

Tropical Timber Market Report

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

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Top Story

Japanese government policy on the TPP

The Japanese government has released details of its policy in relation to the TPP (now termed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership).

The Japan Lumber Reports (JLR) says that the government will allocate yen 29 billion for strengthening the plywood and lumber industries. The budget will also provide support for domestic log production and logging road maintenance.

The aim is to strengthen the international competitiveness of the plywood, lumber and laminated timber sectors through bringing down domestic log producing costs and raising productivity.

See page 13

Central and West Africa

Producers resigned to weaker demand in EU markets

Producers are expressing confidence that the current price stability and steady order volumes for African species will continue for at least the first quarter. There were no changes in prices over the holiday period even though business was quiet.

As previously reported, exporters believe that demand in Europe for West African timbers will continue at the same pace seen in 2017 as there appears no incentive for change in consumers' preference for pale coloured timber.

The market for tropical timbers continues to suffer from constant negative publicity and the increasingly stringent application of the EUTR in European importer countries.

The current opinion of producers is to wait and see but with a strong expectation that stability will prevail while Asian and Middle East markets begin to develop more strongly.

Impact of Chinese New Year holidays on trade will be minimal

The Chinese Spring Festival in mid-February will of course dampen purchases but this will have more impact on production and trade on SE. Asian producers. West and Central African exporters are unlikely to feel any significant change in the pace of business.

Hopes rise for resolution of Kevazingo issue

The industry in Gabon is hoping the recently appointed Minister for Forests will make early decisions on the future trade in kevazingo, a species in high demand but which has been dogged by accusations of illegal activity over the past year and for which exports are now banned.

The timber industry in Gabon employs almost 30% of the working population and disruptions to production has an immediate impact on employment.

Reports are emerging of over felling by some concession holders in Cameroon, Republic of Congo and Gabon and the authorities in those countries have introduced tough new measures and tightened monitoring.

Expanded investment by Chinese anticipated

The Chinese government's new initiative, Belt and Road appears to be aimed at encouraging Chinese businesses to invest higher up the supply chain in overseas countries supplying raw materials.

This is not new to the tropical timber trade which in African countries has seen a large percentage of new investments in recent years made by businesses based in China.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	220	220	160
Ayous/Obeche/Wawa	245	240	190
Azobe & Ekki	235	235	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	335	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	190
Moabi	330	300	235
Movingui	210	200	160
Niove	175	160	-
Okan	235	215	-
Padouk	300	275	210
Sapele	300	260	220
Sipo/Utile	290	270	200
Tali	330	320	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1020
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Financial stimulus package for distressed companies

During the Association of Ghana Industries (AGI) Annual General Meeting, Mr. Seth Twum Akwaboah, the AGI CEO, said that he believes the government will soon release funds under a stimulus package for distressed companies.

According to the AGI, a recently completed survey of companies was useful in identifying those companies in need of financial assistance to revive their operations.

Mr. Akwaboah explained that some companies need significant financing and that for some there is a need for a quick release of funding.

The AGI AGM was the occasion for election of a new president and Dr. Yaw Adu Gyamfi was chosen to take over from the outgoing president Mr. James Asare Adjei, who previously served since 2013. Dr. Gyamfi served the AGI as the first Vice President in charge of Large Scale Industries.

Adjei said he intends to continue with the valuable projects started under the departing president and that he wants to empower chairpersons for all the various sectors represented by the AGI so as to rebuild the capacities of SMEs in the country.

The new AGI president also announced the association will be working with government to implement industrialisation policies particularly 'one district one factory' initiative.

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

Government determined to reduce power tariffs in 2018

Mr. Ken Ofori-Attah, Ghana's Minister of Finance has said the government is determined to bring down the price manufacturers pay for energy.

It has been reported that the government has prepared proposals for a reduction in energy charges and has submitted this to the Public Utilities and Regulatory Commission for consideration. The new administration in Ghana is doing everything it can to ensure the continuous supply of low cost power in order to lift productivity and competitiveness of the manufacturing sector.

Boule Export prices

	Euro per m ³
Black Ofram	420
Black Ofram Kiln dry	519
Niangon	570
Niangon Kiln dry	610

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300↓	450
Chenchen	425	502
Ogea	410↓	596
Essa	377↓	566↓
Ofram	350	406

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

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanfina	1,239
Avodire	897
Chenchen	826
Mahogany	1,732
Makore	2,667
Odum	1967

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m ³		
	Ceiba	Ofram	Asanfina
4mm	352	586	641
6mm	600	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	364	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 ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afrormosia	492	564
Asanfina	240	320↓
Ceiba	390↑	440↑
Dahoma	520	580
Edinam (mixed redwood)	380	428
Emeri	870	1040
African mahogany (Ivorenensis)	620↓	846
Makore	620	675
Niangon	755	1029
Odum	700	775
Sapele	400	449
Wawa 1C & Select		

Malaysia

Mixed start to 2018

2018 started mixed in Malaysia. On the one hand there was an encouraging growth projections from the World Bank but on the other there remains a risk of a trade conflict with the EU over oil palm.

Economic growth in Malaysia accelerated through 2017 with year-on-year growth projected to be 5.8%, the highest annual growth rate since 2014. Growth is forecast to remain strong at 5.2% for 2018 according to the latest Malaysia Economic Monitor, from the World Bank.

This report says "Accelerated growth has been fueled by strengthening domestic demand, improved labour market conditions, and wage growth, as well as improved external demand for Malaysia's manufactured products and commodity exports. Capital expenditure has also increased due to higher private and public investment."

According to the press release from the Bank strong growth prospects pave the way for additional reforms such as policies to boost productivity and address constraints such as a lack of competition in key markets and critical skills deficits.

For more see: <http://www.worldbank.org/en/news/press-release/2017/12/14/malaysia-economic-growth>

The year also started with an ominous warning of a potential trade war. Plantation Industries and Commodities Minister Mah Siew Keong Malaysia said if the European Union moves to ban palm oil use in biofuel mix Malaysia will have no choice but to retaliate.

Added value products from oil palm stems

In other oil palm news the Plantation Industries and Commodities Minister said some 5.7 million hectares of oil palm estates undergo replanting after 25 years and that annually there are between 80,000 ha and 100,000 ha of oil palm plantations felled yielding around 18 million palm stems.

This is a valuable but largely underutilised raw material said the minister when opening the Fibre and Biocomposite Centre (Fidex 3) and Furniture Durability Testing Laboratory at the Olak Lempit furniture complex in Banting.

Fidex 3 is an initiative of the Malaysian Timber Industry Board (MTIB) to provide testing services to the industry and higher learning institutions as well as aiding in the commercialisation of biocomposite products.

Last year biocomposite products manufactured into plywood, chipboard and wood-plastic composites contributed 29% of the total export value of the national timber industry.

Export growth weighed down by strong ringgit

Malaysia's export growth slowed to 14% year on year weighed down by the strengthening ringgit. The Malaysian ringgit averaged RM4.16 to the US dollar in November 2017, up from RM4.22 towards year end and is expected to strengthen further.

Sabah export volumes down

Sabah Statistics Department has released the January to October 2017 export data. Total timber product exports for the first ten months of 2017 amounted to 674,129 cu.m, down around 6% compared to the same period in 2016.

	Jan-Oct 2016 cu.m	Jan - Oct 2017 cu.m
Sawnwood	152,280	159,476
Laminated board	32,924	25,783
Mouldings	8,221	8,299
Veneer	54,995	52,426
Plywood	471,024	428,145
Total	719,444	674,129

Data source: Sabah Dept. of Statistics

Plywood price update

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US\$700 FOB
CP (3' x 6')	US\$ 510 C&F
UCP	US\$ 590 C&F
Standard 4x8 panels	
S. Korea (9mm and up)	US\$ 460 FOB
Taiwan P.o.C (9mm & up)	US\$ 440 FOB
Hong Kong	US\$ 440 FOB

Indonesia

2018 plan for teak and hardwood sales

In a recent series of promotion activities and in a media release, Denaldy M. Mauna, President and Director of Perum Perhutani, the Indonesian state owned Forestry Company, has invited consumers to use Perhutani wood.

Perhutani's marketing team presented its timber production plan for 2018 indicating that it will have available some 340,000 cubic metres of plantation teak and 416,000 cubic metres of non-teak wood such as pine and mahogany.

The 2018 plan outlines the price structures to be applied and provides details of the costs of certification and the price range depending on size and log quality. Perhutani's timber sales are also retailed through online sales and up to November last year online sales reached Rp1.1 trillion.

For more see : <https://wijayaeka.info/perhutani.html>

Bank Indonesia optimistic on growth prospects

Bank Indonesia (BI) has forecast that the economy is set to expand by over 5% in 2018 as investments and exports are expected to increase further.

BI Governor, Agus Martowardojo, said he is confident that the private sector will continue to expand investment and raise wages which will encourage greater consumer consumption in 2018.

