

Tropical Timber Market Report

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Top Story

Europe's "zero deforestation" policies: an opportunity for tropical timber?

Policy decisions taken in relation to the so-called "Amsterdam Declarations" and an imminent EC "Communication on Stepping up EU Action against Deforestation and Forest Degradation" may be critical for the competitiveness of forestry operations and wood products in the European market, with wide-ranging, and unpredictable, effects filtering through into world markets

The main effects on timber industry competitiveness will be at several levels: at the forest level, in relation to other commercial users of the land; and in finished products markets where wood products with various sustainability assurances and labels compete with each other and non-wood products.

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Central and West Africa

FOB prices for Chinese market under pressure

European markets are uninspiring according to producers. FOB prices remain at the same level as in the past 2 months but there is some comfort to be gained from the market stability.

In recent weeks another shipment to Europe of around 10,000 cubic metres of azobe has swamped the market and is beginning to undermine FOB prices

Prices for the Chinese market are becoming more volatile. Analysts report that prices for ovankol for the Chinese market have dropped 30-40% due to the lack of demand. Demand for okoume, padouk and belli has also fallen and this could eventually drive prices lower.

Heavy rain and the truck weight/load limits continue to be a problem for producers in Cameroon.

Exporters in SEZ having an easier time

Analysts report that it is now 6 weeks since the last export shipment by companies operating outside the Special Economic Zone (SEZ). It has been rumoured that several foreign companies have begun laying off workers. The situation for the mills within the SEZ is much better as export shipments are getting away on schedule. The main problem for mills in the SEZ is supply of the popular timbers.

Wood Show 2019 expands

The Gabon WoodShow, scheduled for 24-26 June, has attracted a wide range of wood processing and forestry machinery companies. The number of exhibitors has more than quadrupled with companies coming from India, Cameroon, Italy, Poland, Turkey, Germany, France, Singapore, Slovenia, UAE, Belgium, China and South Africa.

See: <https://www.gabonwoodshow.com/en-US/>

DRC battling Ebola again

The Ebola virus has stubbornly persisted in the Democratic Republic of the Congo since late 2018 and the latest outbreak is causing concern among companies operating in the country. The World Health Organization has said the recent outbreak does not qualify as an international threat, even though cases have been confirmed in neighbouring Uganda.

Matshidiso Moeti, the WHO Regional Director, said there was now a stronger political engagement to make sure the outbreak was contained, but added this time it will take longer to contain and that a multi-facet response not a simple public health response will be required.

New forestry minister for Gabon

In the wake of the kevazingo scandal, locally called "kevazingogate", the President of Gabon has appointed a new minister of water and forestry.

It came as a surprise when it was announced the new minister is Lee White, a naturalised Gabonese citizen and an active conservationist. The British-born minister will lead a sector he is familiar with due to his work to conserve biodiversity in Gabon.

See:

<https://www.afrik21.africa/en/gabon-environment-patron-lee-white-appointed-minister-of-water-and-forestry/>

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	290	290	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	350	350	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	340	290	245
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	370	370	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	520
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	750
FAS scantlings	850
Strips	650
Sapele FAS Spanish sizes	500
FAS scantlings	520
Iroko FAS GMS	640
Scantlings	720
Strips	400
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

Ghana

Visa free travel – Ghana and Guyana

Ghana and Guyana have signed a visa waiver agreement so citizens can travel freely. This agreement was one of several bilateral agreements signed after Ghana's President visited Guyana.

During the visit the Ghana President offered to assist Guyana as it develops the oil and gas sector.

Agreements on trade and industry were signed as Ghana expressed interest in Guyana's timber industries.

FC Refutes WRI forest cover data

The Ghana Forestry Commission (FC) has objected to data published by the World Resource Institute (WRI) stating that there was a 60% loss of forest cover loss between 2017 and 2018.

The data in the WRI document is said to have come from research undertaken by the University of Maryland in the United States to assess the annual change in tree cover (cocoa, cashew, rubber, etc.) and not forest cover. The WRI data defines tree cover as all vegetation of 5m or more in height which, says the FC, must include tree crops such as cocoa, cashew, rubber, among others which is not strictly forest cover. This unclear terminology could lead to misleading conclusions.

The FC acknowledged the challenge of illegal mining and farming practices as drivers of deforestation and forest degradation. Because of the illegal encroachment into the country's forest reserves the FC has taken steps to reforest degraded land.

See: <http://www.fcghana.org/news.php?news=142>

and

<http://www.fcghana.org/news.php?news=142>

Forest cover records slight increase

Data from the Forestry Commission for the period 2012 to 2018 reveals that at the end of 2012 the total area under forest cover in Ghana (open and closed forests) was 6,235,102 ha. This figure had risen to 6,357,876 ha at the end of 2018.

The increase in the area of forest could be attributed to the on-going plantation development drive by both public and private sectors as well as the natural regeneration of fallow or fire-prone areas where effective wildfire awareness and education by the FC and other collaborators is beginning to yield positive results .

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	420↓
Niangon	590↑
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	350	445↑
Chenchen	431	479
Ogea	508	590
Essa	546	711
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	750
Avodire	2,833
Chenchen	764
Mahogany	1,103
Makore	790
Odum	1,708

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	341	640	641
6mm	412	535	604
9mm	400↑	446	560
12mm	510↓	463	480
15mm	450	380	430
18mm	450	422	383

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

Export Sawwood Prices

Ghana Sawwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afrormosia	490	564
Asanfina	405	487
Ceiba	424	498
Dahoma	520	619
Edinam (mixed redwood)	475	571
Emeri	930	1025↑
African mahogany (Ivorenensis)	740↓	810
Makore	620	670
Niangon	832	970
Odum	700	805↑
Sapele	420	444
Wawa 1C & Select		

Malaysia

Long holidays bring business to a standstill

Business activity in Malaysia was very slow in early June due to the long public holidays to celebrate Gawai (Harvest Festival) and Hari Raya (marking the end of the Muslim fasting month). Plywood traders reported no sales were processed during the holiday period.

April export data was encouraging as there was positive growth suggesting, say analysts, that second quarter GDP could be robust. First quarter GDP expanded by 4.5% from a year earlier.

Opportunities from US/China trade dispute

Malaysian business sentiment has been unsettled as the trade dispute between the US and China has impacted Asian exports. However, some segments of the economy are finding opportunities from these disputes. Two Malaysian companies have been exploring opportunities stemming from the escalating US-China trade war. A Johor-based furniture maker is said to be in talks with a Chinese company keen to use its facilities in Malaysia for their future business.

Malaysian companies are seeing a growing number of enquiries from US buyers looking to purchase South East Asian products which are now more competitively priced compared to Chinese products.

Sarawak worker shortage

Ta Ann Holdings, a timber and oil palm plantation conglomerate in Sarawak, is facing a labour shortage and is working closely with the government to find alternative sources of recruitment. An executive from Ta An commented that a shortage of workers might impact its operations.

Ta An timber division, is reportedly facing several challenges including rising production costs, emergence of substitute products and competition from producers in Vietnam and Indonesia.

World shipping record

The shipping magazine Container News has reported that Tanjung Pelepas Port in Peninsular Malaysia has set a new world record dispatching a vessel with over 19,000 twenty-foot equivalent units (TEUs). This was achieved when the Maersk ship, Monaco Maersk left the port with 19,284 TEUs, beating the previous record of 19,190 TEUs.

Tanjung Pelepas recorded a total throughput volume of 9 million TEUs in 2018 and was projected to handle a total throughput of 9.5 million TEUs this year.

See news and phot at: <https://container-news.com/port-tanjung-pelepas-maersk-world-record/>

Plywood prices

Traders based in Sarawak reported the following export prices in April:

FB (11.5 mm)	US\$700 C&F
CP (3' x 6')	US\$530 C&F
UCP (3' x 6')	US\$620 C&F
Standard 4x8 panels	
Middle East	no update
South Korea	
(9mm and above)	US\$440 C&F
Taiwan P.o.C	
(9mm and above)	US\$410-420 C&F
Hong Kong	US\$450 FOB

Indonesia

US-China trade conflict could give Indonesian furniture exporters a boost

According to Wang Sutrisno, Director of PT Integra Indocabinet, the Indonesian furniture industry has the opportunity to expand exports to the US as Chinese made furniture has become more expensive because of tariff increases and antidumping duties.

Wang said the US-China trade conflict could give Indonesian furniture exporters a boost in the US market which is a major destination for Indonesian furniture.

See: <https://www.jpnn.com/news/saatnya-industri-furnitur-genjot-ekspor-ke-amerika-serikat?page=3>

Indonesian light wood products do well at Interzum

Indonesian light wood (plantation timber) products were well received at the Interzum Furniture Exhibition held in Cologne, a fair that attracted orders worth over US\$5 million.

Participation of Indonesian manufacturers was supported by the Ministry of Trade in order to introduce Indonesian wood products that carry the domestic SVLK certification and satisfy the EUTR.

At Interzum 2019 the Indonesian Pavilion featured three companies; PT Hasil Albizia Nusantara producing plywood and blockboard products; PT Pinako Rotari Permai producing three-layer door core products, barecore, blockboard and decking and PT Rama Gombong Sejahtera which produces barecore, blockboard, plywood, door core, three layer board and LV, LV / LVB and cross grain face products.

See: <https://www.medcom.id/ekonomi/mikro/dN62MvyN-potensi-transaksi-produk-kayu-indonesia-di-jerman-usd5-64-juta>

In related news one of the winners of the "Interzum Award: Intelligent Material & Design 2019" was Karuun a German company (<https://www.karuun.com/#!/profile>) working with Vivere an Indonesian company on rattan as a substitutes for plastic in furniture making.

