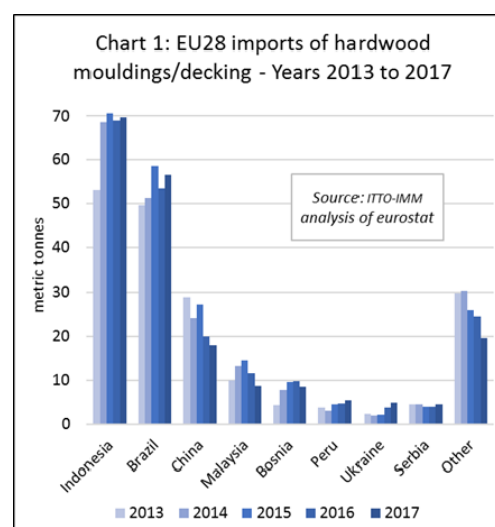
Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots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

## Europe

### EU imports of hardwood mouldings led by Indonesia and Brazil

EU imports of “continuously shaped” wood (HS code 4409) includes both decking products and interior decorative products like moulded skirting and beading. Total EU imports of hardwood products under this heading declined by just over 3% in 2017, to 122,800 metric tonnes (MT). However, imports from Indonesia and Brazil, the two largest suppliers, increased last year.

Indonesia’s leading role as a supplier of this commodity group to the EU is due both to the popularity of bangkirai for decking applications in Europe, and to Indonesia’s ban on rough sawn exports encouraging greater focus on profiled products. After a steep rise in 2014, imports from Indonesia remained broadly flat in the next three years and were 69,600 MT in 2017, 1% more than the previous year (Chart 1).



Brazil has access to several Amazonian species like ipe, garapa and massaranduba that perform well as decking timbers. Following a 9% decline in 2016, EU imports from Brazil rebounded 6% to 56,600 MT in 2017.

China's trade in this commodity with the EU has been declining in recent years owing both to rising costs of production in China and declining availability of raw material. Imports from China fell a further 10% to 18,000 MT in 2017. China depends on imported tropical timber with a strong preference for teak in the decking sector. China also supplies small quantities of interior hardwood mouldings to the EU market.

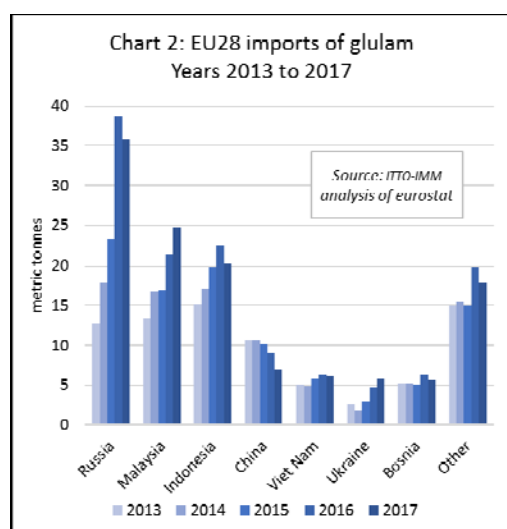
While total EU trade in decking and similar garden products has been gradually increasing in recent years due to a slow improvement in EU construction activity, tropical timber faces intense competition from substitute materials in this sector, notably Wood Plastic Composites (WPC), thermally and chemically modified European hardwoods and softwoods, and preservative-treated softwoods.

Tropical hardwood decorative mouldings for interior use are also being replaced by European timbers and MDF.

### EU market for glulam challenging for external suppliers

Anecdotal reports indicate that the glulam sector in Europe struggled with over-supply and low margins in the 2013 to 2016 period. Taken together these trends suggest relatively poor prospects for external suppliers to expand glulam sales in the EU market.

Nevertheless, EU imports of glulam were increasing between 2013 and 2016 when they reached a peak of 128,700 MT. Last year total imports fell back 4% to 123,300 MT, but Malaysia, the leading tropical supplier, continued to make gains. Imports from Malaysia increased 16% to 24,800 MT in 2017 (Chart 2).