2018 exports set to rise

According to Ruffie, Director of Forest Product Processing and Marketing in the Ministry of Environment and Forestry, wood product exports rose just over 1% in 2017 However, he pointed out that in terms of tonnage 2017 exports dropped.

Despite this sobering news timber sector entrepreneurs are optimistic that they will increase exports in 2018 said the Chairman of the Association of Indonesian Sawn Timber and Processed Timber (ISWA).

According to ISWA, processed wood sales up to October in 2017 amounted to US\$1.72 billion which, says Soewarni, could grow to US\$2 billion. Soewarni considers the export of FLEGT licensed timber will improve the competitiveness of Indonesian wood products because the product is recognised as coming from legal timber.

In related news, the Indonesian Minister of Industry, Airlangga Hartarto, has said Indonesia's exports face some obstacles in international markets such as high import duties. According to Airlangga, efforts must be made to increase the number of trade agreements to bring tariffs down.

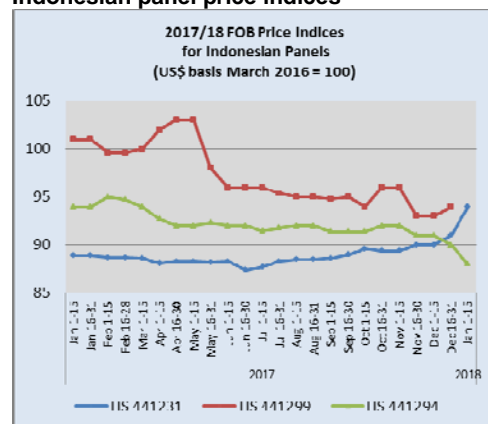
Indonesian International Furniture Expo (IFEX) 2018

The Indonesian Furniture and Handicraft Industry Association will host a major furniture and handicraft exhibition and business to business event in 2018, the Indonesia International Furniture Expo (IFEX) 2018.

As in previous years local companies will be encouraged to promote their products directly to international buyers.

See: <https://ifexindonesia.com/>

Indonesian panel price indices



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

Myanmar

Foreign investment target success

Between April and December 2017 the value of incoming foreign investment topped US\$5 billion or around 95% of the target.

The Myanmar Investment Commission (MIC) has issued 174 investment licenses covering US\$4.8 billion and the balance was in the Thilawa Industrial Zone where Japanese investment was the greatest. The MIC has devolved some authority to State and Regional agencies and at the regional level 21 licenses were issued to investors from China, Singapore, Taiwan P.o.C, Hong Kong, Japan and Malaysia for around US\$29 million.

The MIC has issued a list of manufactured products for which licenses will be issued and these are most for import substitution. The MIC will provide assistance to investors to secure land and power supplies.

Greater transparency the key to revive markets for teak

Analysts write that once again the Environmental Investigation Agency (EIA) has reminded the authorities in Myanmar that, for as long as they do not provide transparency in the domestic log flows from forest to mill, it will be impossible for teak importers to be entirely satisfied on the legality of the timbers offered for export.

Myanmar has been striving to ensure forest conservation and the production of verifiably legal timber but still cannot create a supply chain reporting system that satisfies critics and meets international standards.

The EIA has made another call for stricter control and greater transparency in the timber sector so that Myanmar teak can once again take its place as the 'king' of timber in international markets.

Local analysts are dismayed with the latest scathing report from the EIA saying this does not reflect the reality nor give due credit for the efforts made to implement the recommendations of the report: Myanmar Timber Legality Assurance System (MTLAS) Gap Analysis of April 2017.

The latest EIA report says the pristine forests of Myanmar are under real and urgent threat. The report also says European companies are still failing in their responsibilities to satisfy the due diligence requirements of the EUT R in respect of teak imports from Myanmar.

The EIA says that the actions of some government departments in Myanmar have made it all but impossible to access information that can prove teak has been legally harvested. This means that importers of Myanmar teak find it very difficult to comply with regulations aimed at eliminating illegal timber from the supply chain.

Sale of seized logs

Recently the Forestry Department suspended the sale of confiscated low quality hand hewn timber in a move to ensure illegal timber does not enter the supply chain. However, confiscated timber of high quality is being sold by the Myanmar Timber Enterprise (MTE).

Co-opt local residents to help combat illegal logging

The Director of Forestry in Magwe Region told the media that the participation of the local people is essential to combat the illegal logging and to conserve the forest particularly as the Forestry Department is facing a skilled staff shortage.

He further said civil society organisations are playing an important role in calling for enhanced forest governance and their involvement in negotiations for a VPA is vital.

Support for SMEs

The Government is preparing to expand its support for the development of SMEs in the country according to Vice President, Myint Swe, who recently chaired a meeting with members of the Union of Myanmar Federation of Chamber of Commerce and Industries. He said the government intends to provide around 300 billion Kyats for the SME development.

In related news, the new minimum wages has been adopted at 4,800 Kyats per day. The previous rate of 3,600 was approved three years ago.

Employers in Myanmar argued for 4,000 Kyats and employees asked for 5,600 Kyats. One manufacturer from the wood based industry sector said the change will not have a big impact on most workers in the timber sector as they receive more than the new minimum anyway. The impact will be greatest in the labor-intensive industries such as garment manufacturing.

December teak auction prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	17.9	3,235
SG-5	48.2	2,640
SG-6	118	1,970
SG-7	224.7	1,825

India

GST to bear fruit over next 5 years

A Fitch Ratings report on the 'Medium-Term Growth Potential in Emerging Economies' says India is likely to achieve a GDP growth rate of 6.7% annually for the next five years.

Driving the steady growth says the Fitch report will be improvements in productivity stemming from recent reforms such as the introduction of the goods and services tax (GST).

The report says "Potential GDP should continue to be bolstered by a fast-rising working age population and good labour productivity gains. We expect a sharp pick up in trend growth as the reforms carried out by the government should start to bear fruit, spurring more efficiency in the productive process".

For more see: <https://www.fitchratings.com/site/pr/1034704>

Rise in sawnwood and particleboard price indices

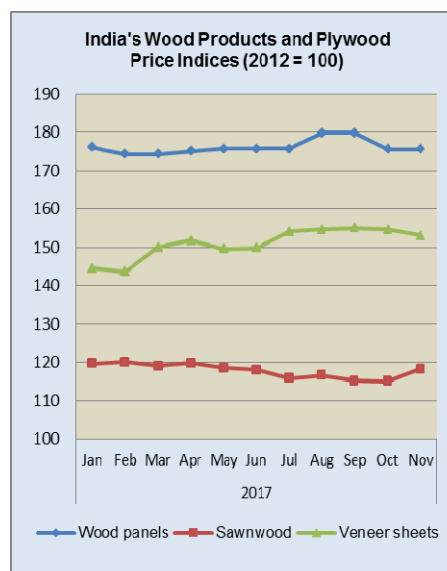
India's official wholesale price index for all commodities (Base: 2011-12=100) for November 2017 released by the Office of the Economic Adviser to the government (OEA) rose to 116.3 from 115.5 for the previous month.

The annual rate of inflation, based on monthly WPI, stood at 3.93% (provisional) for November 2017 compared to 3.59 for the previous month.

Inflation for this financial year so far was 2.74% compared to 3.9% in the corresponding period of the previous year

The overall index for wood products and cork group declined by 0.5% in November to 131.6 from 132.3 for the previous month due to lower price of plywood, blockboard, laminated wood and veneer sheets. However, the price of sawnwood and particleboard rose.

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

2016/17 export round-up

India's exports of wood and wood products totalled US\$800.49 million in fiscal 2016-17, very little changed from the previous year. Analysts point out that there is considerable scope for Indian companies to expand wood product exports.

Indian wood product exports (US\$ mil.)

	2015-16	2016-17	% Change
Cork products	1.99	2.41	21
Hardboard	14.41	18.59	29
Other articles of wood	257.58	265.51	3
Plywood	40.89	27.3	-33
Sandalwood chips	2.35	1.53	-35
Sawn timber	25.32	17.84	-29
Tea chest panels	0.01	0.07	-
Veneer	14.33	15.39	7
Wooden furniture	431	451.85	5
Total	787.88	800.49	1.6

The main export markets were the US, China, UAE, UK, Germany, Netherlands, Hong Kong, Nepal, Canada, France, Sri Lanka, Saudi Arabia, Australia, Turkey and Spain.

India is experiencing growing demand for wood products driven by the growing young and more affluent population between 18 – 40 years old so domestic consumption of wood products will increase.

Cushman & Wakefield report – housing starts declined in 2017

The combined impact of the India Real Estate Development Act and the introduction of the national goods and services tax (GST) resulted in a sharp dip in investment in residential housing in 2017 according to a recent report from property consultancy Cushman &

Wakefield. The report says only the affordable housing sector recorded a year-on-year growth (+6%).