See: <https://www.dw.com/id/produk-rotan-kerja-sama-perusahaan-indonesia-dan-jerman-raih-penghargaan-bergengsi/a-48899177>

Forestry Corporation profits soared in 2018

Perhutani, the state Forestry Corporation, recorded a net profit of Rp654 billion in 2018, up almost 50% compared to 2017. Asep Rusnandar, Secretary of Perum Perhutani, said the good performance was due to process redesigning processes with a focus on improving quality, speed and cost to support various business lines. The second income earner was tourism development as well as expansion of agroforestry efforts.

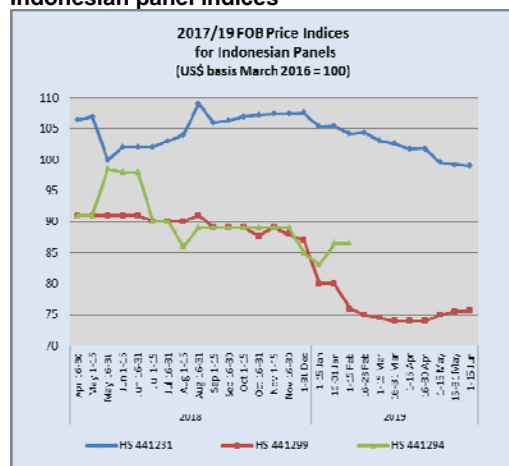
SVLK auditing needs strengthening

The Minister of Environment and Forestry, Siti Nurbaya Bakar, has said that while supervision of timber trade has been tightened through implementation of the timber legality verification system (SVLK) illegal logging continues in some areas.

Purwadi Soeprihanto, the Executive Director of the Indonesian Forest Concessionaires Association (APHI), considers that the timber legality verification system is functioning but must be strengthened to ensure that the system is implemented correctly in the field. He pointed out that the capacity of auditors who verify the processes and tracking must be strengthened.

See: <https://ekonomi.bisnis.com/read/20190606/99/931194/penguatan-sistem-verifikasi-untuk-menekan-pembalakan-liar>

Indonesian panel indices



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

Myanmar

Plantation log export allowed

The authorities in Myanmar have officially announced that logs, poles and posts harvested from plantations can be exported without further processing. The export of logs harvested from the natural forest has been banned since 2014. Private plantations were first allowed in 2016 and some are now at the stage of first thinning.

According to the official website of the Forest Department, 143,000 acres of teak and 104,000 acres of other hardwoods have been planted by the private sector. This move by the Forest Department appears intended to allow those who have invested in plantations to secure some early cash flow.

Following the announcement from the Forestry Department there was speculation that the export of logs from the natural forest may also be allowed. This is highly unlikely according to analysts.

The Forest Department will apply strict export control of plantation timbers which are clearly distinguishable from natural forest timbers.

The many hurdles to attracting investment

U Aung Naing Oo, Permanent Secretary in the Ministry of Investment and Foreign Economic Relations has said a lack of coordination between the central government (Union) and regional governments on development policies, excessive 'red tape' and poor implementation of new laws have hampered the flow of foreign investment into Myanmar.

Additional problems for investors include political uncertainty, poor physical infrastructure, a lack of skilled labour, an underdeveloped capital market, high taxes and a confusing legal system discourages investment.

In the first-half of the current fiscal year, Myanmar only received US\$2.5 billion in foreign investment and the government target may not be met for the year despite efforts to promote investment.

Data from the Directorate of Investment and Company Administration shows that Singapore, with US\$21.3 billion or around 27% of total approved investments was the largest investor followed by China.

Fear of hardship for landless farmers

The new Vacant and Fallow Land law has raised concern among land-rights activists as they contend it may criminalise millions of farmers who do not have land permits.

Estimates put the area of all farmers likely to be affected at 20 million hectares or 30 percent of Myanmar's land area. Three-quarters of the land area is home to ethnic minorities.

In 2012, the government passed the law referring to such farmland as "vacant, fallow and virgin" and in September 2018 parliament passed an amendment that imposed a two-year prison sentence on anyone found living on "vacant, fallow and virgin land" without a permit. Most farmers are unaware of this new law and the new amendment. Analysts are fearful that this law could result in extreme hardship for landless farmers in Myanmar.

Log Tender Prices for May 2019

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	141.9	3,522
SG-5	237.8	2,568
SG-6	248.1	2,400
SG-7	1362.8	1,475

Other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	1,629.9	743
Kanyin	2nd	4,741	614
Pyinkado	2nd	771.00	757
In	2nd	-	-

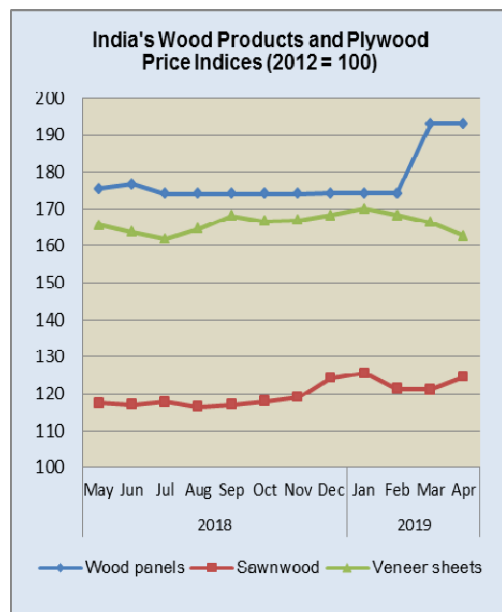
Panel product prices fall, driving down index

The official Wholesale Price Index for ‘All Commodities’ (Base: 2011-12=100) for April 2019 rose to 120.9 from 120.0 for the previous month.

The index for manufactures of the wood and products of wood and cork group declined to 133.6 from 135.7 for the previous month due to lower prices for particleboard, wooden crates, plywood and veneer sheet and mouldings. However, price for sawnwood rose.

The annual rate of inflation based on monthly WPI in April 2019 stood at 3.07%, slightly down on the previous month.

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

Business community has welcomed election results

India's manufacturing sector expanded at its quickest pace in three months in May according to a private business survey which also showed a rise in new job creation. Analysts write that the business community has welcomed the recent election results which resulted in the Bharatiya Janata Party being given the mandate for a second term.

While orders in the manufacturing sector continue to be robust the biggest concern in the timber sector is the large stock of unsold homes even in the major cities. Slow home sales to middle income families are driving builders to look more closely at homes for singles and low income earners.

Adapting to changes in the Indian real estate sector

The changing face of the Indian real estate sector has driven Mittal Realty, a domestic real estate company in business for over 50 years, to join with Painterior (India) LLP to deliver compact homes.

For more on current business sentiment see:

<https://www.reuters.com/article/us-india-economy-pmi/india-factory-activity-grows-at-fastest-pace-in-three-months-in-may-pmi-idUSKCN1T40HX>

Plantation teak imports

The firm and stable US dollar/rupee exchange rate is encouraging importers who are maintaining a steady flow of deliveries of plantation teak from multiple sources.

	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.

Analysts report that exporters in Colombia and Ghana have increased shipment volumes but this has not driven done prices which for all suppliers are within the ranges shown above.

Locally sawn hardwood prices

Demand for imported hardwoods remains steady and the recent price increase have been accepted by the market.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

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

Myanmar teak prices

The steady demand for Myanmar teak has consolidated the recent ex-yard price increases.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	15,000-22,000
Teak A grade	9,500-11,000
Teak B grade	7,500-8,500
Plantation Teak FAS grade	5,000-7,000

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

The firming demand for sawnwood has lifted prices for imported European and US sawn hardwoods.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1,700-1,850
Sycamore	1,800-2,000
Red Oak	2,000-2,200
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	2,200-2,400
Western Red Cedar	2,300-2,450
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

Plywood prices

Ex-warehouse plywood prices are unchanged but retail prices are under pressure.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood	Rs. per sq.ft
Ex-warehouse	
4mm	69.00
6mm	92.00
9mm	115.00
12mm	143.00
15mm	190.00
18mm	201.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	35.00	50.00
6mm	52.00	66.00
9mm	66.00	81.00
12mm	81.00	95.00
15mm	95.00	115.00
19mm	111.00	132.00
5mm Flexible ply	70.00	

Brazil

Programme for micro and small enterprises utilising native wood species in Mato Grosso

The Center for Timber Producers and Exporters of Mato Grosso State (CIPEM), its associated Unions and the Brazilian Support Service for Micro and Small Businesses (SEBRAE-MT) have established a 'Wood Program 4.0', building on the concept of Industry 4.0, a term used to characterise modern processes in the production in the so-called 'fourth industrial revolution'.

The 'Wood Program 4.0' includes development of business management, improvement of quality, promotion and expansion of participation of companies in the market and strengthening the governance of employers in the forestry sector of the state of Mato Grosso.

The programme focuses on the environmental, economic and social sustainability of sector and will involve 80 micro and small enterprises utilising native wood species in Mato Grosso.

CIPEM's aim is to offer entrepreneurs state of the art 'tools' in business management and product development and production to deliver the best service to consumer market. Mato Grosso is home to about 6,000 forest enterprises creating 90,000 direct and indirect jobs.

Brazilian Forest Service and Brazilian Coalition partnership

The Brazilian Coalition on Climate, Forests and Agriculture (Brazilian Coalition), which brings together some 200 private companies and entities reaffirmed the partnership with the Brazilian Forest Service (SFB).

The Brazilian Coalition is a multi-sector movement composed of entities that lead agribusiness in Brazil, civil organizations in the area of environment and climate, representatives of academia, industry associations and leading companies in the areas of timber, steel, pulp and paper industry, among others.

The Brazilian Coalition's representatives recently met with the SFB to discuss advancing the partnership.

Representatives of the Brazilian Coalition requested the SFB consider the possibility that Public forests without defined objectives be allocated for harvesting. In response the SFB explained that a pilot project already underway, citing the Castanho land plot in the state of Amazonas.

