Tropical Timber Market Report

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Top Story

Review highlights fragility of EU okoumé plywood sector

The review by the EU which led to the extension of anti-dumping duties on okoumé plywood manufactured in China has revealed something of a crisis in the EU okoumé plywood industry.

The text of the EU review reveals an industry that remains extremely fragile, suffering from very low profit margins, weak demand, and negligible levels of investment.

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Headlines

Central and West Africa

Douala gets state-of-the-art gantry

Producers in Cameroon report that the recent disruption at the ports has abated and port activity is returning to normal.

The port of Douala has undergone improvements and recently took delivery of a new generation gantry. With this acquisition, financed by Douala International Terminal, the operating company of the container terminal, the port of Douala now has three gantry cranes.

The new gantry was purchased from a Chinese company ZPMC, a specialist in the construction of heavy-lift port equipment.

Gabon forest code still under discussion

The Gabon Forest Code, that was prepared and proposed to government by an NGO, is still under discussion with timber industry representatives.

Gabon producers say there is no news as to if or when the proposed kiln drying regulations will be signed into effect but are meanwhile busy with full order books.

Improved export demand – prospects looking better

Producers across the region continue to be busy taking advantage of improved international demand. There has been some firming of prices but, once again, this is for a few of the more popular timbers. When asked, producers indicated they are confident that the current firm demand will hold and that prices will remain stable through into the third quarter of the year as European buyers are beginning to return with enquiries.

The only market that is problematic at present is South Africa where short term prospects for exports look grim. The rand has weakened and there is still no sign of the much anticipated government infrastructure projects being awarded which would help the construction sector and lift demand for timber.

Log export prices

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

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	430⬆
Bilinga FAS GMS	530
Okoumé FAS GMS	400
Merchantable	300
Std/Btr GMS	345⬆
Sipo FAS GMS	535
FAS fixed sizes	555
FAS scantlings	560
Padouk FAS GMS	850
FAS scantlings	980⬆
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	625⬆
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Rosewood trade ban lifted

The ban on trade in rosewood (Pterocarpus erinaceus) has been lifted as mechanisms are in place to regulate harvesting, processing and export according to the Forestry Commission (GFC). At a recent press briefing, the Deputy CEO of the GFC, John Allotey, said all harvesting of rosewood would be based on quotas agreed with CITES.

The felling of the species, commonly found in the three northern regions of Ghana, started around 5 years ago when the Forestry Commission allowed a few approved companies to harvest and export rosewood. But, because the timber is in such demand in international markets, indiscriminate and illegal harvesting got out of hand such that the species was under treat of extinction.

According to the minister's statement, the lifting of the ban is to enable companies to clear stocks already at the ports and in depots across the country. Those companies with stocks but whose harvesting was done without approval will have to pay various penalties before they can export rosewood stocks.

Development Bank for SMEs

The government has hinted of plans to set up a Business Development Bank dedicated to meet the needs of SMEs in the manufacturing sector. This was mentioned by the Deputy Minister of Trade and Industries during the 2017 Ghana Manufacturing Award ceremony.

The expansion of domestic manufacturing has been identified as a pillar of the government's growth strategy for the country.

In the past, wood product manufacturing was a significant contributor to Ghana's GDP. Gold production and cocoa exports were the main drivers of growth.

The contribution to growth of the wood products sector is now a fraction of what it once was as the sector has been hampered by raw material scarcity, power supply problems, high interest rates and high production costs which have undermined competiveness.

Support for natural resource management

The World Bank has offered Ghana funds to strengthen local communities in the Western and Brong Ahafo Regions of the country.

The funds will be used to strengthen community practices towards reducing deforestation and improving sustainable forest management. The project will contribute towards helping the communities better understand REDD+ (Reducing Emissions from deforestation and Forest degradation plus conservation of Forest, Sustainable Forest management and Enhancement of Forest Carbon Stocks).

Boule Export prices

	Euro per m^3
Black Ofram	390
Black Ofram Kiln dry	482
Niangon	530
Niangon Kiln dry	560

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	324⬆	400
Chenchen	425⬆	624
Ogea	525	604
Essa	490	533
Ofram	350	406

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

Export Sliced Veneer

Note, veneer prices are now reported in cubic metres

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

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	415	610	641
6mm	527	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	420	430
18mm	417	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	320
Dahoma	382	425
Edinam (mixed redwood)	520	580⬇
Emeri	380	500⬇
African mahogany (Ivorensis)	870	915⬇
Makore	680	756⬆
Niangon	557	610
Odum	755	910⬇
Sapele	765	800
Wawa 1C & Select	380	444⬆

South Africa

Indicators suggest economy slowing

BankservAfrica's Economic Transaction Index (BETI) for April has been reported in the domestic press showing that economic transactions conducted in April declined by close to 2 percent.

This downturn reflects the impact of the April holidays but may also signal a slowdown in the economy. The March index suggested a strengthening domestic economy and was the third consecutive month of positive growth.

See: www.bankservafrica.com/Press-Office/Month/4/Year/2017

Political uncertainty in the country is impacting both consumer and business sentiment say analysts. Market demand remains weak, contracts being placed are for smaller volumes and for shorter durations and the pace of enquiries has slipped. Part of the problem is that government budgets for infrastructure are not being offered.

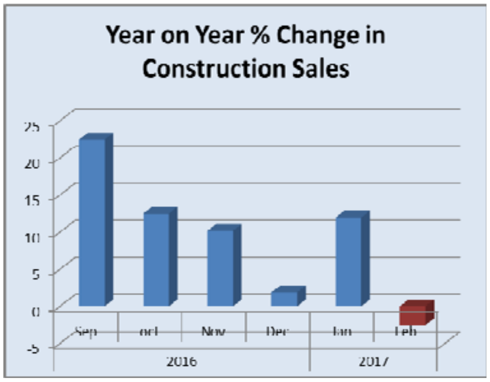
On top of this, consumers show no interest in spending and are holding onto their disposable incomes which have taken a hit because of the recent fuel price increase due to the weaker rand.

The private housing market is very quiet as the price premium for a new home compared to a second hand home is still over 30% and the prospect of higher interest rates is of concern to prospective buyers.

Slow construction spending undermines demand

Subdued demand in the construction sector is impacting pricing. In the pine market there has been a bout of aggressive discounting by mills as some roof truss plants are standing idle.

American hardwoods are still moving but there has been some discounting, especially of 25mm white oak, and the volumes being purchased have fallen as some furniture manufacturers are using more veneered boards.



Data source: Statistics South Africa

Analysts report that stocks are building up at panel producers due to falling consumption.

The meranti market is also soft, driven down by the weaker property market There has been some discounting as traders reduce their stocks in line with market requirements. The market for okoume faces the same challenges.

Regional marketing a real challenge
When South African domestic markets are quiet eyes turn to regional markets but there are few prospects it seems. Analysts report that in Zimbabwe there is an acute shortage of cash notes again.

There are reports of drivers being unable to get notes to pay the road tolls - everyone is turning to credit cards. More importantly importers are really struggling to have access to funds.

Angola still faces a revenue crisis even though oil prices have moved firmer recently. In Zambia the government is insisting they use their own pine and eucalyptus resources rather than imported wood.

Malawi has extensive plantations and is not a significant market for South African producers. Malawi produces wide range of products from its plantations and the country has hardwoods such as panga panga (Millettia stuhlmannii), ebony and kiaat (Pterocarpus angolensis). In addition Malawi has some rubberwood plantations.

Also in the east, Tanzania is basically self-sufficient in timber and they sell teak to India. What was once a lucrative market, Mauritius, is now very quiet as the property market has basically stalled.

Malaysia

Cabotage policy revised
From 1 June this year companies shipping goods from Peninsular Malaysia to Sabah, Sarawak and Labuan will no longer be required by law to Trans-ship in Port Klang and use Malaysian registered vessels to move goods onward. The Malaysian Prime Minister announced the two States and Labuan would be exempted from the cabotage policy.

Under the earlier cabotage policy, goods destined for Sabah, Sarawak and Labuan had to be trans-shipped at a Peninsular Malaysia port (Port Klang) to a Malaysian registered vessel.

The cabotage policy was introduced in the 1980s as a way of promoting Port Klang as the country's main trans-shipment hub. The policy required goods from outside the country to go first to Port Klang before being shipped to Sabah, Sarawak and Labuan. This policy has been blamed for the high costs of goods in Sabah, Sarawak and Labuan compared to prices in Peninsular Malaysia.

Malaysia/EU FTA
Negotiations on a Free Trade Agreement (FTA) between Malaysia and the EU have resumed. In September 2010 the EU member states approved the launch of negotiations for a FTA with Malaysia. One month later, negotiations were launched in Brussels but after seven rounds, negotiations were put on hold in April 2012 at Malaysia's request.

EU is the third largest trading partner for Malaysia and the latest statistics from the Malaysian Timber Industry Board (MTIB) show exports of wood products in January 2017 were worth RM 1,938 million accounting for just under 10% total wood product exports.