In contrast to Malaysia, in 2017 imports from Indonesia declined by nearly 10% to 20,300 MT and imports from

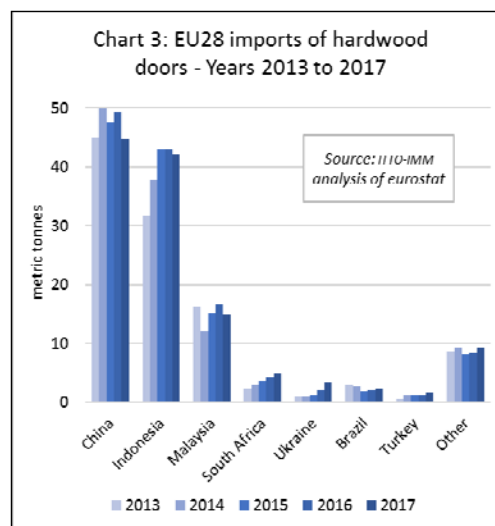
Viet Nam fell nearly 4% 6,100 MT. Imports also fell 8% from Russia to 35,800 MT and 24% from China to 6,900 MT.

The relative strength of tropical glulam imports at a time of intense competition in the wider EU glulam market is partly due to the specific mix of products involved. Whereas much of the EU internal market comprises large beams and other structural elements, a large proportion of imports are more specialised small dimension products for non-structural applications.

Imports of tropical glulam have remained reasonably buoyant in response to improved demand in specific niche sectors, notably for durable laminated window scantlings in the Netherlands and Belgium.

### EU imports of wooden doors lose ground in 2017

Most new wood door installations in the EU comprise domestically manufactured products. Imports from outside the bloc account for less than 5% of total consumption value in the EU. Imports from the three largest non-EU countries – China, Indonesia and Malaysia – all lost ground in 2017. However, imports increased from several smaller external suppliers last year, including South Africa, Ukraine, Brazil and Turkey (Chart 3).



In 2017, EU imports of wood doors fell 9% to 44,700 MT from China, 2% to 42,100 MT from Indonesia, and 11% to 14,900 MT from Malaysia. In contrast, imports increased 11% to 4,800 MT from South Africa, 69% to 3,300 MT from Ukraine, 14% to 2,300 MT from Brazil, and 14% to 1,500 MT from Turkey.

The European wood door sector is increasingly dominated by products manufactured using veneered panels and finger-jointed timbers rather than from solid timber. Requirements to comply with higher energy efficiency standards and efforts to provide customers with long-life time guarantees are driving this concerted shift to engineered wood products.

Doors with a real wood veneer have also been losing share to doors manufactured using High Pressure Laminate (HPL) foils and white lacquered products. This is partly due to a shift in overall door production from Southern European countries such as Spain and Italy, which strongly favoured real wood veneer, to Germany where there is a very sophisticated foil and laminates industry.

#### **German slowdown dampens European wood flooring demand**

An insight into the current status of the EU wood flooring market and the wider economic situation in individual EU countries is provided by the report of the meeting on 4 April 2018 of the Board of Directors of the European Federation of the Parquet Industry (FEP).

According to the report, compared to the same period last year, provisional results for the first quarter of 2018 point to a continuation of the moderately positive European parquet consumption trends observed in 2017 with the exception of Germany which is reporting a significant decrease.

The report notes that new build projects are the main driver of the market for wood flooring in Europe, although renovation is creates significant additional activity.

It also notes that despite the long and wet winter in Europe, the availability of raw material is not a critical issue for the time being. This implies some easing of the supply problems that have emerged in recent years owing to the sectors very heavy reliance on oak which now accounts for around 80% of production.

The report includes a rapid-fire appraisal of the market situation in each of the countries represented by the FEP membership:

Austria: parquet sales continued to increase by 2% in the first quarter 2018 compared to the same period last year.

Belgium: parquet sales are estimated to have 3% during the first three months of 2018.

Baltic States: Baltic countries' markets showed a slightly positive trend in the first quarter 2018.

Denmark: The Danish parquet market remains flat overall, a decrease in the retail market is compensated by rising demand from building contracts and projects.

Finland: parquet sales increased by 1% in the first quarter, mainly driven by moderate growth in large projects while the residential market is stable.

France: parquet sales are gradually recovering, rising an estimated 2% in the first quarter of 2018.

Germany: parquet sales are estimated to have fallen 5% in the first quarter of 2018 compared to the same period in 2017.

This decrease reflects the subdued residential market, a lack of installation professionals, intense competition from "wood look" floor coverings, and diminishing store space allocated for hardwood flooring by DIY retailers.

Italy: parquet sales increased 2% in the first quarter of 2018 and continue to benefit from more positive economic developments in the country.

Netherlands: parquet sales increased by an estimated 3% during the first quarter 2018 in line with improving economic conditions in the country.

Norway: the market was flat with some signs of slight improvement (less than 1% growth) during the first months of 2018.