See: http://www.business-standard.com/article/companies/new-residential-launches-declined-35-in-2017-report-118010200025_1.html

Teak auctions begin as rains recede

As the monsoon rains have receded the Forestry Department programme for teak and hardwood auctions has now begun at various depots of the Dangs and Valsad divisions. Auctions will continue until 22nd of January.

Analysts report that good fresh logs are available for sale and that around 5,000 cubic metres of teak is being offered so sales should be brisk.

Industry challenges Customs Department minimum price for imported teak

Demand for imported teak logs remains steady but not firm enough for wholesalers to achieve a price increase.

Difficulties with the minimum prices set by Customs continue and efforts are on-going with the Ministry of Finance to have this resolved.

Analysts write that since the GST was introduced Customs have been charging the GST based on their own minimum price for logs but, says the trade, this is not always appropriate.

For example, when an importer purchases low grade material such as thinnings or logs with a thick bark or wide sapwood the price will be lower than average but Customs is rejecting the price quoted on the import documents.

Cases have arisen where the purchase price for low grade logs was around US\$290 per cubic metre but Customs applied a price of US\$490 per cubic metre, their minimum price, and used this to determine the GST to be paid.

Efforts are on to resolve this problem but Customs officers are not expert on quality specifications and are reluctant to take the initiative to change. The trade has therefore to seek redress from Ministry of Finance.

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 girth

Locally sawn hardwood prices

Prices for imported hardwoods remain as reported at the end of 2017. Traders report that demand is strengthening as imported hardwoods are now competing effectively with imported teak where log sizes are becoming smaller and the overall quality is deteriorating.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3200-3500
Balau	2000-2100
Resak	1350-1550
Kapur	1750-1850
Kempas	1250-1400
Red Meranti	1100-1200
Radiata pine AD	600-700
Whitewood	650-750

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

Imported sawn Myanmar teak

Traders say the availability of sawn teak from Myanmar is satisfactory but that sales are limited to a special category of conservative buyers as more endusers are opting for other hardwoods which are available at much lower prices.

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	3000-4000

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

Prices for imported sawnwood (KD 12%) remain unchanged.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1350-1450
Sycamore	1500-1650
Red Oak	1600-1750
White Oak	2200-2250
American Walnut	4250-4500
Hemlock clear grade	1200-1400
Hemlock AB grade	1200-1250
Western Red Cedar	1850-2000
Douglas Fir	1550-1750

Price range depends mainly on lengths and cross-section.

Plywood prices

Manufacturers are still rejoicing the reduction in the goods and service tax on plywood. Plywood prices remain as reported in December.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	50
6mm	67
9mm	85
12mm	105
15mm	140
18mm	147

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	25.0	37
6mm	37.75	48
9mm	48	58
12mm	58	69.5
15mm	70.5	84.25
19mm	80.25	95
5mm Flexible ply	50	

Brazil

Greater transparency for Amazon timber trade

A new online platform will be launched aimed at bringing greater transparency to the Brazilian timber trade.

The new platform called 'Timberflow' is an initiative of the Institute of Agricultural and Forest Management and Certification (Imaflora). The tool will provide maps and graphics on timber production flows and trade of timber from the Amazon region. The initiative aims to strengthen legality in the timber sector and to stimulate debate on the importance of transparency and access to data.

Timberflow will start with data from Pará state, one of major timber producer states in the Amazon region. According to IBAMA the platform will be launched in March this year.

IBAMA's 'Operation Maravalha' – a logistic and physical challenge

To investigate suspected illegal logging it is necessary to find the exact spot where suspect logs were cut and compare samples from the cut stump to the suspect logs.

In order to conduct such investigations IBAMA inspection teams in Minas Gerais and Goiás states have been mobilised to support action to combat illegal logging in the region of Colniza.

This is part of the IBAMA 'Operation Maravalha' the name given to this specific operation to combat illegal logging.

This operation presents a considerable logistical and physical challenge because of distances involved and because accessing the forest, especially in the rain season, is difficult.

Industry needs to be alert to competitive environment

The 65th International Softwood Conference (ISC 2017) held in Germany provided an opportunity for an analysis of prospects in the main international markets. The conclusion was that consumption of softwoods in 2017 has risen and there are prospects for moderate growth in 2018.

While European markets remain the traditional destination for EU softwood production a promising development has been the increasingly important role of exports to Asia, in particular China. Japan also remains an important export destination for European sawnwood.

The picture at world level is quite promising but a possible source of risk is the UK market as Brexit could impact economy resulting in weaker demand. Another important challenge relates to the availability of softwood raw material. In the medium term there is a significant shortage that could negatively impact the industry. Analysts said that obtaining raw material will increasingly play a critical role in the expansion of the softwood sector.

While export market demand is likely to grow the Brazilian sawnwood industry needs to be alert to the competitive environment.

Exports of the forest plantations sector until November 2017

Export earnings by the planted forest sector between January and November 2017 totalled US\$7.7 billion, an 11.4% increase compared to the same period of 2016.

The impact of the sector on the trade balance was positive at US\$ 6.8 billion, an increase of 13% year on year. In the first eleven months of 2017, pulp exports reached US\$5.7 billion (+14.1%), paper exports US\$1.7 billion (+ 2.3%) and woodbased panels US\$266 million (+18.8%).

Between January to November 2017 sales of woodbased panels to external markets increased 26%, reaching 1.17 million cubic metres.

In the period from January to November 2017, Latin American countries were the main markets for paper and wood panel exports. Revenues from paper exports to regional markets amounted to US\$1.14 billion, an 11% increase year on year. Regional markets took US\$139 million in woodbased panels, up almost 15% year on year.

The wood panel market also saw significant sales growth in Asia and Oceania. The plantation wood panel segment registered domestic sales of 5.9 million cubic metres, up almost 4% year on year.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	218
Jatoba	124
Massaranduba	124
Muiracatiara	124
Angelim Vermelho	117
Mixed redwood and white woods	104

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	976
Jatoba	482
Massaranduba	451
Muiracatiara	450
Angelim Vermelho	405
Mixed red and white	269
Eucalyptus (AD)	225
Pine (AD)	161
Pine (KD)	186

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	599
10mm WBP	489
15mm WBP	431
4mm MR	494
10mm MR	368
15mm MR	344

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	259
15mm MDF	314

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1480
Jatoba	913
Massaranduba	777
Muiracatiara	750
Pine (KD)	190

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports. High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	296
12mm C/CC (WBP)	281
15mm C/CC (WBP)	265
18mm C/CC (WBP)	267

Source: STCP Data Bank

Export Prices For Added Value Products

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

Source: STCP Data Bank

Peru

Forecast rebound in domestic demand

A recent GAIN report has taken a look at the timber industry in Peru. The December 2017 report says the domestic market for wood products is strong and the entire trade was worth around US\$800 million in 2017 which could increase to US\$1 billion in 2018 boosted by the recovery of the construction sector and reconstruction efforts after El Nino rains that caused flooding and landslides.

Peru's domestic demand has grown steadily over the last 15 years driven mainly by the construction and mining sectors. The US Foreign Agricultural Service office in Lima says "it sees opportunities for increased softwood and engineered wood product use in Peru's construction sector"

According to SERFOR, of the approx. 700,000 cubic metres of timber produced over 80% is converted to sawnwood, 10% to plywood with the balance being for flooring, laminated wood and poles.

See: <https://www.fas.usda.gov/data/peru-wood-and-wood-product-trade-peru-remains-strong>

Law establishing Yaguas National Park enacted

The President of Peru and the Minister of the Environment have signed an executive order placing almost 900,000 hectares of forest in Peru's Loreto Region in the newly created Yaguas National Park.

Until the creation of this new park the area was only designated as a protected reserved area.

For more see: <http://www.ethicalcorp.com/together-rainforest-alliance-and-utz-will-be-more-powerful-force-positive-change>

Export Sawnwood Prices

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

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	523-599
Grade 2, Mexican market	461-482
Cumarú 4" thick, 6'-11' length KD Central American market	887-933
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	509-549
Dominican Republic	655-678
Marupa 1", 6-13 length KD Asian market	496-569

Domestic Sawnwood Prices

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

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumarú KD, S4S	
Swedish market	962-1095
Asian market	1059-1089
Cumarú 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

Second longest post war economic expansion

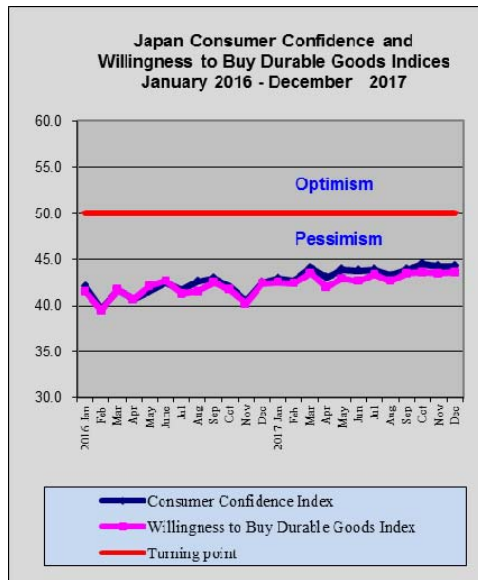
In a survey conducted towards the end of 2017 most large Japanese companies indicated that they expect the Japanese economy to expand further in 2018 on the back of increased capital investment a recovery in individual consumption and faster export growth.