The FTA negotiations between Malaysia and the European Union (EU) will include a discussion on the recent resolution by the EU parliament to phase out the use of certain vegetable oils, including palm oil, by 2020.

Massive increase in log cess in Sarawak
The Sarawak state government has announced an increase in the log premium (cess) charge from RM0.80 to RM50 per cubic metre. The cess of RM0.80 was introduced in 1986 and was never reviewed.

This decision sent shock waves through the Sarawak timber sector and companies are calling for the decision to be reviewed as they fear it will undermine their competitiveness because production costs will rise. A response from CIMB Equities Research suggested that the planned increase in cess could result in a 14% increase in production costs.

See: http://www.theborneopost.com/2017/05/10/putting-foot-down-on-log-premiums/

Concessionaires in the Heart of Borneo area must secure certification

The Heart of Borneo (HoB) initiative, a voluntary trans-boundary cooperative project involving Malaysia, Indonesia and Brunei, is an effort to conserve and protect one of the most diverse natural ecosystems and the largest contiguous tropical rainforests in Southeast Asia. The Malaysian states involved are Sabah and Sarawak.

To ensure the forests in the HoB area are sustainably managed, the Sarawak state government has directed timber concession operators in the area to obtain forest management certification by July this year.

Plywood export prices

Plywood traders in Sarawak reported export prices:

Floor base FB (11.5mm)	US$570-575/cu.m FOB
Concrete formboard panels	
CP (3' x 6')	US$440/cu.m FOB
Coated formboard panels	
UCP (3' x 6')	US$510/cu.m FOB
Standard panels	
S. Korea (9mm and up)	US$395/cu.m FOB
Hong Kong	US$405 FOB/cu.m.
Middle East	US$390/cu.m FOB

Indonesia

Wood product manufactures must not relax

International Industry and Trade Advisor to the Minister of Environment and Forestry, Laksmi Dewanthi, has said while Indonesia was successful in becoming the first country to earn the right to issue FLEGT licenses wood product manufacturers cannot relax.

He said the forestry sector must carefully monitor progress in other countries towards FLEGT licenses as competition will mount which means industry must continually make improvements to productivity and product lines.

In related news the Director of Forest Product Processing and Marketing in the Ministry Environment and Forestry, Rufi'ie, mentioned that since the launch of the FLEGT licensing scheme Indonesia has issued 14,548 licenses for the wood product exports to the European Union.

Rufi'ie reported that during 2016 the export value of wood products to all countries reached US$9.26 billion and for the first quarter 2017 the value of exports topped US$1.75 billion.

So far this year furniture exports have been very successful. In 2016 exports to EU were worth US$800 million and in the first three months after FLEGT licenses were issued exports were already US$300 million.

Indonesian crafts need marketing boost

Speaking at the 2017 International Handicraft Trade Fair (Inacraft) in Jakarta, Indonesian President, Joko Widodo, said the craft industry needs a marketing boost in order to lure international buyers. He emphasised that Indonesia has quality crafts but quality alone is not enough.

The President suggested that Indonesian craft makers should pay attention to three aspects, product specification, pricing and timely delivery. He also emphasised that attractive and functional packaging was an important element in attracting buyers.

Furniture from recycled wood an opportunity

The Indonesian Furniture and Handicraft Association is encouraging its members to think about using local recycled wood for export furniture as this type of furniture is a niche market in Europe and the US.

Endro Wardoyo, a member of the Indonesian Furniture and Crafts Industry Association (HIMKI), said she had experienced buyers looking in Indonesia for such unique furniture as they cannot find it in neighbouring countries. According to Endro, recycled furniture of a rustic design is popular in Europe and America.

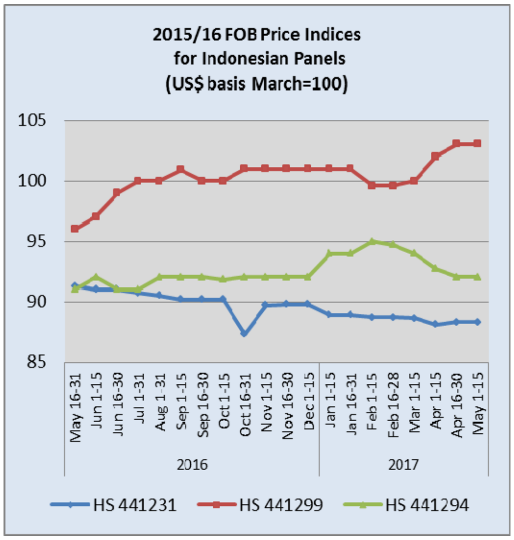
Peatland restoration plan will impact viability of plantation investment

Chairman of the Association of Indonesian Entrepreneurs in Riau Province (Apindo), Riau Wijatmoko Rah Trisno, has expressed the view that the Government Regulation No. 57 of 2016 on Protection and Management of Peat Ecosystems could undermine the competitiveness of products derived from industrial plantation Forest (HTI). His main concern seems to be that the land swap feature of the Regulation may not be a viable solution in many cases.

Apindo, in Riau Province, is also concerned that some 20,000 workers in the industrial timber plantation (HTI) sector could lose their jbs as a result of the new Regulation.

According to Wijatmoko, there are 3,400 direct workers and 17,000 indirect workers/sub-contractors in the HTI sector that could be affected.

The new peatland regulation calls for HTI concessionaires to allow the area to recover as peatland once the forest plantation has been harvested. This, says Apindo, will undermine the financial viability of the plantation investment.



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

Myanmar

Corruption and poverty driving illegal activities

According to the Sagaing Region Forestry Department, corruption, poverty, limited employment opportunities and high market demand are the causes of illegal felling and deforestation. Sagaing has 160 reserved forests and 87 protected forests which need constant guarding.

Sagaing Region and Shan State have experienced the worst illegal felling and the authorities have reported the seizure of around 50,000 tons of illegally harvested logs in the border area.

The operations of the Forestry Department and police in the two worst affected areas are not without risk. According to the Minister, Forestry staff were recently attacked while apprehending suspects. For fiscal 2016-17 8,321 suspected smugglers have been held.

MTE operations to be open and transparent

Ohn Win, Minister for Natural Resources and Environmental Conservation, has said his ministry is committed to provide complete transparency in the operations of the Myanma Timber Enterprise (MTE).

He said members of parliament and civil-society organisations will be invited to observe the entire process under MTE management from felling, transport and sale. He said an open system will begin in this fiscal year. This move comes as the ministry attempts to reassure international buyers that the origin of Myanmar's wood products can be tracked and verified legal.

Stiffer penalties for offenders

In another development, the Mandalay Regional Government has said it intends to bring criminal charges to those involved in illegal activities in the forest. This would be over and above the actions taken under the existing Forestry laws.

Analysts report that the Forestry Department is disappointed with the lenient sentences handed down on those guilty of illegal felling and smuggling. New penalty structures have been decided.

For illegal teak harvesting if the quantity is less than one ton the suspect will be charged under the Forestry Law, if the quantity is between 1 to 3 tons then prosecution will be governed by the Public Property Act and for over 3 tons then the Protection of Public Property Act will be applied.

The FD has issued guidelines for pricing for export according to the type of product; the price is set depending on the market destination. It appears a two tier system will be applied depending on the market.

Indicative teak prices

Boards	US$/cu.m FOB
12-55 x150 up x 300-1750 mm	2330-2960
12-55 x150 up x800 &up mm	3250-4090
Planks	
56&up x150&up x300-1750 mm	2540-3180
56&up x150&up x 1800&up mm	3390-4240
Flitches	
100&upx150&upx300-1750 mm	2330-2960
100&upx150&upx1800&up mm	3390-4240
Teak sawn	
75-102 x102x300-1750 mm	1690-2330
75-102 x102 x1800&up mm	2330-2960
63-130 x130x300-1750 mm	1830-2470
63-130 x130x1800&up mm	2400-3100
12-78 x155x300-1750 mm	2050-2610
12-78 x155x1800 &up mm	2540-3250

India

ESCAP survey optimistic on India

The 'Economic and Social Survey of Asia and the Pacific 2017' published by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) says India's economic growth is projected at 7.1% in 2017 rising to 7.5% in 2018 on the back of higher consumption and increased infrastructure spending.

But ESCAP warns the concentration of bad loans in public sector banks is a risk and there will be a need to recapitalise the public sector banks.

See: http://www.unescap.org/publications/economic-and-social-survey-asia-and-pacific-2017

Finance scheme for affordable homes agreed
The Confederation of Real Estate Developers' Associations of India (CREDAI) and the State Bank of India (SBI) have agreed to work together to make the government's 'Housing for All' plan a reality. The plan calls for building affordable homes.

SBI is the largest bank and mortgage lender in India and the agreement between SBI and CREADAI will deliver construction finance at competitive rates to CREDAI members for eligible affordable housing projects.

SBI and CREDAI had previously agreed to work together on 'Green Construction' through which SBI will offer concessionary rates on loans for the construction of green projects

See: http://credai.org/press-releases/sbi--credai-come-together-for-sustainable-development-and-affordable-housing

Calls to make selling logs from private land easier
The central government has proposed that states should reconsider current regulations which severely limit the felling and sale of timber from private land. This, says the central government, would provide extra income to farmers and help reduce dependence on imports of wood products.