Spain: despite the turbulent political situation, the Spanish market expanded slowly by between 1% and 2% in the first quarter of 2018.

Sweden: parquet consumption increased 2% in the first quarter. Declining retail sales were offset by increased demand from building projects. Sweden is currently the most dynamic market in Scandinavia.

Switzerland: parquet consumption remains flat but at a high level with numerous large on-going renovation projects.

#### **Weak start to the year in UK construction sector**

As a country without a significant domestic flooring manufacturing sector, the UK is the only large EU consuming country not covered in the FEP's rapid appraisal of market conditions. However, information from the UK Construction Products Association (CPA) indicates market conditions for flooring and other joinery products in the UK deteriorated in the opening months of 2018.

According to the CPA's market statement for the first quarter of 2018, the start of the year was a bad one for UK construction. Carillion, the UK's second biggest contractor, went into liquidation in January and this led to an hiatus on infrastructure and commercial projects. Poor weather also badly affected work on site in February and March and, as a result, 2018 Q1 construction was around £1.5 billion lower than in 2017 Q4.

The CTA statement goes on to note that construction activity in the UK is forecast to be flat this year and rise by 2.7% next year, primarily driven by infrastructure and private house building.

Infrastructure output is forecast to grow 6.4% this year and 13.1% in 2019 as main civil engineering work commences on several large projects. In private housing, output is forecast to rise 5.0%, with demand for new build underpinned by government support for first home buyers.



This performance contrasts with other sectors of the construction industry, however. The sharpest decline is forecast in the commercial sector, where a post-EU Referendum fall in contract awards for new offices space since the second half of 2016 is expected to translate into a fall in activity this year. Office construction is expected to decline 20.0% in 2018 and 10.0% in 2019.

## ITTO/EC IMM Report

### Market role of EUTR and FLEGT licensing

A key question for the long-term future of the EU trade in tropical timber products is the impact of the EU Timber Regulation (EUTR).

This is particularly true of suppliers in those tropical countries, like Indonesia, that have a Voluntary Partnership Agreement (VPA) with the EU and are seeking an assurance that FLEGT licensed timber will benefit in the market from the “green lane” offered by EUTR.

FLEGT licensed and CITES certificated timber products are the only products recognised by EUTR as requiring no further checks by EU importers to ensure their legal status.

For those suppliers of tropical timber products that are not FLEGT licensed, there are key issues surrounding the types of information that the EU importers will accept as assurance that there is a negligible risk of illegal harvest.

These issues have been highlighted in recent weeks by the prosecution of one UK importer for a failure to comply with EUTR in relation to sawnwood imported from Cameroon. The prosecution was solely focused on the company’s due diligence systems relating to its purchases of FSC-certified ayous from Cameroon in January 2017.

Although the prosecution acknowledged that none of the material imported was from an illegal source, the company was found guilty of failing to adequately check the legality of the timber when placing it on the market.

The company was fined £4000 in the second successful EUTR prosecution in the UK. The first was last year when a designer furniture retailer was fined £5000 for importing a sideboard from India without carrying out the required due diligence assessment.

Commenting on the latest prosecution, a representative of the British Woodworking Federation said: “Companies bringing timber products in directly from outside the EU need to have their own due diligence system in place even for one-off transactions and cannot rely on suppliers to carry this out on their behalf.

“This must include information about the supply of timber products, an evaluation of the risk of placing illegally harvested timber and timber products on the market and necessary steps to mitigate this risk; for example additional information and third party verification”.

“Simply bringing in FSC, PEFC or similar Chain of Custody certified timber is not enough to satisfy the due diligence requirements for these importers, although FLEGT licenced timber would suffice.”

In practice, given the extra due diligence steps required to import even FSC certified timber into the EU market, EUTR should offer significant market advantages to tropical suppliers of FLEGT licensed timber.

At present that applies only to Indonesia, which has licensed timber for the EU market since November 2016. The latest data from the FLEGT Independent Market Monitor, hosted by ITTO, suggests that this market advantage may be filtering through into a rise in EU trade with Indonesia for product groups like plywood and decking that have been an immediate focus of EUTR enforcement activity.

There has been quite a sharp increase in EU imports of Indonesian plywood since November 2016, lending support to anecdotal reports of EU plywood importers being encouraged to stock more Indonesian product due to licensing. EU imports of decking products from Indonesia were sliding in the first half of 2017 but recovered in the second half of the year.