Furniture exports to Canada and UAE

The Brazilian Furniture Industry Association (ABIMÓVEL) and the Brazilian Trade and Investment Promotion Agency (APEX-BRASIL) recently released data on furniture exports up to April 2019. While April exports of furniture dropped over 4% for the four months January to April exports remained at around the same level as in 2018.

The accumulated growth in exports over the past 12 months expanded almost 9% compared to the corresponding 12 month period in 2018. The main segment of Brazilian furniture exports is wooden furniture which accounts for over 85% of all furniture exports. The main markets are the US at US\$59.7 million in the first four months of 2019 (24.4% higher than the same period in 2018), followed by the UK and Uruguay.

One of the highlights in April 2019 was exports to Canada which totalled US\$2.1 million, representing a growth of 141% compared to April 2018. Another highlight was exports to the United Arab Emirates.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	206
Jatoba	115
Massaranduba	110
Muiracatiara	110
Angelim Vermelho	108
Mixed redwood and white woods	91

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	835
Jatoba	430
Massaranduba	413
Muiracatiara	387
Angelim Vermelho	370
Mixed red and white	243
Eucalyptus (AD)	194
Pine (AD)	140
Pine (KD)	163

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	537
10mm WBP	425
15mm WBP	348
4mm MR	414
10mm MR	298
15mm MR	273

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDP/Particleboard	219
15mm MDF	255

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipê	1,426
Jatoba	867
Massaranduba	843
Muiracatiara	850
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

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	299
12mm C/CC (WBP)	283
15mm C/CC (WBP)	263
18mm C/CC (WBP)	260

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,809
Jatoba	1,436

Source: STCP Data Bank

Peru

SERFOR promotes utilization of forest residues

At the recently concluded 'V International Exhibition for Design and Architecture - EXPO DECO 2019' held in Lima the National Forest and Wildlife Service (SWRFOR) displayed collection of furniture made from cedar forest residues.

This furniture was produced as the result of a project funded by SERFOR's Applied Research Fund which is investigating opportunities to use the roots, stumps and branches of the much sought after cedar.

This project was implemented by the Boca Manu community of Madre de Dios. The furniture collection exhibited called 'Manu 3' captured the imagination of the international interior design community attending the EXPO.

Atalaya communal forest governance progresses

Several indigenous communities in the Atalaya Province, Ucayali, have managed to secure approval from the regional Forestry Authority's Headquarters of Atalaya (SODA) for a variety of activities under the Amazon 2.0 project implemented by ECO REDD in Peru (an initiative that is implemented in six countries of the Amazon Basin, led by IUCN South America) in coordination with the project promoted by FAO FLEGT.

The aim of these initiatives is to consolidate communal forest governance over almost 200,000 hectares of forest.

Regional governments strengthen oversight in the forestry sector

The regional governments of Loreto, Madre de Dios, San Martín and Ucayali and the Forest and Wildlife Resources Oversight Agency (OSINFOR) signed an agreement to strengthen oversight in the forestry sector. This agreement paves the way for regional governments to conduct assessments before granting authority for the establishment of wood processing plants. OSINFOR will continue to support capacity building and technical assistance to upgrade skills and oversight systems.

Elisban Ochoa Sosa, Regional Governor of Loreto; Francisco Pezo Torres, Regional Governor of Ucayali and Nohemí Petronila Aguilar Puerta, Vice Governor of the San Martín Region, said "Guaranteeing the sustainable use of forest resources, through oversight, contributes to improving the wellbeing of all citizens and control should not only be punitive but also address prevention".

Export Sawwood Prices

	US\$ per m ³
Peru Sawwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	604-641

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD Central American market	951-978
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	542-561
Dominican Republic	671-681
Marupa 1", 6-11 length KD Asian market	551-591

Domestic Sawwood Prices

	US\$ per m ³
Peru sawwood, domestic Mahogany	-
Virola	253-266
Spanish Cedar	339-352↓
Marupa (simarouba)	218-228

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

	US\$ per m ³
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398↑
Cumaru KD, S4S	
Swedish market	979-1098
Asian market	1085-1115
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	523-545
2x13x75cm, Asian market	756-822

Japan

Trade war impacting markets in the Asia-Pacific

A key index reflecting the state of the Japanese economy rose in April but the improvement was not enough to change the government's assessment that the economic outlook is "worsening,"

The Cabinet Office data on manufacturing is positive but not strong enough to upgrade the economic assessment.

The biggest issue is that companies in Japan continue to see looming risks from the US-China trade war and the impact this is having on their markets in the Asia-Pacific region.

<https://asia.nikkei.com/Economy/Japanese-business-sentiment-falls-to-lowest-point-in-two-years>

In related news, Bank of Japan Governor, Haruhiko Kuroda, has maintained his view the global economy will recover in the latter half of this year saying he sees the global economy stabilising from its recent weakness.

The biggest problem for the government in its efforts to beat deflation is the weakness in household spending. In April household spending rose less than expected and real wages declined. Spending grew 1.3% from a year earlier in April, up for a fifth straight month, but well below forecasts.

On a month-on-month basis, household spending fell 1.4% in April after the slight rise in March. To achieve its 2% inflation target the BoJ needs an improvement in domestic consumption which accounts for over half of Japan's economic growth.

Government optimistic on April to June machinery orders

Private-sector machinery orders, an indicator of business sentiment, increased a seasonally adjusted by 3.8% in March but overall was down by 3.2% in January-March 2019 compared to a year earlier.

Analysts in Japan's Cabinet Office have forecast an 11% rise in orders in the April to June period but the data is not yet available to check the accuracy of this projection.

For details see: <https://www.esri.cao.go.jp/en/stat/juchu/1903juchu-e.html>

Consumer confidence - consumers reluctant to spend

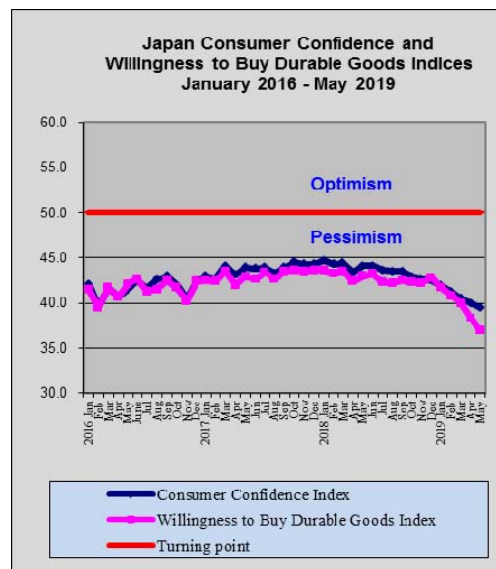
The May Consumer Confidence Survey conducted by the Cabinet Office shows consumer confidence declined further. The overall index fell to 39.5 in May a new low point.

Among the various indices, the index for households' inclination to buy durable consumer goods declined in May along with those measuring expectations on employment, livelihood and income growth.

Japan's economy has hit a wall as the U.S.-China trade war intensifies and global demand continues to weaken. On the domestic front consumers are reluctant to spend. Retail sales mirror the continued decline in consumer confidence as evidenced by the consumer confidence indices which show weakness.

Consumer spending remains weak as wages have not risen and if exports falter this could drive both corporate and consumer sentiment lower.

See: <https://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>

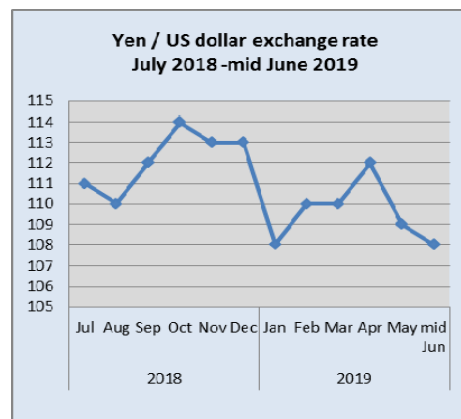


Data source: Cabinet Office, Japan

US\$/Yen exchange rate more volatile

The US dollar has been weakening over the past week against many major currencies, due to fresh signs of weakness in the US economy, as well as more protectionist rhetoric from the government.

While the US dollar is the traditional safe currency concerns that the US economy could slowdown has caused a rush to yen. In recent weeks the US\$/Yen exchange rate has become more volatile and the yen has surged against the US dollar. In the second week of June the yen had strengthened to around 108 to the US dollar.



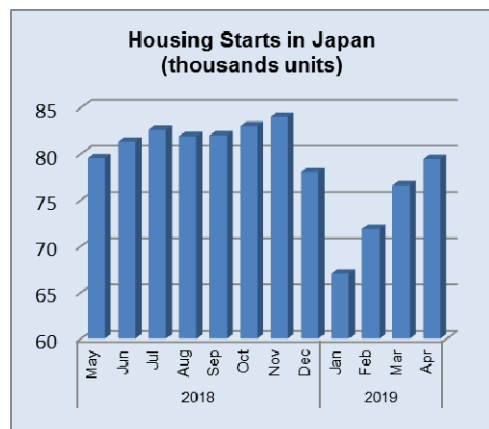
Renewed interest in China for Japanese property

The Japanese media have recently reported on the renewed interest in Japanese property by Chinese buyers saying there has been a surge in interest since the beginning of the year roughly around the time that trade tensions between Beijing and Washington intensified.

One of the largest international real estate companies helping Chinese invest in overseas property has seen interest in US properties drop and a surge in interest in Japan.

Japanese properties in demand include those in residential areas in Tokyo and Osaka where Chinese buyers look for a buy-to-let property or a home for children studying in Japan.

This is not the first time Japan has seen a surge in Chinese demand. In 2017 Japan experienced a boom in speculative property buying by Chinese investors. The current investors are especially interested in Osaka which will host the 2025 World Expo and will be home to Japan's first casino.



