

# Tropical Timber Market Report

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## Top Story

### **Improving competitive environment for US wood flooring manufacturers**

Imported wood flooring lost market share in the US in 2016 and US domestic flooring manufacturers can gain an advantage says the National Wood Flooring Association.

In 2016 prices for imports increased by an average 9.6%. Prices of Chinese engineered wood flooring increased by more than 13% while US-made flooring prices declined 8%.

China increasingly imports hardwoods from the US to make flooring for export. Higher US sawnwood prices and rising labour costs in China have undermined the competitiveness of Chinese flooring exports.

**See: Page 21**

## Central and West Africa

### Consolidated recovery in prices for popular timbers

Producers report a small number of upward price changes for sawnwood which reflects the overall firm state of the market. As yet it is only the more popular species that are attracting higher prices.

Analysts say it is demand from buyers for the Chinese market that continues to be the main driving force behind the firmer prices but note that European buyers have also been a bit more active over the past month.

Demand in China tends to concentrate on okoume and okan and exporters anticipate sales of these two species will perform particularly well in the third quarter, building on the recovery since the beginning of the year.

The slow but modest recovery in demand for sapele appears to have consolidated and prices for sapele sawnwood are a little firmer and trending upwards. In contrast, demand for sipo remains flat and prices have not moved over the past three months.

Sawn padouk prices are firmer. There is a steady demand for padouk for the Chinese market and recently there has been an increase in interest in padouk from buyers in Belgium which is underscoring the upward price trend.

Overall, markets are firming and producers expect further slow but steady progress in demand through into the third quarter of this year.

### Indian ply-mills in Gabon struggle to secure logs

Managers at the the newly established Indian owned peeler mills in Gabon have been complaining that they cannot source sufficient peeler logs because of increased demand from other plymills. This has led some of the Indian mills to start utilising ozigo peelers.

### Log price unmoved for months

In spite of the overall firmer sawnwood FOB prices, there has been very little movement in log prices so far in the second quarter. The reason for this is not clear but part of the reason could be related to the moderating demand for West African logs in China.

Another reason for the flat log prices could be because importers in China have become more interested in buying sawnwood and, more recently, large sawn baulks/slabs.

The interest in so-called sawn 'slabs' focuses on larger dimensions and short lengths. Only time will tell if this is a long term change in market demand patterns.

### Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	245	240	160
Ayous/Obeche/Wawa	245+	240	190
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	185
Moabi	330	300	235
Movingui	210	210	160
Niove	175	160	-
Okan	230	205	-
Padouk	300	280	230
Sapele	290	280	220
Sipo/Utile	310	290	255
Tali	330	320	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	430
Bilinga FAS GMS	530
Okoumé FAS GMS	430↑
Merchantable	300
Std/Btr GMS	350↑
Sipo FAS GMS	540
FAS fixed sizes	555
FAS scantlings	560
Padouk FAS GMS	870↑
FAS scantlings	990↑
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630↑
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

## Ghana

### Promoting investment in forestry – 'new forests for Africa' initiative

The first African Forestry Investment Conference was held in Accra, Ghana 13-14 June. The event was co-organised by the African Development Bank and the Climate Investment Funds (CIF).

The New Forests for Africa website says "this workshop aimed to reach out to potential national and international investors, project developers, plantation owners, local commercial banks, universities, Forestry Commission and other relevant stakeholders in order to highlight the beneficial conditions for forestry investments in Ghana and in the region.

The conference was designed for busy executives who want to gain a clear understanding of forest products industry investment opportunities.

The AFDB (African Development Bank) and FIP (Forestry Investment Program) have successfully made a first Private Sector investment through a loan in the PPP project of the Forestry Commission of Ghana and Form Ghana Ltd to enable large scale reforestation of degraded land based on a sustainable business case.”

For more see: <http://newforestsforafrica.org/>

#### Efforts to restore forests after illegal mining

The Director of the Forest Research Institute of Ghana (FORIG), Professor Daniel A. Ofori, has announced the beginning of a programme to restore, rehabilitate and protect forest lands and water bodies destroyed by illegal mining. The initiative follows a mandate from government for the institute to work towards the rehabilitation of degraded mine sites in the country.

Illegal mining, locally known as ‘galamsey’, contributed to the rapid decline of forest resources in Ghana. It is reported Ghana’s original forest cover which was 8.2 million hectares in the last century is now estimated at only 1.6 million hectares.

According to Professor Ofori the solution is to apply Forest Landscape Restoration techniques which involve a long term approach aimed at guaranteeing the sustainability of the landscape.

In a related development, Ghana Chiefs have joined the crusade against the devastating effects of irresponsible illegal mining and, in collaboration with the Environmental Protection Agency (EPA), are planting trees to reclaim the land at ‘galamsey’ sites. The Ministry of Lands and Natural Resources (MLNR) is seeking an additional budget so it can recruit more forest guards to protect the forest reserves.

#### Challenge today is forest restoration says minister

The government of Ghana has not given up efforts to engage and deliberate with stakeholders on measures needed to halt and restore the country’s degraded forest.

In a meeting with the press the Deputy Minister of Lands and Natural Resources said a major challenge facing the forestry sector was how to restore degraded forest lands to benefit people and the environment and to make forestry a more competitive land-use.

He said the government is committed to sustainable natural resource management and has several initiatives such as the National Plantation Development Programme designed to rehabilitate and develop forest reserves, the Forest Law Enforcement Governance and Trade, Voluntary Partnership Agreement and REDD+. The minister emphasised that success will only be achieved when stakeholders pull together in the quest for sustainable forest management.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	570
Niangon Kiln dry	560

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	340	400
Chenchen	425	624
Ogea	525	604
Essa	490	533
Ofram	350	406

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

#### Export Sliced Veneer

Note, veneer prices are now reported in cubic metres

Sliced face veneer	FOB Euro per m <sup>3</sup>
Arormosia	-
Asanfina	814
Avodire	897
Chenchen	891
Mahogany	1,688
Makore	2,033
Odum	1,583

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	610	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	417	370

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>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	320
Dahoma	382	400
Edinam (mixed redwood)	520	580
Emeri	380	500
African mahogany (Ivorenensis)	870	915
Makore	685	756
Niangon	600	650
Odum	755	910
Sapele	765	800
Wawa 1C & Select	380	444

## South Africa

#### Tough times for consumers - property market remains very weak

South African consumers continue to experience tough times evidenced by the slowdown in mortgage applications and a sharp drop in car sales. Analysts write” there has not been much change in the timber market and pine the stocks at domestic sawmills remain high which is holding down prices.”

A number of roof truss manufacturers are reporting slow business and a few have temporarily closed while they look for work.

The property market remains very weak, especially in the Eastern Cape/Port Elizabeth area, largely a reaction to the planned withdrawal of General Motors which will mean job losses. However, Isuzu Motors has announced its take-over of General Motors South Africa in Port Elizabeth which will soften the blow to jobs.

The board market remains under stress and there is a lot of discounting in the market as distributors dispose of stocks. The anticipated price increases from domestic board makers is unlikely to materialise mainly because the Rand has strengthened making imports that much more competitive.

**Meranti demand affected by housing market weakness**  
Demand for US hardwoods remains steady and the stronger Rand has created added competitiveness. There is steady demand from shopfitters and some of the high end furniture manufacturers.

On the other hand, sales of meranti have been slow mainly because of the poor property market. The stronger Rand has helped keep aluminium substitutes competitive so this has reduced demand for timber windows. The market for okoume has been undermined by high prices compared to meranti and by extended delivery times.

The supply of Kiaat remains tight and because of the erratic supply manufacturers are buying substitutes such as acajou/mahogany.

**Storm fans out of control fire – buildings destroyed**  
Thousands of families were evacuated from towns in South Africa's Western Cape region as fires, fanned by a strong winter storm hit the area.

The domestic press has reported that a town of 77,000 people 500 km. east of Cape Town, Knysna, was worst hit. The storm has damaged buildings, felled trees and disrupted flights and rail services. It has been reported that the first estimate is that at least 150 structures have been destroyed. When rebuilding begins there will be a surge in demand for structural timbers and wood products.

**Amended forest sector code launched**  
The government has approved amendments to the Forest Sector Code. The implementation of this new code will impact manufacturing industries, including the furniture industry as it applies to all enterprises involved in commercial forestry and processing of wood products.

See:  
[http://www.engineeringnews.co.za/article/amended-forest-sector-code-gazetted-2017-05-02/rep\\_id:4136](http://www.engineeringnews.co.za/article/amended-forest-sector-code-gazetted-2017-05-02/rep_id:4136)

## Malaysia

### **Original furniture designs will generate higher returns says MTIB**

Furniture manufacturing is an important sector of the Malaysian timber industry. According to statistics from the Malaysia Timber Industry Board (MTIB), exports of major wood products in 2016 were worth RM 22,109 million. Out of that amount, rattan furniture exports were RM41.9 million while wooden furniture exports amounted to RM 7,562 million.

Since wooden furniture contributed just over 34% of total wood product exports in 2016 it is no surprise that the government and timber sector agencies pay considerable attention to this sub-sector of the economy.

The MTIB is encouraging the Malaysian furniture industry to venture into more Original Design Manufacturing (ODM) as opposed to focusing mainly on production and export of furniture parts based on designs from overseas manufacturers. The MTIB stresses that dependence on parts exports, while generating high sales volumes the profit margins are very small.

Recently the MTIB organised a Professional Designers Programme (PDP) as a sub-project of its Furniture Design Development Project. In collaboration with the Malaysian Furniture Promotion Council (MFPC), MTIB aimed to take research in furniture design to the next level through the development of design with professional designers and Malaysian furniture manufacturers.

Malaysian companies are not accustomed to employing the services of designers as they rely on buyers to provide designs but now they are beginning to appreciate professional designers and are recognising the added value of original designs which boost product value and price.

The new designers programme is introducing manufacturers to the concept of in-house design so it may become part of their business culture. Participating companies are learning how to work with an external designer – how to create a design brief and how to setup a royalty agreement to compensate designers. This process is very new and ground breaking for most furniture makers in Malaysia.

