

# 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](mailto:ti@itto.int).

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## Top Story

### **Gloomy Zhangjiagang timber market sales in 2018**

The combined effect of strict environmental inspection, the trade friction between China and the United States and the volatility of RMB exchange rate coupled with declining domestic demand is having a big impact on the level of trade and prices at the Zhangjiagang timber market.

Analysts write that it is the falling domestic demand that is of most concern to traders.

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## Central and West Africa

### Shipments from Douala Port slowly improving

In Cameroon the annual round of negotiations for concession renewals has started against a backdrop of dull international market demand. Analysts write that some mills have been experiencing problems securing adequate log supplies. Efforts are being made to export 'secondary species' in log form which appears to have interested some buyers.

Conditions at Douala Port are showing signs of improvement, say shippers, as containers are now moving out steadily. However, the situation at the Port is such that shippers of sawnwood and logs in the Central African Republic have diverted exports through Kribi Port.

### Tough new Forestry Minister for Gabon

In a video message from Morocco, where the Gabonese President is recovering from a stroke, Gabon's Prime Minister announced a major government reshuffle. This brings to an end the uncertainty that has stalled the government apparatus for months.

Analysts report that the Minister of Forests has ordered provincial authorities to ensure businesses strictly adhere to government regulations. His tough stance, if also applied to port operations, would be welcomed they say.

On a domestic issue of concern to exporters, new truck weighbridges are under construction which should clear up the confusion that was common when there were charges that trucks carrying wood products were overweight.

The issue of VAT refunds lingers on and an early resolution of this is unlikely given the state of the economy.

### Rumours that CIB production could be relocated to Gabon

The latest news from the Republic of the Congo suggests that access to Pointe Noire Port is becoming a problem because of traffic congestion. This, according to some reports, has resulted in ships being delayed.

As demand from China softens some Chinese mills in the country have cut production or temporarily ceased operations, much the same as in Cameroon. Rumours are swirling that Olam is considering relocating production capacity from its Congolaise Industrielle des Bois (CIB) plant to Gabon. This would have a disastrous impact on the employment situation around the CIB plant say analysts.

### China is really going green

Export mills in the region have noticed increasing signs that buyers in China are embracing green purchasing. Many shippers in West Africa report seeing a rise in demand for FSC certified timber.

### Snapshot comments from shippers

- The EU market has been dull for a couple of months
- Middle East markets are stable but stocks at Gulf ports are rising
- Demand in China is dull but buying for the Philippines market remains firm especially for okoume sawnwood
- The Indian market is quiet especially for the favorites padouk, bilinga and okan
- Current stocks of tali are high in Vietnam – the result of weak demand in China and to a lesser degree, the US
- Prospect for new markets in South America are developing especially in Columbia, Haiti and Paraguay

### Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	320	320	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	350↓	350↓	250↓
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	220	-
Padouk	350	300	245
Sapele	320	320	265
Sipo/Utile	325	300	265
Tali	370	370	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	850
FAS scantlings	900
Strips	650
Sapele FAS Spanish sizes	500
FAS scantlings	520
Iroko FAS GMS	640
Scantlings	720
Strips	400
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### Ghana's 9-year wood product export trend

An overview of Ghana's wood product exports shows that the country exported a total of 3,038,359 cu.m of various wood products during the period 2010 to 2018.

For the period under consideration, 2010 saw the highest export volume (403,000 cu.m) of wood products while the lowest was 251,000 cu.m in 2012.



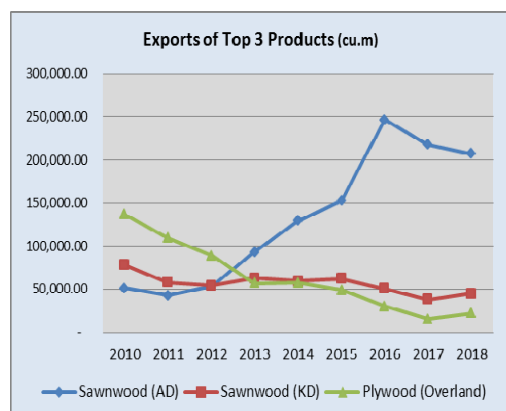
Data source: TIDD, Ghana

The main export products, accounting for over 75% of all wood product exports, were air and kiln-dried sawnwood and plywood shipped to regional markets.

Export Summary 2010 - 2018		
	cu.m	%
Saw nwood (AD)	1,265,684	42
Plywood (O/L)	586,280	19
Saw nwood (KD)	509,072	17
Sliced Veneer	176,949	6
Rotary Veneer	59,348	2
Billets (logs)	201,186	7
Moulding	104,698	3
Poles	95,171	3
Other Wood Products	39,971	1
<b>Total</b>	<b>3,038,359</b>	

Data source: TIDD, Ghana

The graph below also shows the export performance of the top three products.



Data source: TIDD, Ghana

### Government supports start-ups with incentives

According to Mohammed Awal, Minister for Business Development, the government has allocated around US\$100 million to support entrepreneurs. This, he said, is one of the government's initiatives to expand the manufacturing base in the country so as to create employment for the youth.

The company, Kete Krachi Timber Recovery Ltd. which was launched last year was a beneficiary of the start-up programme. This company is to salvage tree logs underwater in the Volta Lake.

The Minister said the government is ready to support both local and foreign investors who are committed under the 'One district one factory' programme with a 5-year tax and duty holiday.

### Bank restructuring to bring down interest rates

Recently the Bank of Ghana revoked the licenses of some failing commercial banks which resulted in some mergers and has already being delivering results.

With the cash recapitalisation from the Central Bank loan applications are being invited. Many financial analysts believe this move could stabilise the local currency and bring down interest rates.

### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	530
Niangon Kiln dry	680

### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	310	381
Chenchen	425	479
Ogea	473	590
Essa	505	711
Ofram	350	435

### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	1,333
Avodire	2,833
Chenchen	806
Mahogany	2,162
Makore	843
Odum	1,619

### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	BB/CC	Ceiba	Ofram
4mm	333	640	641
6mm	412	535	604
9mm	373	446	560
12mm	529	463	480
15mm	450	380	430
18mm	423	422	383

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

## Export Sawwood Prices

Ghana Sawwood, FOB FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	490	564
Ceiba	405	564
Dahoma	424	528
Edinam (mixed redwood)	520	619
Emeri	475	564
African mahogany (Ivorenensis)	1045	979
Makore	775	874
Niangon	555	629
Odum	832	903
Sapele	700	830
Wawa 1C & Select	450	430

## Malaysia

### Bumiputera timber companies assisted to secure contracts with major corporations

As is the case in most Asian countries which celebrate Chinese New Year, business activity slowed in early February in Malaysia. It may take a week or two for some industries to rev-up production.

The Ministry of Primary Industries has established a dedicated mechanism termed the Special Purpose Vehicle (SPV) within the Certified Timber and Credit Suppliers (CTCS) programme operated by the Malaysian Timber Industry Board (MTIB).

The aim of the SPV is to assist Bumiputera companies secure contracts to supply wood products to corporations in the construction sector. In Malaysia the term Bumiputera refers to Malays, Orang Asli and natives of Sabah and Sarawak.

The CTCS programme was featured in the ITTO Market Discussion in November 2015 when the International Tropical Council met in Kuala Lumpur.

Teresa Kok, Minister of Primary Industries, has said the government has identified key performance indicators for the purpose of monitoring the programme which aims to boost the contribution to the economy of Bumiputera entrepreneurs.

### Sarawak pushes forward plantation target

The Sarawak State government has issued 43 industrial plantation forest licenses to meet its target of one million hectares of plantations by 2020 however, due to the slow progress in planting by the private sector, the deadline to achieve the plantation target has been pushed forward to 2025.

As of the end of January just over 420,000 hectares have been planted according to the Sarawak Chief Minister.

Harvesting of industrial forest plantation in Sarawak began in 2011 with log production of 44,000 cubic metres but in 2018 log production from the planted forests was about 1.72 million cubic metres.

## Sabah researches cross laminated timber

Joint research by a student team from the University Malaysia, Sabah (UMS), Wood Technology and Industry Unit and the Sapulut Forest Development Company has shown plantation timbers such as 'laran' and 'batai' are potential species for use in the production of Cross Laminated Timber (CLT) products.

CLT is not a new product concept internationally but has not found application in Asia. The first high rise CLT building is said to be under consideration by the Nanyang Technological University in Singapore.