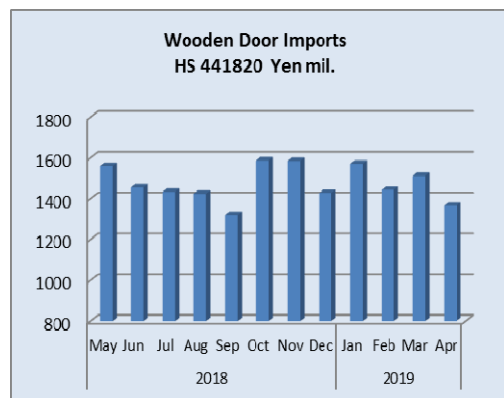
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

Year on year, the value of Japan's April wooden door imports rose 14% but compared to the value of imports in March there was a 10% decline in April.

In April the top shippers of wooden doors to Japan were China and the Philippines. Shippers in China accounted for 60% of April imports of wooden doors followed by the Philippines (24%).

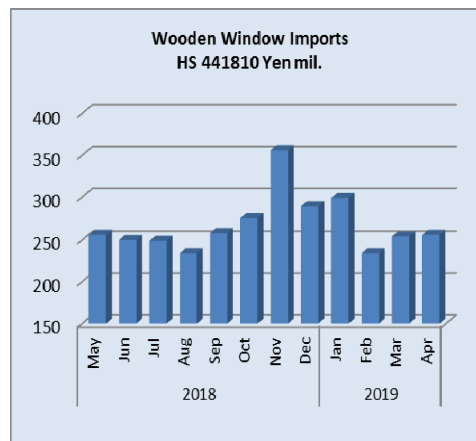


Data source: Ministry of Finance, Japan

Wooden window imports

Japan's April 2019 wooden window imports were little changed from the values imported in April 2018. Similarly, month on month April imports were unchanged

Just three sources accounted for over 80% of April imports. China and the US were the main suppliers with around 33% each of total April window imports. The third ranked supplier was the Philippines which accounted for a further 22% of April arrivals.



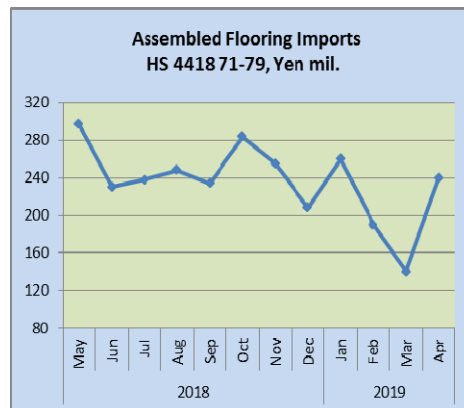
Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

The value of April assembled flooring imports made a dramatic recover after dropping sharply in March.

Month on month the value of assembled flooring imports rose over 70% in April and were up 21% compared to April 2018.

Japan's imports of wooden flooring are mainly HS441875 and April imports were dominated by shippers in two countries, Indonesia and China.



Data source: Ministry of Finance, Japan

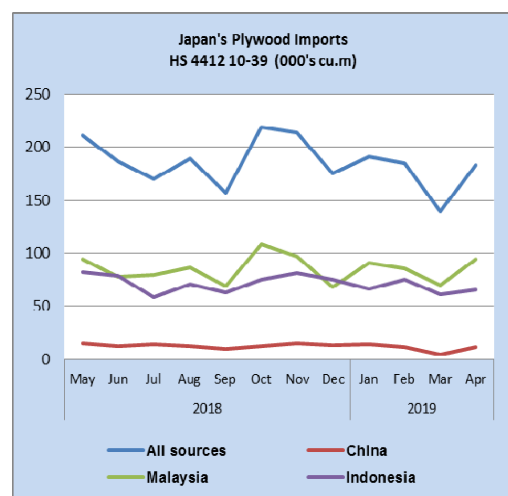
Plywood imports

Japan's April 2019 plywood imports picked up significantly rising to 183,000 cubic metres. Plywood demand remains firm and much of the demand is being met from domestic raw materials as well as imported veneer. (See page 14)

The top three plywood suppliers Malaysia, Indonesia and China continued to dominate Japan's sources of plywood imports. April shipments from Malaysia were at the same level as a year earlier but were up 34% from March.

Shipments from Indonesia were down 22% in April 2019 compared to 2018 and were slightly up from levels in March.

April shipments from China were around three times the level in March but were down over 320% year on year.



Data source: Ministry of Finance, Japan

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	65.0
	Jul	10.6	100.0	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	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0

Mar	4.9	79.4	66.5	
Apr	13.4	92.4	84.4	
May	15.2	94.0	82.0	
Jun	12.4	77.5	79	
Jul	14.3	79.2	58.3	
Aug	12.4	86	70.5	
Sep	9.7	68.6	62.6	
Oct	12.3	108.2	75.6	
Nov	14.5	97.1	81.1	
Dec	13	68	74.7	
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9

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>

National forest business plan for 2019

For the fiscal year 2019 (April 2019 through March 2020), sales plan is 2,703,000 cbms of logs, 4.1% more than 2018 and 3,310,000 cbms of standing timber.

Harvest plan is 5.4% more of clear cutting and 3.8% less of thinning so shift to clear cutting is apparent. With increase of clear cutting, replantation area will be 6,000 hectares, 35.6% more. Continuous operation from clear cutting to replantation will increase to reduce total cost.

Initial budget for the national forest is 77.2 billion yen, 11.5 billion yen more than 2018.

Sales of logs and timber will increase in 2019. In log sales, 71% would be system sales (sales to particular large users like sawmills and plywood mills).

Sales volume of timber will increase but it is not certain if number of buyers increase. Sales volume of timber doubled in last ten years but about a half of sales were unsold.

In 2018, for sales volume of 3,200,000 cbms, sold volume was only 1,530,000 cbms but since 2019, in examination of system sales of logs, timber purchase volume is considered as one of conditions so timber purchase should increase.

For replantation, to reduce cost, use of nursery trees grown in pot increased, which is easy to plant and trees are

implanted in higher percentage. Number of potted nursery trees has kept growing year after year and in 2019, it will be about eight million from two million in 2016.

As case of large lot and long term sales of timber is increasing, new law requires replantation is now compulsory for timber purchasers but replantation is done by budget of the Forestry Agency. In the past, bidding for timber purchase and replantation have been done separately but now the purchaser is responsible for replantation.

Like timber sale in 2015, standard was total area of about 20 hectares and harvest volume of about 6,000 cbms a year but now large lot like several hundred hectares with annual harvest volume of several thousand cbms are planned in ten locations in Japan.

Trade war between the U.S.A. and China

The U.S. government decided to increase retaliatory import duty on about 5,700 items from 10% to 25%. These include plywood, furniture, lumber and logs.

Chinese government announced to take necessary actions for retaliation. If import duty for imported logs from the U.S.A. is raised, it would be a big blow to forest products trade between two countries and it would give impact to worldwide wood demand and supply.

The U.S.A. exports logs and lumber to China then China exports processed products like plywood and furniture. Forest products trade between two countries in 2017 before the conflict started was about 3.2 billion dollars by the U.S.A. and about 4.0 billion dollars by China so total amount was 7.2 billion dollars.

Export by China has been unchanged much in recent years but export by the U.S.A. has been increasing year after year and it is 25.6% more than 2017 and 54.6% more than 2015. In 2018, in export to China, logs were 6,265,783 cbms, 2.4% more than 2017 but lumber was 2,696,084 cbms, 17.3% less than 2017.

In log export, softwood logs were 5,130,815 cbms, 4.5% more and hardwood logs were 1,134,968 cbms, 6.2% less. In lumber, hardwood was 2,017,942 cbms, 16.1% less and softwood was 678,142 cbms, 20.5% less. Import duty varies by products and species, which influenced purchase volume.

It is not certain how much of these are processed and are exported to the U.S. market but the volume of logs and lumber from the U.S.A. takes about 10% in total wood supply so China may need to look for substituting supply source but China's export to the U.S.A. would decrease so how much China would need in balance is not certain.

The U.S. government is preparing to impose import duty on rest of remaining items and as the conflict gets bogged down, impact would be serious not only on Chinese economy but also on rest of the world.

U.S. domestic lumber market has been slow since second half of last year and if export to China declines, U.S. depressed market is likely to prolong.

Price hike of softwood plywood

Softwood plywood manufacturers have been suffering climb of log cost and transportation cost. These increased about by 10% in last one year.

The manufacturers say that transportation cost has been the manufacturers' since delivery term is arrived at buyers' desirable place but transportation cost has been climbing without no end recently.

Trucking companies ask higher cost of drivers and charge waiting time. The rule requires two drivers for long distance delivery so bearing such higher transportation cost is becoming difficult for the plywood manufacturers so delivery term may change to FOB mill and transportation cost would be buyer's account in future.

Also log cost has been increasing by purchase competition with other users like sawmills and biomass power generation plants. In Kyushu, log prices climbed by about 20% to 11,000 yen per cbm FOB log yard of auction markets because of competition with lumber mills and wood chip plants for biomass power plants.

Shinyei's new plywood mill will start up shortly at Ohita. This mill plans to use 30% of cypress logs in total log consumption and cypress log prices soared to about 17,000 yen, more than 10% increase so neighboring sawmills are worried about future log procurement.