As the New Year begins the government has been heartened by data showing the Japanese economy is in its second longest post war economic expansion with

indications that the good news will continue into 2019 provided international demand remains robust.

Japan's GDP has grown for seven straight quarters and the stock market is at a 25 year high but, despite good corporate profits, consumer spending remains weak as wage increase have not flowed from major companies.

The Spring wage negotiations are about to begin and already the government is lobbying hard to get the major companies to release some of their profit stock pile as wage hikes.



Data source: Cabinet Office, Japan

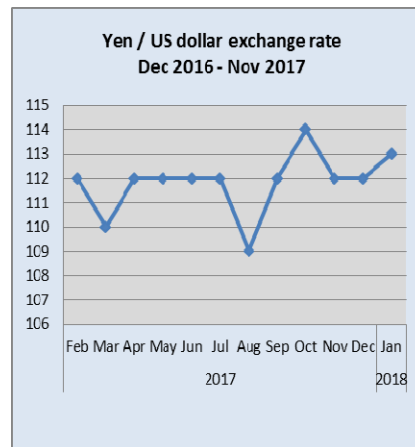
Traders alert for any hint of a change in the BoJ weak yen policy

Over the extended year-end holidays the US dollar/yen exchange rate barely changed as there were no significant movements in the main economic indicators.

Housing starts in Japan continue to be firm as they are in the US and there has been no movement in Japan's manufacturing output or consumer spending which could have triggered an exchange rate movement.

Looking further ahead there does seem to be an expectation that the Bank of Japan (BoJ) will be considering an interest rate increase during 2018 given five successive quarters of economic expansion and a very tight labour market.

The weak yen is the biggest boost to exports and adds some inflationary pressure because imports are that much more expensive. A stronger yen would have the opposite effect on export growth and inflation. Several analysts are cautioning that currency traders remain alert to any hint of a change in the BoJ policy and that we may see a period of volatility in the yen/dollar exchange rate in 2018.



Second half robust housing market continues

Data from Japan's Ministry of Land, Infrastructure, Transport and Tourism shows that November 2017 housing starts, while flat month on month, rose around 2% year on year. On the basis of the past 11 months 2017 annual starts are likely to come in at around 960,000.

Construction companies continue to report firm order book positions and Ministry data shows orders received by the top builders rose sharply in November, adding to the rise reported for October orders.



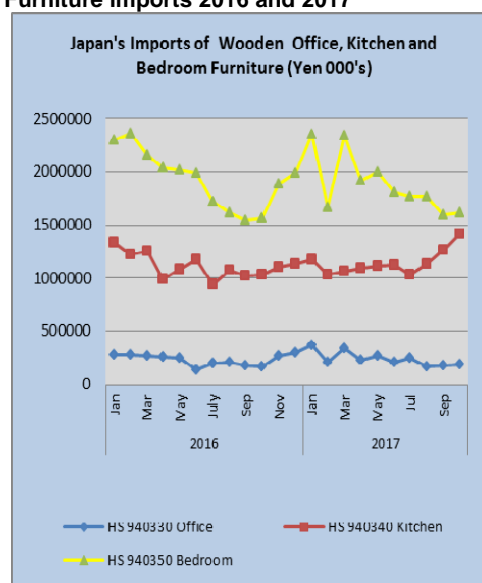
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan's wooden furniture imports

The cyclical trend in bedroom furniture imports has once again been repeated in 2017. After peaking in the Spring Japan's imports of wooden bedroom furniture traditionally drop back in the months to year end only to pick up once again.

While the trend in bedroom furniture imports is following a familiar pattern this is not the case with wooded kitchen furniture. After moving within a narrow range for the past 2-3 years in the second half of 2017 imports of wooden kitchen furniture have surged. This could be partly the result of the flood of cash into buy-to-rent properties in Japan, a tactic used to minimise inheritance taxes by the wealthy.

Furniture imports 2016 and 2017



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Japan's imports of wooden office furniture are small compared to the value of wooden bedroom and kitchen furniture imports.

Year on year, the value of October imports of wooden office furniture was up 10% and compared to a month earlier imports in October rose 6%. For the first 10 months of 2017 wooden office furniture imports were around 6% higher than over the same period in 2016.

Shippers in China accounted for over 60% of Japan's wooden office furniture and along with shipments from Italy and Taiwan P.o.C some 80% of all shipments were accounted for.

Office furniture imports

	Imports Oct 2017 Unit 1,000 Yen
S. Korea	-
China	113778
Taiwan P.o.C	14000
Vietnam	1103
Thailand	4359
Malaysia	3225
Philippines	-
Indonesia	872
Israel	-
Sweden	376
Denmark	3200
UK	-
Belgium	-
France	340
Germany	2713

Switzerland	245
Portugal	4565
Italy	22404
Finland	-
Poland	8596
Hungary	-
Turkey	-
Lithuania	-
Czech Rep.	-
Slovakia	764
USA	4969
Mexico	-
Brazil	-
Australia	-
Total	185509

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The value of Japan's imports of wooden kitchen furniture has been steadily rising since July and October marked another high. However, despite the second half surge in imports, the total value in the first 10 months of 2017 was little different from that during the same period in 2016. Closer examination of the import flow shows that in the first half of 2017 imports were below average.

Year on year October 2017 imports were up 37% and month on month there was a 12% rise in October 2017 from a month earlier. The combined shipments from the Philippines, Vietnam and China once again account for over 90% of all September shipments of wooden kitchen furniture.

Kitchen furniture imports

	Imports, Oct 2017 Unit 1,000 Yen
South Korea	-
China	139649
Taiwan P.o.C	278
Vietnam	503536
Thailand	11153
Malaysia	11805
Philippines	702130
Indonesia	4359
Cambodia	-
India	760
Denmark	-
U KING	-
Belgium	-
France	-
Germany	32717
Spain	215

Italy	-
Poland	-
Austria	-
Greece	-
Romania	3429
Slovenia	-
Canada	6821
USA	561
Total	1417413

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Japan's imports of wooden bedroom furniture continue the familiar trend seen in past years of a steady decline in the second half of the year with an expected up-tick in the later months of the year and the early months of the New Year.

October 2017 imports of wooden bedroom furniture were up around 3% on levels in October the previous year and month on month there was very little change which may signal the traditional reversal of the decline in the second half of each year. However, total imports over the 10 months to October 2017 are down slightly when compared to the same period in 2016.

Shippers in China and Vietnam dominate Japan's imports of wooden bedroom furniture accounting for 59% and 29% respectively. If shipments from Thailand and Malaysia are included then some 95% of all wooden bedroom furniture is accounted for.

Bedroom furniture imports

	Imports, Oct 2017 Unit 1,000 Yen
S Korea	211
China	945938
Taiwan P.o.C	26814
Vietnam	470281
Thailand	64200
Malaysia	52270
Philippines	-
Indonesia	10707
Cambodia	-
India	203
Sweden	-
Denmark	931
UK	243
Netherlands	-
Belgium	-
France	-
Germany	201

Switzerland	-
Portugal	-
Spain	-
Italy	3327
Poland	22488
Russia	2746
Austria	4073
Hungary	-
Romania	-
Turkey	-
Estonia	-
Latvia	-
Lithuania	10316
Bosnia- Herzegovina	1064
USA	2218
Mexico	-
Total	1618231

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>

Government policy in relation to TPP

The government decided general policy in relation to TPP (now termed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership). The prime minister commented that supplementary budget for 2017 should be made based on the general policy for the Ministry of Agriculture, Forestry and Fisheries.

Based on newly decided policy, 29 billion yen of supplementary budget is allocated for strengthening plywood and lumber industry which includes supporting business of log production and logging road maintenance.

As to policy target for forest and wood industry, strengthening of international competitive power of plywood, lumber and laminated lumber are stressed. In the concrete, lower production cost of wood products including reduction of log producing cost then expand share of domestic products are targeted.

Promotion to improve competitive power includes efficient manufacturing facility, shifting to competitive items, lowering log producing cost by efficient forest management.

Concentrating budget allocation to the area where efficient forest management is possible is necessary by introducing high performance harvesting machines and maintenance of logging road system.

Plywood supply

Total plywood supply in October was 511,900 cbms, 4.0% more than October last year and 4.0% more than September.