### **Technology transfer on agarwood**

Gaharu or agarwood is a fragrant dark resinous wood used widely in incense, perfume and medicine. It is formed in the heartwood of *Aquilaria* sp. trees when they are infected with a type of mould.

Recently a training programme was conducted for participants from communities living inside the Sarawak part of the 'Heart of Borneo' forest area. This programme was held in collaboration with the Indonesian Ministry of Environment and Forestry through an ITTO project.

The main objective of the programme was to serve as a platform for technology transfer and information sharing.

The programme also aimed to enhance the scientific understanding of participants in respect of agarwood inoculation, in addition to create awareness in sustainable management and uses of forest resources.

#### Sabah to extend reserved forest area

The Lands and Surveys Department has worked with the Sabah Forestry Department to earmark ‘un-alienated’ forested state lands, particularly in the interior, to be set aside as forest reserves.

Sabah’s Chief Conservator of Forests, Sam Mannan, said this may result in hundreds of thousands of hectares of new forest reserves mostly in the South Western ‘Heart of Borneo’ zone in rugged terrain.

Sabah is unlikely to lose any more forest cover from deforestation, Mannan said. Based on recent assessments, the forest cover of Sabah is about 58% as against the approx. 90% per cent in the early 1970s. The loss of forest cover was due mainly to development for agriculture and land changes.

#### First quarter 2016 and 2017 exports, Sabah

While Sabah’s first quarter 2017 exports of laminated boards and mouldings remained almost unchanged year on year there was a 16% increase in sawnwood exports and an almost 39% increase in veneer exports. However, compared to levels in the first quarter 2016 plywood export in the same period in 2017 fell slightly.

	Jan-Mar 2016	Jan-Mar 2017
	cu.m	cu.m
Sawnwood	40,915	47,528
Lamin-board	10,152	10,150
Mouldings	2,053	2,425
Veneer	14,209	19,730
Plywood	136,265	134,439

#### Sarawak first quarter 2016 and 2017 log production

The impact of decisions by the State administration on logging can clearly be seen in the sharp decline in log production between the first quarters of 2016 and 2017. Hill species production in the first quarter of 2017 was down almost 25% while for the same period production of swamp species dropped 50%.

	Jan-Mar 2016	Jan-Mar 2017
	cu.m	cu.m
Hill species	2,486,160	1,874,317
Swamp species	69,702	34,730
Total	2,555,862	1,909,046

#### Sarawak first quarter 2016 and 2017 Hill species production

Meranti dominates hill forest harvest but year on year meranti production in the first quarter of 2017 was down just over 27%.

	Jan-Mar 2016	Jan-Mar 2017
	cu.m	cu.m
Bindang	23,543	8,816
Meranti	875,859	637,180
Kapur	89,665	59,097
Keruing	64,246	53,493
Sepetir	7,053	5,339
Selang Batu	56,478	37,380
Nyatoh	33,588	22,920
Other Sp.	1,335,729	1,050,091

### Indonesia

#### Furniture and handicraft exports set to grow

The chairman of the Indonesian Furniture and Handicraft Industry Association (HIMKI), Soenoto, has said that he is optimistic that furniture and handicraft exports will grow to around US\$5 billion over the next two years, especially as the Ministry of Industry has developed programmes to support exporters.

In related news, the Director General of Small and Medium Industries in the Ministry of Industry, Gati Wibawaningsih, said the government has various strategic efforts prepared to help SME craft makers improve the quality of their products.

#### Merger of databases to improve transparency

The Ministry of Environment and Forestry, in collaboration with Multi-stakeholder Forestry Programme, is creating a one-stop Sustainable Production Forest Management Information System (SIPHPL).

This system will integrate existing databases and will strengthen the availability and reliability of information related to the utilisation of wood products. The new system will bring together under one banner the Forest Products Management Information System (SIPIHH), the Non-Tax State Revenue System database (SIMPONI), the Information System for Industrial Raw Material Admission Plan (SIRPBBI), the Electronic and Monitoring and Evaluation (e-MONEV) and the Timber Legality Information System (SVLK).

The new system will include information on forest products sourced from community forests as well as imports.

The advantages of SIPHPL include the ease at which transactions can be recorded and documented. In respect of the SVLK, SIPHPL will facilitate the verification process for the issuance of V-legal documents.



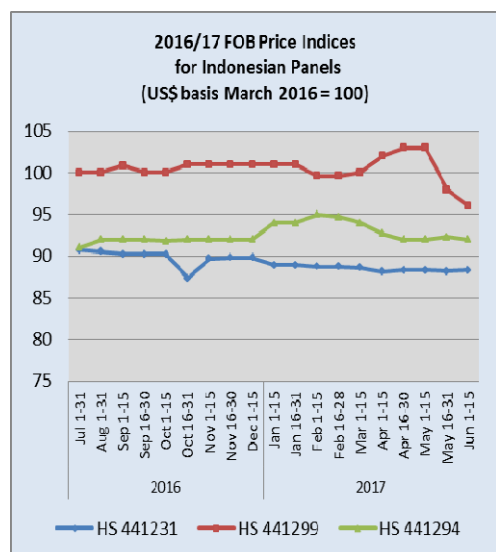
### Peat regulation - massive loss possible say business leaders

Forest plantation owners in Riau Province have again attacked the government's plans to introduce new regulations covering peatland forests.

Plantation owners say they stand to lose heavily as 9 million cubic metres of annual production could be lost.

Muller Tampubolon, Chairman of the Association of Indonesian Forest Entrepreneurs (APHI) in Riau, said that the implementation of the peat regulation would eliminate production from over 350,000 ha. of cultivated industrial plantations.

Under the new regulation industrial timber plantations on peatland can only be harvested once after which the land must be allowed to return to being natural forests. Having invested in land preparation plantation owners were looking to recover their costs over several rotations.



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

## Myanmar

### Conflicting definitions of wood products to be taxed

The Myanmar Internal Revenue Department has issued its decision on the definition of products that it deems are 'Special Commodities' and will attract the 10% tax which, it was earlier understood, would only apply to rough-sawn timber.

The decision by the Internal Revenue Department contradicts the definition decided by the Ministry of Natural Resources and Environmental Conservation (MONREC).

Under the MONREC definition, small sized sawnwood, plywood, veneer and furniture were deemed as non-special commodity and, as such, would attract no tax

The timber industries and the Myanmar Forest Products Merchants Federation have raised this issue with the Internal Revenue Department as it seems their decision overruled both MONREC and definition in the legislation. Manufacturers in Myanmar face many hurdles including uncertain availability of raw materials due to the reduction in harvests, higher costs related to meeting requirements of international buyers and now appear to be facing an additional tax burden.

Manufacturers in Myanmar have started to warn buyers in international markets that the new tax, if implemented without revision, will mean FOB prices must be raised.

### PEFC to help Strengthen Certification

According to a statement from the Programme for Endorsement of Forest Certification (PEFC), PEFC and the Myanmar Forest Certification Committee (MFCC) will launch a 3-year Project to strengthen the Myanmar Forest Certification Scheme (MFCS). Financial support is being provided by the Prince Albert II of Monaco Foundation.

PEFC said that work will begin before the end of June and one early activity will be a co-hosted workshop "Working in partnership to bring sustainable management to Myanmar's forests".

Barber Cho, Secretary of MFCC, said that this project is committed to supporting the ongoing reform process in Myanmar's forest sector with a clear focus on strengthening the national forest certification system.

He said "through building capacity and illustrating best practices we hope the project can deliver a tangible impact in the short- term and also influence the longer-term reform process."

### MTE outlines plans to meet demands for tracking data

The Myanmar Timber Enterprise (MTE) has announced details of how they will provide documentation to assist overseas buyers with traceability. MTE has been criticised for lack of transparency on their harvesting practice.

For the logs harvested before the log export ban in 2014 only the Purchase Confirmation Letter (PCL) will be available. For the logs harvested between 2015 and 2016 the Revenue Number for each log is available as is the certified letter of transportation related to each PCL.

For logs to be harvested under the most recent regulation all documents such as the stumping/tracking order, log transfer order and lot confirmation letter/lot delivery permit will be available in addition to the other documents mentioned above.

## India

### Delhiwood 2017 a success

DelhiWood 2017 created a tremendous interest and press coverage in both regional and national media in India. More than 25,000 visitors attend the four-day Delhiwood show in Greater Noida. Demand from exhibitors was such that exhibition space was increased to accommodate 497

companies from 30 countries of which 60% were international companies. The organisers say this year's show generated more interest amongst international buyers.

For more see the May-June issue of Modern Woodwork at: <http://www.modernwoodworkindia.com/>

### More plantation teak logs flowing into India

Demand for imported plantation logs remains stable but their availability has expanded which means that C&F prices have not risen even though freight rates were climbing.

### Imported 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 cross section

### Sawn hardwood prices

Prices for sawnwood from imported hardwood logs remained unchanged over the past two weeks but prices for softwoods have eased.

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

### Myanmar teak prices

There has been no change in domestic sales prices for Myanmar teak. Analysts say this is due to the ready availability and market acceptance of lower cost substitutes.

Demand in India for Myanmar teak is declining steadily.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7500-8500
Teak B grade	5250-5750
Plantation Teak FAS grade	4000-4500

Price range depends mainly on length and cross section

### Prices for imported sawnwood

Prices for imported sawnwood remain unchanged but analysts report there is a growing preference amongst endusers for Malaysian hardwoods.

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

### Plywood prices

Manufacturers are pushing prices higher to try and recover the costs associated with rising production costs and freight rates.

Plywood Ex-warehouse	Rs. per sq.ft
4mm	48.00
6mm	64.00
9mm	81.00
12mm	99.00
15mm	132.00
18mm	139.00

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	23.50	35.00
6mm	35.50	45.00
9mm	45.00	55.00
12mm	55.00	66.00
15mm	67.00	80.00
19mm	76.00	90.00
5mm Flexible ply	47.50	

### Prices for imported particleboard rising

In its April issue of Ply Reporter, the rise in particleboard prices across Asia due to increased wood and resin costs is discussed. The impact of the rising production costs has meant that India's imports of particleboard have become more expensive.