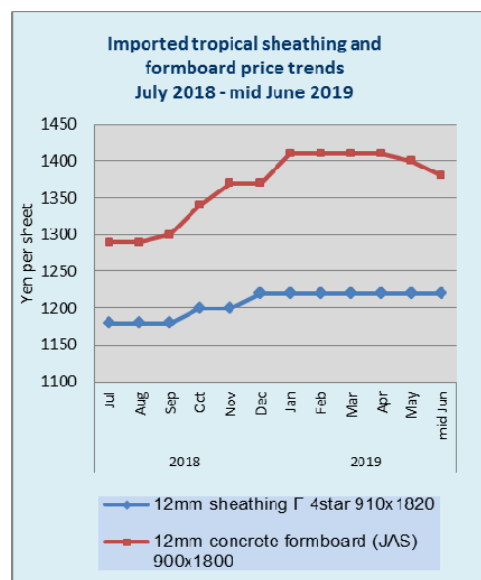
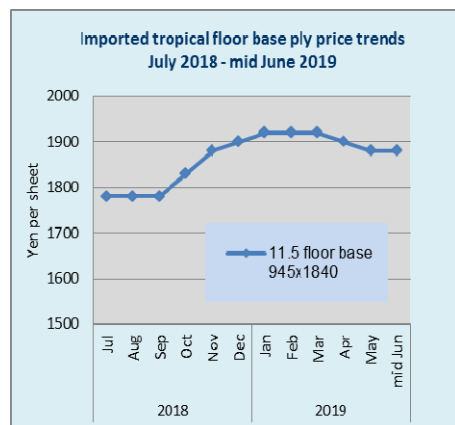
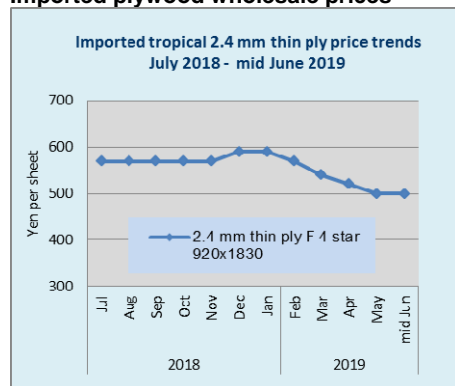
Some of log market in the Western Japan shows about 25% increase of cedar B class logs at 12,000 yen. In the North East, larch log prices climbed by about 20% and cedar log prices are up by about 10%.

The manufacturers have been holding offer price of 1,050 yen per sheet delivered on JAS 12 mm 3x6 plywood for last one year despite temporary supply shortage by demand increase to establish stable supply market.

Actually the market prices have been way under 1,050 yen so at this time, the manufacturers are asking to bring the actual prices back up to 1,050 yen to cover higher cost.

Majority of plywood is sold direct to precutting plants and the prices vary by plants while wholesale channels' volume is much less than precutting business so wholesale prices do not reflect actual market prices. Since the prices between precutting plants and plywood mills are not disclosed, actual prices are not clear but they appear about 5% lower than the proposed prices by plywood mills.

Imported plywood wholesale prices



South Sea (tropical) logs and lumber

Import of logs from PNG has been stable and the first quarter volume from PNG is 40% more than last year. With stable supply, log market prices in Japan are holding steady. Logs from Sabah, Malaysia, is zero by export ban and log supply from Sarawak, Malaysia has no hope to recover by reduction of export quota and soaring harvest cost.

As quality logs from South Sea countries to manufacture face and back are hard to get now, plywood mills in Japan are developing to make hybrid plywood with domestic cedar and imported falcate veneer.

Laminated free board had some active trading from early this year with declining inventories but now the movement slow down as this is demand slow season. The prices of Indonesian mercusii pine and Chinese red pine are unchanged at about 110,000 yen plus.

MDF market

Total supply of MDF in 2018 was 1,007,830 cbms (395,727 cbms of domestic products and 612,103 cbms of overseas supply).

Domestic supply dipped below 400,000 cbms after three years while the imports exceeded 600,000 cbms after five years. Decrease of domestic supply is production disrupt by occasional mechanical problems of the manufacturers.

Among imports, Indonesia supply increased by 28.6% from 2017.

For raw materials supply, softwood materials were steady for both domestic and imports but South Sea hardwood chip is becoming hard to procure because of harvest restrictions in South Sea countries.

Driving demand in Japan is thin MDF for flooring. As supply of floor base of tropical hardwood is shrinking year after year, demand of composite floor with combination of MDF and domestic softwood plywood or tropical plantation species have been increasing.

Production of composite floor with MDF and softwood plywood or single use of MDF has been increasing from about 42,000 M square meter in 2016 to 44,150 M square meter in 2018.

There was not much change in demand of thick softwood MDF for building materials. To deal with changing demand of MDF, acquisition of overseas MDF plant is progressing to secure the supply for Japan market. This helps reduce risk of supply disruption by having various supply sources.

Meantime, demand retreat is feared in Japan after the consumption tax is raised to 10% in October so if the supply from overseas plants increase, there would be supply glut.

Thin MDF supply from domestic manufacturers come from Daiken Industry and Hokushin, both hardwood base then N&E, softwood base. These three companies have been running in full out of which thin MDF for flooring has been increasing little by little. Hokushin's production is 13,700 cbms a month out of which thin MDF is 4,500 cbms in which 3,300 cbms is for floor. N&E's monthly production is 9,000 cbms out of which 2,300 cbms for floor.

Among imports, Malaysian supply is about 14,800 cbms a month in which 6,000 cbms is for floor. Indonesia supply is about 3,100 cbms a month in which thin MDF is 800 cbms by SPF. New Zealand supply is 28,400 cbms a month out of which about 15,000 cbms is thin MDF.

Many of overseas MDF manufacturers are subsidiary of Japanese companies. Daiken is the largest, which started hardwood base MDF in Malaysia then bought out softwood base MDF plant in New Zealand so total is about 31,000 cbms a month, which takes 61% share of total import MDF.

Also Daiken tied with Hokushin and bought 51% share of Hokushin's marketing company, C&H so Hokushin's monthly production of 13,500 cbms is also handled by Daiken now. Therefore, Daiken's share in total MDF is 53%. Daiken's share in hardwood base MDF is 65%.

Hardwood

MDF is suitable for thin plywood for flooring so Daiken is dominant supplier of this type of MDF. IFI (Indonesia Fiberboard Industry) of Indonesia is new comer in this business. It uses hardwood chip for raw material and Noda is supervising quality at manufacturing plant so the quality is as good as Noda's MDF. Noda has domestic MDF plant with monthly production of 12,500 cbms.

For softwood base MDF, Nelson Pine Industry, which has been supplying MDF through Sumitomo Forestry for many years with monthly production of 12,500 cbms. Daiken recently bought out radiate pine base MDF plant in South Island of New Zealand with monthly production of 12,450 cbms.

Production of softwood plywood to combine with MDF for flooring has limit as manufacturing floor base plywood requires smooth surface and high dimensional stability to prevent warping and curbing so increase of production needs basic change of machinery.

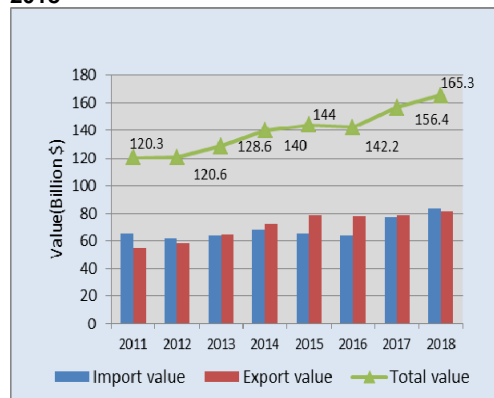
There is only one plywood mill to be preparing capital investment to increase floor base plywood, which is Akita Plywood. Newly starting KeyTec's Yamanashi mill and Shinyei's Ohita mill are both structural panel manufacturer so there is limit of manufacturing plywood for composite flooring and it is getting ceiling now.

China

China's wood products trade continues to expand

According to the data of China Customs, the total value of China's wood products trade rose 6% to US\$163.5 billion in 2018. Of the total, the value of wood products exports rose 3% to US\$81.6, and imports grew 8% to US\$ 83.7.

Value of China's wood products trade from 2011 to 2018



Data source: China Customs

Around 27% of the total value of trade in 2018 was non-wood products (US\$45.2 billion) a year on year increase of 4%. Of the total, the value of non-wood product exports rose 8% to US\$20 billion, accounting for 25% of the total national wood product exports. Imports increased 2% to US\$25.2 billion, making up 30% of the total national wood products imports.

Main imported wood products in 2018

Product	Proportion (%)
Wood pulp	34
Logs	19
Sawnwood	17
Paper and paper products	10
Waste paper	7
Wood chips	3.8
Wooden furniture	3.7
Other	6.0

Data source: China Customs

China imported wood pulp, logs, sawnwood, paper, paperboard and paper products in 2018. Wood pulp imports were about 25 million tonnes valued at US\$19.7 billion, a year on year increase of 4% in volume and 29% in value. China's log imports in 2018 totalled 59.75 million cubic metres valued at US\$10.984 billion, a year on year increase of 8% in volume and 11% in value. 2018 sawnwood imports totalled 36.74 million cubic metres valued at US\$10.13 billion, a year on year decline of 2% in volume and a slight increase (1%) in value.

China's wood products exports in 2018

Product	Proportion (%)
Wooden furniture and seats	37.4
Paper and paper products	31.2
Other wood products	11.2
Plywood	9.0
Printed products	6.2
Other	5.0

Data source: China Customs

China mainly exported wooden furniture, paper, paperboard and paper products, other wood products and plywood. The value of China's wooden furniture exports rose 1% to US\$22.9 billion.

The value of other wood products such as flooring exports grew 12% to US\$6.9 billion. China's plywood exports were 11.33 million cubic metres valued at US\$5.546 billion, a year on year increase of 5% in volume and 9% in value.

Transformation of the Nanxun wood industry

Major changes have taken place in the Nanxun timber industry over the past few years. The main change has been the shift from family workshops to modern factories, from single product lines (plywood and veneers) to diversified solid wood flooring, home furnishing and the adoption of 'clean green' manufacturing.