To begin effecting a change the Ministry of Environment, Forest and Climate Change has written to states seeking suggestions for expanding private agro-forestry investment and on how to ease regulations on the sale and transport of timber from private land.

For the full story see:
http://timesofindia.indiatimes.com/india/government-push-for-trade-in-timber-on-private-land/articleshow/58542563.cms 2/4

Western India auction prices down slightly
Between 4-11 April, auctions were conducted at various forest depots of the North and South Dangs as well as the Valsad Divisions.

Approximately 2,500 cubic metres of teak logs were offered along with around 1,000 cubic metres of other hardwood logs such as Adina cordifolia, Gmelina arborea, Pterocarpus marsupium, Acacia catechu and Mitragyna parviflora.

As imported plantation teak logs are mostly of small girth, buyers were interested in the higher girth domestic teak and these logs attracted good prices. However, analysts report prices at the April auctions were lower than at the most recent auctions in the same divisions.

	Rs. Per cu.ft
Grade A ship building	2800-3000
Grade B ship building	2700-2800
Grade A large girth	2400-2500
Grade B large girth	2300-2400
Grade A long	2100-2200
Grade B long	2000-2100
Grade A 15ft & up	1700-1800
Grade B 15ft & up	1600-1700
Grade A 12ft & up	1500-1600
Grade B 12ft & up	1400-1500
Grade A 8-10ft.	1200-1300
Grade B 8-10ft	1100
Small girth low quality	900

Good quality non-teak hard wood logs attracted lower prices than at the previous auction. Logs 3 to 4 m. long with girths of 91 cms and up of Haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium, attracted bids of around Rs.700 to 750 per c.ft. Second quality logs of the same species attracted prices from Rs.350 to 500 per c.ft while the lowest quality logs sold for from Rs.200 to 300 per .cft.

Imports of plantation teak
The supply of imported plantation teak remains steady and the stronger rupee is helping importers hold down landed costs.

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605

Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and cross section

Imported sawn hardwood prices

Prices for domestically milled sawnwood have not changed, except in the case of red meranti where ex-mill prices have increased by about Rs.100 per c.ft. The price rise for meranti, say analysts, is related to higher FOB prices as well as firming domestic demand.

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	700-800
Whitewood	800-900

Stocks of Myanmar teak sustaining Indian mills

Indian millers are still able to secure Myanmar teak logs from stockists in Taiwan P.o.C and other countries that built up log stocks before the export ban in Myanmar. However, as stock decline the firm demand is beginning to drive prices higher.

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

Price range depends mainly on length and cross section

Prices for imported sawnwood

Demand for imported sawnwood is firm but importers have been able to maintain prices as they have benefitted from the stronger rupee.

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

Plywood prices increased to off-set higher production costs

Demand from plywood mills for logs has firmed as many of the older mills are seeking additional supplies of logs and veneer to feed recently installed extra processing equipment. This, and steady demand, is driving up prices. Since the end of April plywood prices have increased between 5-6%, a significant and welcome rise for manufacturers.

Prices for WBP marine grade manufactured by domestic mills

Plywood Ex-warehouse	Rs. per sq.ft
4mm	46.50
6mm	62.00
9mm	79.00
12mm	96.00
15mm	128.00
18mm	135.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	23.50	35.00
6mm	35.50	45.000
9mm	45.00	55.00
12mm	55.00	66.00
15mm	67.00	80.00
19mm	76.00	90.00
5mm Flexible ply	47.50	

Brazil

Use timber to help to preserve forests – WWF-Brazil

A recent story published by Agência Brasil (ABR), the national public news agency, says WWF-Brazil has declared deforestation in the Amazon is linked mostly to cattle ranching and agriculture expansion and that sustainable management for timber and environmental services helps to preserve the forest. However, says WWF-Brazil, it is necessary have robust systems for tracking the source of timber and to consider certification.

WWF-Brazil is seeking to correct the impression that wooden frame houses are inferior and wants to demonstrate that technologies are available to process and treat wood making it an excellent building material.

Standards association evaluates wood frame rules

In mid-April Brazilian Association of Technical Standards (ABNT) committee responsible for developing the technical standard for wood frame construction (ABNT/CE-002: 126.011) met to evaluate progress in implementation and to further refine the content of the standard.

A decision was taken to extend the scope of the standard to cover wooden buildings of up to two floors.

Issue of land ownership by foreign companies addressed

In August 2010, a legal opinion from the Federal Attorney General's Office, indicated that legislation at that time prohibited international groups from gaining control of land in the country. This was rightly seen as a major handicap to attracting foreign investment in forestry and agriculture.

Recently, text for a new law that addresses land sale to non-Brazilians (Law nº 4,059/2012), was submitted to the Federal Government and Chamber of Deputies by a commission called the Parliamentary Front for Forestry (FPS). It is anticipated that the new text will be approved within a few months.

The new draft bill removes the limit on the direct purchase of land by international groups, except in the border areas, legal reserve areas and areas in the Amazon biome. However the new law will require that companies have a Brazilian controlling shareholder. According to FPS, the new draft bill does not allow the land to be bought by sovereign wealth funds, state-owned enterprises and non-governmental organizations.

Raising competitiveness of the forest industries

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) has promoted and participated in several meetings with strategic institutions aimed at identifying measures necessary to improve the international competitiveness of the forestry sector.

Among the most recent meetings was one with the Ministry of Development, Industry and Foreign Trade (MDIC) at the preparatory meeting of the Brazil/United States Business Council. The objectives of this meeting were to discuss production in the sector and examine:

- opportunities for partnerships in foreign trade,
- removal of technical and commercial barriers to trade,
- mutual recognition agreements,
- product standardisation,
- innovation

and

- incentives to the creation of a single export/trade information portal and revision of the Generalized System of Preferences (GSP).

ABIMCI has also conducted seminar on the foreign trade and the forest products industry specifically addressing topics such as exports as priority action for companies; the economic perspective of foreign trade; evaluation of Brazil-Argentina bilateral trade and the possibilities of strengthening MERCOSUR for expanded trade relations.

Domestic Log Prices

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

Source: STCP Data Bank

Domestic Sawnwood Prices

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

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US\$ per m^3
4mm WBP	598
10mm WBP	459
15mm WBP	409
4mm MR	517
10mm MR	385
15mm MR	356

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m^3
15mm MDParticleboard	264
15mm MDF	341

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1429
Jatoba	920
Massaranduba	771
Muiracatiara	737
Pine (KD)	189

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

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	284
12mm C/CC (WBP)	261
15mm C/CC (WBP)	255
18mm C/CC (WBP)	256

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,564
	Jatoba	1,467

Source: STCP Data Bank

Peru

Use more wood for reconstruction in disaster areas – ADEX

Since December last year Peru has been affected by adverse weather blamed on the El Niño effect. There has been very heavy rainfall, floods, landslides, hail and storms. The worst affected areas are in the northern coastal regions but there are reports of damage in all 24 of the country's administrative departments. As of 21 April reports indicate some 1.2 million people have been affected.

The reconstruction of homes, a priority in the north of the country, can be speeded up if locally available timber from the Peruvian Amazon is used said Erik Fischer, Chairman of the Committee of Wood and Wood Industry of the Association of Exporters (ADEX).

He pointed out that in the US, Germany, Belgium, Switzerland and Scandinavian countries wood is the predominant material in housing construction. This, he said, should encourage the government to place a priority on the construction of wooden homes as this will boost the local production of wood products and offer a quick solution in the disaster hit areas.

Looking at the broader perspective, Fischer was of the view that the country needs a housing policy that emphasises the use of domestically available resources such as timber.

He added that timber frame homes can be built more cheaply than the traditional cement block or concrete buildings.

Export Sawnwood Prices

Peru Sawnwood, FOB Callao Port	US$ per m^3
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'-13' KD	
Grade 1, Mexican market	505-594
Grade 2, Mexican market	455-479
Cumaru 4" thick, 6'-11' length KD	
Central American market	879-925
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	631-666
Marupa 1", 6-13 length KD Mexican market	486-549

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	237-255
Spanish Cedar	316-368
Marupa (simarouba)	185-198

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 m3
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		1296-1380
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1058-1098
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

Japan

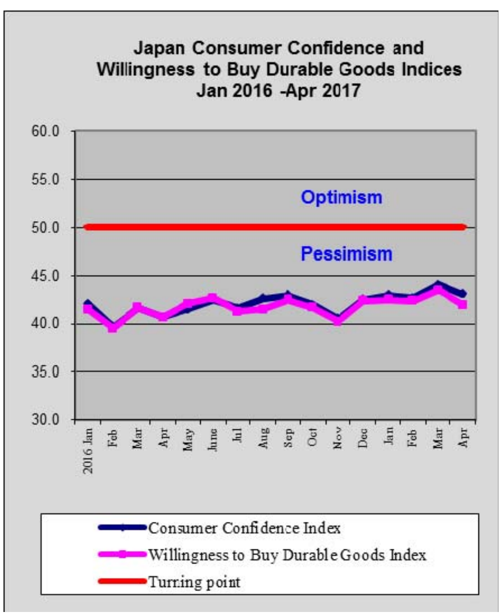
War on deflation gradually being won

According to the latest release from the Japanese Economic and Social Research Institute in the Cabinet Office, consumer confidence in Japan fell slightly in April from a month earlier.