Dr Liew Kang Chiang, Associate Professor in the Faculty of Science and Natural Resources at UMS, said the team focused on timber strength and durability and that the results were promising. Looking to the future, Dr. Liew said the challenge will be to adapt building regulations to accommodate this new product

Plywood traders based in Sarawak reported the following export prices for mid-January 2019:

FB (11.5 mm)	US\$720 FOB
CP (3' x 6')	US\$560 C&F
UCP (3' x 6')	US\$660 C&F
Standard 4x8 panels	
South Korea (9 mm and above)	US\$450 C&F
Taiwan P.o.C (9 mm and above)	US\$430 FOB
Hong Kong	US\$450 FOB
Middle East (thick panels)	US\$435 FoB

## Indonesia

### Urgent need to boost exports – regulations to be eased

Darmin Nasution, Indonesian Coordinating Minister for Economic Affairs, said the government will simplify and ease regulations governing exports in order to boost the current account so as to address the 2018 US\$8.57 billion trade deficit.

While this is only a short-term measure Darmin indicated the government was also developing medium-term and long-term strategies to enhance exports.

Exporters welcomed this move by the government saying the number of the commodities requiring surveyor reports (LS's) delays exports and adds to costs. In praising the government's initiative, Exporters Association (GPEI) chairman, Benny Soetrisno, expressed concern that this short-term measure will help but is seeking a longer term solution.

In related news, the deputy chairman of the Indonesian Employers Association (Apindo) called for a continuous review of regulations and the introduction of better incentives to encourage exports, pointing out that while incentives in the form of tax breaks exist the process to secure the incentive is so cumbersome and time consuming that many companies do not take advantage of this.

Beginning February 2019 it is planned that four export commodities will be exempted from surveyor's reports namely crude palm oil and its derivatives, gas, semi-finished rattan and logs from industrial plantations. It is unclear yet when wood products will be exempted.

### Success in peatland restoration

The Ministry of Environment and Forestry has reported that in 2018 some 3.1 million hectares of degraded peatland was been partly restored through securing an adequate level of moisture in the peat.

A spokesperson from the Ministry said initially it was difficult to get companies to cooperate with the restoration effort but now companies are aware of the significance of the peat eco-system. The Ministry of Environment and Forestry has a database for monitoring groundwater levels and rainfall in restored areas.

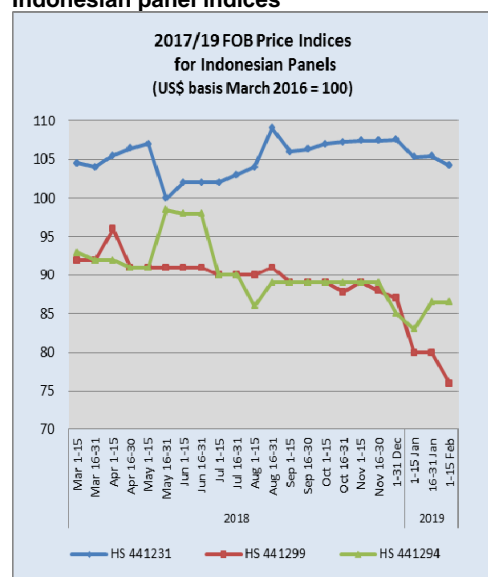
### Increased employment in manufacturing will benefit economy

Indonesia's manufacturing sector can be the new engine of growth according to the National Development Planning Agency (Bappenas). A joint report by the Asian Development Bank (ADB) and Bappenas estimates that Indonesia could achieve a growth rate of 6.3% between 2020 and 2024 in a scenario where employment in the manufacturing sector increases. The report says if jobs are not created in manufacturing then GDP will be around 1% lower.

Developing the manufacturing sector is vital to efforts to shift the country away from its lift dependence on raw materials. To achieve this new direction the government will now stress the value-added manufacturing sector to diversify exports.

More than 30% of Indonesia's exports in 2018 were of commodities such as coal, vegetable oil and fats, natural gas and petroleum products.

### Indonesian panel indices



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

## Myanmar

### MTE to help meet demand of cottage industries in Mandalay

The Myanmar Timber Enterprise (MTE) office in the Mandalay Region has announced it will sell 5,400 tons of logs and sawnwood to local mills and cottage industries. The purpose of the sale is to ensure local processors have access to legally harvested raw materials and thus do not have to revert to illegal logging. One of the drivers of illegal logging, say analysts, is the inadequate supply of timber to local industries.

The Forest Department has indicated it plans to demolish much of the road network used by illegal loggers in the Bago Mountain range. Analysts report that illegal logging is still rampant in remote areas despite the 10-year logging ban in the mountain range.

### Industrial zone report announced

A press release from Businesswire has introduced its research into more than 100 active, developing and proposed industrial zone projects across Myanmar, surveying details such as size, pricing, infrastructure, occupancy and tenants.

Businesswire says research conducted over three months through site visits and interviews provides a comprehensive analysis of an aspect of the Myanmar economy that holds significant future growth potential but has remained relatively opaque. The review is being promoted as resource for manufacturers, investors, contractors, suppliers, lenders, developers and a range of other organisations active in the manufacturing sector.

See:

<https://www.businesswire.com/news/home/20190215005186/en/Myanmar-Industrial-Zone-Review-Project-Profiles-2019>

### January tender prices

#### Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1		
SG-2		
SG-4	44	4,295
SG-5	95	4,155
SG-6	252	2,590
SG-7	760	2,150

#### Prices for other hardwood logs

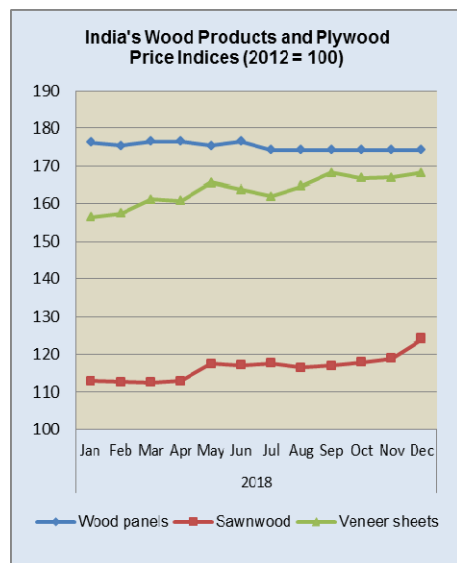
Species	Quality	H.ton	US\$ Average/ton
Kanyin	1st	3329	784
Kanyin	2nd	1713	612
Pyinkado	2nd	817	713
In	2nd	2478	338

**Price indices confirm steady demand**

India’s official wholesale price index for all commodities (Base: 2011-12=100) for December 2018 released by the Office of the Economic Adviser to the government rose to 133.9 from 133.5 for the previous month due to higher prices for sawnwood, wooden crates, panels and veneers however, particleboard prices declined slightly in December.

The annual rate of inflation based on monthly WPI in December 2018 was 3.84% compared to 4.64% for the previous month.

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindustry.nic.in/cmonthly.pdf>



Data source: Ministry of Commerce and Industry, India

**Gujarat eliminates license requirement for timber industries**

In an effort to boost investment in processing the State government in Gujarat has removed the license requirement for factories utilising imported wood raw materials.

The official notification from the State Forest Department explains that sawmills, veneer mills, plywood plants, MDF plants and other factories using imported wood will only need to register with State authorities. Analysts write that this move will especially benefit plywood factories using imported veneers.

The change in license system also applies to companies utilising domestic raw materials from plantations and farms, a move aimed at encouraging agro-forestry.

**Ikea tie-up with local real estate company**

The construction company Rustomjee Group has secured an arrangement with IKEA, the Swedish home furnishings company, for the supply of ready-to-assemble furniture for

a building project near Mumbai. The Indian media are quoting the management of the Rustomjee Group as saying if this pilot arrangement is a success it could be extended to cover other residential developments.

In October last year IKEA had a ground-breaking ceremony for its third store in India in Nagasandra, Bengaluru. This followed the opening of its first store in Hyderabad two months earlier.

**Plantation teak prices**

In the current quiet housing market builders have been trying to lower costs and this is beginning to affect the use of teak, even plantation teak. Analysts write that recently sales of apartments have risen but new building projects have been delayed until the market picks up.

With slow housing sales, demand for wooden furniture has been depressed.

The Rupee/ US dollar exchange rate is holding steady at around Rs.71 to the dollar and importers anticipate this rate will be sustained for the time being.

C&F prices for plantation teak landed at Indian ports are within the same range as shown in the previous report.

**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 hardwood sawnwood remain unchanged from a month earlier.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,750-1,950
Kapur	2,200-2,400
Kempas	1,550-1,750
Red meranti	1,450-1,550
Radiata pine	850-950
Whitewood	850-950

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

#### Myanmar teak prices

The market in India for high quality Myanmar teak joinery and furniture products is limited to high net worth clients such that demand is little affected by trends in the economy. Never-the-less this niche market is small. Much of the teak from Myanmar is processed in India for export and exports remain firm.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	14,000-20,000
Teak A grade	9,000-10,000
Teak B grade	7,000-8,000
Plantation Teak FAS grade	4,000-6,000

Price range depends mainly on lengths and cross-sections.