Nanxun District of Huzhou City in Zhejiang Province has become one of the most important flooring production bases in China. More than 300 flooring manufacturers are located there.

The old style manufacturing created pollution. In particular, the use of volatile organic compounds (VOCs) was not well managed. To address this a 'Special Action Plan for Environmental Pollution Control in Wood Industry' was formulated in Nanxun District in 2017.

This says no production shall be allowed if the production processes do not meet the requirements of environmental protection standards. Nanxun District government has acted to close or relocate many industries. Of the 3,922 wood enterprises listed in the City, over 80% have been forced to close, the balance have undertaken renovation measures.

The changes have promoted the development of industrial clusters and the surviving enterprises have become bigger and stronger and the environment continues to improve.

Data show that the emission of volatile organic compounds (VOCs) from wood product enterprises in Nanxun districts has been reduced by more than 2,000 tonnes and the tax revenue has increased by more than RMB600 million.

Nankang - the largest solid wooden furniture manufacturing base

Furniture production is a leading industry in Nankang District, Ganzhou city, Jiangxi Province. There are more than 7,600 furniture enterprises. Of the total, 938 furniture enterprises have revenues of RMB 20 million or more with more than 400,000 employees and output value of RMB130 billion.

Nankang District has been awarded the title of 'Central China Furniture Industry Base' by the China Furniture Association.

It has been listed as a National E-Commerce Demonstration Base by the Ministry of Commerce and a National New Industrialisation Demonstration Base by the Ministry of Industry and Information Technology.

R&D centres look outwards

Chengdu furniture enterprises have broken tradition and have encouraged R&D entities to expand outside Sichuan Province and even overseas. A close look at the Chengdu furniture R& D reveals a pattern of outward home furnishing industry expansion.

As more and more enterprises pour into the customised home furniture industry R&D is embracing change and adopting systems and ideas from Italy, Germany, Japan and other countries so as to upgrade to international standards and high-quality design.

The total value of Chengdu furniture industry output was RMB95 billion in 2018. There are nearly 8,000 furniture manufacturing enterprises in Chengdu.

After 20 years of development, the pattern of "exhibition and industry" created by Chengdu furniture exhibition has promoted vigorous development of Chengdu furniture industry. Chengdu has become one of 4 major furniture manufacturing bases and the largest panel furniture and soft furniture manufacturing base. "Chengdu made furniture" has also earned a good reputation in domestic and international markets.

Innovative virtual reality is used during sales so consumers can see how an item looks in a home. Consumers can choose the shape, size and colour of the furniture before ordering custom made items.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	Yuan/Cu.m
Merbau	dia. 100 cm+	4000-6000
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+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

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+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
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
Afromosia	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

Europe's "zero deforestation" policies: an opportunity for tropical timber?

Increasingly the twin concepts of "zero deforestation" and "embodied deforestation" lie at the heart of European policy making, both in the public and private sector, in relation to the trade in commodities from tropical countries. This has significant implications for the tropical wood products trade with potential impacts throughout the supply chain, from the forest through to the final consumer.

Policy decisions taken in relation to the so-called “Amsterdam Declarations” and an imminent EC “Communication on Stepping up EU Action against Deforestation and Forest Degradation” may be critical for the competitiveness of forestry operations and wood products in the European market, with wide-ranging, and unpredictable, effects filtering through into world markets.

The effects on wood industry competitiveness will act on at least two levels: at forest level, in relation to other commercial users of the land; and in finished products markets - construction, furniture, packaging, and energy production - where wood products from different regions and with various sustainability assurances and labels compete with each other and a wide, and growing, variety of non-wood products.

The two Amsterdam Declarations—one on deforestation and one on “sustainable palm oil” - were launched on December 7th, 2015 in the context of the Paris Climate Agreement and build on the New York Declaration on Forests’ commitments.

The two declarations have since been merged into one “Amsterdam Declaration Partnership (ADP) strategy”. According to the “Partnerships For Forests” - which acts as ADP secretariat— the aim is to achieve “fully sustainable and deforestation-free agro-commodity supply chains in Europe by 2020”. To date, Denmark, Germany, Netherlands, Norway, the United Kingdom, Italy and France have signed.

The ADP strategy is intended to stimulate private sector commitment and progress on agricultural commodities associated with deforestation (such as palm oil, soy and cocoa) for which Europe has a significant market share.

The commitment by eight national food and feed industry alliances and three European federations (Caobisco, FEDIOL and IMACE) to support 100% sustainable palm oil in Europe by 2020 is closely linked to the strategy.

Encouraged by the signatories to the ADP strategy and numerous calls from NGOs and members of the European Parliament, in December 2018 the European Commission announced their intent to publish a Communication on stepping up actions on deforestation and degradation by June 2019 (now expected in July) following a wide-ranging consultation exercise.

The ADP strategy and work towards the EU Communication provide further confirmation, if any were still needed, that the level of European consumption of all products linked in any way to deforestation will increasingly require assurances of the “sustainability” of products.

Furthermore, relative competitiveness and the direction of trade with the EU will, to a large extent, be dependent on the ability of different suppliers to adhere to the specific standards for “sustainability” established for each commodity.

In some ways, the introduction of the ADP strategy and the EU Communication, are a welcome intervention for the tropical timber sector. Prior to these measures, Europe’s trade policy interventions to “prevent deforestation” focused almost exclusively on timber, as the most visible forest-related commodity. They have at times been restrictive, through procurement policies favouring specific certification models that are technically and financially challenging to implement in tropical countries. And they have generally neglected to consider the (often larger) role played by demand for other commodities to drive deforestation.

The ADP strategy and EU communication do show that the scope of policy action in the EU has been broadened to include non-wood commodities.

Although the ADP strategy does not itself address timber, it provides a platform for the sector to demonstrate the considerable efforts made to define and provide assurances of conformance to sustainable forest management standards worldwide, the leadership role to foster better forest governance through organisations like ITTO and initiatives like FLEGT, and the implementation of pioneering due diligence legislation like the EUTR.

To recognise the powerful economic forces driving conversion from forest to commercial agriculture, the ADP strategy may provide a platform to argue for a level-playing so that “sustainability” standards for all “forest-risk” commodities in the EU market are as stringent as those imposed on timber products.

IDH: “28.5% of EU tropical timber imports certified sustainable compared to 74% palm oil”

These opportunities exist, but on the evidence of the event on “sustainable tropical timber” held on 12 June during the “International Sustainability Week” in Utrecht, they are some way to being realised. The event was organised by IDH, the Netherlands-based Sustainable Trade Initiative, as part of a more concerted effort to turn “pledges into action” and galvanise action in the context of the ADP strategy.

IDH began the session with the far-reaching claim that 74% of palm oil imported for food into Europe was “certified sustainable”. This was set against the claim that “still only 28.5% of natural tropical timber is sustainable in Europe”.

IDH was glowing about the achievements of the palm oil sector, noting in publicity material for the event that “currently, 99% of palm oil entering Europe is traceable to oil mill level. Over 84% of all palm oil imports is covered by company sourcing policies that focus on ‘No Deforestation, No Peat and No Exploitation’. Some 74% of palm oil imported for food into Europe was RSPO certified sustainable palm oil, an increase of 5% compared to the year before”.

These are significant achievements on the path towards “responsible sourcing”, certainly, but the metrics used to justify claims of “sustainability” in the palm oil sector (which after all requires at some point conversion of natural forest) are not comparable for an equivalent claim in the tropical timber sector.

For example, RSPO palm oil requires only that “primary” forests, and those with high conservation values are not converted for new plantations. For timber, any form of conversion is treated as unsustainable.

There is also much reliance in the palm oil sector on trade in “sustainability credits”, rather than on systems requiring physical tracking. Such credit-based systems could have facilitated certification in the forest products sector, particularly amongst small holders lacking direct access to international timber markets, but their use has never been countenanced by environmental NGOs and other gatekeepers of European policy in relation to timber.

In contrast to the glowing report for Europe’s palm oil importers, IDH’s assessment of the situation in the tropical wood sector was miserly. Perhaps influenced by the Dutch government timber procurement policy, and the continuing inflexibility of a few NGOs and European trade and industry interests on this issue, the IDH figures for “sustainable” timber imports recognise only FSC and PEFC certified product.

A session at the Utrecht event was devoted to an update on a study commissioned by IDH from the Global Timber Forum and the Dutch consultancy PROBOS to assess the current volume of “certified sustainable” timber trade in the EU market. The final report of the study is expected to be published in July, but preliminary data was made available at the event.

In the absence of any direct monitoring of certified wood flows by either FSC or PEFC, the figures were derived by combining available data on EU trade flows and the percentage of production forest certified in each tropical timber supplying country, validated as far as possible by interviews with European importers.

The IDH figures indicate that the proportion of imports of primary tropical wood products (logs, sawn, veneer and plywood) likely to be certified varies widely by different countries, strongly dependent on the existence of either a government procurement policy or an association policy giving preference to these policies at national level in the EU.

The IDH data indicates that the proportion of tropical timber imports in 2018 that were “certified sustainable” according to their definition was 10% to 15% in France, 5% to 10% in Italy, 2.5% to 7.7% in Spain, 25% to 30% in Belgium, 30% to 35% in Germany, 40% to 45% in the UK, and 65% to 70% in the Netherlands.

Based on this analysis, it was noted that “only one or two markets in the EU have reached a tipping point where customers expect to see certified tropical timber; there are markets in southern Europe where the process is lagging”.

Extrapolating from the certified forest area data compiled as part of the study – which showed that around 6.5% of total production forest area in the tropics was FSC or PEFC certified in 2018 – IDH reckoned that if all EU tropical wood imports were certified, “an estimated additional 12.5 million ha of tropical forests can be positively impacted”.