The survey revealed that the index reflecting consumer's perception on prospects for improvement in overall livelihood fell month on month as did the index for prospects for income growth. However, consumers considered that employment prospects were improving but, in line with sentiment in the retail sector, the index for willingness to buy durable goods fell almost 2% from March.

Expectations that deflation can be beaten are at the core of consumer sentiment on employment. Japan has struggled with deflation for nearly 25 years, but may now be reversing the downward spiral.

March employment data showed that unemployment stood at 2.8%, a 22-year low. This, along with positive GDP growth, is likely to give employers the confidence to raise wages further. According to Morgan Stanley report average hourly earnings could rise by over 3% in 2018.

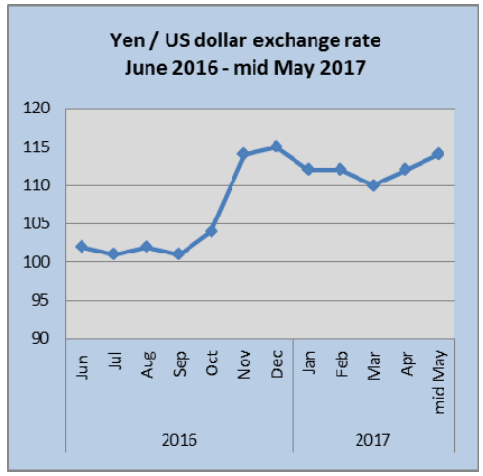


Data source: Cabinet Office, Japan

Post French election - yen weakens to delight of exporters

The result of the French presidential election boosted the euro, had a roll-on effect on the dollar and sank the yen slightly. Both the euro and dollar advanced against the yen by around 2% after the result of the poll in France. This was welcome news in Japan as the yen had been strengthening against the dollar, putting export growth at risk.

Analysts are forecasting further dollar strength anticipating interest rates in the US will be lifted higher, possibly as soon as June.



A use for abandoned homes

The Japanese government has added clauses to exiting legislation creating a system whereby regional governments will register vacant properties with a view to renovated those of suitable condition for letting to low-income families who cannot secure other public housing.

The current Safety Net Law is there to protect seniors living alone, low-income families, disabled persons and, in the event of disasters, displaced households. Such people are eligible for public housing but not enough is available

The revised law should result in an expansion in the stock of homes and at the same time begin to address the problem of abandoned houses.

See: http://www.japantimes.co.jp/community/2017/04/30/how-tos/safety-net-law-offer-new-lease-life-abandoned-buildings/#.WRUGOV-GPIU

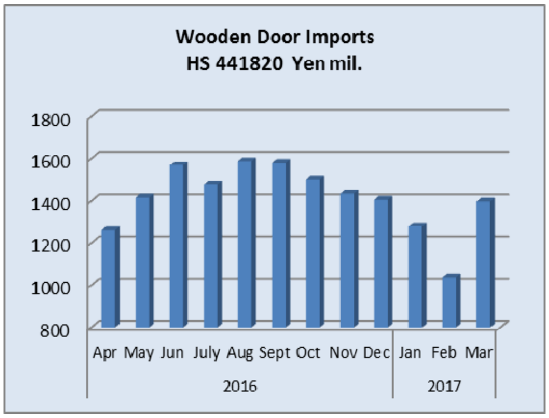
Import round up

Doors

Japan's March 2017 wooden door imports returned back to levels seen in December 2016, snapping the downward trend that began in January this year. March imports were up 35% month on month but were down 2% compared levels seen in March 2016.

On a quarterly basis, 2017 wooden door imports were down 19.5% from a year earlier.

The top suppliers in March, in order of rank, were China (49%), Indonesia (9%) and Vietnam (9%) accounting for 81% of Japan's wooden door imports for the month.

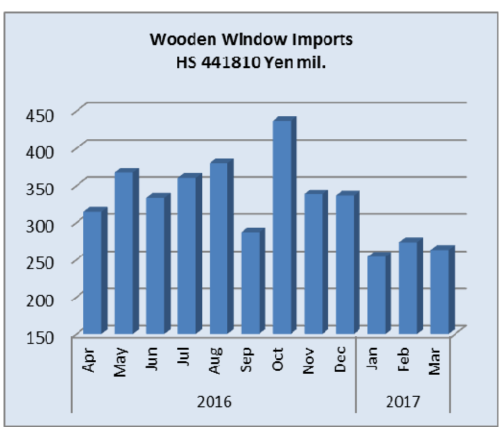


Data source: Ministry of Finance, Japan

Windows

Year on year, the value of Japan's March wooden window (HS441810) imports were up 10% but compared to February import values fell slightly. First quarter 2017 wooden window import values were down 13% from the same period in 2016.

In March this year three shippers accounted for over 85% of the value of wooden window imports, China (49%), USA (30%) and Sweden (8%).



Data source: Ministry of Finance, Japan

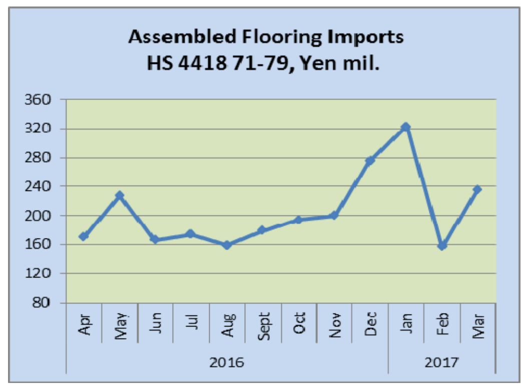
Assembled flooring

Following the massive correction in the value of Japan's imports of assembled flooring in February this year there was a rebound in March. March 2017 imports of assembled flooring (HS441871-79) rose around 50% from a month earlier.

Since September 2016 the value of assembled flooring imports ha drisen every month until the correction in February. The March 2017 import values are just below levels reported in December 2016.

Year on year, March 2017 assembled flooring imports are up 41% and first quarter 2017 assembled flooring imports are up 22% compared to the first quarter in 2016.

One category of assembled flooring, HS441879, accounts for most imports to Japan and within this category three shippers, China, Thailand and Indonesia, accounted for over 90% of Japan's imports in March 2017.



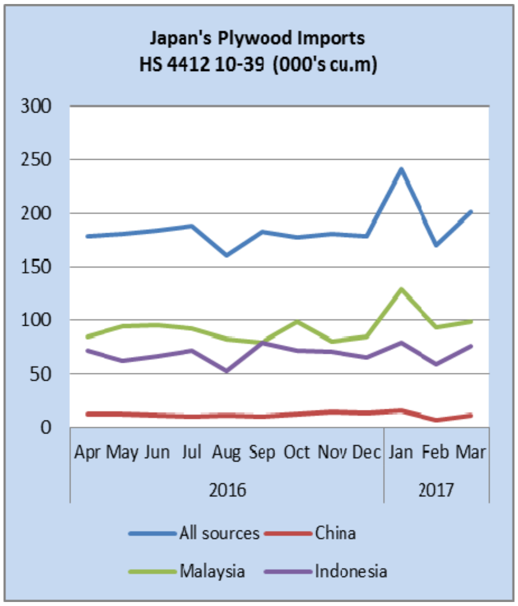
Data source: Ministry of Finance, Japan

Plywood

The figure below shows the trend in imports of plywood (HS 441210/31/32 and 39). Throughout 2016, as was the case in 2015, almost 90% of Japan's plywood imports are from Malaysia, Indonesia and China. This trend continued into March this year. Most of Japan's plywood imports are within HS 441231 (87%).

Year on year March shipments of plywood from the top supplier, Malaysia, rose 18% with Indonesia seeing a 19.5% increase while imports from China, the third ranked supplier, recorded a 44% year on year rise.

First quarter 2017 plywood import volumes were up 12% compared to the first quarter in 2016. Imports from Malaysia were up 20%, imports from Indonesia rose a modest 2% while imports from Chian were flat.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see: http://www.n-mokuzai.com/modules/general/index.php?id=7

Wood statistics for 2016

The Ministry of Agriculture, Forestry and Fisheries announced wood statistics of 2016. According to that, demand for logs was 26,029,000 cbms, 3.7% more than 2015. In log supply, domestic logs were 20,660,000 cbms, 3.0% more than 2015 and imported logs were 5,370,000 cbms, 6.4% more. Share of domestic logs was 79.4%, 0.5 points less.

By use, log supply for lumber was 16,590,000 cbms, 2.5% more, for plywood was 4,638,000 cbms, 10.0% more and for wood chip was 4,801,000cbms, 2.3% more. This tells active demand for plywood, which was the highest production since 2007. Wood chip was also the moist in last ten years.