However, it would be a mistake to attempt to attribute these trends to a single cause, even one so significant as a regulation applicable to every company placing timber on the market in the EU. An increase in trade can be expected in a year when the EU economy began to grow more strongly after a long period of slow growth following the European debt crises.

It’s also apparent that the rise in trade with Indonesia during 2017 was not universal across product groups. EU imports of wood furniture from Indonesia were flat during the year, while imports of Indonesian flooring and glulam declined.

See: <http://www.flegtim.eu/index.php/newsletter/flegt-market-news/54-eu-imports-from-indonesia-in-2017>.

These trends seem to be confirming earlier forecasts in the ITTO MIS (16-30 Sept 2016 & 16-30 April 2017) that the combination of EUTR and FLEGT licensing offer an immediate opportunity for Indonesian suppliers to retake share in those sectors – like decking and plywood - where Indonesian products are familiar to EU importers and already favoured for their strong technical performance, but where demand has been dampened by concerns over the legality of wood supply.

However, in isolation, FLEGT licensing is less likely to generate immediate benefits in those high value sectors like furniture and joinery where the specific technical and environmental features of Indonesian wood products have been less significant barriers to competitiveness than wider issues such as labour costs, red tape, logistics, processing efficiency, innovation, and marketing.



In these sectors, increasing share may well be achieved if FLEGT licensing is combined with market development initiatives to improve the international competitiveness of Indonesian wood manufacturers across a wider range of issues, although this is likely to take time.

#### **ClientEarth: EUTR not “effective, proportionate and dissuasive”**

The potential value of FLEGT licensing is also partly dependent on the extent to which EUTR is being implemented consistently across the EU. This is a question considered in a new report issued by ClientEarth, a UK based NGO specialising in analysis of environmental law.

In the report, ClientEarth provide their assessment of whether the enforcement regimes, which under EUTR are required to be implemented by the individual EU member countries, are “effective, proportionate and dissuasive” according to the law.

The report highlights that although the EUTR was first introduced in March 2013, some EU member countries delayed introduction of a national enforcement regime for some time after that date, although nearly all had done so by the end of 2016.

ClientEarth show that penalties for EUTR infringements vary widely across the EU. Certain Member States (such as Austria, Poland, Romania and Bulgaria) have chosen a penalty regime relying mainly on administrative penalties; others (such as Denmark and the Netherlands) rely mainly on criminal penalties for key EUTR obligations. Some Member States (such as Belgium, Finland, France, Germany and Italy) have adopted a combination of the two systems.

EUTR penalties include notices of remedial actions, seizure of timber, suspensions of authorisations to trade, fines and imprisonment. ClientEarth conclude that competent authorities and Member State courts have been more actively enforcing the EUTR since 2016 compared to the years 2013 to 2015 when almost no penalties had been imposed.

ClientEarth summarise all the EUTR actions that have been reported publicly to date referencing the two UK cases mentioned earlier together with two cases in the Netherlands, two cases in Sweden, and one in Germany.

In the Netherlands, a fine of €1,800 per cubic metre of timber was imposed on a company for a failure to gather information tracing back the entire supply chain of imported sawn timber deemed to be risky from Cameroon.

In another case, a preventive measure was ordered against two Dutch importers of Burmese teak, imposing a fine of €20,000 per cubic metre for each teak shipment placed on the market in breach of the EUTR.

In Sweden, the cases so far have all involved prosecutions for a failure to undertake appropriate due diligence in imports of Myanmar teak.

One company was fined SEK 17,000 (approximately €1,700), another the much larger amount of SEK 800,000 (approximately €79,500) due to a failure to implement measures stipulated in an earlier injunction.

In addition to these cases which led to fines, in 2017 several other Swedish companies were prohibited under EUTR from importing any products containing Burmese teak.

In Germany, an administrative court confirmed in 2017 a decision by the competent authority taken in 2013 to confiscate timber imported from the DR Congo due to irregular documentation. The timber will be auctioned and the money from the auction allocated to the federal budget.

While these few cases have been brought in a limited number of Member States, according to ClientEarth, 'soft' approaches involving no punitive action and a mainly educative purpose still seem to be the preferred enforcement option in many Member States. Such measures include advice letters and warnings, as well as injunctions and notices of remedial action without non-compliance penalties.

Based on this analysis of the cases brought date, the text of laws introduced at national level, publicly available information on regulatory checks and sanctions regimes, and interviews with several competent authorities, ClientEarth conclude that “EUTR penalties rarely seem enforced to the 'effective, proportionate and dissuasive' legal standard, even in Member States where a positive trend in EUTR enforcement is noticeable.”