Demand and supply of domestic plywood were very active. Total domestic supply in October was 280,300 cbms out of which softwood plywood was 267,800 cbms, 6.5% more and 1.9% more. As monthly production of softwood plywood, this exceeded past record of last June's 265,600 cbms and marked the highest record. Meantime, the shipment of domestic plywood in October was 286,200 cbms, 4.8% more and 2.2% more.

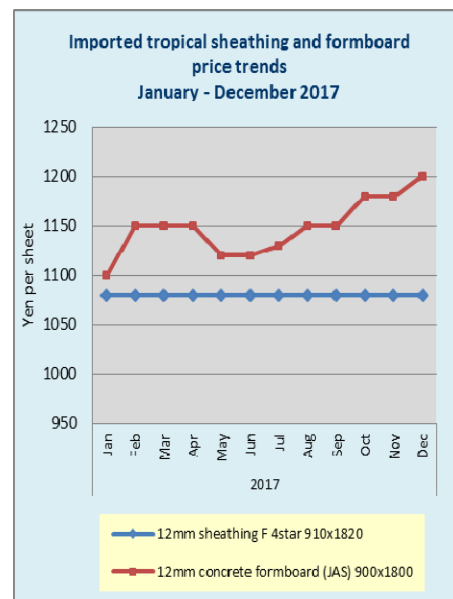
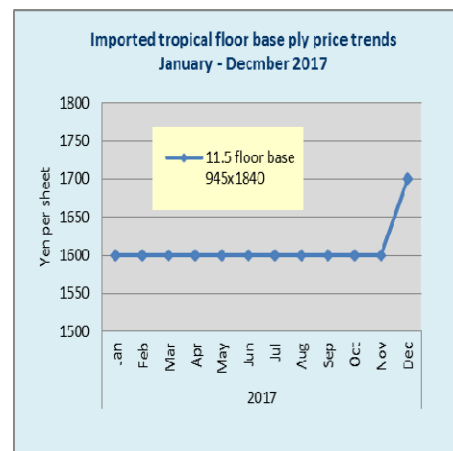
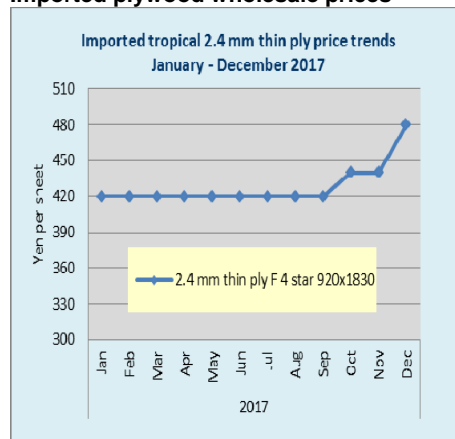
Shipment of softwood plywood was 273,100 cbms, 5.8% more and 2.1% more.

Besides robust demand of structural panels by precutting plants, orders for non-structural panels such as floor base has been increasing, which pushes high level production and shipment. The softwood plywood inventories dropped down to 88,200 cbms, 5,300 cbms less than September end.

Imported plywood arrivals in October were 231,500 cbms, 1.5% more and 6.9% more. Both Malaysian and Indonesian supply maintains the same level as last year and total year supply would be the same as last year.

However, supply tightness of coated concrete forming panel and thin plywood continues. Supplying plywood mills suffer log supply shortage so that they produce more structural and green concrete forming panels, which do not need quality veneer. Despite the same level of supply, some items are short.

Imported plywood wholesale prices



Tight supply of particleboard

Particleboard (2x6) which is used for floor in condominiums is tight in supply. Manufacturers' inventories are low all through the year then since late November, orders rushed in and it delays construction works.

Production of PB has been slow this year by various reasons and supply of 2x6 for floor is particularly low. Construction of condominiums has been delayed by labor shortage so the demand for PB was not particularly busy.

Then builders are anxious to finish construction by the end of the year so they hurry completion of buildings which results in sudden demand pickup of PB. By the area, Osaka region is especially tight and dealers are buying all available PB even at DIY stores.

PB manufactures have enough orders for other PB products so there is no extra capacity to produce 2x6 PB for floor so they accept orders from regular customers only with limited volume.

South Sea (Tropical) logs and lumber

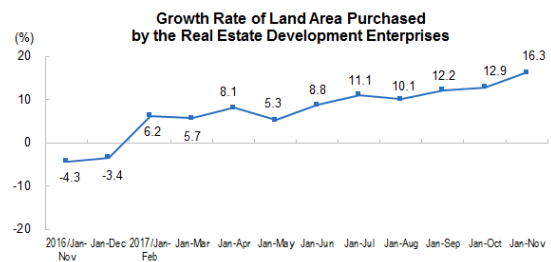
South East Asian countries are in rainy season now so that log production will not recover until next spring. Log production in Sarawak, Malaysia for the first eight months is 3,795,171 cbms, about 24% less than the same period of last year. Log export volume for major market of China, India and Japan decreased. Only increase is plantation wood of acacia mangium for Indonesia.

Local plywood mills have difficulty of securing material logs so shipment of plywood has been delayed. After active purchase by China and India slowed down, Sarawak meranti log prices softened to under \$300 but royalty will be increasing in January so log prices will go up again in winter.

Market prices of Malaysian Sarawak meranti regular in Japan are 12,000 yen per koku CIF. Sabah's kapur log prices are about 16,000 yen.

Plywood mills are not able to procure enough logs since rainy season started much sooner than usual years. Sarawak will start imposing higher tax so log prices will climb more.

Movement of laminated free board is not so active but dealers' inventories are declining. Market prices of Indonesian mercusii pine are latter half of 110,000 yen. The suppliers' export prices are holding high at more than US\$950 per cbm C&F Chinese red pine free board prices are more than US\$850 per cbm C&F and about 115,000 yen in Japan.



Source: National Bureau of Statistics, China

See:

<http://www.stats.gov.cn/english/PressRelease/201712/t201712191564825.html>

Last year property sales slowed because of measure introduced by the government to cool an over-heated market.

The unexpected effect of the government action has been to concentrate real estate development in the hands of the major companies at the expense of smaller enterprises say analysts. This has occurred as the larger companies have better access to credit from banks, better access to land via regional governments and because they successfully weathered the housing market downturn in 2016.

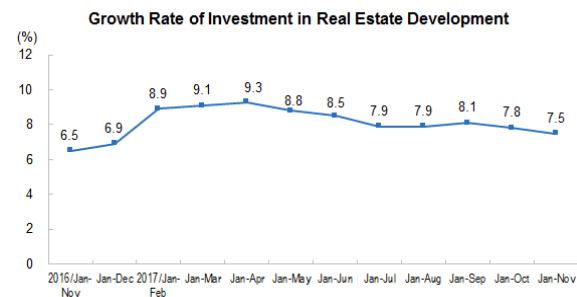
According to China Index Academy, an independent property research organisation, the market share of the top 10 developers in Beijing grew from 35% to 49% between 2016 and 2017 a trend that has been observed in other major cities across China.

See: <http://industry.fang.com/en/default.html>

China

Real Estate Development January – November 2017

Investment in Chinese real estate in the first eleven months of 2017 increased 7.5% year-on-year but the pace of growth slowed. Investment in residential buildings expanded almost 10% over the same period.



Source: National Bureau of Statistics, China

In the first eleven months of 2016 the land area purchased by the real estate development enterprises was up by 16% year-on-year and the pace of expansion grew.

End to volume checks on imported timber

China's General Administration for Quality Supervision, Inspection and Quarantine has announced that the requirement for checking the volume of imported timber has been terminated. This, say analysts, was decided in order to facilitate faster clearance for the ports and could lead to lower transit costs for importers.

Information in Chinese can be found at:

http://www.aqsig.gov.cn/xxgk_13386/jlgg_12538/zjgg/2017/201710/t20171030_500681.htm

Closure of timber enterprises in Taicang city

It has been reported that a zero tolerance measure has been taken on pollution from wood processing factories in Taicang City. This is part of the action on environmental pollution controls in Jiangsu province. An official notice (20 December 2017) was posted declaring that all wood processing factories in Taicang City must immediately cease production. All wood processing companies are required to relocate before 20 January this year.

A copy of the official notification can be seen at:

http://www.yuzhuwood.com/news/details_40287d73606f5d8e01607eb389680d8b.htm

Firm demand for custom home furnishings

It has been reported that due to the growing environmental awareness amongst consumers, demand for 'green' custom made home and household goods is rising.

The products in demand include wooden doors, cabinets, dining furniture, and wood panels and furniture and makers of custom made items report that they are able to secure a price premium for custom made items.

Rise in log imports through Xiamen

According to the Xiamen Entry-Exit Inspection and Quarantine Bureau, log imports through Xiamen Port totaled 1.905 million cubic metres valued at US\$46 million in 2017, up 10% in volume and 11% in value compared to 2016.

