

Tropical Timber Market Report

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Top Story

ITTO's Annual Market Discussion

Tropical timber producers, importers, governments and communities need to work more closely together to increase the impact of efforts to promote the benefits of sustainably produced tropical timber in consumer markets.

This was the message to emerge from the 2018 ITTO Annual Market Discussion organised by the Trade Advisory Group with the theme 'Private-sector tropical timber promotion initiatives and opportunities for increased collaboration'.

See: https://www.itto.int/itcc-54/market_discussion/

Ghana

Bamboo plantations for degraded forest land

As part of the Ghana Forest Plantation Development Strategic Plan, about 50,000 hectares of degraded land in forest reserves will be planted with bamboo to be utilised for furniture making and construction.

Kwaku Asomah-Cheremeh, Ghana's Minister of Lands and Natural Resources, said the degraded areas in the reserves will be planted with different species of bamboo and that he was advised bamboo could help remove toxic chemicals from the soil left after illegal mining activities.

The ministry has estimated that Ghana has around 300,000 ha. of bamboo forest spread across five out of the 10 regions of Ghana in the Western, Eastern, Ashanti, Brong Ahafo, Central and parts of Volta.

As bamboo can be utilised commercially the government is putting in place policies to improve bamboo and rattan development in the country. A bamboo and rattan processing and demonstration centre has been established to train Ghanaian artisans.

New commodity exchange to include timber

Ghana's President recently launched the Ghana Commodity Exchange (GCX), a platform for buying and selling listed commodities.

The GCX website explains the exchange heralds in a regulated trading platform linking buyers and sellers of commodities who can trade through a set of rules to assure the market of quality, timely delivery and efficient settlement.

In the first year of operation the GCX will facilitate trade in maize, soya bean, rice, dry beans, millet, sorghum and groundnuts. As a second phase the GCX will include other agricultural products and timber.

See: <https://gcx.com.gh/>

Public sector reforms to improve efficiency

The World Bank has approved a US\$35 million International Development Association (IDA) credit line for Ghana's public sector reform plans. The World Bank assistance will be used to improve efficiency and accountability in 16 selected ministries departments and agencies.

According to the Ghana Investment Promotion Centre (GIPC) investors are choosing to do business in Ghana in preference to other countries in the region. This says the GIPC, is because of the implementation of various reforms at its seaports and the ease of doing business.

The GIPC has reported that the country recorded almost US\$5 billion in foreign direct inflows in the past financial year and is targeting US\$10 billion for the 2018 financial year.

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	430▲
Niangon	530▼
Niangon Kiln dry	680▲

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300▼	420▲
Chenchen	425▲	505
Ogea	473	590
Essa	505	669
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Arormosia	-
Asanfina	902
Avodire	433
Chenchen	433
Mahogany	-
Makore	989
Odum	2,921

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m ³		
	Ceiba	Ofram	Asanfina
4mm	382	640	641
6mm	410	535	604
9mm	373▲	446	560
12mm	470	463	480
15mm	450	380	430
18mm	405	417	383

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	490	564
Ceiba	240	320▼
Dahoma	443	552
Edinam (mixed redwood)	520	645
Emeri	460▼	564
African mahogany (Ivorensis)	843	880▼
Makore	775	840
Niangon	555	710
Odum	936	964
Sapele	700	810▲
Wawa 1C & Select	360	445

Malaysia

Minister to industry - be innovative and create new products

Teresa Kok, Malaysia's Minister of Primary Industries, said that the Malaysian timber sector needs to relook at what should be done to enhance its position in the global marketplace to take advantage of projected global demand for timber which, according to the World Bank, will quadruple by 2050.

This was the message delivered at the opening of the Malaysian Timber Council's (MTC) Malaysian Timber Conference.

The press release from MTC on this event says the Malaysian timber industry contributed about 1.7% to the national GDP with export earnings of RM23.2 billion in 2017 and as at August 2018, the export figures had reached RM14.57 billion. Wooden furniture, plywood, sawnwood, fibreboard and joinery are the main revenue generators for the sector.

The Minister said “I am very proud to see that Malaysia has established itself as a major producer and exporter of timber and timber products in over 160 countries. Our manufacturers are also widely respected for producing top quality products. We need to maintain our position in the global market and for that we need to face up to challenges by employing innovative, sustainable and market-driven solutions.”