#### **Comment on ClientEarth assessment of EUTR**

The ClientEarth study has limitations. The conclusions are based on a technical analysis of sanctions regimes - considering, for example, whether the costs of sanctions are likely to significantly exceed the costs of implementing EUTR due diligence measures and therefore to provide an effective deterrent.

There is no actual appraisal of whether the national differences in sanctions regimes is leading to significant failures in enforcement or other negative impacts, such as diversion of illicit trade through countries with weaker enforcement regimes.

It is notable that in none of the cases cited was it ever proved that the wood was from an illegal source - there is no obligation under EUTR on the EU authorities to provide such proof - the prosecutions were all due to the failure on the part of the importer to demonstrate compliance to the due diligence steps required in EUTR.

The fact that these prosecutions were brought and led to significant sanctions, even without evidence of illegality at source, suggests that the law has teeth and places a significant lever to encourage more far-reaching due diligence measures in the hands of the EU authorities.

It's the kind of regulatory power that needs to be used wisely to avoid unintended consequences, such as the creation of technical barriers to trade, feeding of protectionist instincts and discrimination against smaller operators.

ClientEarth acknowledges that their conclusions are based on inadequate information, noting that there is relatively little publicly available information about the number of penalties that have been applied since the EUTR has been in force. The EC has already indicated an intent to improve transparency on this issue and much more information is expected to be available later in the year.

ClientEarth is also critical of what it refers to as 'soft' approaches, arguing that they do not provide an effective deterrent to timber products from placing timber at risk of being illegal on the EU market.

This is one interpretation, but in practice EUTR is a complex and innovative law for which most national authorities have had to acquire new knowledge and skills, often from the private operators they are required to regulate, many of which were implementing responsible procurement policies for years even before EUTR was introduced.

Regulating the purchasing decisions throughout 28 Member States of a fragmented industry with nearly half a million enterprises, one in five of all manufacturing enterprises in the region, is unprecedented. In the early years of implementing EUTR, there has been some confusion and ambiguity over the exact measures required by individual operators to demonstrate conformance.

Communicating to timber operators, often small traders with only limited access to legal advice, that they cannot accept either FSC certificates or government documents at face value as evidence of a "non-negligible risk of illegal harvest" takes time and effort.

It is challenging to explain to operators that it is their responsibility to identify which products are "non-negligible risk", particularly when the EC and other regulators cannot advise on the relative risks associated with different supply countries and product groups. In such a situation it would be unjust to rush to prosecution – and runs the risk of discrediting the legislation, particularly amongst those operators being regulated.

The success of the EUTR to date has been built to a significant extent on the active support of the private sector within the EU. This support would quickly evaporate if a perception arose that it was just being used as a rod to beat the industry.

A lengthy period of "soft" regulation seems most appropriate, at least until such time as guidelines and supporting information sources have been properly developed and communicated and the authorities are sufficiently competent to accurately interpret and enforce the law. However, there may be a distinction between certain member states using "soft" measures as part of a

concerted effort to evolve an effective, efficient and equitable regulatory program, and others that may be hiding behind these measures to avoid more meaningful, and potentially costly, action.

If the latter attitude is widespread it could have the negative consequences mentioned by ClientEarth; an unequal playing field for trade in the EU, undermining the efforts of those operators that are conscientiously implementing due diligence procedures, undermining demand for FLEGT licensed timber, and encouraging diversion of illicit trade through less regulated countries.

So far, the information gathered by ClientEarth is not sufficient to judge the effectiveness of EUTR and their conclusion that the law does not provide a reliable deterrent to trading illegally harvested wood seems premature.

A clearer picture will emerge only when the EU publishes more comprehensive information on the regulatory measures and sanctions introduced at national level in the EU and with more detailed analysis of actual trade flow trends and the compliance steps being taken by operators across the EU.

The European Commission monitors impacts and implementation of the EUTR and updates can be found in ITTO's market reports and the IMM website <http://www.itto.int/imm/>.

Readers can find the ClientEarth report here and make their own judgement on this: <https://www.documents.clientearth.org/library/download-info/national-eutr-penalties-are-they-sufficiently-effective-proportionate-and-dissuasive/>

## North America

### Indonesia currently largest supplier of hardwood plywood to US

Hardwood plywood imports were down 14% in February (173,179 cu.m.). Imports from most countries declined month-over-month with the largest fall in shipments from China and Russia. Imports from Malaysia increased from January, but Malaysia's shipments to the US have not yet recovered to 2017 levels.