In addition to high raw material costs ocean freight charges have also been rising as shipping companies adjust to the changes in shipping availability due to the Hanjin bankruptcy.

For more see: The Ply Reporter April 2017

## Brazil

### Federation discusses potential for expanding timber utilisation

The Federation of Industries of Mato Grosso State (FIEMT) recently hosted the 24th meeting of the Environment Council (COEMA) for the Central/North Region. This meeting focused on discussing the potential for expanded timber utilisation and the technologies that can be applied.

One of the main themes discussed was "Market scenarios for the forest-based sector". Another important subject was "Wood frame construction systems in Brazil". Although widely used in many countries, this construction system is not common in Brazil.

Other subjects such as "Wood biomass energy generation" and "Possibilities in the use of glued laminated timber" were also discussed. The results of the debate will serve as aid to promote the state forestry sector.

The meeting was attended by representatives of COEMA, the National Confederation of Industry (CNI), the Public Ministry of the State of Mato Grosso, the State Secretariat of the Environment (SEMA), the Municipal Environment Secretariat and Urban Development of Cuiabá, IBAMA (Brazilian Institute for Environment and Renewable Natural Resources), the FIEMT System, and the FIEMT Thematic Environmental Council (CONTEMA).

### Door makers meet on markets and technologies

At the most recent meeting of door manufacturers associated with the Sectoral Quality Programme for Wooden Doors (PSQ-PME) the discussion addressed opportunities for new products launches and developments in accessories, adhesives, overlay films, edge ribbons, and technological developments..

The aim of the group was to promote networking amongst sector players. One of the highlights from this meeting was the support given to efforts on Business-to-Business meetings which have been highly appreciated by participants.

### TTF/ABIMCI promote Brazil's wood products in the UK

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), in cooperation with the UK Timber Trade Federation (TTF), hosted an event at the Brazilian embassy in London.

The event aimed to promote an understanding of Brazil's wood processing industry and the environmental policies in Brazil such as the Brazilian Forest Code. The event was attended by British companies and importers, authorities and entities related to the timber sector.

ABIMCI presented on the supply capacity and practices of the Brazilian timber industry pointing out that most Brazilian wood product exports are derived from pine and hardwood.

The range of products for export includes sawnwood, plywood, doors, moldings. ABIMCI stated that the main export markets include the USA, China, Saudi Arabia, the United Arab Emirates, Germany, the United Kingdom and France.

Commitments agreed between ABIMCI and the TTF included:

- establishing solid trade links among producers, traders, importers and consumers to promote sustainable trade;



- building information exchange on forest and industrial operations, sustainability;
- conducting joint assessments of forest and industrial operations to identify actions needed to further strengthen a sustainable trade.

The priority actions include expanding product certification, improvement and development of technical standards and encouraging transparency and sustainable practices to mitigate the risk to buyers when sourcing wood products from Brazil.

The TTF suggested the use of the TTF/Brazil 'Legality Checklist' and 'Guide to Legality' as a basis for understanding and mitigating the risks.

#### Norway and Germany review investment in Amazon Fund

The Norwegian Ambassador to Brazil and representatives of the German Development Bank (KfW) visited the Integrated Center for Environmental Monitoring (CIMAM) in Belém, to discuss investments related to the Amazon Fund with the Secretariat of Environment and Sustainability of Pará (Semas) and the "Green Municipalities" Program (PMV).

The Amazon Fund promotes conservation and sustainable use of forests in the Amazon biome. The Fund's resources are raised and managed by the Brazilian Development Bank (BNDES) and Norway contributes over 90% of the capital with most of the balance coming via the German Bank KfW.

The Government of Pará has invested these resources in decentralisation of environmental management and strengthened environmental monitoring in the State, acquiring the necessary infrastructure such as vehicles and equipment that support environmental inspection and activities.

During the recent meeting state representatives emphasized the development of effective mechanisms to support monitoring of environmental activities and transparency in its operations. Information is available on the official website of the Secretariat.

Other issues discussed were the Forest Products Trade and Transport System (Sisflora 2.0), the Rural Environmental Registry (CAR), the Environmental Regularization Program (PRA), the Illegal Deforestation List (ILD), the Transparency Web Portal, the technologies implemented by CIMAM and the "Sustainable Pará" Programme.

#### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	212
Jatoba	118
Massaranduba	121
Muiracatiara	122
Angelim Vermelho	117
Mixed redwood and white woods	99

Source: STCP Data Bank

#### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	944
Jatoba	478
Massaranduba	442
Muiracatiara	446
Angelim Vermelho	393
Mixed red and white	260
Eucalyptus (AD)	223
Pine (AD)	160
Pine (KD)	183

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	598
10mm WBP	459
15mm WBP	409
4mm MR	517
10mm MR	385
15mm MR	356

Prices do not include taxes. Source: STCP Data Bank

#### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	264
15mm MDF	341

Source: STCP Data Bank

#### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1429
Jatoba	920
Massaranduba	771
Muiracatiara	737
Pine (KD)	189

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)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

#### Export Prices For Added Value Products

		US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports		
Decking Boards	Ipê	2,564
	Jatoba	1,467

Source: STCP Data Bank

## Peru

#### Timber exports down in first quarter of this year

In the first quarter 2017 wood product exports amounted to US\$28.37 million (FOB value). This was in contrast to the US\$29.85 million in the first quarter of 2016 and represents an almost 5% decline in earnings in 2017

Of the US\$28.37 million export earnings, the Chinese market continued to be the main destination for exports and in the first quarter 2017 there was an almost 14% growth in demand from this market. China accounted for

around 53% of all wood product exports from Peru in the first quarter of 2017.

The United States market was ranked second (11% of exports in the first quarter but, year on year, first quarter 2017 exports were down 34%.

Mexico is Peru's third main export market for wood product and in the first quarter of 2017 accounted for 10% of all wood product exports. Year on year exports to Mexico fell slightly in the first quarter of 2017.

#### SERFOR cracks down on forestry consultants

Under the new powers granted by Legislative Decree No. 1319, the National Forestry and Wildlife Service (SERFOR) of the Ministry of Agriculture and Irrigation has initiated sanctions on forestry consultants in Loreto and Madre de Dios who have been found to falsified past management plans.

It came to light that infractions were committed during the time when the previous forestry legislation was in force. The old legislation allowed forest consultant to prepare management plans aimed at guaranteeing sustainable production but the system was abused.

SERFOR will continue to address this issue along with the Agency for the Supervision of Forest and Wildlife Resources (Osinfor).

#### 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'-13' KD Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD Central American market	879-925
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD Mexican market	486-549

#### Domestic Sawwood Prices

	US\$ per m <sup>3</sup>
Peru sawwood, domestic Mahogany	-
Virola	237-255
Spanish Cedar	316-368
Marupa (simarouba)	185-198

#### Export Veneer Prices

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

#### Export Plywood Prices

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

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

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

#### Domestic Prices for Other Panel Products

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

#### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1296-1380
Cumaru KD, S4S Swedish market	962-1095
Asian market	1058-1098
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

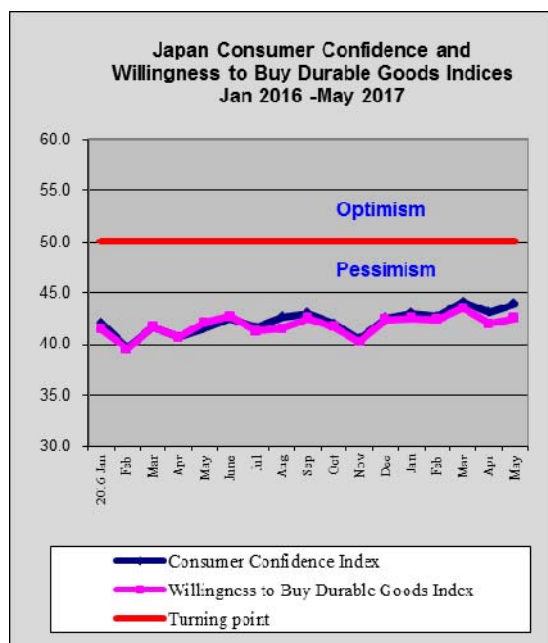
## Japan

#### Consumer confidence indices edge higher but not the index on spending

May consumer confidence and perception indices have been released by the Cabinet Office in Japan. The overall Consumer Confidence Index for May 2017 rose slightly month on month but is still below the threshold for optimism.

The data from the Cabinet Office includes consumer perceptions and the May survey revealed that in terms of prospects for overall livelihood, income growth and employments edged higher but the willingness to buy durable goods (which includes items such as furniture) remained flat.

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



**Low unemployment but still consumer spending will not budge**

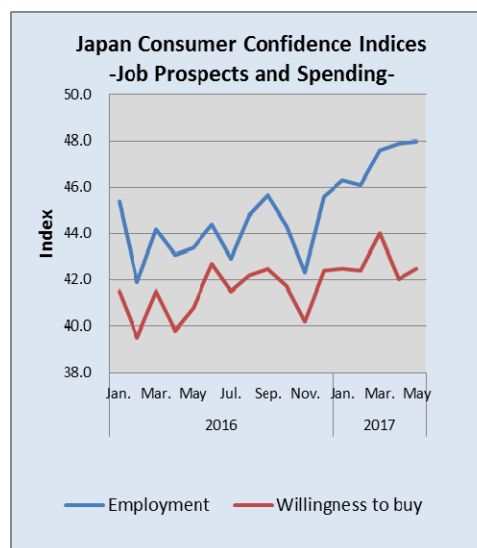
May heralded the start of the annual recruitment drive by most companies in Japan. The target is university students who will graduate in early 2018.

Recent Ministry of Labour data showed the ratio of job openings to job seekers is now more extreme than the high seen during the Japanese 'bubble economy' in 1990. The ratio of job openings to job seekers in April this year rose to the highest level in more than 40 years.