In supply of domestic softwood logs by use, lumber use was 12,088,000 cbms, 1.6% more and plywood use increased to 3,667,000 cbms, 9.8% more. Wood chip use was also high at 2,715,000 cbms, 5.4% more. Both plywood and wood chip pushed up domestic log supply.

By species of domestic softwood logs, cedar was 57.3%, 5.5% more, cypress increased by 4.1% and fir increased by 4.5% but larch increased only by 0.6%. Pine decreased by 13.0%.

For plywood manufacturing, cypress increased by 27.7% more, larch did by 16.2% more and fir did by 24.6% more.

North American logs, which took 76.5% in imported logs, were 4,106,000 cbms, 8.0% more than 2015 out of which lumber use increased by 7.8% and plywood use did by 8.1%. Russian logs were 381,000 cbms, 11.1% more in which plywood use increased by 51.0% while lumber use dropped by 5.3%.

New Zealand logs decreased by 3.2% in which plywood use increased by 40.0% while lumber use decreased by 4.4%. South Sea logs continues to decline for both plywood and lumber.

Shipment of lumber increased to reflect higher housing starts. That of squares like post and beam were 2.4% more than 2015 and common lumber and lamina were 5.6% more. Board like floor and sideboard was 5.9% less.

Shipment of materials for engineering works dropped by 8.3%, that for boxing and crating dropped by 2.8% and that for furniture decreased by 19.0%.

Symposium on Clean Wood law

The symposium to discuss how the Clean Wood law should be managed in actual businesses was held at the Waseda University in Tokyo and 117 attended the symposium from wood business and environmental protection groups.

Four groups, Research project 'W-BRIDGE' team by Waseda University to tackle practical attitude to environmental issues, Kyushu University's tropical agricultural science center, FoE of Japan of international environmental NGO and Earth and human environmental forum, held this symposium.

Content of the law, comparison to overseas illegal harvest laws and how related domestic companies are dealing with this law were explained.

As primary dealers of wood products, three trading companies, Itochu Kenzai, Sojitz and Sumitomo Forestry attended and explained that they have been tackling use of certified wood products and firm traceability. Information has been collected through their overseas offices and environmental NGO.

As secondary dealers of wood products, Kashima, Japan Paper Manufacturing Union and Sekisui House attended and they reported that they make risk assessment by cooperating with environmental NGO.

Plywood

Domestic softwood plywood supply situation varies by the region. Tight supply in Eastern Japan has been solved but in Western Japan, the supply still continues tight. March end inventories increased by about 10,000 cbms but total inventories are still about 100,000 cbms, which are low for the demand.

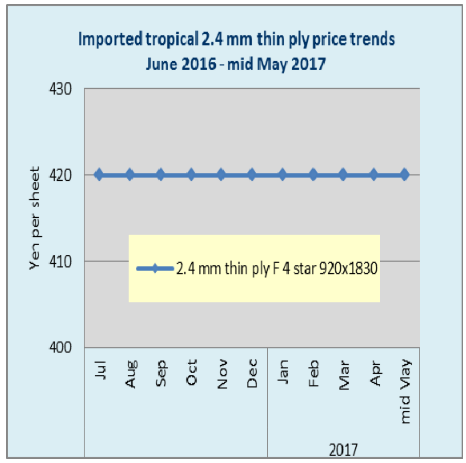
March production was 264,500 cbms, 4.3% more than March last year. The shipment was 254,900 cbms, 7.1% more. Usually the demand weakens in March so this is abnormally high. The inventories were 88,600 cbms. Compared to March last year, this is about 30% lower.

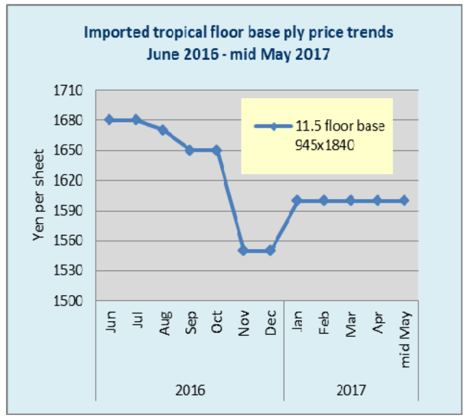
May has many holidays and plants do maintenance works so operating days are less than normal months but precutting plants expect to have much busier days so the supply may get tight again.

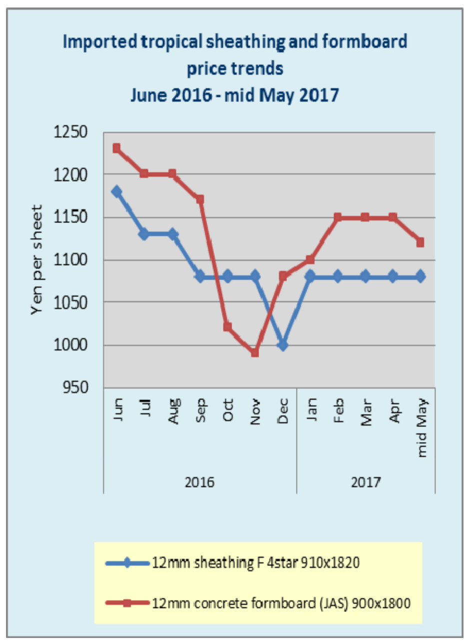
Imported plywood market continues weak by stagnant demand. The market prices have been inching down on all the items after low prices were going around in late March to dispose of inventory for book closing.

The importers and wholesalers cannot afford to reduce the prices as the cost is high so they desperately try to hold the prices but as the yen gets stronger, the users hesitate to buy now.

The arrivals in March were 261,500 cbms. Average monthly arrivals for the first quarter were 258,800 cbms, which were 27,900 cbms more.







China

Sawn softwood import volumes

Four timber groups dominated China's sawn softwood imports in 2016, korean and Scots pine (8.3 million cu.m, 47%), spruce and fir (8.11 million cu.m, 45%), radiata pine (1.19 million cu.m, 7%) and Douglas fir (0.23 million cu.m, 1%).

The volume of korean and scots pine, spruce and fir, douglas fir and radiata pine imports rose 41%, 11%, 9%, and 1% respectively year on year.

Main sawn hardwood imports

The main sawn hardwood species imported into China in 2016 were oak (1,380,000 cu.m, 10%), American ash (508,000 cu.m, 3.54%), beech (503 000 cu.m, 3.51%), cherry (150,000 cu.m, 1.06%) and merbau (130,000 cu.m, 0.93%).

The volumes of cherry, ash, oak and merbau rose 55%, 14%, 11%, and 3% respectively, but, overall, North America hardwoods and beech imports fell 11% and 1% year on year respectively.

Particleboard dominated wood-base panel imports

China's wood-based panel imports in 2016 were 1.4 million cubic metres valued at US$450 million, a year on year increase of 31% in volume and a 21% increase in value. Particleboard dominated China's wood-based panel imports accounting for 65% of the total wood-based panel imports. Particleboard imports were 900,000 cubic metres valued at US$180 million, up 42% and 31% respectively.

China's wood-based panel imports in 2016

Volumes	cu.m	Year on year % change
Total	1,400,000	31
Plywood	210,000	23
Fibreboard	290,000	8
Particleboard	900,000	42
Values	US$ mil.	Year on year % change
Total	450	21
Plywood	140	14
Fibreboard	130	16
Particleboard	180	31

Data source: China Customs

China's particleboard imports were mainly from Thailand (290,000 cu.m), Malaysia (220,000 cu.m) and Romania (150,000 cu.m), a year on year increase of 115%, 13% and 6% respectively. 72% of China's particleboard imports were from the above-mentioned three countries.

Particleboard imports to China were shipped mainly through Tianjin (220,000 cu.m), Shanghai (180,000 cu.m), Huangpu (140,000 cu.m) and Shenzhen Customs (120,000 cu.m).

Plywood dominated wood-based panel exports

China's wood-based panel exports in 2016 totalled 15 million cubic metres valued at US$670 million, a year on year increase of 2% in volume but decrease of 5% in value.

Plywood dominated wood-based panel exports in 2016 and accounted for 76.5% of the total wood-based panel exports. Plywood exports totaled 11 million cubic metres in 2016 valued at US$530 million, up 5% in volume but down 4% in value.

China's wood-based panel exports in 2016

Volume	cu.m mil.	Year on year % change
Total	15	2
Plywood	11	5
Fiberboard	3	-7
Particleboard	0.3	14
Value		Year on year % change
Total	670	-5
Plywood	530	-4
Fiberboard	120	-13
Particleboard	10	7

Data source: China Customs

Most of China's plywood exports were destined for the US market (2.1 million cu.m), a year on year increase of 12%.