**US Hardwood plywood imports (Jan/Feb 2018)**

	Jan/Feb 2018 cu.m	YoY % change
China	36,444	-82%
Russia	29,802	-1%
Indonesia	56,212	29%
Malaysia	7,995	-49%
Cambodia	10,011	166%
Vietnam	11,373	276%
Ecuador	10,321	57%
Other	40,378	22%

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

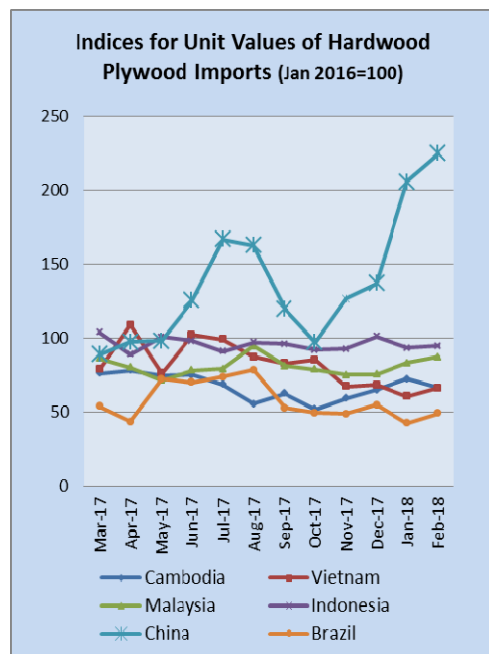
Year-to-date plywood imports fell 40% compared to February 2017, but the value of imports decreased by only 25% due to higher prices of Chinese plywood in recent months.

Unsurprisingly the largest drop was in imports from China, while imports from Vietnam and Cambodia gained after the US introduced antidumping and countervailing duties on Chinese hardwood plywood. In terms of volume, Indonesia has replaced China as the largest supplier of hardwood plywood to the US.

**Wood product imports down except hardwood flooring**  
Hardwood flooring imports were up in February while imports of tropical veneer, hardwood moulding and assembled flooring panels declined from January. Hardwood flooring imports increased 18% year-to-date and 25% month-over-month in February.

Flooring imports from Malaysia tripled from January to 737,580 cu.m. Hardwood flooring shipments from China and Vietnam were down in February. In assembled flooring panels (engineered and laminate) imports from Europe grew significantly in February.

Tropical veneer imports from China fell in February, following two months of higher imports. Veneer is not affected by the U.S. duties on hardwood plywood.



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

**Decline in wooden furniture imports**

Wooden furniture imports declined in February to under US\$1.6 billion, but year-to-date imports remain higher than in February last year.

The month-on-month decline was mainly in imports from China and Vietnam, but imports from most other suppliers

(except Canada) were also down. Non-upholstered seating imports were unchanged from January, but imports of all other types of wooden furniture posted declined.

**Furniture and home furnishing retails sales rise first quarter**

The furniture and wood products manufacturing industries reported growth in March, according the Institute for Supply Management’s survey (Manufacturing ISM Report On Business).

New furniture orders in January were up 2% over orders in January 2017, according to the Smith Leonard survey of U.S. residential furniture manufacturers and distributors. Furniture shipments in January were unchanged from the same time last year.

Retail sales at furniture and home furnishing stores picked up in March, according to the U.S. Census release of preliminary estimates. In the first quarter of 2018, furniture and home furnishing retail sales were 4.8% higher than in the first quarter last year.

Year-to-date cabinetry sales through February 2018 were down 0.6% according to participating manufacturers the Kitchen Cabinet Manufacturers Association’s monthly Trend of Business Survey. For the year 2017, U.S. cabinet manufacturers reported a 3% increase in sales.

**US trade policy viewed negatively by consumers**

Economic growth was strong in the first quarter with GDP increasing 2.3%, according to the advance estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2017, GDP increased 2.9%. The unemployment rate was unchanged at 4.1% in March, according to the U.S. Bureau of Labor Statistics employment in manufacturing increased.

Consumer confidence was down slightly in April from the previous month. The U.S. administration’s trade policy and new duties were viewed as negative by the majority of respondents in the University of Michigan Surveys of Consumers.

**Affordability and supply affect housing market**

Multi-family housing construction drove the growth in housing starts in March, according to the latest data release by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development.

Total starts were 11% higher than in March 2017, at a seasonally adjusted annual rate. Single-family starts fell in March but the number of permits for new houses is high and indicates future growth.