Unemployment in Japan is at its lowest level for around 20 years but this is not all good news. Analysts are warning this is mostly due to a shrinking labour force and that high employment, coupled with low productivity (a serious issue in Japanese companies) is not good for consumers as higher than necessary costs are passed on through sales prices.

The major challenge in Japan is to stimulate consumer spending which refuses to budge. An analysis of the latest consumer confidence data is revealing.

In a situation where consumer perceptions of job prospects and employment have been rising steadily this should have translated into consumers having confidence to spend but this is not happening as can be seen in the following graphic.

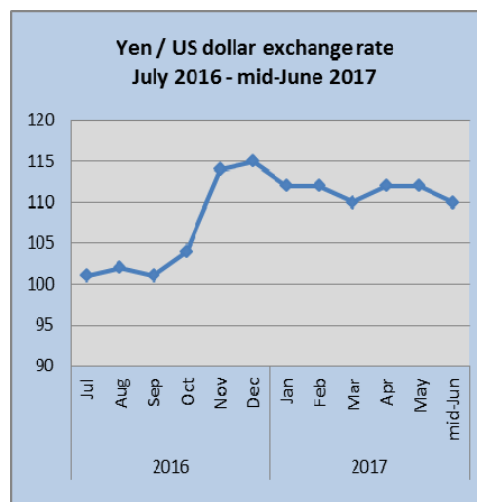


Data source: Cabinet Office, Japan

**US rate hike already factored into Yen exchange rate**

Better than expected US employment data resulted in a stronger US dollar in mid June and in Japan an improvement in industrial output and investment has brought relief to the government and Bank of Japan.

Despite the improvement in some main economic indicators, political issues in the US are still swirling and creating heightened risks for the Japanese economy.

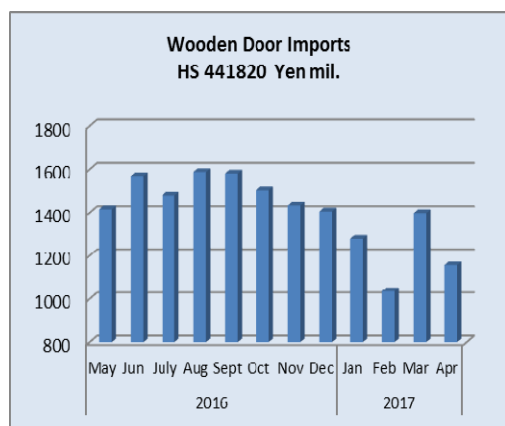


**Import round-up**

**Doors**

Japan's April wooden door (HS 441820) imports dropped 17% compared to a month earlier and were down around 8% year on year. The volatility in monthly door imports is unusual and cannot be explained by either currency fluctuations or housing start trends.

At 58% of all wooden door imports in April, China was the main supplier followed by the Philippines (15%), Malaysia (12%) and Indonesia (8%).

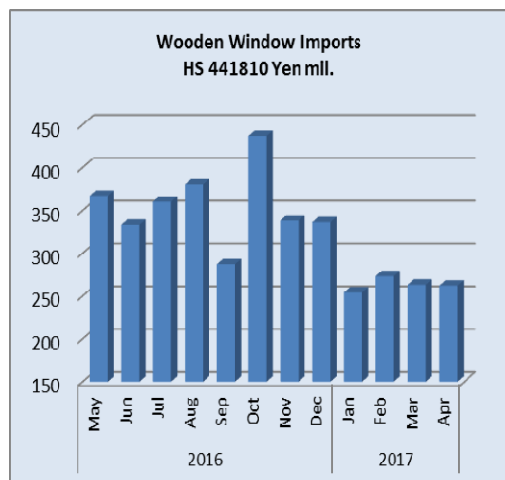


Data source: Ministry of Finance, Japan

### Windows

Wooden window (HS441810) imports into Japan for the first four months of this year are down around 17% compared to the same period last year. For every month this year imports of wooden windows have been well below that of a year ago.

Over 75% of Japan's wooden window imports come from China and the US and most of the balance is made up of shipments from the Philippines.



Data source: Ministry of Finance, Japan

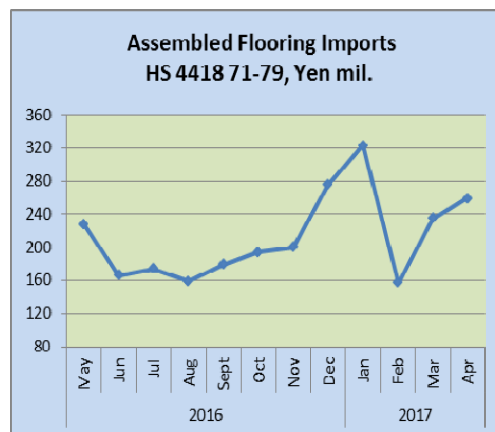
### Assembled flooring

After the unexpected decline in assembled flooring imports recorded in February this year, there was a rebound in March and this continued into April.

Japan's April imports of assembled flooring (HS441871-79) were 10% up on levels in March and were almost 50% higher than in April 2016.

Most of Japan's imports of wooden flooring fall within HS 441875 (65%) and HS441879 (29%). Shippers in China dominate supplies of HS 441875 but for HS441879 supplies come from China, Thailand and Indonesia.

Because of the unusually high level of imports in January this year, there has been an almost 30% increase in arrivals of wooden floor imports during the first four months of this year.

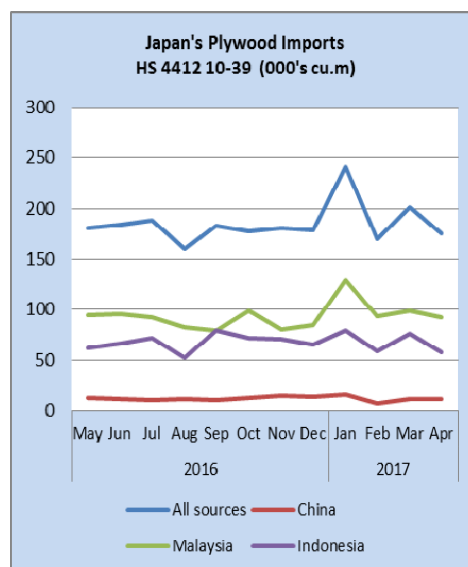


Data source: Ministry of Finance, Japan

### Plywood

The figure below shows the trend in imports of plywood (HS 441210/31/32/33/34 and 39).

Three shippers, Malaysia, Indonesia and China continue to dominate the Japanese market for imported plywood. Shipments of plywood within HS 441231 account for the bulk of Japan's plywood imports and in April this year amounted to some 86% of all plywood imports. HS441233 and 34 account for another approx. 12% of imports.



Data source: Ministry of Finance, Japan

In April this year shippers in China supplied around the same volume to Japan as was the case in March (approx. 11,000 cubic metres) on the other hand shipments from both Malaysia and Indonesia were down compared to a month earlier.

Shipments from Malaysia were down 6.5% in April while shipments from Indonesia were down almost 25% from March.

However, for the first four months of this year shipments to Japan from Malaysia were up around 18%. On the other hand shipments from Indonesia in the first four months of this year were up slightly compared to the same period in 2016.

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

		China	Malaysia	Indonesia
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
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

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>

#### Clean Wood law promulgated

The Clean Wood law to promote using legally proven wood products is promulgated on May 1. It is effective since May 20. This is also titled as the law to promote of using and distribution of legally harvested wood products. Purpose of the law is to increase using wood products proven legally at private industry level.

There are two categories. One is primary handling industry, which receive logs directly from log harvesters such as initial processors of sawmill, plywood mill, exporter or importer from overseas suppliers.

Secondary group is wood industry except for the primary group, which deals with processing, marketing and construction.

Objects are all products using wood mainly such as desk, chair, cabinet, shelf, paper products flooring, siding board and biomass for power generation.

Regarding registration, application requires type of category, primary or secondary, type of business such as wood processor, wood marketer, exporter or importer, builder, biomass power generator then section to secure use of legally certified wood products. Volume of wood use is for one year.

Primary dealers need to register species of wood and country of origin and region where wood is harvested. Also what measures are taken to handle legally proven wood products and who is in charge needs to be registered.

Registration organizations publicize contents of individual registration by internet. Registered dealers need to report to the Minister in charge status of handling of legally proven wood once a year and the officials can make investigation of office, warehouse and plant. There is penalty for false report.

Actually registration organizations have not been assigned yet so that actual registration will be next fall when the law is actually put into practice. Therefore, acknowledgment in the industry for the law is low yet. Once large house builders register, materials suppliers need to follow the law to procure legally proven or forest certified wood but such move has not started yet.

#### Review of 2016 domestic wood demand

Demand for domestic wood in 2016 was 20,629,000 cbms, 3% more than 2015. The demand increased because new housing starts increased in 2016. In particular, log demand for plywood was very active with 3,682,000 cbms, 9.7% more than 2015.

Logs for lumber were 12,180,000 cbms, only 1.5% more. Logs for wood chip were 4,791,000 cbms, 2.3% more. Total demand including imported logs was 26,029,000 cbms, 3.7% more. Imported logs were 5,370,000 cbms, 6.4% more in which North American logs were 4,106,000 cbms, 8% more.



In total log demand, share of domestic wood was 79.4%, 0.5 points less than 2015.

Regardless of effort to develop new demand for domestic wood, last year's result revealed new housing starts are the key factor for domestic wood. Except structural materials, log demand for plywood has largely increased. To expand demand for housing, new materials are necessary like strong earthquake resistance or large wooden buildings like CLT.

According to wood demand statistics of 2015, total wood demand was 75,160,000 cbms in log scale, 0.8% down from 2014 but domestic production was 24,918,000 cbms, 5.4% up so share of domestic wood was 33.2%.

Domestic production of industrial wood was 21,580,000 cbms, 1.5% more while logging residue left in the woods was 217,000 cbms, 6.1% down. Logs for fuel largely increased with 3,962,000 cbms, 34.8% up because more biomass power generation plants started operation.