#### Sawn hardwood prices

Prices for sawn hardwood imports remain unchanged.

Sawnwood, (Ex-warehouse) (KD)	Rs per cu.ft.
Beech	1,650-1,800
Sycamore	1,800-2,000
Red Oak	1,900-2,000
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	1,500-1,600
Western Red Cedar	2,200-2,400
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

#### Plywood

Plywood mills in India that are dependent on imports of face veneer from Gabon are facing problems in that shipments are delayed because of the port congestion. Analysts report that some have been lucky to secure alternative sources in SE Asia.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	63.00
6mm	84.00
9mm	105.00
12mm	130.00
15mm	175.00
18mm	183.00

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	31.50	46.00
6mm	47.00	60.00
9mm	60.00	73.50
12mm	73.50	86.00
15mm	87.00	105.00
19mm	101.00	120.00
5mm Flexible ply	63.00	

At the end of last year there were already signs of oversupply of composite panels and this continues. Prices for both MDF and particleboards are under downward pressure in the local market.

Weakening prices and rising production costs are becoming a serious issue for manufacturers.

Several states have encouraged expansion of the panel sector but this has put pressure on raw material supply. In these circumstances it is even more imperative that the industry seeks a reduction in GST from 12% to 8%.

## Brazil

### Refinements made to strengthen 'Control of Origin' system

The National System for the 'Control of Origin of Forest Products' (Sinaflor) has been strengthened with the addition of three new tools that will make it easier to check production chain information across the country. The new system can be accessed from mobile devices and tablets.

In addition, beginning in December last, a Business Intelligence (BI) portal that allows analysis of data generated by Sinaflor was established allowing real time decision making.

The BI platform already offers analysis of data related to timber species, forest products and transportation in addition to information on users and wood stocks registered in the Document of Forest Origin (DOF) system.

Another tool to support Sinaflor is a mobile application that facilitates field data log-in and reporting of wood harvesting. Sinaflor is currently developing a Distance Learning Platform (Ensino a Distância - EAD) that will enable new operators and public servants to be trained remotely.

### Upward trend in furniture prices

Price volatility in the furniture industry was slightly lower in December from the previous month according to Brazilian Institute of Geography and Statistics (IBGE). Over the same period 13 out of the 24 sub-sectors examined reported positive price changes compared to 10 out of 24 in the previous month. IBGE has reported that prices of furniture rose almost 10% in 2018. Over the past 9 years the average price adjustment in the furniture industry was +8% per year.

### Feasibility of shipping from Imbituba Port to the EU

A delegation of importers and traders from Sweden recently visited Santa Catarina in Southern Brazil and paid a visit to the Imbituba Port complex. The purpose of the visit was to assess the feasibility of importing wood products through the Imbituba Port. If it turns out to be a viable option shipments of wood products to Europe from the port could be arranged every 45 days.

The Administrative, Commercial and Financial Director of the Santa Catarina (SCPAR) Imbituba Port pointed out during the meeting with the Swedish delegation that timber shipments from Imbituba Port began last year when

the first ship loaded with pine and eucalyptus logs was shipped to China. The Director also mentioned that the port can handle many types of cargo and has top class storage and handling equipment.

### Forest product exports help eliminate trade deficit

According to the Ministry of Agriculture, exports of paper, pulp and other wood products, totalled US\$14.2 billion, 23% more than in 2017 and the export of forest products reached a highpoint last year lifting the ranking of the sector to second place in the ranking of agribusiness exports. In past years forest product exports were fourth ranked.

The volume and price of pulp help boost the performance of the timber sector exports driven by firm international demand in 2018. For example China increased its pulp imports from Brazil.

In the final quarter of 2018 China purchased 1.7 million tonnes of pulp from Brazil, 38% more than in the same period of 2017. However, analysts anticipate a decline in pulp prices in 2019.

Pulp price has been rising since January 2017 but increased stock levels in China will eventually lead to softening prices. 2018 was good for pulp producers but not so good for other sectors. The increase in exports by the forestry sector helped the country eliminate its trade deficits which had lingered since 2000.

### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipé	208
Jatoba	116
Massaranduba	112
Muiracatiara	111
Angelim Vermelho	110
Mixed redwood and white woods	92

Source: STCP Data Bank

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipé	836
Jatoba	427
Massaranduba	402
Muiracatiara	388
Angelim Vermelho	364
Mixed red and white	239
Eucalyptus (AD)	192
Pine (AD)	143
Pine (KD)	166

Source: STCP Data Bank

### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	533
10mm WBP	423
15mm WBP	350
4mm MR	414
10mm MR	296
15mm MR	270

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	223
15mm MDF	253

Source: STCP Data Bank



### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,439
Jatoba	881
Massaranduba	841
Muiracatiara	837
Pine (KD)	202

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)	320
12mm C/CC (WBP)	299
15mm C/CC (WBP)	281
18mm C/CC (WBP)	278

Source: STCP Data Bank

### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,750
Jatoba	1,434

Source: STCP Data Bank

## Peru

### Imports of composite panels exceeded US\$100 million in 2018

Peru's imports of composite panels (particleboard and MDF) totalled US\$103.2 million in 2018 an increase of 19% year on year.

Shipments from Ecuador were valued at US\$40 million up 22% year on year. Imports from Chile were worth US\$31 million and this represented a rise of 12% year on year.

While imports of composite panels from Brazil were only worth US\$16 million there was a massive increase in 2018 shipments surging 46% compared to a year earlier. For the first time shipments from Brazil surpassed those from Spain (2018, US\$15.5 million).

### Support for regional investment in plantations and restoration

The new Multi-annual Investment Programme 2019-2021 established by the National Forestry and Wildlife Service (Serfor) provides an opportunity for central government, regional and local government entities to submit proposals for financing of investment projects in the areas of commercial forest plantations, restoration of degraded ecosystems and implementation of forest zoning.

A major aim of this initiative is to expand the accessible resource base and create the supply of around 1.4 million cubic metres of raw material for the production of sawnwood, furniture, flooring and panels. Regional and local governments have been invited to formulate investment projects oriented to forest plantations.

The Serfor initiative also aims to achieve the restoration of around 750,000 ha. of degraded forest especially in watersheds and areas susceptible to landslides and floods, fragile ecosystems and wetlands.

The intention is to bring a much larger area than at present under professional management.

### Export Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	571-605↑

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	945-969↑
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	542-561↑
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Asian market	534-598

### Domestic Sawnwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	-
Virola	266-379
Spanish Cedar	339-379
Marupa (simarouba)	216-224

### Export Veneer Prices

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

### Export Plywood Prices

	US\$ per m <sup>3</sup>
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 8mm	346-374
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

### Domestic Plywood Prices (excl. taxes)

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

### Domestic Prices for Other Panel Products

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

### Export Prices for Added Value Products

Peru, FOB strips for parquet	US\$ per m <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumaru KD, S4S	Swedish market 979-1098
	Asian market 1085-1115
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	523-545
	2x13x75cm, Asian market 732-815

## Japan

### Annual wage negotiations focus on small company issues

Japan's largest labour and business organizations, Rengo and Keidanren (the Japan Business Federation) have agreed in advance of the annual wage negotiations that workers pay should be raised but have yet to decide on what basis discussion on raises should be.

However, both agreed that workers income has a direct bearing on the economy as consumer spending looms large in the direction of economic growth.

The point made in advance of the wage negotiations by the leader of Rengo was that most Japanese are employed by small and medium sized companies who complain they have not seen any improvement in sales and profit over the past year.

### Continuing saga of inaccurate economic data

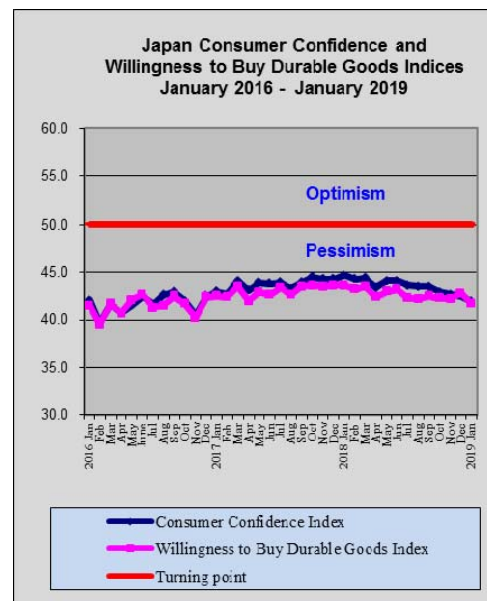
In another twist in the saga of Japan's misrepresented statistics it has been revealed that there is a serious divergence between official GDP data and an alternative series calculated by the Bank of Japan. This follows on from the revelation that wage growth data was incorrectly collected.

Japanese commentators say the problem is partly because there is no central statistics bureau in Japan which means each Japanese government ministry has its own statistical department and decides how the data will be collected and compiled.