The imported logs were from 37 countries with New Zealand, Australia, the USA and Estonia topping the list in terms of volumes. Imports from New Zealand totaled 962,000 cubic metres valued at US\$130 million and accounted for over 50% of the total volume and total value of imports through Xiamen Port.

The volume and value of imported logs from Estonia rose 103% and 138% respectively in 2017. According to the statistics, imported goods from Estonia through Xiamen port were valued at US\$9.42 million of which 98% were logs.

The species of imported logs through Xiamen port are radiata pine, spruce, scots pine, ponderosa pine and loblolly pine but over 70% of the logs imported were radiata pine.

Wood products trade in Guangdong province

• Imports

According to Guangdong Entry-Exit Inspection and Quarantine Bureau, between January and November 2017 log imports into Guangdong Province rose 11% to 34.67 million cubic metres. Sawnwood imports were 8.51 million cubic metres, up 21% over the same period in 2016.

On the other hand, MDF imports dropped 13% to 72,500 cubic metres. Particleboard imports in Guangdong Province amounted to 194,700 cubic metres, a year on year increase of 41%, accounting for 21% of the national total. Many furniture manufacturers in Guangdong province imported high quality particleboard to produce furniture.

Plywood imports into Guangdong Province fell 14% to 65,800 cubic meters, accounting for 38% of the national total.

The value of Guangdong wooden furniture imports surged 95% to US\$166 million between January and November reflecting increased disposable incomes and rising living standards of residents in the Province.

• Exports

Plywood exports from manufacturers in Guangdong Province fell in the first 11 months of 2017 with the largest drop seen in exports to the US, the largest market for Guangdong based companies.

Plywood exports from Guangdong to the US, South Korea, the UK, and Saudi Arabia fell 15%, 21%, 12% and 26% respectively. However, plywood exports to Japan rose 6% and trade with Hong Kong rose to 172,200 cubic metres, representing a large part of exports from Guangdong.

MDF exports from makers in Guangdong Province rose 11% to 119,600 cubic metres in the first 11 months of last year. MDF exports to traditional markets such as to the US, Canada, South Korea and Iran fell.

In the case of particleboard, exporters in Guangdong Province are tapping new markets such as Nigeria (180,000 cu.m), Vietnam (147,100 cu.m), India (49,500 cu.m) and United Arab Emirates (130,000 cu.m).

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-30000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	28000-40000

Sawnwood

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

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

Zhangjiagang Timber Market Wholesale Prices

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

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

Shanghai Furen Forest Products Market Wholesale Prices

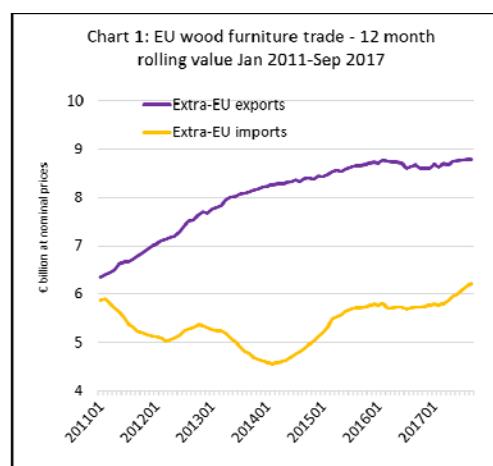
Logs All grades	000's yuan/tonne
Bois de rose	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Europe

EU wood furniture surplus narrows as imports rise

The EU has maintained a trade surplus in wood furniture since 2011 when exports to non-EU countries overtook imports from outside the EU. This surplus remained broadly flat between the start of 2015 and the first quarter of 2016 (averaging close to euro3 billion per annum), as both imports and exports were stable.

However, the trade surplus narrowed sharply in the second and third quarters of 2017 (to around euro2.6 billion per annum) as imports began to pick up. (Chart 1)



Source: ITTO IMM analysis of Eurostat COMEXT

The narrowing of the EU trade surplus is an encouraging sign for external suppliers of wood furniture into the EU that have struggled to compete in a market where domestic suppliers account for around 85% of total share.

The dominance of EU manufacturers in this sector is due to various factors including the strength of domestic brands in terms of innovation and design, the obstacles to overseas suppliers complying with complex EU technical and environmental standard, and the expansion of

furniture manufacturing in Eastern Europe, a location which combines ready access to raw materials, relatively cheap labour, and the internal EU market.

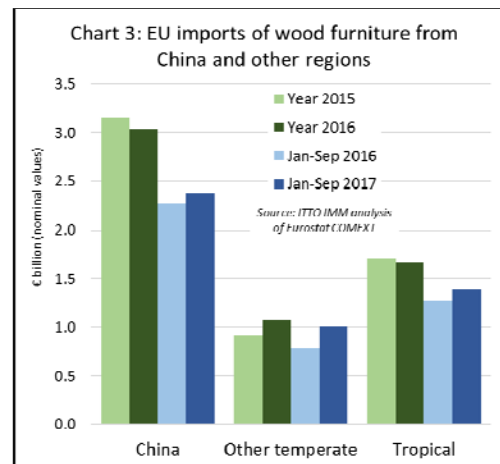
Improved economic conditions in pe have been driving a rise in wood furniture consumption in the last three years. Rising consumption combined with the growth of manufacturing in Eastern pe, particularly in Poland, Romania and Lithuania, is reflected in a rapid rise in EU internal wood furniture trade, from an annual level of euro15 billion at the start of 2014 to nearly euro19 billion by the end of 2017. (Chart 2)



Source: ITTO IMM analysis of Eurostat COMEXT

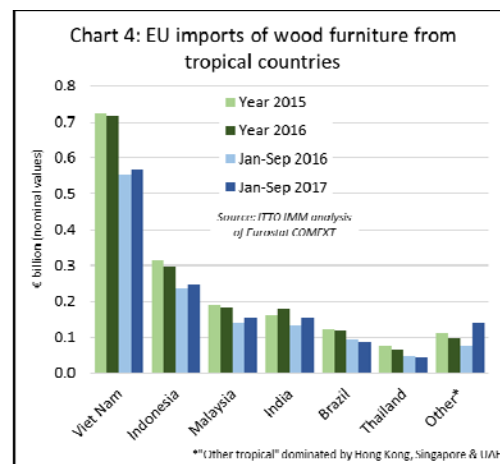
The pace of the rise in internal EU wood furniture trade tailed off a little during 2017. However, last year there was a rise in the pace of EU wood furniture imports from outside the region. Between January and September 2017, the EU imported euro1.39 billion of wood furniture from tropical countries, nearly 9% more than the same period the previous year. EU imports from China also increased, by 4% to euro2.38 billion in the same period.

However, the biggest gains in EU imports of wood furniture in 2017 were from other temperate countries, notably Bosnia, USA, and Ukraine. EU imports from these countries increased 28% to euro1.01 billion in the first 9 months of 2017, building on a 14% gain recorded the previous year. (Chart 3)



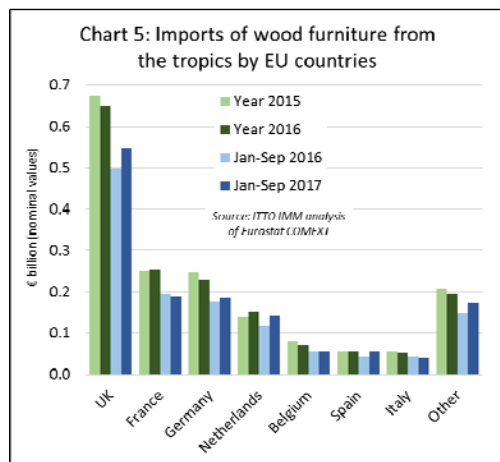
In the first nine months of 2017, EU imports increased from all four leading tropical supply countries; rising by 3% from Vietnam to euro567 million, 4% from Indonesia to euro246 million, 11% from Malaysia to euro154 million and 16% from India to euro154 million.

There was also a significant rise in EU imports from Hong Kong, Singapore and the UAE during the same period. In contrast imports from Brazil fell 8% to euro85 million and imports from Thailand declined 6% to euro45 million. (Chart 4)



The increase in EU imports of wood furniture in the first nine months of 2017 was concentrated in the UK (rising 9% to euro546 million), Germany (rising 4% to euro185 million), Netherlands (rising 21% to euro142 million) and Spain (rising 31% to euro57 million).

Although the quantities are still quite limited, several smaller EU markets also recorded significant percentage increases in wood furniture imports from tropical countries in 2017 including Sweden, Denmark, Poland, Ireland and Greece. (Chart 5)



Global furniture production dominated by China

Total furniture production in the world's 100 largest countries, by GDP, was valued at US\$430 billion in 2017. This is a key conclusion of "World Furniture Outlook 2018", the flagship publication of CSIL, the Italian furniture research organisation.

The report includes details of the furniture sector in 100 countries which account for 90% of world population and 95% of world GDP. The report considers furniture in all materials but excluding lamps and mattresses.