Log export declined in 2016 with about 640,000 cbms after Chinese economy got shaky and the yen weakened. This business is largely relied on exchange rate.

As to imported wood, total declined including logs except for wood chip of 21,023,000 cbms, 2.1% up and for fuel of 1,156,000 cbms, 5.3% up. This trend continues but in 2016, total recovered because of active housing starts in Japan.

Log production by the regions is over 5 million cbms by six prefectures in the North East region and nearly 6 million cbms by seven prefectures in Kyushu.

By species, cedar was 11,848,000 cbms, 5.5% up. Cypress was 2,466,000 cbms, 4.1% more. Larch was 2,312,000 cbms, 0.6% more and fir was 1,013,000 cbms, 4.5% more.

Hardwood species were 2,188,000 cbms, 2.1% less. Demand for hardwood was down for paper and pulp manufacturing but the demand as fuel for biomass power generation is expected to increase.

While demand for domestic wood is increasing, challenge is how to maintain sustained yield management of the forest by effective reforestation.

Total wood supply in 2016 by use is 12,182,000 cbms for lumber, 1.5% more, 3,682,000 cbms for plywood, 9.7% more and 4,796,000 cbms for wood chip, 2.3% more. Total was 20,660,000 cbms, 3.0% more. Increase for lumber is largely due to increase of owner's units and units built for sale in housing starts in 2016.

Actually in 2016, supply of both domestic and imported logs increased so the increase is simply by more housing starts and there was no remarkable shift from imported woods to domestic wood.

Imported log supply was 5,370,000 cbms, 6.4% more in which 4,408,000 cbms, 5.5% more was for lumber and 957,000 cbms, 10.8% more for plywood so increase of imported logs was more than domestic logs.

As a result, share of domestic logs was 79.4%, 0.5 points less in which logs for lumber was 73.4%, 0.8 points less and for plywood was 79.4%, 0.2 points less.

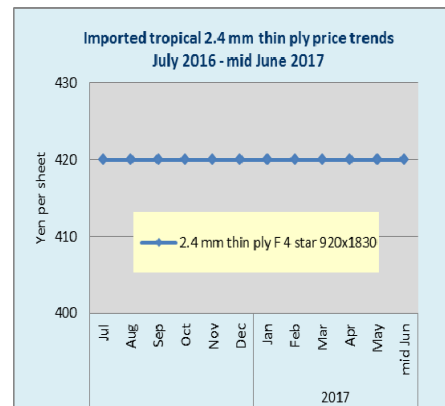
Number of sawmills continues declining with 4,933, 272 less than 2015. Log consumption by mill was 3,356 cbms, 8.4% more because size of mill is getting larger. 69.5% of log consumption is by large mills with electric power output of more than 300 kw so share of large mills is increasing.

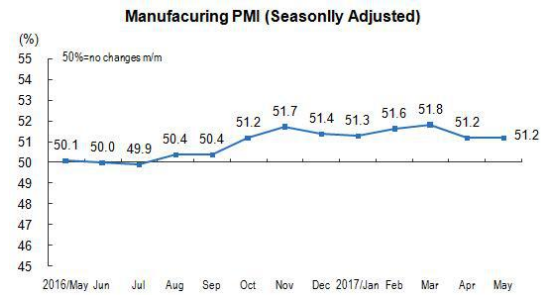
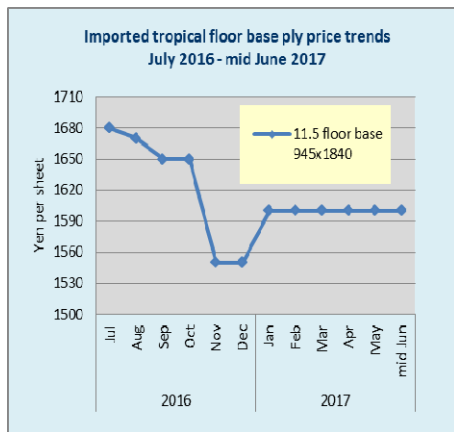
Logs consumed by sawmills 12,182,000 cbms by species, cedar was 8,095,000 cbms, 2.9% more than 2015 and cypress was 1,983,000 cbms, 2.5% more. Larch was 1,150,000 cbms, 4.0% less. Pine was 128,000 cbms, 16.9% less. The decline is due to less demand by plywood mills.

Logs for plywood were 4,638,000 cbms, 10.0% more, out of which domestic logs were 3,628,000 cbms, 9.7% more and imported logs were 957,000 cbms, 10.8% more but the share of domestic and imports remains unchanged.

#### Mid-June wholesale plywood prices

As yet there is no sign of the higher plywood prices being sought by shippers in Malaysia affecting wholesale prices in Japan.

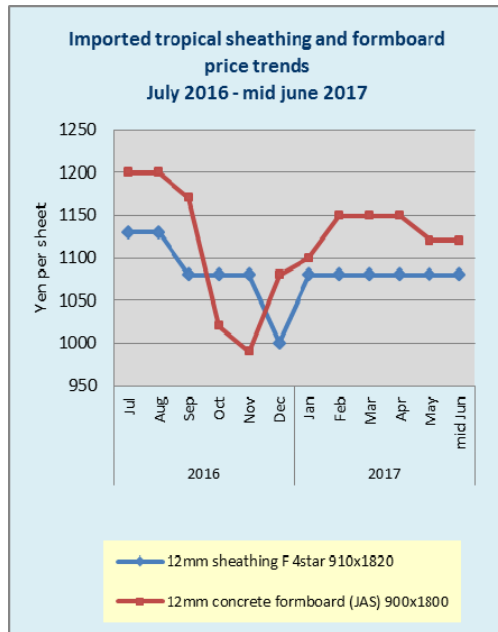




Source: National Bureau of Statistics, China

See:

[http://www.stats.gov.cn/english/PressRelease/201706/t20170601\\_1499131.html](http://www.stats.gov.cn/english/PressRelease/201706/t20170601_1499131.html)



### Chinese flooring makers hail recent anti-dumping decision

Relief was expressed in China after the US Department of Commerce announced its final determination of anti-dumping duties made for the fourth annual administrative review of China's multi-layered wood composite flooring enterprises.

Customs codes for the products involved are 412.31.0520, 4412.31.0540, 4412.31.0560 and 4412.31.2510.

The average duties for all Chinese flooring shipments has been set a zero except for Dalian Penghong Floor Products Co., Ltd. (0.23%). This is an encouraging result from the review and will encourage exports of China's multi-layered wood flooring to the USA.

See: <https://www.gpo.gov/fdsys/pkg/FR-2017-06-05/pdf/2017-11561.pdf> and

<https://www.federalregister.gov/documents/2017/05/31/2017-11202/multilayered-wood-flooring-from-the-peoples-republic-of-china-notice-of-correction-to-the-final>

### Formaldehyde emission standards set to improve

The Chinese national formaldehyde emission standard (GB18580-2017) has been released by the General Administration of China National Quality Supervision, Inspection and Quarantine Bureau and China National Standards Administration.

The standard will enter into force on 1 May 2018. In the new standard, the formaldehyde emission limit will be lowered to 0.124 mg/m<sup>3</sup> and the test method for detection of formaldehyde emission has been unified.

Analysts say that the revised standard will enhance product quality and market acceptance and will profoundly alter the structure of forest products industry.

### Establishment of port system in Jiangsu province

A long term plan for port systems in Jiangsu province has been prepared by the provincial government.

The aim is to create an advanced port system by 2030 through the development of "One zone and Three ports", namely river and sea intermodal port zones along the

## China

### Manufacturing activity flat in May

Official data from the National Bureau of Statistics (NBS) show that in May, China's manufacturing purchasing managers index (PMI) stood at 51.2, the same as in April.

Since August last year the official index has been above the negative threshold. However, the May Caixin/Markit PMI dipped. This index, based on small and medium-sized manufacturers, is suggesting that smaller firms are under more pressure than the large state enterprises.

The Caixin PMI is a closely-watched gauge of nationwide manufacturing activity, which focuses on small and medium-sized companies, addressing a niche not covered by NBS data.

Yangtze River, the Nanjing regional shipping logistics centre, Lianyungang port regional international hub port and the Suzhou Taicang container port.

Currently there are 10 ports in the coastal region of Jiangsu province. The 5 national ports include Lianyungang Port, Nanjing Port, Zhenjiang Port, Suzhou Port and Nantong Port. The main regional ports involve Yangzhou Port, Jiangyin Port, Taizhou Port and Changzhou Port.

Currently, there are 5 ports with 10 000 tonnes anchorage in Nanjing, Zhenjiang, Taizhou, Nantong, Suzhou ports. A further 48 anchorages will be established by 2030, including some anchorages with 10,000 tonne capacity, 118 anchorages with 30,000 tonne capacity, 50 anchorages with 50,000 tonne capacity and 11 anchorages with 100,000 tonne capacity.

#### Rise in log imports through Haicang port

According to Haicang Entry-Exit Inspection and Quarantine Bureau in Xiamen City, Fujian province, the value of log imports through Haicang Port rose 24% to US\$21 million between January and April 2017. The imported logs were mainly from the USA, Australia, Chile and New Zealand. The USA accounted for about 20% of the total log import value through the port.

#### Soaring in log imports through Taicang Port

According to Taicang Entry-Exit Inspection and Quarantine Bureau in Jiangsu province, timber (log and sawnwood) imports amounted to 3.79 million cubic metres in 2016, a year on year increase of 43%.

Sawnwood imports through the port came to 981,000 cubic metres, a year on year increase of 5%. Overall log and sawnwood imports through the port totalled 8.88 million cubic metres in 2016, breaking a record high.

For this year up to April sawnwood imports have tended to be stable but log imports have risen sharply (+64%). Of total log imports those from Canada surged over 70% to 357,400 cubic metres, those from Australia rose 230% compared to the same period last year.

#### Fire at Manzhouli timber market

A recent fire at the Manzhouli timber industrial zone has affected dozens of companies,

It is estimated that some 250,000 cubic metres of timber stocks were burnt and that losses will stretch to billions of dollars.