She added that Malaysia’s commitment in maintaining its forest cover at above 50% as pledged at the 1992 Rio Earth Summit will ensure that the timber industry remains sustainable in the long-term.

The minister congratulated MTC on its repertoire of programmes that are helping the export-oriented wood-based industry players to develop their businesses overseas.

The incentives in MTC’s Import Assistance Programme were increased from RM5 million to RM7 million this year to enable timber-based manufacturers to augment raw material supply. Also MTC’s ‘Financial Incentive for the Purchase of Machinery’ programme, which was launched in December last year, encourages SMEs to adopt the latest in technology by providing partial reimbursements on machinery purchases and freight charges.

For this, MTC has allocated RM3 million which will be disbursed over 3 years. Meanwhile, The Minister said Malaysian timber-based manufacturers must understand the lifecycles of their products to help them maximise profitability.

“As time goes, our products must also change and be in line with current market trends. Therefore, it is important for us to change our mindset and be innovative in creating a steady stream of new products for the market” she said.

Nine speakers from Italy, Switzerland, Finland and Malaysia provided detailed takeaways on how to address the full scope of the challenges the timber industry is facing. The presentations focused on the global economic outlook, the timber demand and supply worldwide, the need for certification, embracing technology as well as commercialisation of research findings.

For more see: http://www.mtc.com.my/images/media/641/Post-release_Timber_Conference_2018_-_STRATEGIES_TO_EVOLVE_AND_MAXIMIZE_GROWTH.pdf

Glulam and CLT rapidly advancing technologies

The Malaysia Timber Industry Board (MTIB) will host an International Symposium on ‘Application of Engineered Timber Products towards High Rise Buildings: Challenges and Opportunities’.

<http://www.mtib.gov.my/en/corporate-info/archive/announcement/2222-international-symposium-on-application-of-engineered-timber-products-towards-high-rise-buildings-challenges-and-opportunities>

Engineered timber products such as glulam and CLT are rapidly advancing technology that can be utilised as a carbon-friendly alternative to steel and concrete to frame a variety of low, mid and high-rise buildings. The symposium will provide a detailed look at the applications for their use under modern building codes and examples of projects in the Europe and Australia.

Sarawak companies suffer sharp drop in log availability

As major logging companies in Sarawak adjust their production in the process of getting their operations certified, new business models are expected to emerge.

One such company adjusting production is Jaya Tiasa Holdings based in Sibul. This company has scaled down its downstream wood processing operations due to a sharp decline in the supply of logs. The utilisation rate for the group’s plywood and veneer mills has fallen below 40% according to a company spokesperson.

Analysts write “For the financial year ended 30 June 2018 plywood mills in Sarawak were operating at 39% of annual installed capacity of 180,000 cu.m. This resulted in a drop in production to 69,000 cu.m, down from almost 83,000 cu.m.

The latest data released by the Department of Statistics shows total log production in Sarawak between January and September 2018 was 3,579,000 cu.m. For the same period last year, the total was 4,212,500 cu.m. The majority of the logs came from hill forests.

Plywood prices

Traders based in Sarawak reported the following plywood export prices for October:

FB (11.5mm)	US\$ 750 – 760 FOB
CP (3’ x 6’)	US\$ 550 – 560 C&F
UCP (3’ x 6’)	US\$ 660 C&F
Middle East (thick panels)	US\$435 FOB
South Korea (9mm and up)	US\$ 500 C&F
Taiwan (9mm and up)	US\$ 490 – 500 FOB
Hong Kong	US\$ 540 FOB

East Asia, Indonesia's main timber export markets

Indonesia's exports of processed wood products continue to increase and markets in East Asia have become more important. Japan continues to be a major importer of Indonesian wood products. China, Korea and Japan top Indonesia's export destinations accounting for around 70% of all exports of wood products.

Wood product exports (HS Code 44) in 2017 reached US\$4 billion with some US\$813 million shipped to Japan and a further US\$754 million to China.

<https://industri.kontan.co.id/news/asia-timur-jadi-pasar-ekspor-utama-kayu-indonesia>

Raw rattan export ban has not spurred investment in processing

Indonesia was once a major exporter of raw rattan but halted raw rattan exports in 2011 in an effort to encourage local industries to process rattan to add value. The Trade Minister issued Decree Number 35, 2011, banning the export of raw rattan.