Main 2016 plywood export markets

	Cu.m mil.	Year on year % change
US	2.1	12
Philippines	0.8	36
UK	0.7	2
UAE	0.68	-7
Japan	0.63	-6
South Korea	0.6	-10
Saudi Arabia	0.4	-18
Thailand	0.34	21
Taiwan PoC	0.31	6
Vietnam	0.31	9

Data source: China Customs

Shipments of plywood from China to international markets were mainly through Qingdao (4.47 million cu.m) and Nanjing (4.33 million cu.m), a year on year increase of 16% and 1% respectively. 78% of China's plywood exports were through the above-mentioned two ports.

China's wooden furniture imports

The value of China's wood furniture imports was US$964 million in 2016, a year on year increase of 9%. Over 70%

was imported from five countries; Italy (US$247 million, 26%), Vietnam (US$169 million, 18%), Germany (US$132 million, 14%), Poland (US$82 million, 8.5%) and the US (US$50 million, 5.2%).

Data source: China Customs

US the main destination for wooden furniture exports

The value of China's wooden furniture exports (including wooden seats) was US$22.3 billion in 2016, a year on year decline of 3%. The US was the main destination for China's wooden furniture exports and was worth US$8.2 billion, up 4% year on year, and accounted for 37% of all wooden furniture exports in 2016. The 10 countries shown below accounted for around 75% of China's wooden furniture exports in 2016.

Data source: China Customs

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
yuan per tonne		
Cocobolo	All grades	27000-40000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	8600-9500
Lauan	special grade	5300-4500
Kapur	special grade	5000-6000
Teak	special grade	14000-20000

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	9000-1000
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	5200
Ash	No knot	5700-6300
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	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	14-20
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

Europe

EU review highlights fragility of okoumé plywood sector

The EU renewed anti-dumping duties on imports of okoumé plywood manufactured in China on 7th April. These duties were originally introduced by the EU in 2004 and would have lapsed after only five years had not an interested party requested the European Commission (EC) to initiate an expiry review.

In 2009, the European Panel Federation (EPF) requested a review which led the EU to extend the duties for another 5 years from January 2011. Near the end of that period, in October 2015, the EPF once again requested that the EC initiate an expiry review.

This new investigation led to the announcement of another 5-year extension from April 2017. The duties renewed on 7th April are unchanged from those originally imposed in November 2004, requiring payment of between 6.5% and 23.5% by four named Chinese manufacturers and 66.7% by all other Chinese manufacturers.

The four manufacturers paying lower duties had co-operated during the original anti-dumping investigation and shown that the “injury-margin” for their products was less than calculated by the EU for other Chinese manufacturers.

The review investigation carried by the EC – which focuses on the years 2012 to 2015 – is interesting for the insight it provides into the current extent and status of the EU okoumé plywood manufacturing sector. It reveals an industry that remains extremely fragile, suffering from very low profit margins, weak demand, and negligible levels of investment.

The EC concluded that although the sector’s financial position has improved slightly over the last 5 years, removal of the anti-dumping duties on equivalent Chinese products would lead to a “recurrence of injury” and threaten its survival.

The product covered by the anti-dumping duties and investigated by the EC is that falling within TARIC code 4412 31 10 10 and defined as “plywood consisting solely of sheets of wood, each ply not exceeding 6 mm thickness, with at least one outer ply of okoumé not coated by a permanent film of other materials”.

This definition captures both "full okoumé" plywood with okoumé throughout and combi plywood with at least one outer face of okoumé, the rest being made of other wood.

The product is used for a variety of end-uses in the EU, notably exterior joinery and carpentry applications for boarding, shutter boards, exterior basements and balustrades and riverside panelling, and more decorative purposes particularly in vehicles and yachts, and for furniture and doors.

The EC investigation involved a review of relevant trade and industry statistics and consultation with interested parties. Invitations to participate were issued to all known exporting producers in China.

However, only one company offered any information and this only to say that no okoumé plywood was manufactured during the review period. The EU also noted that input was requested from the Chinese authorities but no information was received.

As a result, the analysis relied heavily on questionnaire responses from five sampled plywood producers in the EU and from one producer in Morocco. The latter was identified as a suitable "analogue" country (producers in Turkey, another “analogue” country, did not respond to the questionnaire).

EU okoumé plywood consumption falls 35%

The data gathered shows that EU consumption of okoumé plywood ranged from 175,600 cu.m to 189,000 cu.m per year in the period 2012 to 2015, a substantial decline from around 290,000 cu.m during the EU’s previous review in 2008-2009.

The EC comments that the decrease was explained by okoumé plywood being substituted by other tropical wood species and by the fallout from the economic crisis. The share of China in the market during this period when anti-dumping duties were in place was negligible

EU production of okoumé plywood was 144,000 cu.m in 2012 rising to 148,000 cu.m in 2015. Capacity utilisation was 80% throughout this period. This compares to annual production of around 265,000 cu.m in 2008 and 2009 reported in the previous review.

Production capacity in the EU, which was 577,000 cu.m in the previous review period, fell even more dramatically due to the closures of several EU producers, including Plysorol formerly the largest EU manufacturer, and reduced capacity by those producers still in the business.

EU producers share of the EU market increased from 68.2% in 2012 to 74.9% in 2015, almost all at the expense of producers in Gabon and Morocco. The EU okoumé plywood manufacturing industry employed 543 people in 2012, declining to 492 in 2015. Production per employee increased by 13% from 265 cu.m in 2012 to 300 cu.m in 2015.

Sales prices of okoumé plywood manufactured in the EU averaged 756 EUR/cu.m in 2012 rising to 780 EUR/cu.m in 2015. These prices are considerably lower than levels of around 900 EUR/cu.m recorded in the previous review during 2008-2009.

The prices achieved recently are insufficient to cover the unit costs of production which averaged 783 EUR/cu.m in 2012, fell to 760 EUR/cu.m in 2013 and 2014, before rising to 778 EUR/cu.m in 2015.

The EC notes that during the whole 2012-2015 period, profitability of the EU okoumé plywood was extremely low. It was negative at the beginning of the period and turned only slightly positive in 2014 and 2015.

The level of profitability in 2015 was markedly lower even than in 2009 at the height of the economic crises. Investment was also extremely low, below that required to compensate for depreciation of fixed assets in 2012 and 2013, and just rising above this level in 2014 and 2015.

While EU manufacturers were gaining share at the expense of manufacturers in Gabon and Morocco in the period 2012 to 2015, the latter were selling product at lower average prices.

Average prices for EU imports of okoumé plywood from Gabon increased from 628 EUR/cu.m to 645 EUR/cu.m between 2012 and 2015, while prices from Morocco increased from 662 EUR/cu.m to 700 EUR/cu.m.

The EC compared sales prices of domestic, Gabon and Moroccan manufacturers in the EU during the review period with commercial prices offered by Chinese manufacturers to non-EU European countries (namely Bosnia and Herzegovina, Switzerland, Turkey, Gulf States and Norway). These prices ranged from 313 EUR/cu.m to 540 EUR/cu.m (CIF).

The EC also noted that the average CIF price of okoumé plywood supplied into the EU from China during a brief period in 2012 when imports from the country increased from negligible levels to over 1000 cu.m was 549 EUR/cu.m.

The EC concluded that prices offered by Chinese manufacturers for okoumé plywood were substantially less than both EU manufacturers and manufacturers in analogue countries.

EU unable to assess China's okoumé plywood production

The EC was unable to accurately assess the level of China's okoumé plywood production during the review period. A rough estimate using information provided by the European Panel Federation (based on the volume of okoumé logs imported into China in 2014), put annual production at somewhere between 290,000 cu.m and 2.9 million cu.m per year.

The large range is because of lack of data on how much imported okoumé is destined for plywood production in China, or is used for full okoumé plywood or combi plywood. Nevertheless, the EC suggested, based on this data, that okoumé production capacity in China is likely to be significantly greater than in the EU.

The EC also noted plywood in China is produced by the same companies and on the same equipment, whatever the wood species used and that okoumé plywood tends to be more profitable than other types of plywood. Therefore, according to the EC, in the absence of anti-dumping measures, "it is likely that Chinese producers will shift their production from other types of plywood towards the more lucrative okoumé plywood".

The EC also noted that anti-dumping duties on imports of Chinese plywood exist in the Republic of Korea, Morocco and Turkey, while the U.S. issued a preliminary determination of the countervailing measures against Chinese plywood in January 2017.

The EC suggested that "Chinese exporting producers thus will have limited access to these markets and will be limited in exporting their production or re-directing their exports to these markets. This leaves the EU market even more attractive for Chinese plywood imports".

The EU review concluded: "the significant production capacity available in China, the possibility of Chinese producers to easily increase production volumes available for exports, the possible high dumped prices in other third markets as well as in the Union market and the attractiveness of the Union market, indicate that a repeal of the measures would likely result in Chinese exporting producers re-entering the Union market at dumped prices and in significant quantities.

It is therefore considered that there is a likelihood of recurrence of dumping should the current anti- dumping measures be allowed to lapse."

UK TTF agrees to mandatory 3rd party plywood testing

At a recent meeting, the National Panel Products Division of the UK Timber Trade Federation (TTF) unanimously agreed a requirement for third party species testing and third party product performance testing for all panels placed on the market from outside the EU.