Analysts forecast that the impact of this fire will cause a short term shortage of timber and this will result in wide price fluctuations.

#### 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	28000-40000

#### Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

Please note that in previous reports the price range for lauan sawnwood was mis-quoted. The price has been corrected in the table above.

#### Zhangjiagang Timber Market Wholesale Prices

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

Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

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

#### Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

#### Shanghai manufacturers began to relocate

Traders report that activity in the Shanghai timber markets is very quiet. Analysts say one reason is that many wood processing plants have relocated.

As early as March this year wood processing enterprises in Shanghai without environment impact assessment certificates were asked to stop production.

Also many wood processing factories began to move to Zhangjiagang and Taicang Ports due to the increase in rent and labour costs in Shanghai.

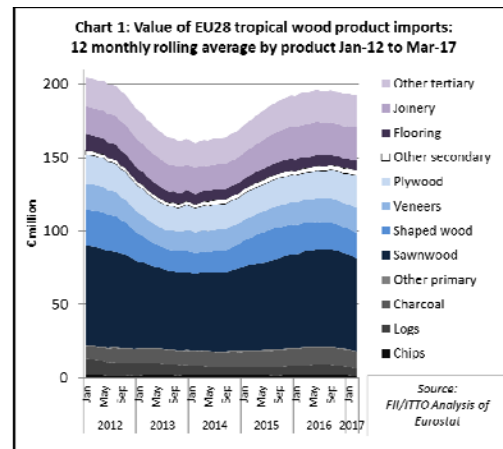
It is estimated that about 1,000 furniture makers have moved out. As this trend continues the timber markets at Taicang and Zhangjiagang will play a greater role in distribution.

## Europe

#### Slow-down in EU tropical timber imports

The slowdown in EU imports of tropical timber products registered in the second half of 2016 continued into the first quarter of 2017. Twelve monthly rolling average imports, which peaked at just below €196 million in June 2016, had slipped to €193 million by March 2017.

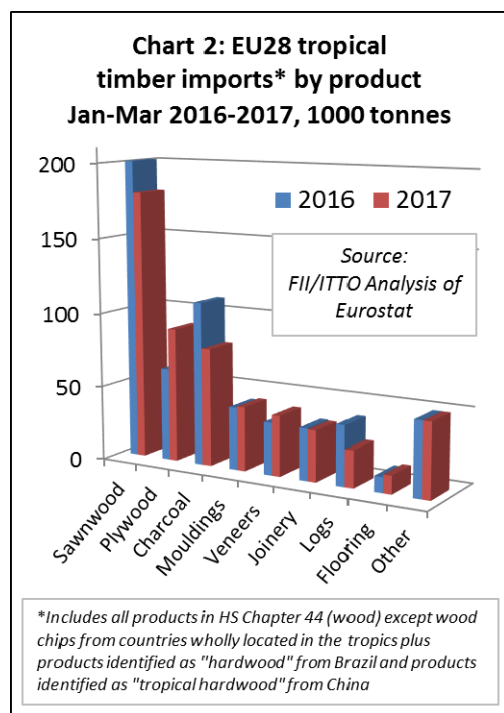
Most of the rise and subsequent slowdown in EU tropical imports in the 24 months prior to 2017 was driven by sawn wood. Imports of other product groups remained relatively more stable during this period (Chart 1).



In the first quarter of 2017 compared to the same period in 2016, total EU imports of tropical timber products (all those listed in HS Chapter 44) declined 5% to 553,000 metric tonnes (MT).

There was a 10% decline in EU imports of tropical sawn wood to 180,000 MT, a 28% decline in imports of tropical charcoal to 79,000 MT, and a 39% fall in imports of tropical logs to 25,000 MT.

These losses were partially offset by a 45% rise in imports of tropical plywood to 90,000 MT, a 2% rise in imports of tropical mouldings (including decking) to 43,000 MT, a 15% rise in imports of tropical veneers to 40,000 MT, and a 16% rise in imports of tropical flooring to 12,000 MT (Chart 2).



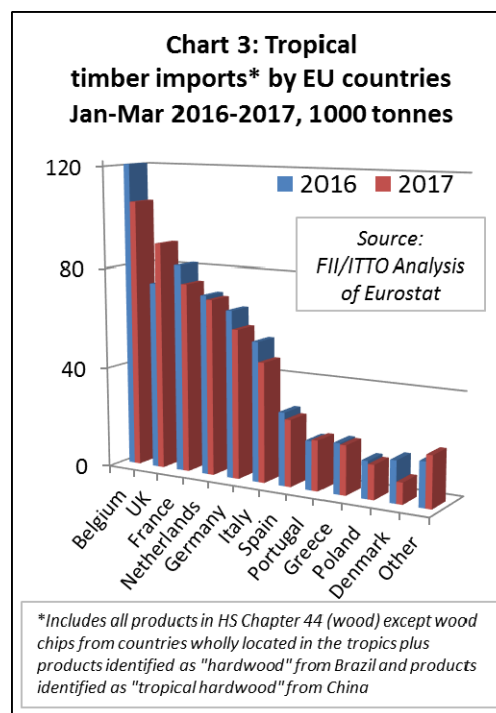
### Tropical timber imports down in nearly all EU markets

After rising strongly in 2016, imports of tropical timber products in Belgium declined 12% to 106,000 MT in the first quarter of 2017. Imports of tropical timber products into France, Germany and Italy, which have been slipping in recent years, also had a slow start to 2017.

In the first quarter, imports declined 8% to 75,000 MT into France, 11% to 59,000 MT into Germany and 14% to 47,000 MT into Italy.

After showing signs of recovery last year, imports of tropical timber products into the Netherlands and Spain weakened again in the first quarter of 2017. During the period, imports fell 2% to 70,000 MT into the Netherlands and 9% to 26,000 MT into Spain. (Chart 3).

The UK was the only large EU market for tropical timber products registering an increase in imports in the first quarter of 2017. UK imports increased 21% to 90,000 MT during the period, although a significant part of this gain was due to a rise in imports of tropical-hardwood-faced plywood from China rather than an increase in direct imports from the tropics.



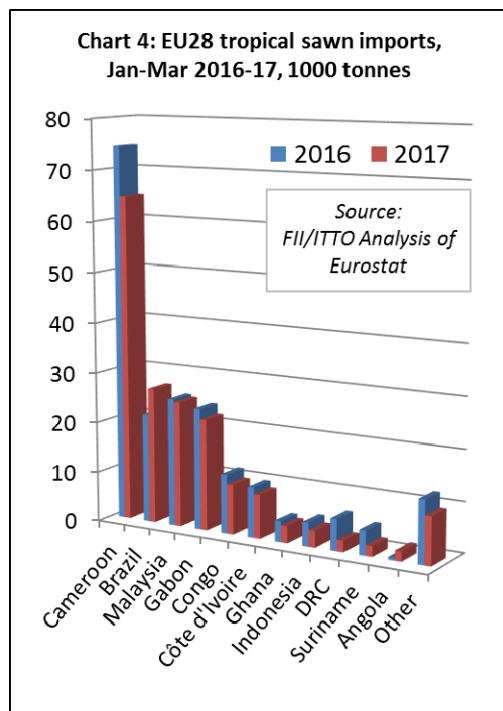
### 10% decline in EU imports of tropical sawn wood

EU imports of tropical sawn wood decreased by 10% to 180,000 MT in the first quarter of 2017. After a significant rise in trade with Cameroon last year, EU imports of tropical sawn wood from the central African country declined 13% to 64,700 MT in the first three months of 2017.

Imports also fell from Malaysia (down 2% to 24,900 MT), Gabon (down 8% to 22,100 MT), Congo (down 16% to 9,900 MT), Côte d'Ivoire (down 13% to 8,800 MT), Ghana (down 18% to 3,400 MT), DRC (down 64% to 2,200 MT) and Suriname (down 57% to 2,100 MT).

However, after a decline in 2016, EU imports of tropical sawn wood from Brazil increased 25% to 27,000 MT in the first quarter of 2017. Imports from Angola, which were negligible in 2016, increased to 2,000 MT during the period (Chart 4).





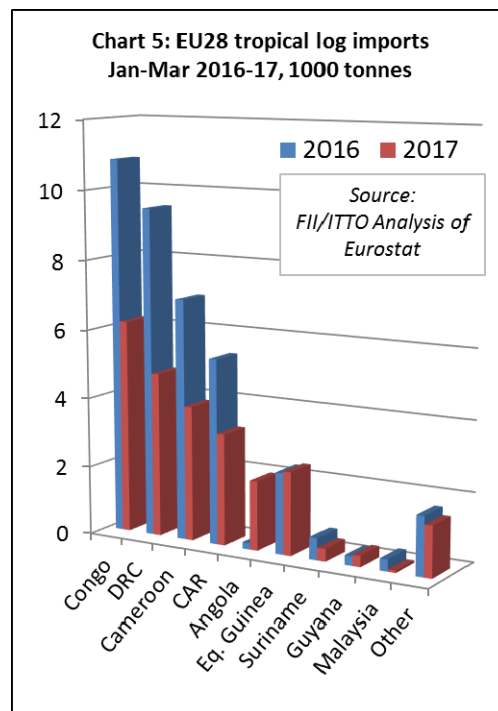
In the first quarter of 2017, tropical sawn hardwood imports declined 15% to 62,100 MT into Belgium, 14% to 20,900 tonnes into France, 37% to 14,600 tonnes into Italy, 21% to 10,400 MT into Spain, and 9% to 7,100 MT into Germany. These losses were partially offset by a 10% rise to 14,600 MT into the UK and a 33% rise to 8,100 MT into Portugal.

**Downward trend in EU imports of tropical logs**

After a brief recovery in 2015 and stasis in 2016, the downward trend in EU imports of tropical logs resumed in the first quarter of 2017. Imports were only 24,700 MT, 35% less than the same period in 2016.