Existing-home sales grew for the second consecutive month in March. While demand for homes is up in the current economic environment, low supply and rising home prices hold back many would-be buyers, according to the National Association of Realtors.

### **Moulding and trim market**

Engineered wood and plastic moulding and trim are expected to gain market share in the U.S. over the next four years, but wood will remain the main material. Demand for wood moulding and trim is projected to increase 3.7% annually to US\$5.5 billion in 2022, according to a new Freedonia market study (Moulding and Trim in the US by Material, Product, Market and Region, 7th Edition).

Wood will account for more than half of all moulding and trim sales in 2022, despite having the slowest growth rate of all materials. Engineered wood and plastic will grow at a faster rate because of cost and durability considerations.

New home construction and renovation, especially in single-family houses, as well as non-residential construction (office and institutional) will drive the growth in moulding demand. T

he main market for wood is in residential construction and renovation, while commercial construction uses mostly metal. Office and institutional buildings use a range of materials for moulding and trim, including wood and engineered wood.

### **EPA declares biomass energy carbon neutral**

The federal Environmental Protection Agency (EPA) has declared biomass from managed forests as carbon neutral when burned for energy production.

The agency noted that the decision was not based on scientific evidence or recommendations by the independent Scientific Advisory Board, who was tasked in 2011 to establish a factor for carbon emissions from the entire life cycle of biomass feedstocks for electricity generation.

Forest industry groups such as the American Wood Council have welcomed the announcement. At the same time the effect on biomass energy use in the U.S. is unclear because many states have their own policies on biomass use for renewable energy.

Environmental groups have criticized the declaration given the Science Advisory Board's finding that not all wood biomass is carbon neutral. The National Resources Defense Council noted that the EPA and the federal government lack jurisdiction over the regrowth of most U.S. forests and therefore cannot guarantee that the biomass grows back.

**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.**

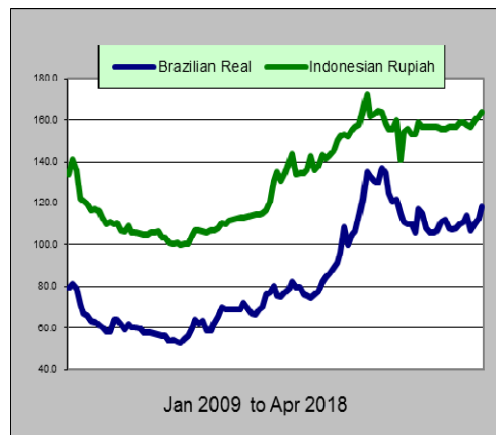
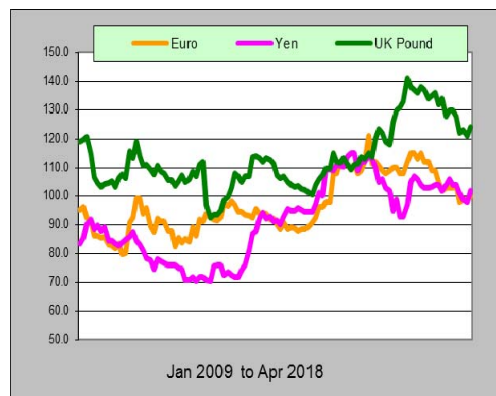
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 25 April 2018

Brazil	Real	3.4723
CFA countries	CFA Franc	543.46
China	Yuan	6.3269
EU	Euro	0.8224
India	Rupee	66.9214
Indonesia	Rupiah	13929
Japan	Yen	1097.43
Malaysia	Ringgit	3.912
Peru	New Sol	3.22
UK	Pound	0.7179
South Korea	Won	1082.22

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

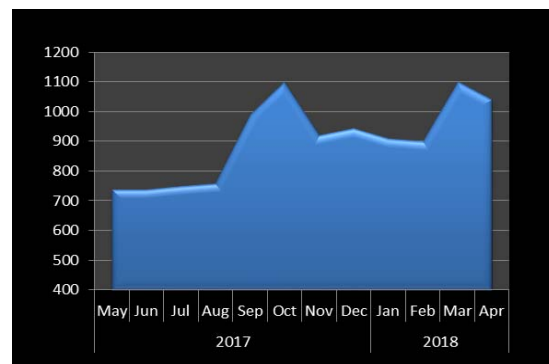


## Abbreviations and Equivalences

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	Cost insurance and freight
C&F CNF	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, Weather 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  
May 2017 – April 2018