The decree had an immediate impact on Indonesia's rattan-based product exports. There was some investment in processing and added value exports rose slightly but in recent years rattan product exports have stalled and this has created concern in the Ministry of Industry.

Industry Minister Airlangga Hartarto has said that if there is no interest on the part of manufacturers to invest to expand rattan processing then the Ministry will review the raw rattan export ban.

Introducing furniture and handicraft design technology

In a statement to the press Airlangga Hartarto, Indonesia's Minister of Industry, said development of the furniture and craft industries are a national priority and that the Ministry is doing what it can to support improvement of the business climate in these sectors. He pointed out that exports in 2015 were worth US\$1.71 billion, in 2016 US\$1.61 billion and in 2017 US\$1.63 billion which is far below the potential of the sectors.

To strengthen the foundations of the furniture and handicraft sectors a Polytechnic for the furniture and wood processing industries has been established in Central Java. In addition the Minister reported that efforts are being made to introduce furniture industry design technologies such as computer-aided design as well as computer-aided manufacturing.

In addition to assisting with development of design technology the ministry also helps furniture makers participate in domestic and foreign exhibitions and provides tax incentives for the furniture and handicraft sectors.

For more see: <https://akurat.co/ekonomi/id-377721-read-kemenperin-kembangkan-teknologi-desain-industri-mebel>

Perhutani ups flooring exports to China

As the latest shipment of 11 containers of wooden flooring worth Rp.3.2 billion departed for Shanghai the managing director of Perhutani, Denaldy M Mauna, said that the company will continue to export at least 10-15 containers per month to China.

In 2019 the export plan envisages increased exports to around 15 to 20 containers per month.

<https://republika.co.id/berita/ekonomi/pertanian/18/10/29/phcxhl383-perhutani-ekspor-flooring-ke-cina>

Italy and Indonesia sign US\$41 million trade contracts

Indonesian and Italian trade got a boost when contracts worth US\$41 million were agreed during the 2018 Trade Expo Indonesia (TEI 2018) held in late October.

George Lantu, Deputy Chief of Mission in Italy, said 25 Italian business people, partners of the Indonesian trade attaché at the Indonesian Embassy in Rome and the Indonesian Trade Promotion Center (ITPC) in Milan attended the Expo. He added that most were involved in the paper, furniture, handicrafts, textiles, food and beverages sectors.

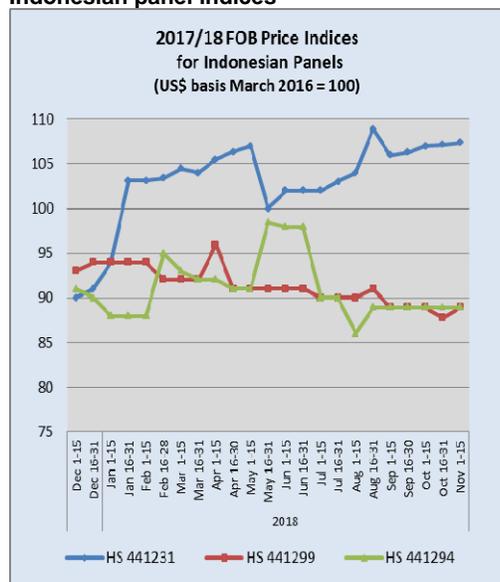
Indonesia pleased with EFTA and CEFTA negotiations

Indonesia's Foreign Minister, Retno Marsudi, recently met with Norwegian Foreign Minister Ine Marie Eriksen Soreide, to discuss cooperation to increase trade and investment between the two countries. The meeting focused on the environment and forestry, energy (especially renewable energy), marine resources and fisheries.

The partnership programme on forestry "Reducing Emissions from Deforestation and Forest Degradation Plus" conducted by Indonesia and Norway has become a model in dealing with deforestation and achieving a low carbon environment and sustainable economic governance.

In related news, Retno said Indonesia welcomed the developments in negotiations between Indonesia and the European Free Trade Association and the Central European Free Trade Agreement. Indonesia is committed to accelerating the final results of the negotiations and believes the agreement between Indonesia, EFTA and CEFTA will bring a new great opportunity for trade and investment cooperation.