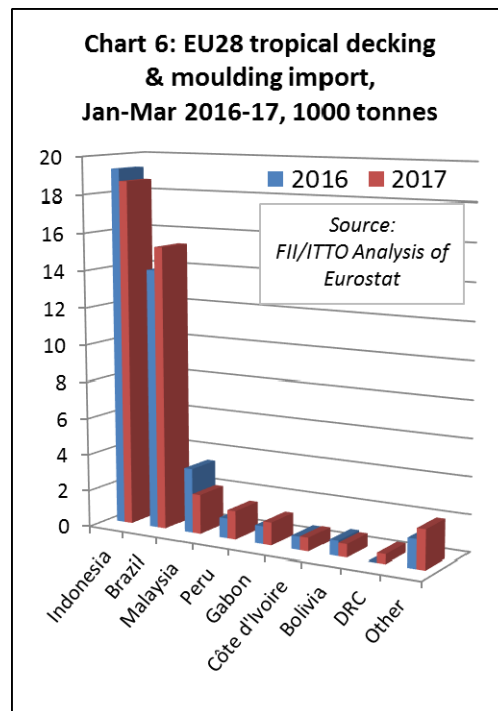
EU imports of tropical logs decreased from all the leading suppliers including Congo (down 43% to 6,200 MT), DRC (down 50% to 4,750 MT), Cameroon (down 44% to 3,900 MT) and CAR (down 40% to 3,200 MT).

Imports from Equatorial Guinea were level during the period at 2,400 MT and imports from Angola increased from negligible levels to 2,000 MT. (Chart 5).



Most of the decline in EU imports of tropical logs in the first quarter of 2017 was concentrated in France, Belgium and Italy. Imports of tropical logs into Portugal were stable during the period.

**Stability in EU tropical decking imports**



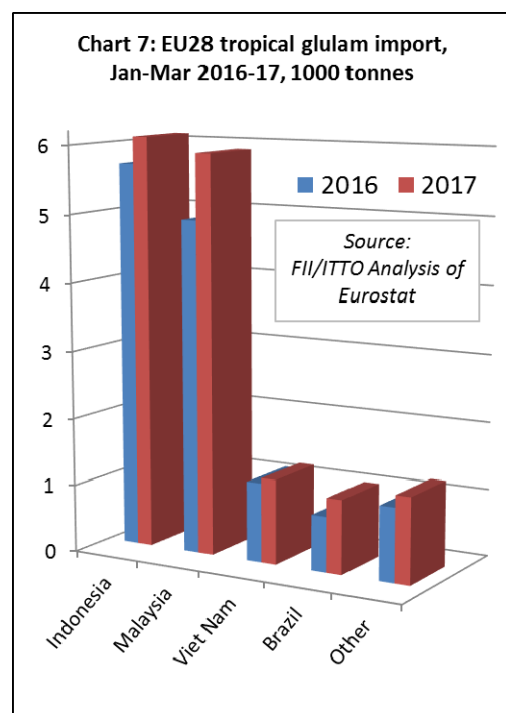
EU imports of tropical mouldings (which includes both interior mouldings and exterior decking products) increased 2% to 43,000 MT in the first quarter of 2017. A 9% rise in imports from Brazil to 15,300 MT was

sufficient to offset a 3% decline in imports from Indonesia to 18,700 MT, and a 39% decline in imports from Malaysia to 2,100 MT. (Chart 6).

Imports of tropical decking increased into France, were stable into Germany and Belgium, but declined into the Netherlands and UK in the first quarter of 2017.

### Rising EU imports of tropical glulam

EU imports of tropical glulam, mainly laminated window scantlings, increased 14% to 15,600 MT in the first quarter of 2017. Imports increased from both the leading suppliers, rising 7% to 6,100 MT from Indonesia and 20% to 5,900 MT from Malaysia. (Chart 6).



In the first quarter of 2017 EU imports of tropical glulam increased into all the main EU markets for this commodity, including the Netherlands, Belgium and Germany.

*Note that EU import data for the first quarter of 2017 for tropical veneer, plywood, flooring, and wood furniture will be included in the next market report.*

### Gradual recovery in EU construction forecast to continue

Recovery of the European economy is boosting construction output, although the overall growth rate is forecast to remain slow in the next 2 years. These are the main conclusions of the 83<sup>rd</sup> Euroconstruct Conference hosted in Amsterdam on 8-9 June 2017.

Euroconstruct reported that European construction output expanded by 2.5% in 2016, half a percentage point higher than forecast at the previous Euroconstruct Conference held in Barcelona in November 2016.

Euroconstruct now expect the volume of construction output to increase by 2.9% this year and by 2.4% in 2018, both above the previous projections in Barcelona (+2.1% in 2017 and +2.2% in 2018).

The upgraded forecast reflects an economic upswing stronger than expected half a year ago, greatly improved consumer confidence and the continuing loose monetary policy. Overall construction output is expected to increase by 8% in 2016-2018 compared to the 6.5% forecast in Barcelona. Thereafter growth is expected to moderate in 2019 (+2%), slightly below the Barcelona figure (+2.1%).

GDP growth of 1.5% to 2.0% per annum in the period 2017-2019 is projected for the 19 Euroconstruct countries. According to Euroconstruct, the European economy is set to follow a moderate growth path, stimulated by still relatively low oil prices, the weaker euro exchange rate and the European Central Bank's stimulus policy (quantitative easing).

In most European countries, domestic consumer demand is increasing, stimulated by declining unemployment. Investment has started to pick up, particularly since households and companies can still secure inexpensive financing, and foreign demand is developing favourably.

However, the pace of recovery remains relatively moderate due to the sluggish implementation of economic reforms as well as long-standing weak growth trends. In general, the European economic growth potential is lower than it was before the financial crisis, due to the population ageing and declining productivity growth.

Euroconstruct estimate that residential construction in Europe expanded by 5% in 2016. In the coming years growth in this market segment is projected to become less strong, expanding by 3.7% in 2017, 2.3% in 2018 and 1.7% in 2019. At present, output in the sector is boosted by demographic trends, increasing household income and low mortgage rates.

New residential construction expanded by 8.8% in 2016, and growth this year will also remain very strong (+6.8%). However, a significant slowdown in new residential construction is expected in 2018 and 2019. Growth in residential renovation and maintenance has been slower but is expected to remain consistent at about 1.5% per year.

Non-residential construction is forecast to grow only modestly in the coming years; by 2.3% in 2017, 1.8% in 2018 and 1.2% in 2019. Despite the positive impulse from the growth of consumer demand and relatively high corporate profits, expansion in this sector is hindered in many countries by lack of external financing and the poor financial situation of public authorities.

Subsectors where public financing is particularly important – such educational building – is generally lagging other sectors.

Output in civil engineering, after contracting 1.8% in 2016, is forecast to increase by 2% this year and by 3.6% in both 2018 and 2019. Much growth in civil engineering will be concentrated in Eastern Europe, largely due to a new round of EU structural funds.

Construction activity in most European countries is growing consistently at around 2% per year during the 2017-19 period. However, activity is forecast to grow much more rapidly in a few countries, notably Hungary (14.9%), Ireland (7.7%), Poland (5.5%), Czech Republic (4.3%) and Portugal (4.1%).

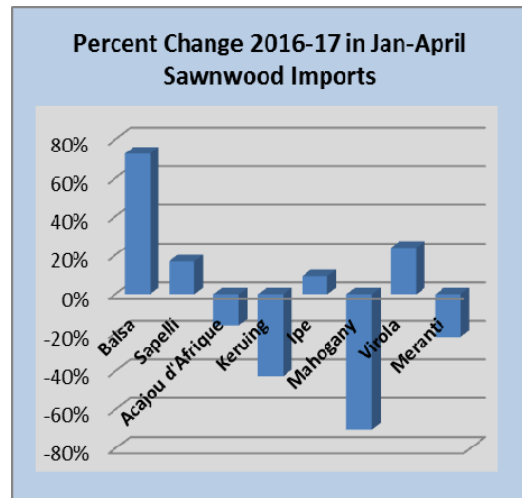
**North America**

**Ipe leads US tropical imports**

US imports of all sawn hardwood increased 9% in April to 82,091 cu.m. The growth in tropical sawnwood imports was greater than for temperate species.

Tropical sawnwood imports increased for the second consecutive month in April to 22,279 cu.m. Year-to-date imports were up 17% from April 2016. The value of imports grew 18% from March to US\$24.7 million. Balsa, keruing and virola imports were down month-over-month, but imports of most other species increased in April.

Ipe sawnwood imports were 2,912 cu.m. in April, up 9% year-to-date from April 2016. The value of ipe imports was US\$6.5 million, making ipe the highest value of all tropical sawnwood imported and Brazil the largest supplier to the US market based on value. Brazil accounted for almost all ipe imports (2,707 cu.m.) valued at over US\$6 million.



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

Imports of sapelli sawnwood more than doubled from March to 4,073 cu.m. Year-to-date imports increased 17% from April 2016. Cameroon exported 2,363 cu.m. of sapelli sawnwood to the US, significantly more than the 922 cu.m. in March.

Congo/Brazzaville also more than doubled sapelli shipments (1,454 cu.m.) to the US in April.

Acajou d’Afrique imports grew by nearly one third in April to 1,764 cu.m., but year-to-date imports were lower than in April 2016. Cameroon accounted for the majority of acajou d’Afrique (989 cu.m.), followed by Ghana (401 cu.m.), Congo/Kinshasa and Congo/Brazzaville.

**Balsa dominates Canadian tropical imports**

Canadian imports of tropical sawnwood were unchanged in April at US\$1.94 million. The value of year-to-date imports was up 4% from April 2016.

While the overall value of imports was unchanged, virola, imbuia and balsa (combined) and sapelli imports grew from March. Imports of mahogany and other tropical species fell in April.

Even more so than in the US market, balsa sawnwood imports for industrial use dominate Canadian tropical imports.

In April, balsa imports from Ecuador increased 39% to just under US\$0.6 million. More balsa sawnwood may be imported via the US. Balsa is grouped with virola and imbuia in the Canadian trade classification. Canada imported US\$351,502 worth of virola, imbuia and balsa from the US in April.