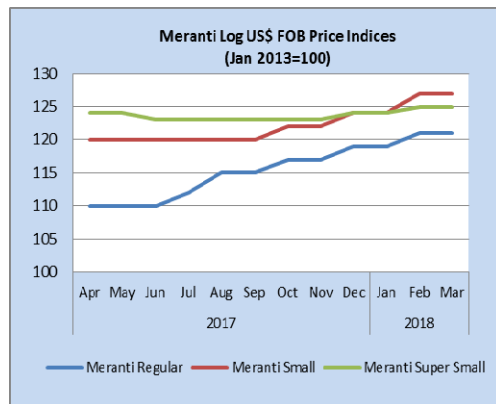


Data source: Open Financial Data Project

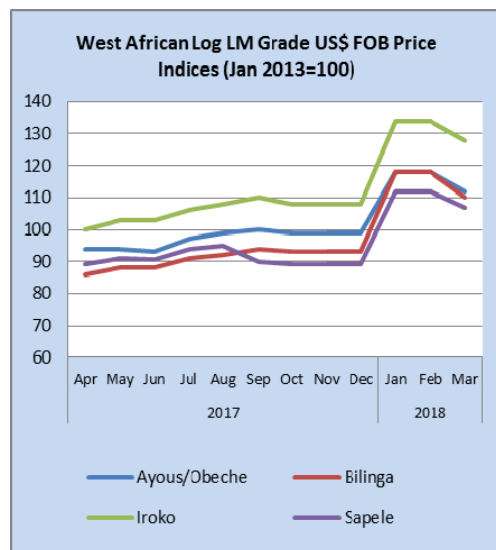
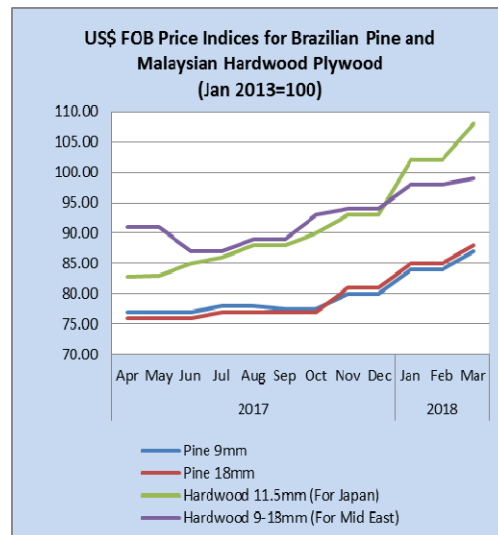
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

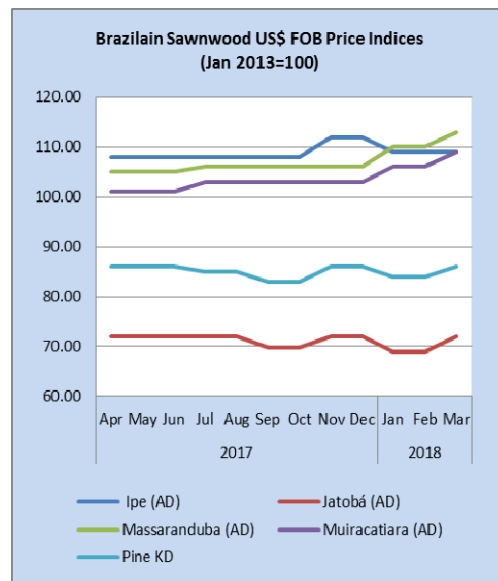
The following indices are based on US dollar FOB prices



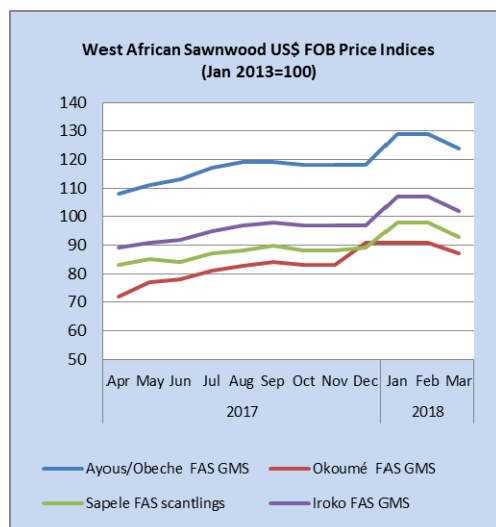
Note: Sarawak logs for the Japanese market



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/)