### Rise in domestic consumption compensates for drop in exports

Japan's gross domestic product grew in the third quarter 2018 reversing the sharp decline in the previous quarter. The positive numbers were mainly the result of a rise in domestic consumption and business investment which combined to offset weak exports.

Seasonally adjusted GDP rose at an annualised 1.4% in the fourth quarter according to data released by Japan's Cabinet Office.

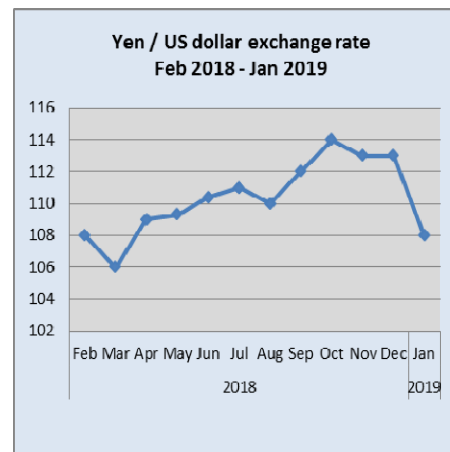


Data source: Cabinet Office, Japan

### Beginning of US/China trade talks boosted US dollar

In early February the US dollar strengthened against the yen on the news that initial talks between Chinese and US officials on the trade dispute have started. However, the rise was quickly eaten away after weaker than expected data on US retail sales was released.

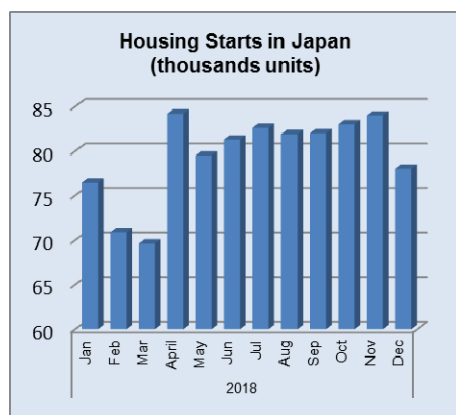
US retail in January dipped below levels seen in 2009 a clear signal that consumer spending, which accounts for around two-thirds of the US economy, is weakening.



### Second consecutive yearly decline in housing starts

2018 housing starts fell just over 2% year on year marking the second consecutive decline. Homes in the 'for rent' sector saw a 5.5% drop, the first in 7 months and there was a slight drop in custom-built homes and other owner occupied housing. Regionally, starts for housing for sale rose in both Osaka and Aichi Prefectures but dropped almost 15% in Tokyo.

Analysts continue to point out there are no signs of housing starts sky-rocketing in advance of the planned October consumption tax rise.

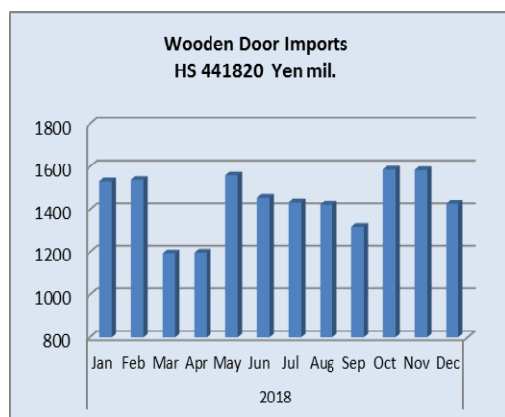


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

## Doors

### 2018 wooden door imports

Japan's 2018 imports of wooden doors (HS 441820) are shown below. Year on year there was little change in the value of wooden door imports. China was the major supplier accounting for around 60% of all wooden door imports. Other suppliers included the Philippines 20%, Indonesia 7%, Malaysia 6% and Sweden 2%. These top 5 suppliers accounted for over 90% of 2018 wooden door shipments to Japan.



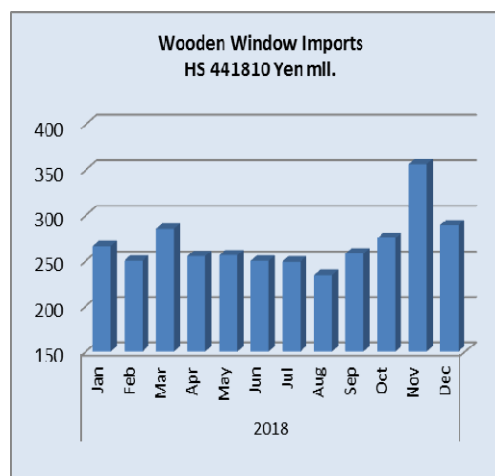
Data source: Ministry of Finance, Japan

## Windows

### 2018 wooden window imports

In contrast to the imports of doors, 2018 wooden window imports into Japan rose 8% from a year earlier. As in previous years there was a noticeable rise in second half year imports with the first quarter of the year being much quieter.

The top 5 shippers of wooden windows (HS 441810) in 2018 were China 35%, USA 27%, the Philippines 22% Sweden almost 9% and Italy.



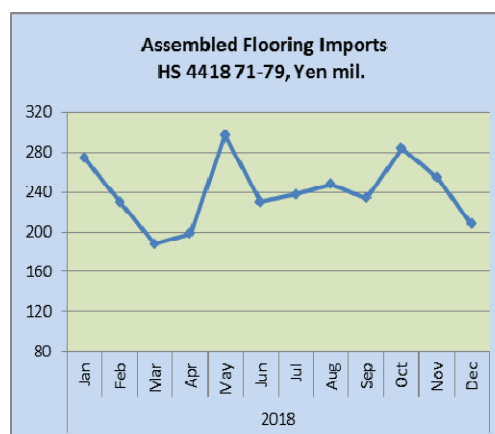
Data source: Ministry of Finance, Japan

### 2018 assembled wooden flooring imports

The value of Japan's 2018 imports of assembled wooden flooring (HS 441871-79) was unchanged from a year earlier. As was normal imports dipped early in the year mainly because of the impact of winter weather on construction activity.

Wooden flooring in HS441875 accounted for around 80% of all assembled wooden flooring imports with China, Thailand and Indonesia providing most of the supply.

HS441879 accounted for 18% of 2018 imports of assembled wooden flooring being shipped from China (57%), Indonesia (14%) and Malaysia (9%). The value of Japan's imports of HS 441873 and HS441874 is small.



Data source: Ministry of Finance, Japan

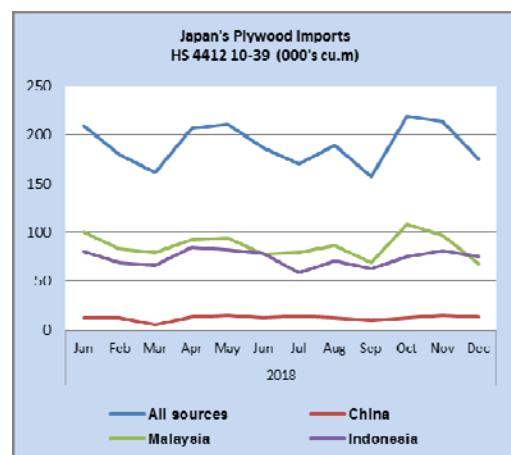
### 2018 plywood imports

Three supply countries account for over 85% of Japan's imports of plywood, Malaysia, Indonesia and China. In recent years shipments from Vietnam have been increasing.

In 2018 shipments of plywood (HS 441210-39) accounted for 45% of all plywood arrivals followed by Indonesia (39%) and China 6.5%).

There are major changes being seen in Japan's production and imports of plywood as supplies from manufacturers in Sarawak have been forced to reduce production due to stricter log harvesting regulations.

It is unlikely that any shortfall from Malaysia can be made up quickly by either Indonesia or Vietnam which is putting pressure on Japanese plywood makers to source logs from domestic forest resources, a move that is being actively encouraged by the government.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0

2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7

Data source: Ministry of Finance, Japan

#### 'Clean Wood' seminar to report on ITTO study

The Japanese Forestry Agency is developing a website to provide information to the timber industry on the Japanese 'Clean Wood' Act, laws and regulations.

ITTO has compiled information on five tropical countries to be included in the 'Clean Wood' website and will organise a seminar to report on the research undertaken in the Philippines, Thailand, Brazil, Ecuador and Lao PDR.

Japan's 'Clean Wood' Act is in support of the promotion and distribution of legally-harvested wood products.

This Seminar will take place in Tokyo on Friday, 8 March.

For more see: <https://www.itto.int/events/event/id=5925>

#### 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>

#### Demand projection of imported wood

Five groups of imported wood products such as Japan Lumber Importers Association came up with demand projection for 2019 by source.

Total of logs and lumber would decline for three straight years. Lumber would stay the same but imported logs would decrease. Not only by declining demand for wood products by dropping new housing starts but also by withdrawal of wood processing businesses due to high cost of imported materials.