**Improving competitive environment for US wood flooring manufacturers**

Imported wood flooring (engineered and solid) lost US market share in 2016 and the underlying reasons present an opportunity for US flooring manufacturers, according to Hardwood Floors, the magazine of the National Wood Flooring Association.

US manufacturers accounted for 67% of total wood flooring sales in 2016, and 56% of total square foot sales. This is up from 67% and 52%, respectively, in 2015. US production increased by an estimated 9% in 2016, while imports declined by almost 5%. The decline was in both solid and engineered wood flooring.

While the decline in imports is relatively small, compared to annual imports growth rates in the previous eight years, US wood flooring may increase its market share if US manufacturers invest in new production capacity.

Several factors contributed to the slowdown in wood flooring imports, according to the Hardwood Floors magazine.

The main factor is probably rising prices of imported wood flooring, while US flooring prices declined. At the same time imported wood flooring had to comply with the Lacey Act requirements, which made many US distributors and retailers turn to domestic sources.

China lost US market share when the US imposed antidumping duties and countervailing duties on engineered wood flooring, but Vietnam, Cambodia and other countries in Asia made up for the decline in imports from China.

In 2007, average flooring import prices were only slightly below US-made products. In 2015 the gap was more than 50%, according to Hardwood Floors. Moreover Asian suppliers were able to provide more species and colours. Between 2007 and 2015 wood flooring imports grew at more than 20% annually.

In 2016 import prices increased by an average 9.6% but prices of Chinese engineered wood flooring grew by over 13%. US-made flooring prices declined 8.2% in 2016.

China increasingly imports hardwood from the US to manufacture flooring and other wood products to export back to the US market, thereby ensuring legal sourcing from US forests. Higher US sawnwood prices and rising Chinese labour cost contributed to the higher than average growth in Chinese-made flooring prices.

Despite these relatively favourable circumstances for US flooring manufacturers, imports are unlikely to decline significantly unless US manufacturers invest in new state-of-the-art wood flooring production capacities.

In the last five years US wood flooring manufacturers have increased capital spending by only 20%, which is less than half of other flooring covering industries and a moderate amount given the growth in the US housing and remodeling markets.

The market outlook for imported wood flooring remains positive if suppliers control costs and make it easy for US importer to comply with the Lacey Act.

For more see:

<https://hardwoodfloorsmag.com/2017/06/01/sourcing-wood-flooring-supply-u-s-manufacturers-ready-take-share-foreign-sourced-products/>

### **12-storey CLT timber tower for Portland**

A 12-storey building constructed of cross-laminated timber (CLT) and glulam was approved for construction in Portland, Oregon. The building will be the first all timber tall building in the US. It will include retail space, offices and apartments.

The CLT panels will be supplied by Portland manufacturer D.R. Johnson who was the first company in the US to receive certification according to the APA/ANSI standard for CLT.

The proposed building design was also tested by two universities for seismic, fire and acoustic performance. Building code work is underway in Washington State and Oregon to allow for tall wood buildings, which will simplify the design and permitting process.

Twenty-seven tall wood buildings have been completed to date in Europe and Canada, according to the Council on Tall Buildings and Urban Habitat.

A hybrid timber and concrete building in Vancouver is currently the highest building, but a 24-storey hybrid timber and concrete tower is under construction in Vienna, Austria.

The tallest proposed buildings are a 26-storey hybrid timber and steel tower in Lagos, Nigeria and a 35-storey tower also in timber and steel in Paris, France.

The proposed Abebe Court Tower in Lagos would be the first tall all timber building in Africa and the first to include open-air planted sky-gardens.

**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.

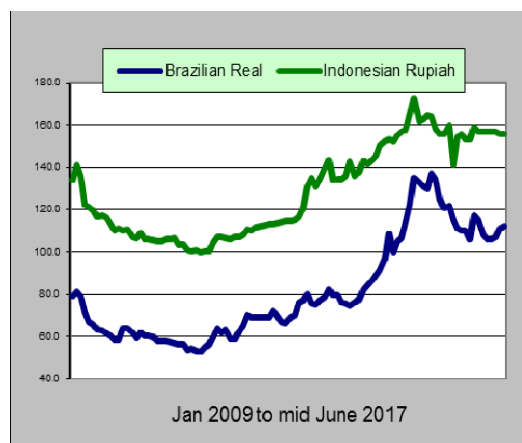
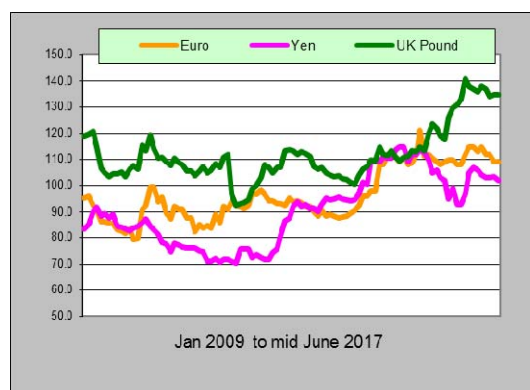
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 10 June 2017

Brazil	Real	3.2968
CFA countries	CFA Franc	586.93
China	Yuan	6.7987
EU	Euro	0.8931
India	Rupee	64.39
Indonesia	Rupiah	13296
Japan	Yen	110.33
Malaysia	Ringgit	4.265
Peru	New Sol	3.263
UK	Pound	0.7849
South Korea	Won	1125.30

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



## Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
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 2016 – mid June 2017



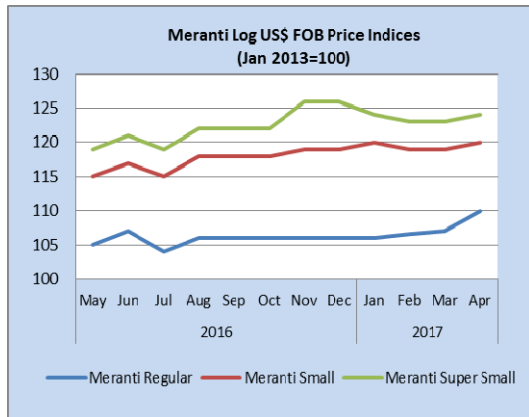
Data source: Open Financial Data Project

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

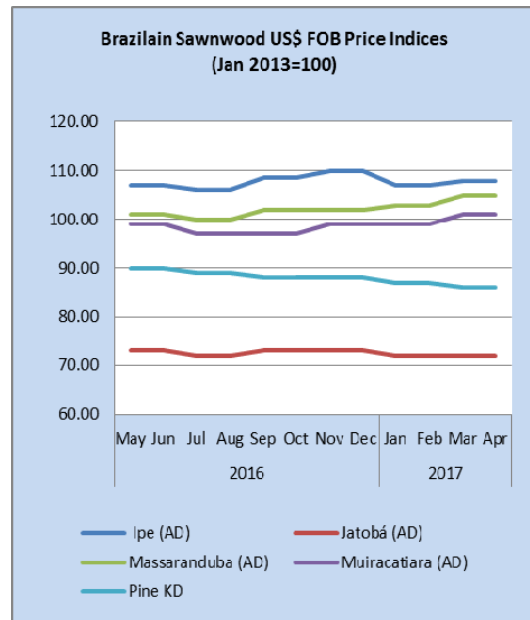
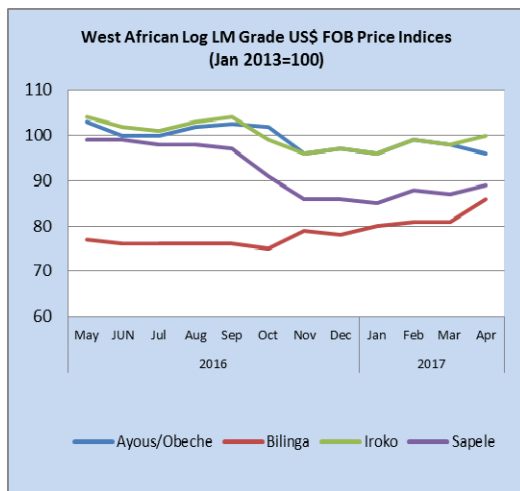
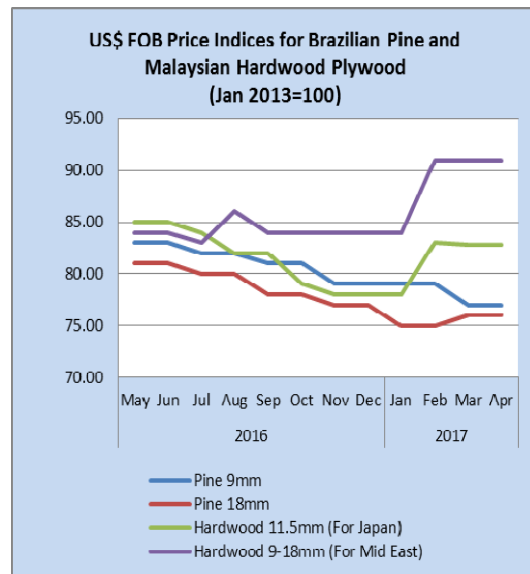


**Price indices for selected products**

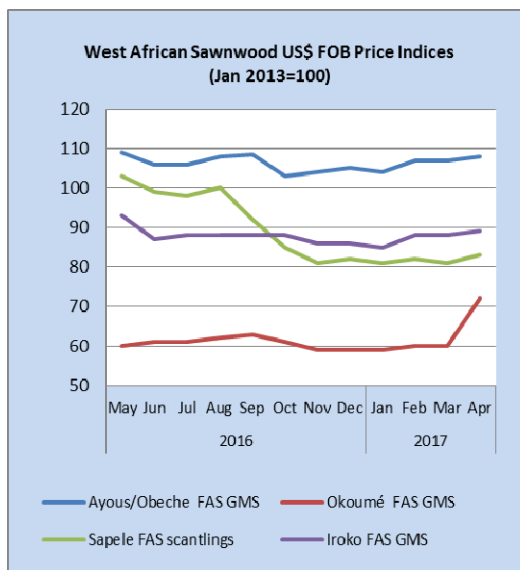
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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