FLEGT in IDH targets for “verified sustainable” tropical timber in European trade

The IDH figures do not include the around 11% additional imports of primary tropical products imported into the EU from Indonesia which has been FLEGT licensed since November 2016, although licensing is acknowledged in the IDH publicity material issued at the event as providing a “stepping stone towards sustainable tropical timber”.

There was no mention at either the Utrecht event, or in the IDH publicity material, of the fact that all timber products placed on the EU market, unlike all other “forest risk” commodities, have been subject since March 2013 to regulatory due diligence requirements through the EU Timber Regulation.

This is a strange omission when it is considered that some European environmental groups (such as EIA and FERN) are now actively lobbying for the extension of such regulations to other commodity sectors because they are seen as more effective than voluntary commitments like those promoted through the ADP strategy.

Apart from the question of comparability with other sectors, the apparent relegation of FLEGT licenses to a second tier in relation to FSC and PEFC certificates by IDH and other European agencies raises other, more immediate, questions of equity and effectiveness in the procurement approach now being promoted for timber, at least by some influential agencies in Europe.

For those tropical countries that have been encouraged to engage in the FLEGT VPA process with assurances of improved EU market access for their timber products, this relative lack of recognition for FLEGT-licensed timber may come as a shock. Particularly so, when the requirements imposed on products like palm oil seem so much less onerous and are voluntary.

Without having to say so explicitly, Mr Chris Beeko, Director for the Timber Validation Department of the Ghana Forestry Commission, made this point very eloquently in his presentation to the IDH event by spelling out what is required, in practice, to implement a FLEGT assurance system.

Mr Beeko highlighted that the system in Ghana covers all national timber production and exports, of which Europe currently only accounts for 11%, with around three

quarters now destined for Asia. He explained Ghana's original commitment to the VPA negotiations in 2006 was informed by the fact that, at that time, Europe accounted for around 60% of Ghana's exports.

While the direction of trade has changed, said Mr. Beeko, Ghana has carried forward the FLEGT commitment as the initiative aligns well with Ghana's own forest policy to ensure all logging is sustainable and there is equitable sharing of benefits from forest use.

Although licenses have yet to be implemented, Mr. Beeko explained that a robust assurance system is now fully operational which applies, unlike certification, to all companies engaged in the sector. The system ensures universal application of forest management prescriptions, which cover a wide range of environmental and social aspects as well as ensuring sustained timber yield and ensures these are transparent and measurable.

Mr. Beeko said that in Ghana there is a tracking system which ensures near real time reconciliation of data gathered using handheld devices in the field. Discrepancies, for example between the volume of logs actually harvested and those transported which in the past would have only become apparent months later, are now identified within a matter of hours.

There is also a mechanism to exercise control at point of export of all wood products to ensure only compliant consignments enter the global market.

Data is gathered and made readily available on the results of field audits and this reveals that, as awareness of the level and intensity of scrutiny has increased amongst frontline staff and private operators, the number of non-compliances is falling.

Another key outcome of the VPA is that civil society is now closely engaged both in the process of monitoring compliance and multi-stakeholder deliberations have become the accepted approach to policy implementation.

It would be interesting to compare the environmental and social requirements imposed under the VPA process in Ghana, and also in Indonesia where FLEGT licenses are already being issued, with the standards and mechanisms currently accepted by IDH and other supporters of the ADP strategy as sufficient evidence of "sustainability" in the palm oil sector.

IDH dialogue on differences and synergies of FLEGT and certification

Following the presentation of Chris Beeko, the Utrecht event scheduled a "dialogue on the differences and synergies of FLEGT and certification" with representatives of FSC and PEFC, alongside David Hopkins of the UK Timber Trade Federation.

Mr. Hopkins was asked, effectively, to make the case for FLEGT as a metric requiring recognition in the IDH procurement policies and targets, reflecting the high

profile that the TTF is giving to FLEGT in its own procurement policies and promotion material for tropical timber in the UK. This recognition also extends to the UK government procurement criterion which gives FLEGT alongside FSC and PEFC certified product.

Mr. Hopkins noted that while the TTF is a member of FSC and PEFC, it is also a very strong advocate of FLEGT. He explained the specific benefits of FLEGT, particularly the focus on governance and the development of licensing systems with full engagement at national level in the producer country which "brings scale into the assurance".

John Hontelez of FSC did not disagree with this assessment and noted that despite some mutual "suspicion" from both sides, it was wrong to suggest that FLEGT and FSC are competing. Mr. Hontelez observed that "FSC and FLEGT are important and can support each other, legality for us is the number one priority, where there is law enforcement, certification becomes a lot easier".

Mr Hontelez also praised "FLEGT's strong focus on engagement" and noted that "NGOs play a very critical role in FLEGT". He did note, however, that sometimes it is "more difficult to convince [FLEGT advocates] that FSC is relevant to their discussion". He concluded that despite the merits of FLEGT, "certification is still the more immediate option to promote sustainable forest management".

Reme Sournia for PEFC focused more on technical aspects in his comments, noting how certification and FLEGT differed, the most obvious contrast being between the voluntary status of certification and the mandatory status of FLEGT, noting that "FLEGT licensing offers a green lane for EUTR which is not available for certification".

Mr. Sournia observed that for PEFC, as for FSC, "legality is the first component of certification" and also contrasted the "international recognition" offered by certification compared to the EU-focus of FLEGT licenses.

Unfortunately, the discussion at the Utrecht event was too brief to reach any real conclusions on the question of if, and when, FLEGT licensed timber may be given greater acknowledgement in the procurement policies and targets now being promoted for timber products by IDH.

Nevertheless, some of the key issues were raised and views aired, with a strong call made for IDH to adopt the kind of pragmatic stepwise policies, which recognise progress within reasonable time frames and are economically viable, now being adopted in other commodity sectors.

And while the dialogue between FLEGT, FSC and PEFC is useful for the tropical timber sector, it cannot be allowed to stop there.

The on-going attempt to consider the impacts of European trade in all “forest-risk” commodities is an opportunity for more cross-sectoral discussion and sharing of ideas.

The timber sector could learn from the innovative systems of sustainability verification now being applied to other sectors at landscape and jurisdictional level. These bring together regional assessments of the rigor of regulations and planning systems with new and improved data on land use and land use change from remote sensing and other sources.

Equally other commodity sectors could benefit from a stronger understanding of the role of the governance measures now being implemented in the timber sector through processes like the FLEGT VPAs and from due diligence regulations like EUTR.

North America

Sawn tropical hardwood imports rebound in April

US imports of sawn tropical hardwood rose by 22% in April, returning to the strong import volume seen in the first two months of the year. April volumes of 22,960 cubic metres were the second highest in more than two years, with only this January being higher.

Import volumes are ahead of 2018 by 23% year to date. Imports from Brazil, Cameroon, Congo (Brazzaville), and Malaysia all gained in April and are well ahead of 2018 year to date.

Imports from Ecuador, which had been outpacing last year’s volume, fell by 26% in April to now lag behind 2018 by 4% year to date. Imports of Acajou d’Afrique were up 61% in April and are more than doubling 2018 volume year to date.

Sapelli, teak, ipe, keruing, and virola imports all improved in April and are outpacing 2018 totals year to date. Imports of Balsa fell by 27% in April and are now 4% behind 2018 year to date.

Hardwood plywood imports fall 5%

US imports of hardwood fell by 5% in April. Total import volume is now down by 4% year to date. Volume from most major trade partners fell in April with imports from Russia, Indonesia and Cambodia all not meeting March levels and lagging behind 2018 year to date.

Imports from China, which have been steadily declining for the past several months, rebounded somewhat (32%) from a historically bad March, but are still one-tenth of the volume we saw two or three years ago. Imports from Vietnam, which had been strong in the first quarter, declined by more than one third in April, but are still strongly outpacing last year’s totals.

Tropical veneer imports remain weak

Despite a 12% rise in US imports of tropical hardwood veneer in April, sales for the month were only two-thirds that of April 2018.

Year-to-date total imports are down 19% with Chinese imports at less than half the level of 2018 year to date after declining by 48% in April.

Imports from India fell by 30%, but remain up 81% year to date after a strong 1st quarter. Imports from Italy and Ghana both saw encouraging gains in April but still are not up to their 2018 pace year to date

Flooring imports show steady improvement

US imports of hardwood flooring improved for the third straight month, rising by 14% in April. Despite a prolonged slide in imports from China, overall imports are up 12% year to date with Malaysia, Brazil and Indonesia all gaining from China’s loss. Imports from China fell by 25% in April and are down 44% year to date.

Imports of assembled flooring panels also continued their steady rise, improving by 7% in April. Imports from China more than doubled in April to rebound from a dismal March but are still 33% behind 2018 year-to-date. Imports from Brazil and Thailand, which have been gaining strongly from declining US/China trade, both fell sharply in April.

Moulding imports continue to fall

US imports of hardwood moulding fell by 8% in April following an already weak first quarter of the year. Imports are down 28% year to date from last year with imports from China and Brazil both 49% behind 2018 year to date. Imports from Brazil did pick up strongly in April (36%), as did imports from Malaysia.

The 41% rise in imports from Malaysia in April nearly brought numbers even with 2018 year to date after a very weak March.

Furniture orders flat in first quarter

The results of the Smith Leonard survey of residential furniture manufacturers and distributors for March showed new orders in March 2019 down 3% from March 2018 following a 5% decline in February. This decline in orders brought the year-to-date results to a flat order rate for the full quarter. Only 42% of the participants posted increased orders year to date.

Shipments were 1% lower than March 2018 following a 3% decrease reported last month. So, after a fast start in January, year-to-date shipments only increased 3% for the quarter. Backlogs remained steady from February as the dollar amount of orders was about the same as the dollar amounts shipped. Backlogs remained 4% ahead of March 2018.