Log import would be below three million cubic meters, which is the main factor of dropping imported wood demand.

Forecast of new housing starts in 2019 is 920,000-930,000 units, slight decline from 2018 so there would not be any sizable decline of total wood demand.

Consumption tax will be raised from 8% to 10% in October 2019 but last minutes rush demand surge before rate increase is not expected.

Forecast of log import is 2,981,000 cbms, about 260,000 cbms less than 2018. The largest decrease of North American logs by 220,000 cbms to 2,350,000 cbms is the main factor of decline of log import. The reason is withdrawal of Toa Ringyo, which is the second largest Douglas fir lumber manufacturer.

Other Douglas fir lumber manufacturers would try to cover up shortfall of Toa's supply volume but 100% coverage is impossible.

Supply of South sea hardwood logs would continue declining because of export ban in Sabah and decreasing supply from Sarawak.

Russian log import would further decline by increase of log export duty by the Russian government.

New Zealand log cost would continue climbing by massive purchase by China and sawmills in Japan are shifting to use domestic species.

Lumber import from North America, South Sea and Russia would decrease some but from Europe, New Zealand and Chile would increase so total would be the same as 2018 with 6,220,000 cbms.

Lumber prices from North America in 2018 climbed sharply in the first half then dropped in the second half but basic demand is unchanged in Japan. Cost of European lumber would continue high particularly of lamina so the manufacturers in Japan have been struggling.

Demand for North American and European lumber has been shifting to domestic wood.

**Plywood**

Movement of plywood is steady. Orders for domestic softwood plywood by precutting plants are busy. Some items of imported plywood are getting tight since future purchase is inactive because of gap between suppliers' prices and market prices in Japan. Tight supply would continue in this situation and dealers, which carry inventories are marketing cautiously.

Production of domestic plywood in November was 272,600 cbms, 3.6% less than November last year and 1.0% less than October. In this, softwood plywood was 260,500 cbms, 4.0% less and 1.1% less.

The shipment of domestic plywood was 295,900 cbms, 4.9% more and 0.7% more, out of which softwood was 283,100 cbms, 5.4% more and 1.2% more. This is the record high monthly shipment and first time that the

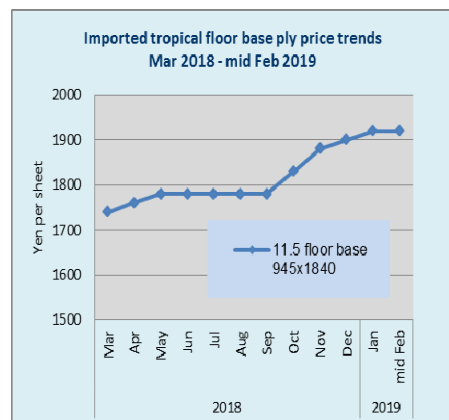
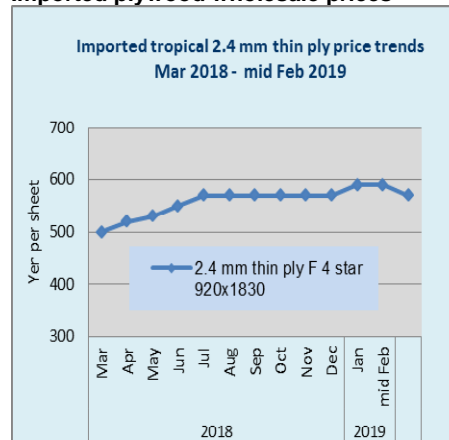
volume exceeded 280,000 cbms. Shipment of both structural and non-structural was active.

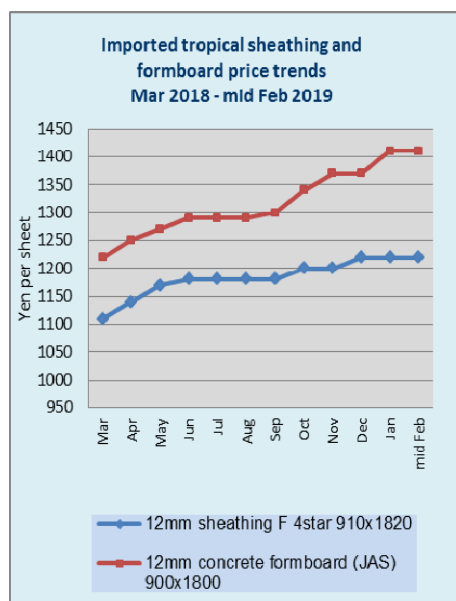
The inventories are 140,600 cbms, 22,500 cbms less than a month ago. Orders in December was active from both direct route like precutting plants and wholesale channels and some plywood manufacturers sold out January production.

As future offer prices of imported plywood continue climbing by the suppliers, market in Japan show some signs of tightening. In the second half of last year, importers reduced purchase volume by climbing export prices and dull demand in Japan so future arrivals would continue low.

Inventory of green concrete forming panel and structural panel is low without any hope of recovery.

**Imported plywood wholesale prices**





### South Sea (Tropical) logs and lumber

South Sea hardwood log prices continue climbing after Malaysia raised minimum wages since January 1, 2019 and Sarawak government increased timber harvest tax.

Present meranti regular log prices in Sarawak soared to nearly US\$320 per cbm FOB, which

is almost unacceptable level for users in Japan. However, log market prices in Japan are holding steady. Supply source of South Sea logs for Japan has shifted to PNG and PNG log prices are lower than Sarawak as a result of slowdown of Chinese log purchase by economic recession of Chinese economy. Trend of yen's appreciation since early this year helps reduce log cost.

Demand for South Sea lumber including lumber from China continues depressed so that the inventories have not dropped.

Prices of mercusii pine free board are weak so that the dealers are not able to place new orders to the suppliers. Movement of poplar LVL and falcate laminated free board for DIY stores is firm.

### Russia increases log export duty

Export duty on three species (larch, spruce and fir) in Far East Russia is raised by 15 points to 40% since January 2019.

This will be increased to 80% in 2021, which practically stops log export. However, if more than 25% of export sales amount by log exporting companies is processed products such as lumber, veneer and wood chip for last three years, log export duty is held at 6.5% for 2019 for such companies.

Purpose of higher log export duty is to promote industrialization of Far East forest industry but there are only limited companies, which already have wood processing facilities so log export will be more difficult.

For Russian log users in Japan such as lumber and plywood mills, increasing log export duty means higher log cost so they have been switching to domestic species and end users of lumber are buying Russian made lumber or genban for reprocessing.

### Malaysia increases minimum wage

The Malaysian government increases the minimum wage to 1,050 Ringgit since January 1, 2019. Minimum wage was set differently in peninsula Malaysia and Sabah and Sarawak in Borneo before but the government decided to make one uniform rate in all Malaysia since this year.

The new wage rate is 1,050 Rgt and this is 14.1% increase in Sabah and Sarawak. It was 1,000 Rgt in Peninsula Malaysia and 920 Rgt in Sabah and Sarawak.

New Mahatir regime plans to increase the minimum wage to 1,500 Rgt in five years so the rate will continue to climb. Furthermore, Sarawak government increases timber harvest tax. Present rate is 0.6 Rgt (0.14 dollar), which is raised to 5 Rgt (\$1.2) since January 1, 2019. This is to promote replantation and industrialization of forest industry in Sarawak.

By increased minimum wage and timber harvest tax, production cost of plywood would climb by \$15 per cbm. Plywood manufacturers in Sarawak need to increase export prices by cost push so further price hike is inevitable.

Present prices are \$580-590 per cbm on 3x6 JAS uncoated concrete forming panel and \$680-690 on concrete forming panel for coating.

## China

### Gloomy Zhangjiagang timber market sales in 2018

The combined effect of strict environmental inspection, the trade friction between China and the United States and the volatility of RMB exchange rate coupled with declining domestic demand is having a big impact on the level of trade and prices at the Zhangjiagang timber market. Analysts write that it is the falling domestic demand that is of most concern to traders.

Zhangjiagang city is the largest distribution centre for imported timber in China. At present there are 28 timber markets around the Zhangjiagang Port with an operation area of more than 1 million square metres and over 2000 timber traders and hundreds of timber processing mills. About half of these mills have developed in recent years.

Zhangjiagang timber imports account for about 25% of all timber imports.

The major issue for the industries in the area during 2018 was environmental protection as wood processing plants become the focus of attention because of their poor pollution abatement technologies.

Most of the timber enterprises around the Zhangjiagang Port are family workshops having no effective measures to deal with pollution. This led to the Zhangjiagang industries becoming the focus of investigation in 2018.

As many as 60% of wood processing enterprises around Zhangjiagang Port have been forced to close due to environment control problems since the beginning of 2018. In addition the domestic economic downturn is proving fatal for many small enterprises.