The CSIL report highlights the extent of China's dominance as the world's largest furniture manufacturer.

Last year China alone accounted for nearly 40% of global production. USA, the second largest producer, accounted for 12%, followed some way behind by Germany (5%), Italy (4%), India (4%), Poland (3%), Japan (2%), Vietnam (2%), UK (2%) and Canada (2%).

The CSIL report shows that international trade in furniture was US\$140 billion in 2017, corresponding to around 1% of total global trade in manufactured goods. After a sharp rise in the value of global furniture trade in the decade prior to 2012, trade has remained broadly flat in the past five years.

Furniture exports in China, the largest exporter, were around US\$51 billion in 2017, a slight gain on the previous year but lower than in 2015.

Exports in Germany and Italy, the next largest, were both valued at around US\$11 billion in 2017, a level that has hardly changed in the last 8 years. However, exports have been rising in Poland and Vietnam, reaching around US\$10 billion and US\$8 billion respectively in 2017.

The US is the world's largest furniture importer, with imports of around US\$34 billion in 2017 having risen continuously from only around US\$24 billion in 2010. The value of imports in the next largest importing countries – Germany (around US\$13 billion in 2017), the UK (US\$7 billion), France (US\$7 billion) and Canada (US\$6 billion) – were broadly flat during the same seven-year period.

CSIL forecast that global consumption of furniture will rise by 3.5% in real terms in 2018. The fastest growing region continues to be Asia, with all other regions growing between 1% and 3% in real terms.

While China's furniture production continues to rise rapidly, export growth is more subdued according to CSIL.

Drawing on commentary from Chinese manufacturers, CSIL reckons that Chinese furniture export growth is unlikely ever to return to levels seen earlier this decade for several reasons including: rising labour rates in China; the progressive appreciation of the Renminbi against the US dollar between 2003 and 2016; rising competition particularly from Vietnam; and the rapid growth in China's internal demand.

Currently around 30% of China's furniture production is exported, but this proportion is gradually declining as more product is sold into the domestic market.

For further details:

<https://www.worldfurnitureonline.com/research-market/world-furniture-outlook-0058524.html>

Growth in hospitality sector creates new opportunities

According to recent CSIL research carried out with focus on 16 Western pean countries, the total value of the pean market for contract furniture and furnishings in 2016 was euro7.5 billion while total production was 9 billion.

The sector was expanding in 2016 with yachting, luxury retail, and the hospitality sectors (hotels, bars and restaurants) being the fastest growing segments while sectors dependent on public funds, such as schools and hospitals, were much less dynamic.

CSIL has also carried out detailed research on the global development of hotel rooms, a sector significant for tropical hardwoods due the relatively large amount of higher end furniture and finishing materials used. CSIL estimate that in 2016 the total global stock of hotel rooms was 16 million with most recent growth in the Asia-Pacific region.

Between 2012 and 2016, the share of hotel room in the Asia Pacific region increased from 22% to 26%, while the share declined in pe from 30% to 28% and in North America from 41% to 38%. The share of hotel rooms in Africa, the Middle East, and South and Central America remained stable with values ranging between 3% and 5%.

CSIL estimate that 650,000 hotel rooms were under construction globally in 2016, of which 40% were in Asia-Pacific, while North America accounted for 29% and Europe only 10%. However, demand for new hotel rooms is expected to remain high in all regions with the glow flow of tourists forecast to increase 3% per year on average until 2030.

While Asia-Pacific has seen the most recent growth, the US continues to be the leading world market for hotel furniture and furnishings, accounting for 36% of total global demand in 2016. The Asia-Pacific region is now the second largest market, accounting for 28% in 2016, overtaking Europe which accounted for 26%, followed by Africa and the Middle East (7%), and Central and South America (3%).

Total sales of hotel furniture and furnishings were at a similar level in the United States and China in 2016, in the region of US\$5 billion in each country.

Other large markets with demand between US\$1 billion and US\$5 billion are Germany, the UK, Japan, Canada and Russia. Countries currently with smaller markets but where demand is rising rapidly include Australia, UAE, Thailand, Indonesia, Singapore, and the Philippines.

CSIL estimates that the rate of worldwide construction of hotel rooms is likely to have increased nearly 10% in 2017 to 710,000, with Asia-Pacific accounting for 37% of the total, North America for 33%, the Middle East for 12%, Europe for 10%, Africa for 5% and South America for 4%. CSIL expect that this rapid rate of growth will continue in 2018.

ITTO/EC IMM Report

New IMM website with regular information on tropical trade in the EU

The FLEGT Independent Market Monitoring (IMM) mechanism, which is hosted by ITTO with EC funding, has just launched a new website at www.flegtimm.eu. The first edition of the free IMM Newsletter can be accessed at the website and there is also the opportunity to sign up to future editions which will be released at least quarterly.

The IMM, which began operation in 2014, uses trade flow analysis and market surveys to independently assess market impacts of FLEGT Voluntary Partnership Agreements (VPAs). During 2017, the IMM expanded its market research programme to cover seven key EU countries, which account for roughly 90% of EU tropical timber imports from VPA partner countries.

IMM market research has been based on online surveys and structured interviews with trade representatives, government agencies and NGOs.

This market research programme runs alongside IMM's analysis of trade flow statistics and other timber trade related data, most recently presented in the IMM report "FLEGT VPA Partners in EU Timber Trade 2014 to 2016" (also now available at www.flegtimm.eu).

The IMM Newsletter includes insights from the IMM EU market scoping surveys as well surveys of Indonesian and Ghanaian companies exporting forest products into the EU.

It also covers an analysis of EU-Indonesia timber trade since the start of FLEGT licensing and background information on how the Indonesian system works, as well as analysis of FLEGT-licensing teething troubles and EU economic trends.

Interviews with Mike Worrell of the UK Timber Trade Federation and Dr Rufi'e of the Indonesian Ministry of Environment and Forestry provide further insights into Indonesian FLEGT licensing, while VPA Joint Implementation Coordinator Edwin Shanks explains next steps towards VPA implementation in Vietnam.

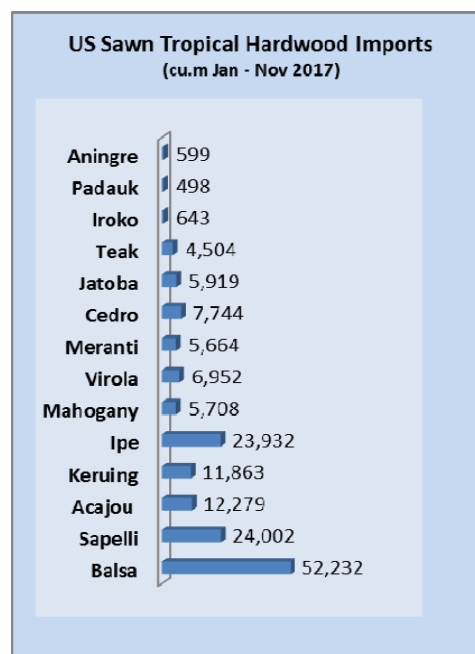
The IMM website will be developed further in 2018, providing constantly updated data on EU timber trade and market trends, as well as details of IMM research and activities.

North America

Decline in balsa imports

US imports of temperate and tropical sawn hardwood declined 8% in November to 65,272 cu.m. The value of sawn hardwood imports declined 9% from the previous month to US\$38 million.

Import volumes of tropical species fell 19% in November to 17,936 cu.m., while the value of imports was down 9% from October.



Data source: US Census Bureau, Foreign Trade Statistics

The significant decline in volumes in November was mainly due to lower balsa and sapelli imports. Balsa imports from Ecuador fell 38% to 3,292 cu.m. Imports of sapelli sawnwood were only 1,862 cu.m. in November, down 54% from the previous month. Year-to-date imports of sapelli remain higher, however, than at the same time last year.

Sawnwood imports from Brazil increased 30% in November because of higher ipe imports. Ipe imports from Brazil grew to 2,868 cu.m. However, the year-to-date import volumes of ipe were down 7% in November compared to the same time last year.

Keruing imports from Malaysia increased in November, but the overall value of sawnwood imports from Malaysia was down from October due to lower meranti shipments to the US.

Steep decline in Canadian tropical sawnwood imports in November

Canadian imports of tropical sawnwood fell 40% in November to less than US\$1 million (US dollars). Year-to-date Canadian imports were 4% lower than in November 2016.

Imports of most major species including sapelli declined in November, but sapelli sawnwood imports from Cameroon increased to US\$154,995. Balsa imports from Ecuador also grew in November after record low imports in October.

Canada launches wide-ranging trade complaint against US

Canada has filed a WTO complaint over US antidumping and countervailing duty proceedings. In its complaint Canada says the US procedures are against international trade rules in six different aspects, including WTO's Anti-Dumping Agreement, the Agreement on Subsidies and Countervailing Measures, the General Agreement on Tariffs and Trade and the Understanding on Rules and Procedures Governing the Settlement of Disputes.