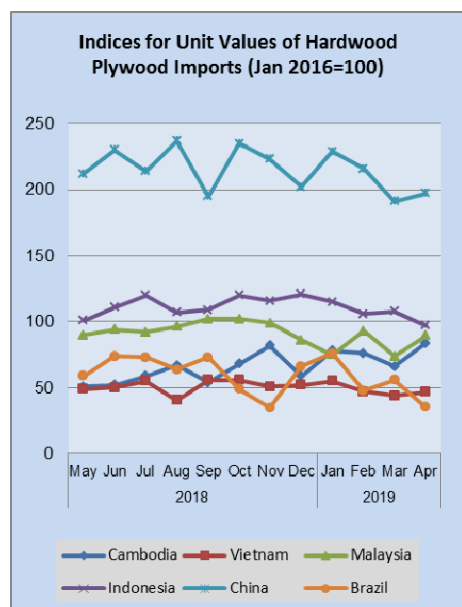
Wooden furniture imports rose in April

US Imports of wooden furniture grew by 11% in April, bringing sales roughly in line with 2018 levels for the year so far. Imports from Vietnam were up 14% in April and are up 27% above 2018 year to date. Imports from China rebounded somewhat in April, rising 29%, yet remain down 15% year to date from 2018.

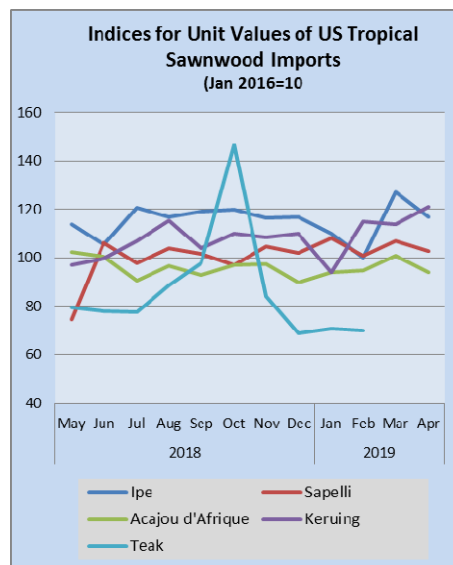
Consumer confidence gains despite trade war

US consumer sentiment remained at very favorable levels but eroded somewhat in the last two weeks of May due to fears about tariffs. The University of Michigan's sentiment index rose to 100 in May from the prior month's 97.2. While that is an eight-month high, escalation of the trade war with China weighed on the outlook for the overall economy, paring gains that previously showed a 15-year high.

Unfavorable references to tariffs more than doubled in late May from the first half of the month, with 35% of consumers spontaneously mentioning the levies. That matched a peak recorded in July 2018 when the US began its initial round of duties on Chinese goods. Consumer sentiment remains high due to unexpectedly strong economic growth and the lowest US unemployment in 49 years.



Data source: US Census Bureau, Foreign Trade Statistics
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties.



Data source: US Census Bureau, Foreign Trade Statistics
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

Unit values: Please note the unit values in the tables on page 25 of the 16-31 May 2019 TTMR are US Dollars except for plywood which is cubic metres.

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

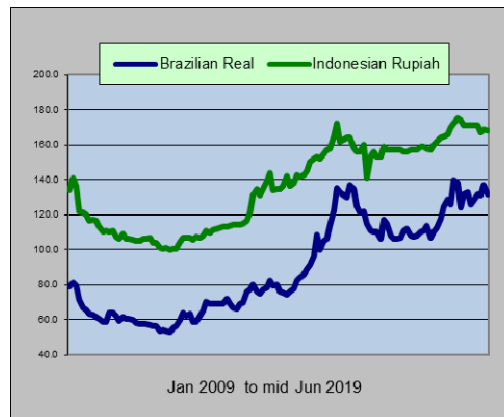
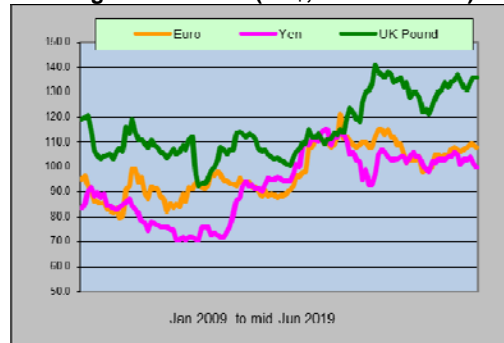
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 June 2019

Brazil	Real	3.8686
CFA countries	CFA Franc	581.06
China	Yuan	6.9178
EU	Euro	0.8859
India	Rupee	69.531
Indonesia	Rupiah	14280
Japan	Yen	108.39
Malaysia	Ringgit	4.1660
Peru	New Sol	3.32
UK	Pound	0.7891
South Korea	Won	1183.32

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

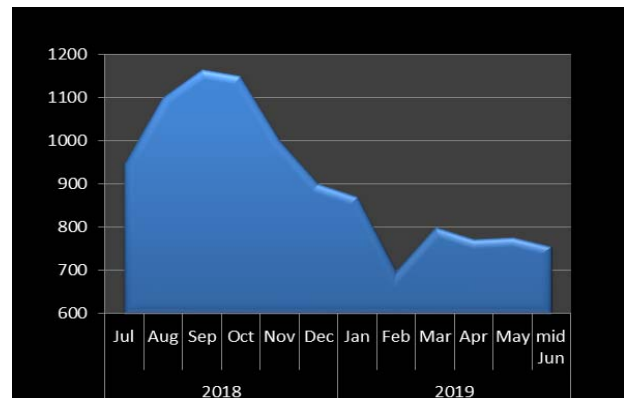


Abbreviations and Equivalences

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
July 2018 – mid June 2019

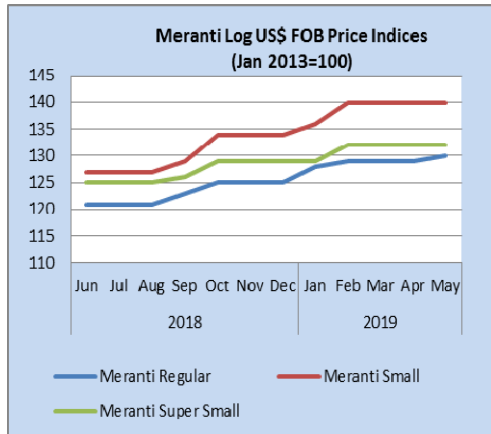


Data source: lloydlist.maritimeintelligence.informa.com

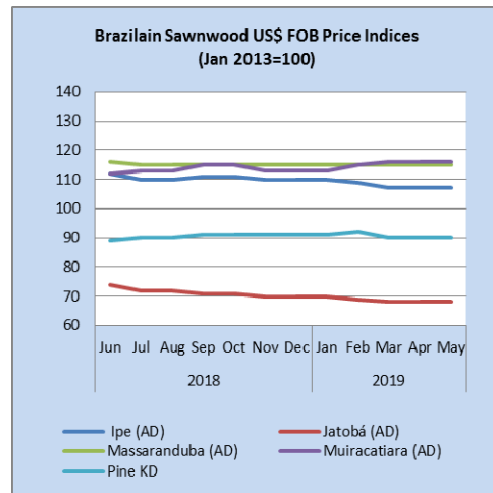
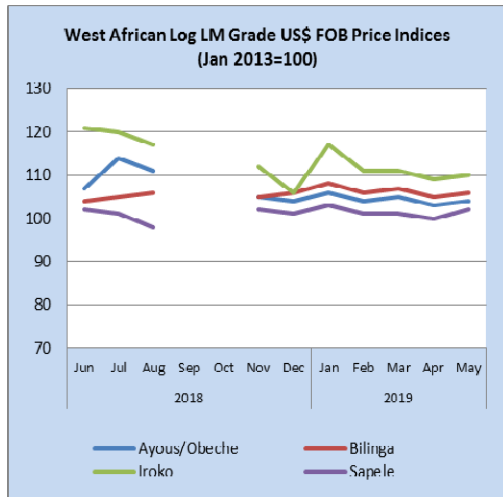
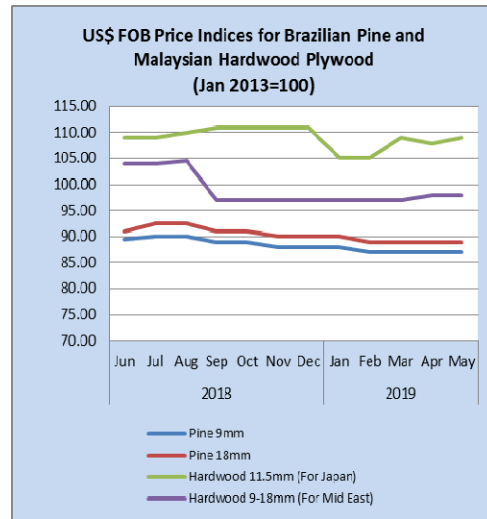
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

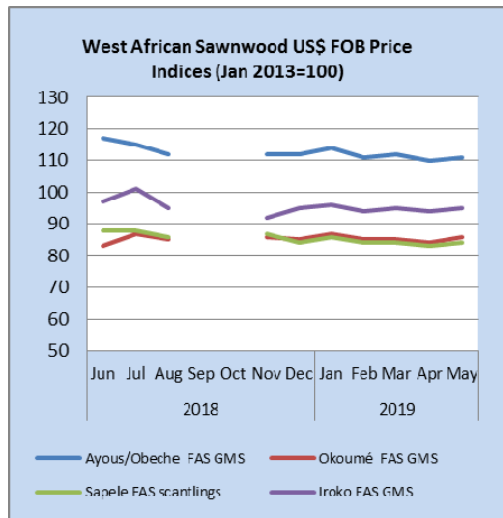
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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