The Chinese real estate industry is the mainstay of the national economy and this suffered a heavy blow in 2018 due to the economic downturn.

#### Slow business pushes up stocks

Timber stock levels in Zhangjiagang markets remained high throughout 2018. In November, stocks of okan, a main species imported, reached almost 60,000 cubic metres, a volume sufficient to supply downstream industries for up to six months.

Timber prices at Zhangjiagang markets fell sharply in 2018 due to high stocks and weak demand, it was only merbau and sapelli for which prices remained more resilient.

Prices for ebony logs with a diameter of 50-70 cm fell to RMB2500-2600 per cubic metre in 2018 from RMB4000 per cubic meter in 2017. African rosewood prices dipped to RMB2300-2500 per cubic metre in 2018 from RMB3800 per cubic metre in 2017.

Okan was sold at RMB2200-2300 per cubic metre, a year on year decline of RMB1200-1300 per cubic metre. Ekki logs with a diameter of 80-100 cm were selling at RMB2100-2200 per cubic metre, a year on year decline of around RMB600 per cubic metre.

Dillenia logs with a diameter of 50-70 cm were sold at RMB2100 per cubic metre, down RMB500 per cubic metre year on year,

Many timber companies are facing unprecedented challenges after a good year in 2017. At that time most businesses had confidence in the 2018 market. Unfortunately, they did not anticipate the sharp downturn in demand in 2018. All the profits earned in 2017 were lost in 2018.

Looking ahead, analysts write that traders have concluded that there is little chance of a turnaround in demand even after the February Spring Festival.

However, traders see a steady demand for sapelli and merbau logs as they are very popular species. Sapelli is very popular for door manufacture and merbau is the first choice for outdoor furniture and restoration of ancient buildings.

#### Depressed redwood sales in Shenzhen city

Located on Longhua district of Shenzhen city in Guangdong province the Guanlan Redwood Timber Market is one of the major redwood raw material distribution centres in the country. This timber market, which started operations in 1970, has become one of the largest redwood furniture production bases in China.

As one of the largest redwood raw materials trading bases in China and because of its efficient distribution network Guanlan attracted a number of timber markets as well as major manufacturers. Imported redwood is mainly sold to mills in Zhongshan, Xinhui, Shanghai, Fujian Xianyou, Zhejiang Dongyang cities but business is slowing.

But, in the Hongxingshun Second Redwood Market many plots are empty and there are far fewer buyers compared to 2017. Traders indicate that business is not going well.

Annual shipments of redwood from the Shenzhen Guanlan New Sunshine Redwood Market fell sharply in 2018 mainly because the number of redwood furniture companies has shrunk to 1,700 from 3,000 over the past three years.

#### 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+	2800-3000
Ipe	dia. 40 cm+	3200-3400
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000

## Sawnwood

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

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

## Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

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

## Europe

### EU plywood market beset by uncertainty

It's been a roller coaster 12 months for the European plywood industry according to stockholder importers and distributors in the region.

Prices have fluctuated following the rise and fall of key international markets, there have been supply issues due to raw material availability in some supplier countries and demand has ebbed and flowed in response.

European importers also report increasing pressure to provide product legality, quality and performance assurance and now, with forecasts the European market will generally cool this year, plus the destabilising impacts of uncertainty surrounding Brexit, business conditions in the sector through 2019 are expected to become increasingly challenging.

The market has certainly changed since the beginning of 2018, with one importer describing the first six months of last year as 'frenetic'.

"Demand was strong across Europe, as was US consumption, with their importers buying significant volumes of Brazilian ply in particular and leading to Brazilian exports reaching around 2.2million m3 for the year," they said. "Consequently prices just went up and up, with increases from Brazil accompanied by rises from China and Russia."

Price inflation was also fuelled, said another importer distributor, by weather restricted raw material supply in China, Indonesia and Malaysia.

"The dry season was apparently too dry, the rainy season too wet, so mills initially just weren't able to get sufficient logs and price pressure increased further," said an importer.



This initial market buoyancy is reflected in the import statistics. Total EU imports for January to November 2018, comprising tropical, other hardwood and softwood plywood were up 11.1% at 2.27 million metric tonnes (MT).

#### **Leading buyers of plywood**

Of the leading buyers of plywood (from outside the EU) by volume, Belgian imports dipped 1.1% to 216,362 MT, but imports increased in the UK by 5.2% to 625,257 MT, in Germany by 15.5% to 381,211 MT, in Italy by 20% to 173,627 MT, in the Netherlands by 14.3% to 156,862 MT, in Poland by 26.7% to 127,846 and in France by 20.7% to 92,673 MT.

EU tropical hardwood plywood imports overall were about stable at 299,518 MT in the first eleven months of 2018. Contraction in purchases from Malaysia, down 15% at 49,107 MT and Gabon, 19.2% lower at 12,701 MT, were offset by increases from elsewhere. Imports increased from Indonesia by 2.7% to 85,189 MT, from China by 8.5% to 108,589 MT, and from Vietnam by 144.8% to 11,507 MT.

Other hardwood plywood imports into the EU rose 14% to 1.16 million MT with increases from Russia, up 12% to 597,717 MT, China 10.3% to 410,014 MT, Ukraine 38.4% at 62,190 MT and Belarus 38.7% at 71,612 MT.

Total softwood plywood imports rose 11.6%, with increases from all key suppliers. Imports from Brazil rose 7.5% to 502,294 MT, Russia 0.8% to 79,172 MT, Chile 25.4% to 114,769 MT, China 20.4% to 54,519 MT and South Africa 220.9% to 16,312 MT.

#### **Volatile market leaves many importers overstocked**

While it wasn't immediately reflected in the EU import statistics, however, importers report that in the latter part of the year, the plywood market started to turn around and become more volatile.

"We saw the Turkish economy slow dramatically, with construction particularly hard hit, and several of their big name companies seeking court bankruptcy protection," said a continental importer. "As a result Russian birch ply, in particular, that would have been destined for Turkey, was pushed into other markets, including Germany.

"At the same time, the Middle East started to slow down. Following the buoyant international market in the first half of the year, however, plywood production was still high and given an added boost by rising availability of logs in China, Indonesia and Malaysia," said another plywood specialist

European imports also initially remained strong, they added, with contributory factors including importers placing big orders for the next duty-free quota.

The eventual outcome of the combination of high output and falling international market demand was prices, in the words of one company representative, going into a downward spiral. "And due to the strengthening dollar, dollar-based suppliers had to cut particularly deep to remain competitive," he said.

This, he added, left importers holding substantial expensive stocks and facing the dilemma of whether and by how much to discount them to compete with falling current and forward import prices. Brazilian softwood plywood recorded a particularly sharp fall in prices.

"Over six months the price fell between 30% and 40%," said a European distributor. "Standard Brazilian 20mm elliptis, for instance which had been \$310m3 last April went down to \$225m3, or even less. After five or six years of good growth, the Brazilian industry has also built up a lot of capacity, which could undermine prices still further."

Russian plywood production was temporarily affected late last year by unseasonably warm weather delaying the start of logging, but it is also reported to be back to full production.

"The result is that Russian mills have been cutting prices too," said an importer.

A UK company echoed the comments of continental counterparts. "After rising quickly in the first half of 2018 in line with demand, prices on Brazilian pine and Malaysian ply have tumbled," they said. "Brazilian is about \$100m3 lower and Malaysian around \$50 from its high, or 10% FOB. Chinese is likely to rise by 4% after the Chinese New Year, but currently it is 8% lower."

Another importer distributor reported that Indonesian plywood prices had also fallen a few per cent in the last two to three months, possibly due to weaker exports and cheaper logs.

"For Indonesian film-faced shuttering plywood prices are also badly affected by cheap offers of Russian film-faced, resulting in demand for Indonesian –benchmark 18/21mm– being at probably its lowest point for years," they said. "Malaysian prices are a few per cent lower too in spite of stable cost prices and some mills are consequently increasing their use of rubberwood to compensate."

While there wasn't complete consensus on the topic, freight rates, which had been firm, were also expected by some to flatten and fall, reflecting more competitive conditions. "Brazilian rates have already declined as less is being shipped to the UK due to stocks now being so high and Far East freight should also trend down," said an importer.

Cutting prices also does not seem to have had the impact suppliers wanted to increase European consumption.

“If anything it has had the opposite effect,” said another importer stockist. “Prices have fallen so rapidly that, instead of buying more, customers have deferred purchases to see if products will be even cheaper the following week, or week after.”

UK importers also mentioned continuing substitution of plywood by OSB in key markets, with the competitive threat increased by the opening last year of a £95 million new line at Norbord’s OSB plant near Inverness in Scotland.

However, an importer on the continent did not see this as a significant long-term or widespread threat, and felt the two products could co-exist.