This is driven by concern about technical performance, EU Timber Regulation (EUTR) conformance and sustainability.

According to the TTF “if a product which says it is fit for exterior use fails to perform because the raw materials are actually different from that on the paperwork, then reputational damage for the timber industry and its products is a real risk”.

UK importers have also been under intense pressure to demonstrate conformance to EUTR after the NMO, the UK’s enforcement agency, published a report in February 2015 revealing failures by several UK importers of Chinese plywood to meet regulatory requirements. Specific concerns were raised over the lack of accurate information on species content in Chinese hardwood plywood.

According to a TTF statement “the TTF has decided enough is enough and that new measures are needed to ensure that products its members import tick all the right boxes. Such a requirement for TTF members can only help improve quality assurance for hardwood plywood imports and it also shows that the timber industry does what it says and is not afraid to hide from difficult issues”.

TTF reports over 90% certification of UK timber imports

The latest summary report of certification content in U.K. timber product imports was published by the TTF in April 2017. The analysis, based on data derived from TTF member companies for the year 2015, shows certified, sustainable material at a record high of over 90% of imports by TTF members.

TTF members account for roughly 85% of the total UK market for imported timber (including logs, sawn wood, decking, mouldings, veneer, plywood and other panels).

The report shows year-on-year growth in certified products to an unprecedented level of 90.2% of total volumes.

The report notes that of the remaining, uncertified, 10% there are large volumes of hardwoods purchased from North America and Africa, both areas where traditional certification is less apparent. There are also large volumes of panel purchases coming from China.

Within this 10%, TTF members are conducting supply chain, species and country risk assessments as part of the due diligence process required both for the EUTR and the TTF Responsible Purchasing Policy (RPP). Therefore, risk within the supply chain for uncertified timber is adequately managed.

The report notes that there is a significant and increasing business-to-business demand for certified products in the market. Despite the progress by members, TTF note that "this demand can prove difficult to meet from traditional source countries and regions and at times can prove detrimental to timber being specified as a material".

With this in mind, the TTF indicates that their policy is not to exclude uncertified products and that it is "committed to helping demonstrate the sustainability criteria of well-managed, uncertified sources, for instance newly FLEGT licensed Indonesian products and North American timber etc".

The report provides insights into the relative share of different certification frameworks in the UK market. Softwoods as a product group are fairly evenly split between FSC and PEFC, however FSC dominates tropical hardwood timber purchases. Of the 50% of tropical hardwood purchases that were certified, nearly 97% of that was FSC - the remaining 3% comprising MTCS/PEFC certified timber from Malaysia.

The high levels of certified product traded by UK TTF members is partly a reflection of the products and supply countries involved - dominated by primary and secondary wood products and mainly derived from European countries where there is a high proportion of certified forests.

TTF note that the level of members trade in, and certification proportion, in more complex products such as doors and engineered flooring is also rising, but is still a long way behind sawn wood products. Overall certification of panel products and further processed products remains low.

TTF members also do not include UK importers and retailers of wood furniture - a sector which evidence shows still comprises a large proportion of uncertified supply. This is due both to the lower level of corporate commitment to sustainable timber procurement amongst furniture buyers and to the greater complexity of products and supply chains.

North America

A look back at 2016 – where to now?

The US Federal Reserve increased interest rates in December 2016, just the second time it has done so in a decade. The impact of this on sentiment in the US far outweighed the tiny adjustment made: it was read as good news, the impact on the economy was immediate, and the already buoyant housing sector got a further boost.

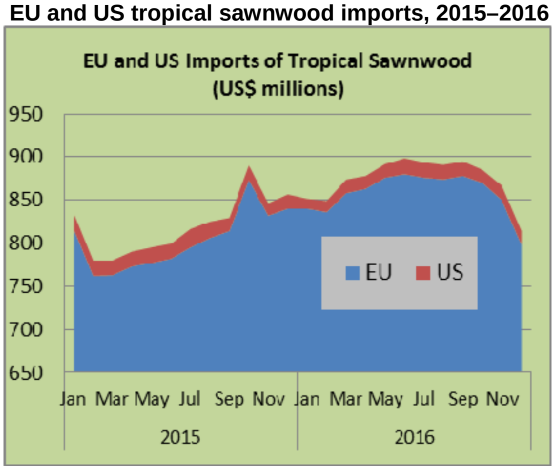
With the US economy much closer to full employment, and given the "live now, pay later" policies of the new administration, consumer sentiment, business growth and investment in housing should all expand, driving up timber consumption and (because the dollar will strengthen) imports.

Consumption of tropical sawnwood down

Despite stronger housing starts and home sales in 2016, tropical sawnwood imports fell by 13% in the US in 2016. The fastest decline was in sapelli, with imports down by about 30% compared with 2015.

The US has never been a big market for tropical sawnwood, but with a population of 320 million (compared with the EU's 508 million), and per capita incomes 50% higher than in the EU, the value of tropical sawnwood imports is miniscule and could be expanded.

EU and US tropical sawnwood imports, 2015–2016

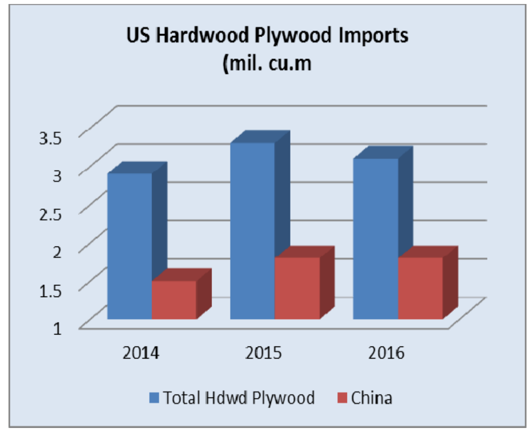


Main species of tropical sawn hardwood imported into the US

	2015 cu.m	2016 cu.m	% change
Balsa	53,290	58,883	10%
Sapelli	41,392	28,909	-30%
Acajou d'Afrique	25,791	17,455	-32%
Keruing	21,578	20,107	-7%
Ipe	32,251	32,963	2%
Mahogany	20,251	18,463	-9%
Virola	8,847	7,908	-11%
Meranti	9,675	8,364	-14%
Cedro	8,576	8,905	4%
Jatoba	3,595	2,420	-33%
Teak	9,470	6,280	-34%
Iroko	783	858	10%
Padauk	611	1,520	149%
Aningre	569	246	-57%
Other tropical	26,343	22,742	-14%

Tropical hardwood plywood imports decline…

US imports of hardwood plywood declined by 4% in 2016, to 3.14 million m3 (valued at US$1.82 billion) after a 12% increase in 2015. The decline was mainly in imports from tropical producers: imports from Canada, China and the Russian Federation all increased.



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

… but tropical veneer imports rise

Tropical hardwood veneer imports were worth US$233.7 million in 2016, up 14% from the previous year. Imports from many leading suppliers—including Cameroon, Ghana, India and Italy—doubled compared with 2015.

Italy was the largest supplier of tropical veneer in 2016, at US$15.9 million, followed by China (US$9.6 million). Côte d'Ivoire, Ghana and India each shipped tropical veneer worth more than US$6 million to the US in 2016. Veneer imports from Cameroon doubled compared with 2015, to US$2.6 million.

Strong growth in engineered wood flooring imports

US imports of hardwood flooring fell by 15% in 2016, to US$40.5 million, although imports of this product from China grew rapidly.

The main exporters of hardwood flooring to the US in 2016 were China (US$9.7 million), Indonesia (US$9.1 million) and Malaysia (US$6.3 million). US imports of engineered flooring were worth US$164.6 million in 2016, up by 21% from 2015, with all major exporters recording increases.

Year-on-year change in US imports of engineered wood flooring, 2016

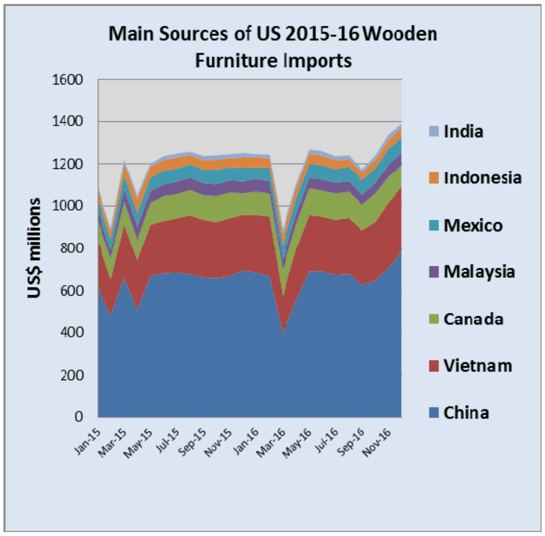
	Change (%)
Total	21
Brazil	2
Canada	1
China	25
Indonesia	21
Thailand	30
Other	41

Source: US Department of Commerce.

Record high in wood furniture imports

US wood furniture imports reached a record high in 2016, at US$16.7 billion, up by 3% from 2015. The value of imports increased from all major suppliers except Indonesia (down by 9%) and Malaysia (down by 5%).