The US Department of Commerce under the Trump administration launched more than eighty anti-dumping and countervailing trade investigations in 2017, almost 50% more than in 2016.

Canada's complaint cites almost 200 examples dating back to 1996, with many involving countries other than Canada, including China, India and Brazil.

The US has 60 days to try to settle the complaint, or Canada could ask the WTO to adjudicate. The process could take years. The US has lost cases in the WTO before over its punitive duties system.

The Canadian Foreign Minister said the legal action was part of a broader litigation to defend forestry jobs in Canada.

In November 2017 Canada filed a complaint with the WTO regarding US antidumping and countervailing duties on Canadian sawn softwood. The US imposed preliminary countervailing duties on Canadian newsprint in January.

The filing comes shortly before the next round of negotiations between the US, Canada and Mexico for the North American Free Trade Agreement (NAFTA). The complaint might help Canada protect itself if the US

withdraws from NAFTA. Canada's complaint is available on the WTO website.

Court hearing on formaldehyde rule compliance deadline postponed

Last October two environmental groups challenged the US Environmental Protection Agency's (EPA) authority to extend the compliance deadlines for the formaldehyde emissions rule.

The extension gives manufacturers and importers an additional year before having to comply with the Formaldehyde Emission Standards for Composite Wood Products. The original compliance deadline was December 12, 2017.

Several US industry associations have filed briefs with the court in support of the deadline extension, including the Composite Panel Association and the International Wood Products Association who represent importers. The federal district court hearing on the case has been postponed until the end of January.

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.

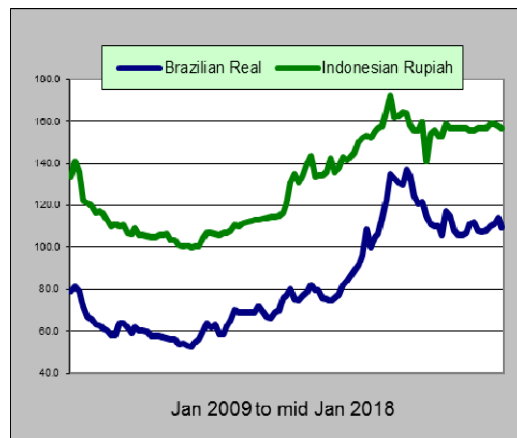
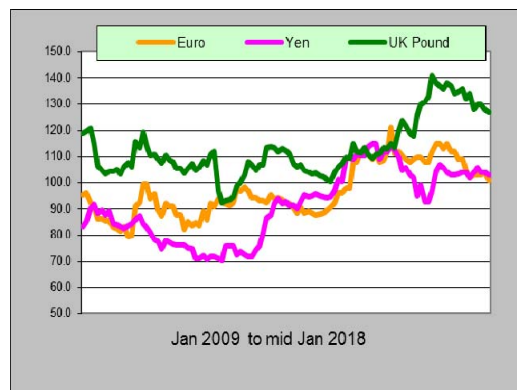
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 January 2018

Brazil	Real	3.2154
CFA countries	CFA Franc	545.85
China	Yuan	6.4953
EU	Euro	0.831
India	Rupee	63.682
Indonesia	Rupiah	13371
Japan	Yen	111.26
Malaysia	Ringgit	3.9785
Peru	New Sol	3.22
UK	Pound	0.7386
South Korea	Won	1065.56

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

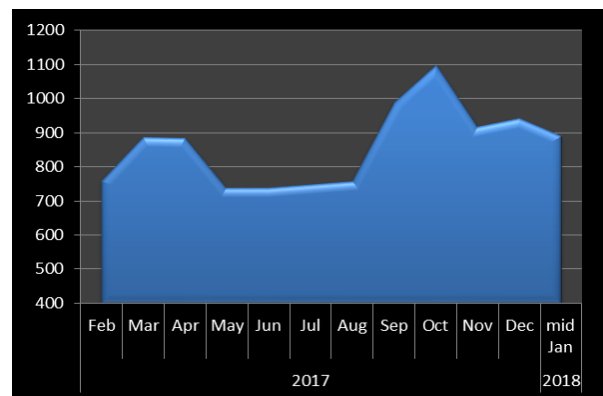


Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
MT	Metric tonne
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
February 2017 – mid January 2018

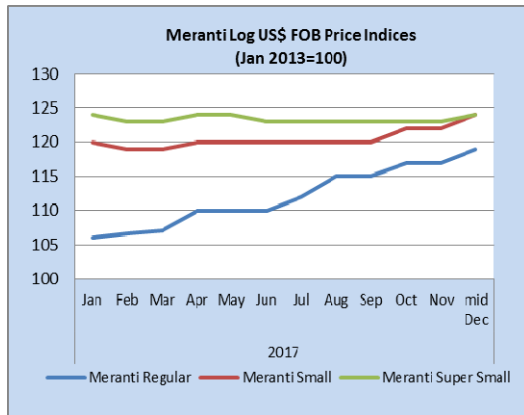


Data source: Open Financial Data Project

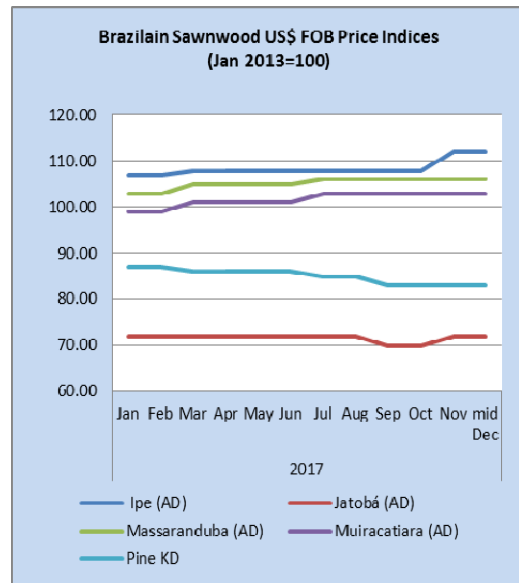
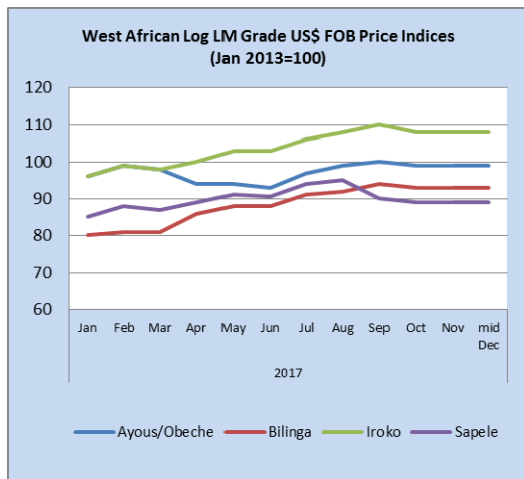
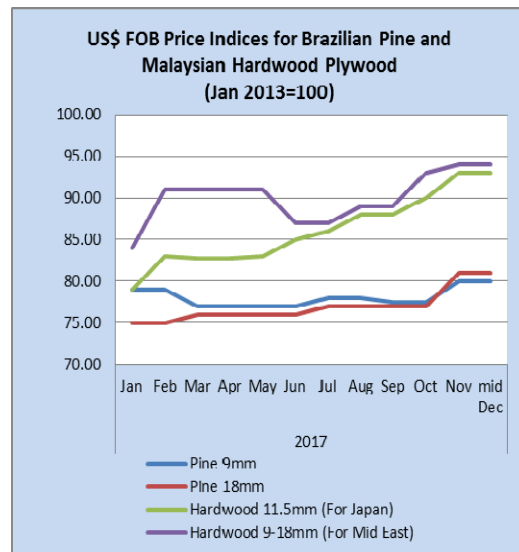
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

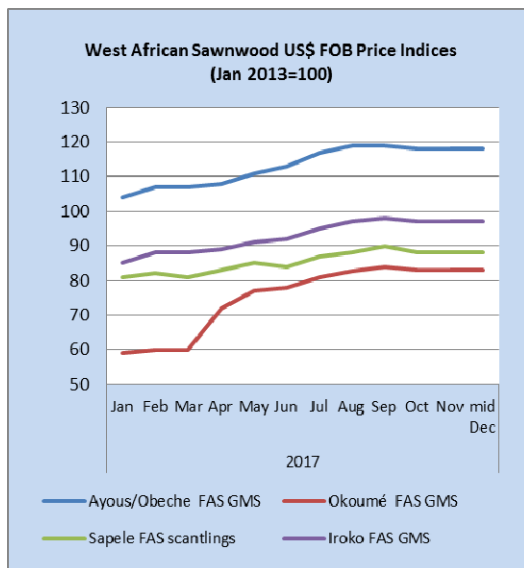
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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