“It obviously poses increasing competition in some sectors, but in other applications there is still a preference for plywood,” they said. “The degree of competition also tends to strengthen and weaken. As prices of plywood rise, some customers opt for OSB, then OSB goes up in price and we see the reverse.”

#### **Rougier/ Malvaux deal not expected to disrupt the market**

Meanwhile, in France, the acquisition of the €30 million turnover timber and plywood business Rougier Sylvaco Panneaux by plywood and decorative panels leader Malvaux is not expected to add further disruption to the market.

The deal follows on from Rougier’s disposal of its African timber operations, bar those in Gabon. But Malvaux, which already had a panels and marine plywood distribution relationship with Rougier has stressed that the business, with its depots in Caen, Paris and Sète, where it holds stocks of some 30,000m<sup>3</sup>, is actually set to develop under its ownership.

“Rougier Sylvain Panneaux becomes the distribution subsidiary of the full range of Malvaux Group Products throughout France,” stated Malvaux after the acquisition.

“In turn, the acquisition strengthens our industry and distribution division, accelerating deployment of our strategy to develop a global multi-product, eco-responsible offer. It enables us to provide complete range of plywood, technical and decorative panels.”

Importers said they had also not detected significant fall-out yet from US-China trade conflict, but were keeping an eye on the situation.

“We haven’t yet seen Chinese plywood that would have been destined for the US diverted to Europe, but obviously the longer their dispute goes on, the greater potential it will have to disrupt international markets more widely,” said an importer.

#### **EUTR competent authorities have become more experienced**

What was an ongoing issue in the European plywood market, however, was ever growing pressure to meet the requirements of the EU Timber Regulation (EUTR) and CE marking.

“EUTR competent authorities have become more experienced over time and increased personnel, and checks under the regulation are consequently becoming more frequent and demanding,” said an importer. “But we have already considerably narrowed our supply base to ensure the suppliers we deal with can meet our due diligence requirements, and there is a limit to how much further we can go in policing our supply chains.”

CE marking also represented a continuing challenge, said another company. “There has been progress, but some suppliers still have a lot to do to achieve the levels of professionalism and consistent performance standards required,” they said. “And regulatory compliance takes administrative time and is a further cost we have to absorb in a competitive market.”

Going forward into 2019, one plywood business thought prices generally would start to plateau.

“Chinese prices do seem to have stabilised in December and January and we’re possibly going to see further upward corrections due to the higher RMB and increasing production costs,” they said. “Though very cheap in January, Russian film-faced prices also seem to have levelled and Ukraine is looking for 5% increases from the end of February, so overall the sector may have bottomed out.”

#### **Difficult plywood trading year forecast**

In spite of this, however, European plywood businesses said they anticipated ‘a lot of challenges’ this year and one predicted ‘very difficult trading’.

The continuing slowdown of the Eurozone economy is expected to be one factor impacting trade, with the IMF predicting growth to slow to 1.9% from 2.7% in 2017, and 2.3% in 2018. And in an EU-wide poll of economic analysts in the Financial Times at the end of December, some predicted growth could slow to 1.3%, 1.2% and even 1%.

One continental-based international trader said that their UK orders had grown recently, possibly the consequence of customers building up stock prior to Brexit.

However, a British importer described the market now showing signs of weakening, with both new construction and building renovation markets slowing, partly again due to Brexit, with contractors and clients putting projects on hold pending greater clarity on the post-Brexit trade deal between the UK and EU, yet to be struck at the time of writing.

The latest news from the UK Construction Products Association bears this view out, with the organisation in January downgrading its previous forecast of 2.3% growth in UK construction output in 2019 to just 0.3%.

“Our customers in the timber merchant sector are clearly being affected by this increased hesitation in the market,” said another UK importer. “Delayed purchasing has slowed their stock turn, and that in turn is affecting importers’ sales and margin.”

Despite early signs of European-wide economic slowdown ahead, including a reported 1.6% December 2018 fall in factory orders in the continent’s economic powerhouse Germany, far worse than 0.3% forecast by analysts in a Reuter’s poll, some continental European plywood importers still reported stable and reasonably good demand from key markets in early February.

“Our construction customers, particularly in north west Europe, in Germany, Belgium and the Netherlands, remain at about the same level and still seem to be reasonably busy as does the packaging sector,” said one company representative.

On the downside however, companies across Europe shared the view that the market was overstocked following the price and supply fluctuations in 2018 and that the situation could deteriorate if, as expected, the Eurozone slowdown does worsen and greater caution starts to spread in the market.

In fact, another company said that, while their Netherlands business was still robust, they did already detect something of a slowdown in France and Germany.

#### **Destabilising effect of Brexit to make matters worse**

The destabilising effect of Brexit for the UK and Europe more widely is also expected to grow as the deadline date of March 29 for the UK to leave the EU approaches. In the event of a no-deal Brexit, plywood trade between the UK and the rest of the EU would become subject to duty equivalent to the current external tariff on EU imports – that is between 6% to 10% depending on the product.

UK customs have said they will allow cargo to be temporarily ‘waved through’ 20 ports without checks in the event of a no-deal Brexit to avoid hold-ups, with importers then having to complete an electronic customs declaration within 24 hours. But businesses are clearly concerned there will still be at least medium-term disruptions as systems adapt to new trading arrangements and an importer saw signs of the UK plywood trade preparing.

“The European softwood plywood import quota reached a balance of 275,000 m3 several weeks earlier than in 2016 and 2017,” they said. “One factor could be UK buyers building up stocks to hedge against anticipated import disruption.”

Overall plywood companies said they were less optimistic for business than at the start of 2018. “There are already many uncertainties affecting consumers and businesses and I think the plywood market will be a lot more volatile,” said one. “Importers as a result may become more cautious about holding stocks. And profit margins will be under pressure for sure.”

## **North America**

### **US hardwood plywood imports recovered in November 2018**

US imports of hardwood plywood increased in volume by 11% in November but are still down 20% year to date from 2017. Gains were sharp in November from the many countries gaining from cooling US trade with China. Imports from Malaysia and Indonesia were both up nearly 50% for November and are now ahead by around two-thirds for the year to date.

Imports of plywood from China, while gaining 4% in November, are down 76% year to date. China, which in 2017 held nearly half of the US import market in hardwood plywood, is now well behind Indonesia in volume sent to the US this year.

Although the volume of hardwood plywood is down, total sales in dollars are ahead by 9% year to date, due to higher prices for the types of panel being sold.

### **Sawn tropical hardwood imports dip**

US Imports of sawn tropical hardwood fell by 3% in November to 19,791 cubic meters, which is 10% higher than November 2017.

Year to date, imports are behind by 10% with Ecuadorian imports down by a quarter. Imports of balsa fell by 15% in November and are more than 25% behind 2017 imports year to date. Sapelli and Acajou d’Afrique both gained sharply in November, but still remain down about 20% year to date.

Jatoba and Keruing imports also gained in November and are well ahead of 2017 year to date.

### **Veneer imports continue to wane**

US imports of tropical hardwood veneer declined by 12% in November, falling for the third straight month. The decline is bringing imports back toward 2017 levels after a much stronger early part of the year.

Year-to-date imports still outpace 2017 by 27% as imports from India continue to grow, increasing by 17% in November. Imports of veneer from India have more than doubled in 2018 over 2017.

While Imports from China slipped by nearly a third in November, year-to-date totals are still up 44%.

### Flooring imports mixed in November

US Imports of hardwood flooring continued to be strong in November, rising by 10% over October to a level nearly double that of November 2017.

Imports from Chinese fell by 13% in November but remain ahead of 2017 year to date by more than 60%. Imports from Brazil were up 31% in November and are also ahead year to date by more than 60%.

Malaysian exports of flooring are also very strong with imports more than tripling in November for the strongest month since October 2015. Malaysian imports are up 76% year to date over 2017. Total imports are ahead of 2017 by 41% year to date.

Imports of assembled flooring have not been as robust, declining by 6% in November. However, year-to-date imports remain about 10% above 2017.

### Moulding imports remain flat

US imports of hardwood moulding fell by 3% in November, remaining fairly consistent as they have throughout the year. Most trading countries have not strayed more than 5% from 2017 year-to-date numbers all year. The exception has been Canada, which now is 23% behind year to date after dropping 9% in November.

Imports from Brazil also had been lagging, but a rise of 35% in November brought year-to-date imports even with 2017 numbers.