China's share of total imports decreased again in 2016 (although overall it was up by 2%, to US$7.82 billion), to 46.8%, but Viet Nam's share grew to 19.1% (at US$3.19 billion, up by 6%). Malaysia's share of total imports was the same as in 2014, at 3.8%. Canada, Mexico and India recorded the strongest year-on-year growth in wood furniture exports to the US in 2016.



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

Consumers confident in economy

A consumer survey by the University of Michigan found that US consumers are positive about economic prospects and reported higher household incomes.

The National Association of Home Builders is also positive on prospects for the new build, single-family home market which is good news for the flooring, mouldings and plywood sectors. The Association continues to be concerned, however, about the high cost of labour in the building sector and rising land costs.

The greatest unknown in the US market is where US trade policy will eventually settle. Will there be tariff increases? The idea of a 20% tax on imports from Mexico has been raised, which could have major implications for Mexican wood exporters, US importers—and US retailers and consumers.

In an article titled "Border tax proposal riles retailers" in the 7 February issue of Furniture Today, Clint Engel wrote that, "A tax on imports from Mexico may help pay for the Trump administration's proposed border wall, but it's the consumer who will end up paying for more expensive goods if the U.S. government adopts a broader tax on all imports".

Engel also noted that the National Retail Federation was against the idea and that a new group, Americans for Affordable Products, which includes home-furnishings retailers, opposes the idea.

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.

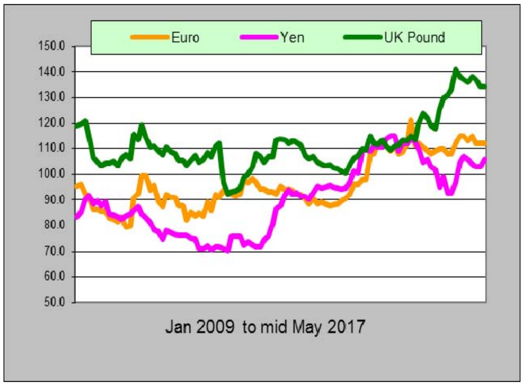
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

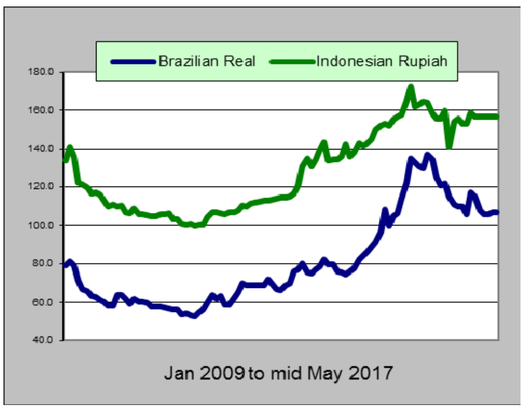
Dollar Exchange Rates

As of 10 May 2017

Brazil	Real	3.1389
CFA countries	CFA Franc	604.01
China	Yuan	6.9038
EU	Euro	0.9206
India	Rupee	64.405
Indonesia	Rupiah	13332
Japan	Yen	111.87
Malaysia	Ringgit	4.3485
Peru	New Sol	3.287
UK	Pound	0.776
South Korea	Won	1124.41

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



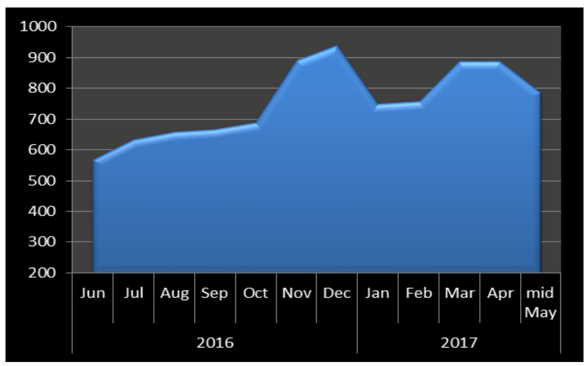


Abbreviations and Equivalences

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

Ocean Freight Index

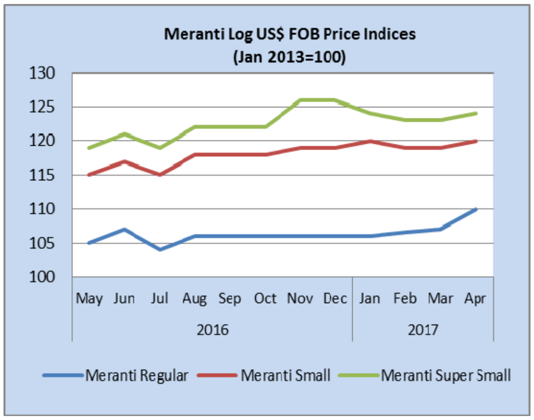
Baltic Supramax Index
June 2016 – mid May 2017



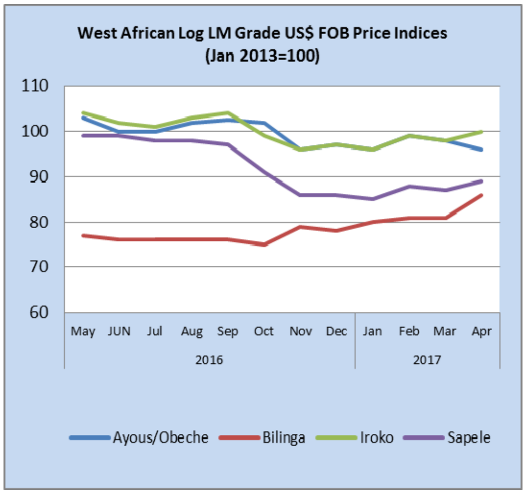
Data source: Open Financial Data Project

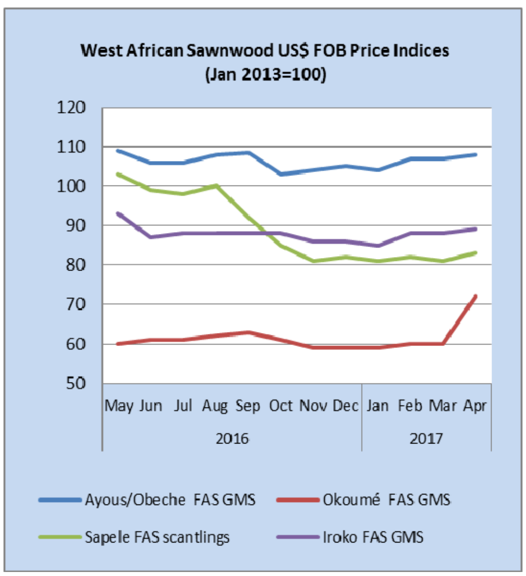
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

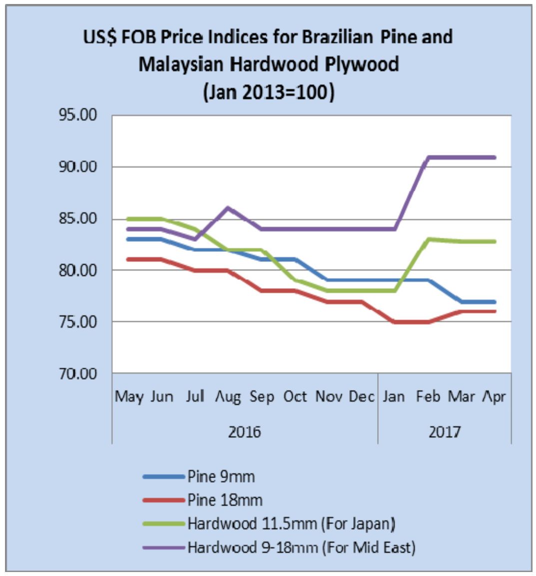
Price indices for selected products
The following indices are based on US dollar FOB prices

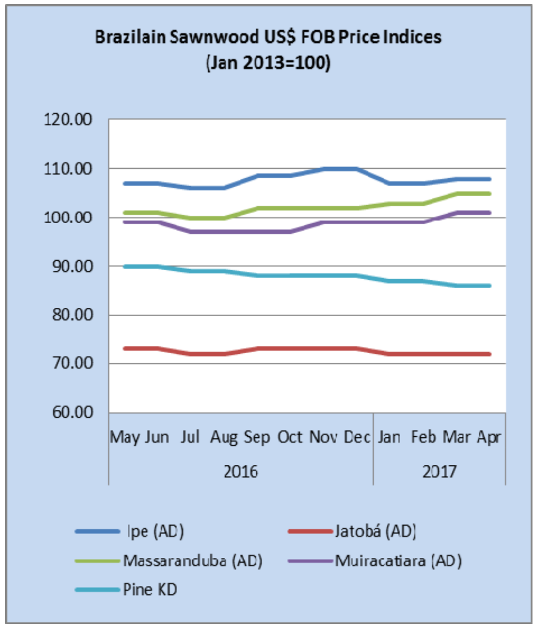


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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