### New furniture orders continue to rise - But at slower rate

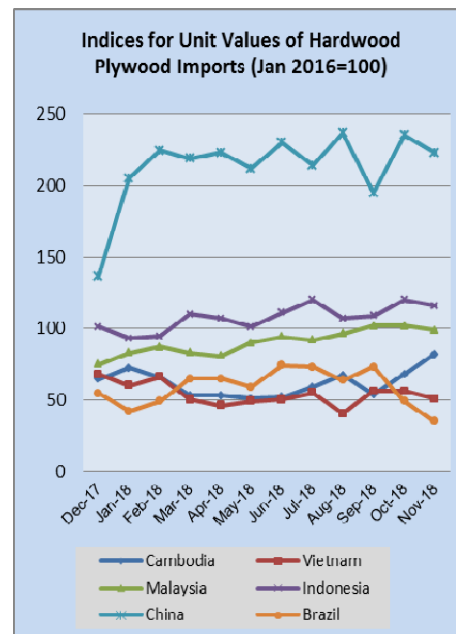
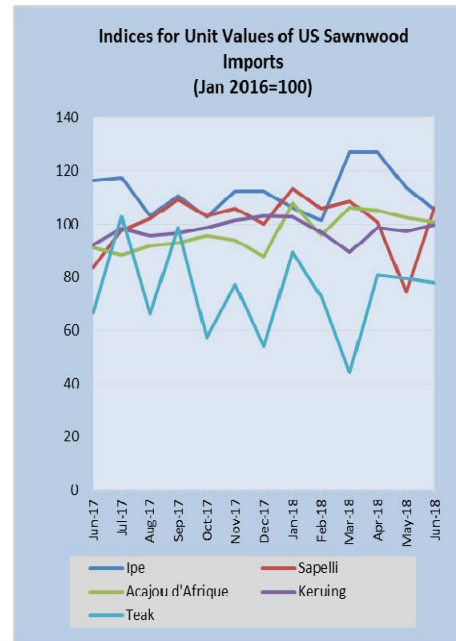
The results of the latest Smith Leonard survey of residential furniture manufacturers and distributors indicated a 3% increase in new orders in November compared to November 2017. This increase followed a 7% increase reported in October and 9% increases in September and August. Year to date, new orders remained 6% ahead of last year.

### Existing home sales declined sharply in December

Total existing-home sales, released by the National Association of Realtors, decreased 6.4% to a seasonally adjusted rate of 4.99 million in December, after two consecutive months of increase. Compared with a year ago, sales decreased 10.3% in December, the lowest level since November 2015. Total existing home sales include single-family homes, townhomes, condominiums and co-ops.

In 2018, the existing home sales remained sluggish due to rising mortgage rates, growing home prices and tight inventory. Though the sales bounced back in October after six consecutive months of declines due to an increase in inventory and slower home price growth, it still ended the year on a low note. The total sales remained down at both national and regional level compared to a year ago.

Regionally, existing home sales fell in all regions in December compared to the previous month. Year-over-year, sales declined in all four regions, ranging from 6.8% in the Northeast to 15% in the West.



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

Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

**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.

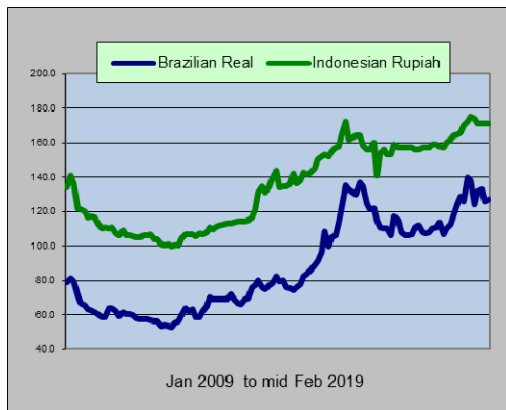
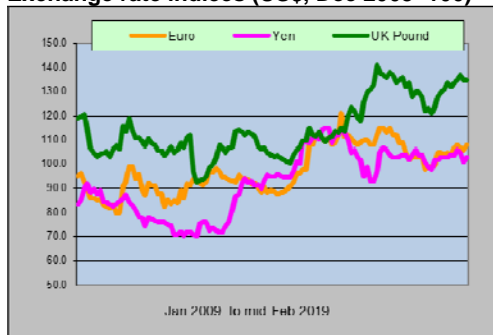
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

## Dollar Exchange Rates

As of 10 February 2019

Brazil	Real	3.7243
CFA countries	CFA Franc	582.14
China	Yuan	6.7722
EU	Euro	0.8852
India	Rupee	71.04
Indonesia	Rupiah	14090
Japan	Yen	110.47
Malaysia	Ringgit	4.10765
Peru	New Sol	3.32
UK	Pound	0.7811
South Korea	Won	1126.40

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



## Abbreviations and Equivalences

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

## Ocean Freight Index

Baltic Supramax Index  
February 2018 – mid February 2019

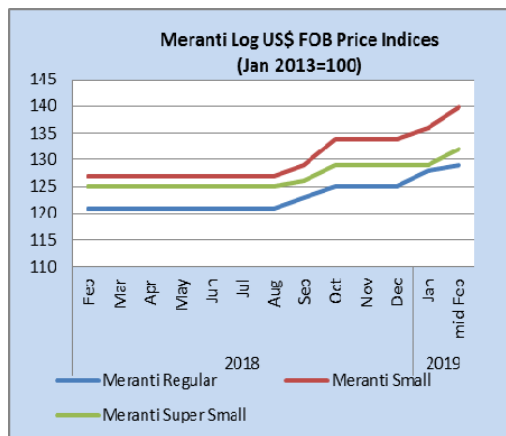


Data source: [lloydlist.maritimeintelligence.informa.com](http://lloydlist.maritimeintelligence.informa.com)

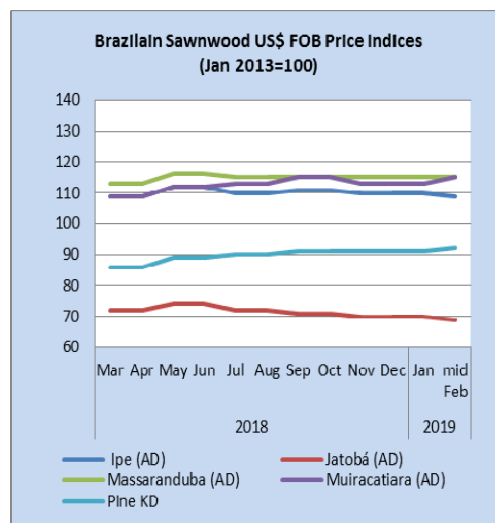
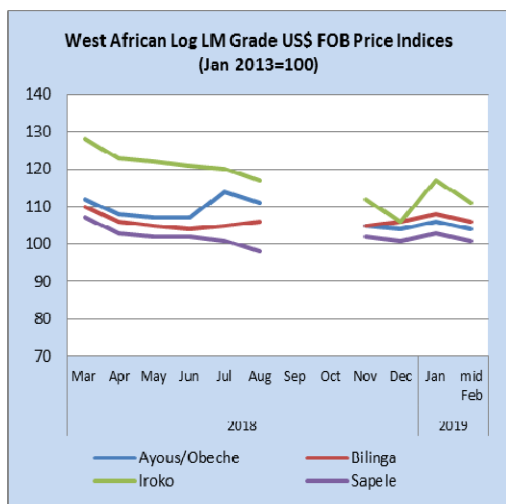
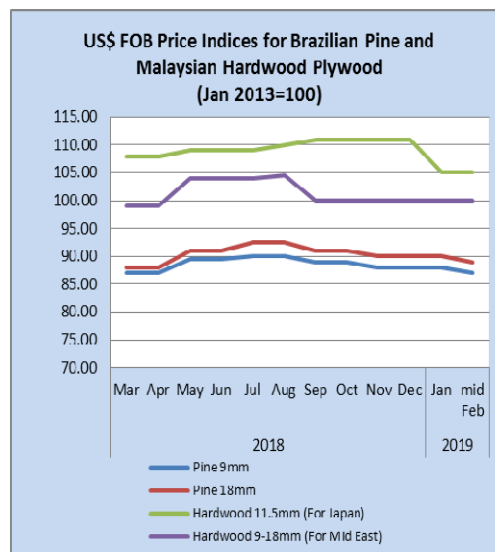
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

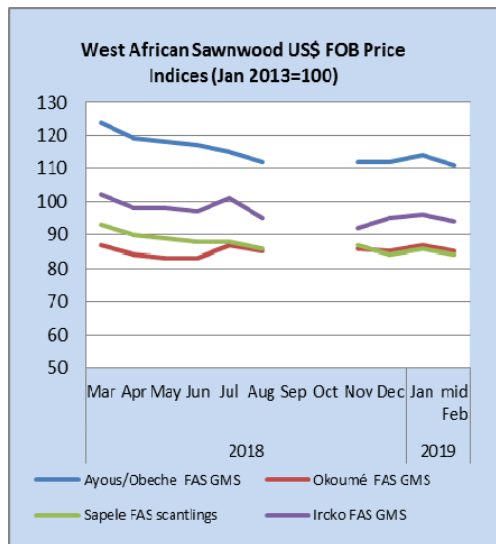
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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