Indonesian panel indices



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

Myanmar

State controlled company to scale down timber sector activities

The Forest Products Joint Venture Corporation Ltd. (FPJVC), in which the Myanmar Forest Department and Myanma Timber Enterprise hold a 55% of share, held its Annual General Meeting recently. The corporation reported a net profit of 2.4 billion Kyats for the current financial year compared to the profit of 3.8 billion Kyats last year.

According to the corporation chairman, the FPJVC business model is to be adjusted reducing reliance on the timber sector to take account of the sharp reduction in log harvests.

State media sources say Forestry Minister Ohn Win said as production from the natural forest will be reduced manufacturers must invest in plantations to secure raw materials. He also indicated that assistance will be provided to exporters to secure international market acceptance of the Myanmar legality verification and certification process.

Questions raised on government bailout for state enterprises

Parliamentarians have urged the government to review the current law under which the government must bail out loss-making state-owned enterprises. It has been reported that 17 out of the 26 Myanmar SOEs are expected to make a profit in fiscal 2018-19.

According to the Ministry of Planning and Finance the Myanma Timber Enterprise is one of the profitable 17 SOEs despite the considerable reduction in log harvests.

International banks can now offer more services

The Central Bank of Myanmar has announced that branches of international banks in Myanmar are now permitted to extend loans to local companies and provide other banking services thus opening up a new source of funding for local corporations.

Currently, branches of 13 international banks from China, Japan, Singapore, India, Malaysia and Vietnam are listed with the Central Bank, while 49 other banks have representative offices in Myanmar.

The local investors are hoping to secure loans at lower interest rates than charged by domestic banks but analysts write, it is not yet clear how the foreign banks will set interest rates and whether they can make direct loans to local companies without the transiting the financing through local banks.

Progress with the Kyaukpyu port project

Myanmar and China have agreed the structure of financing the deep sea port development in Kyaukpyu on the coast of the Bay of Bengal.

The Myanmar press has reported that China will fund 70% of the investment. The initial phase of the project will include two berths with a total investment of US\$1.3 billion. The original proposal was for a US\$7.2 billion investment. The Chinese investment will be provided by a consortium led by CITIC Group, a state-owned conglomerate. The contract was signed in Myanmar by the management of the Kyaukpyu Special Economic Zone.

Uphill task to benefit from AEC membership

In January 2019, Myanmar, together with Cambodia, Laos and Vietnam will officially be part of the ASEAN Economic Community (AEC) but Myanmar faces major challenges if it is to benefit fully from membership.

The AEC vision is for a globally integrated single market and production base in a highly competitive economic region. In theory, the economic bloc will lead to unlimited investment and trade opportunities between members. In practice, the challenges for Myanmar are considerable as the country's ranking in the World Bank's 'Ease of doing business index' was close to the bottom at No. 171 making Myanmar the least favorable ASEAN member country in which to conduct business.

October tender prices

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	80.2	3,575
SG-5	76.3	2,655
SG-6	140.3	2,335
SG-7	777.6	1,465

Real estate developers seek lifting of credit freeze

The Confederation of Real Estate Developers' Associations of India (CREDAI) has approached the government requesting it intervene to ease the credit freeze in the Indian Real Estate sector as this is holding back completion of many real estate projects.

In its letter CREDAI acknowledged that the Indian Real Estate sector is a beneficiary of multiple reforms, foremost being Real Estate Regulation and Development Act, and the GST. However, at present the industry is trapped in a downward spiral of unfinished projects and a tapering off in demand.

At a time when developers are under immense pressure to deliver projects on time, financial institutions are cancelling disbursements even after the loans have been approved.

Getamber Anand, the Chairman of CREDAI commented "The Indian Real Estate sector contributes significantly to the growth of the Indian economy, being the second highest contributor to the country's GDP. Therefore, it becomes highly imperative for the economy's growth that Indian realty is on a sustainable path of development. At this critical juncture, we seek Government's immediate intervention to provide adequate avenues of liquidity to developers to sustain the revival of Indian realty."

The press release from CREDAI says the organisation has consistently voiced its concerns on the lack of adequate funding for developers will affects the developers and homebuyers but also the 250+ allied industries which are directly or indirectly dependent on Indian real estate sector.

See: <https://credai.org/press-releases/credai-seeks-government-intervention-to-ease-credit-freeze-in-indian-real-estate>

Income growth and expanding retail distribution to lift furniture demand in India

According to a recently published report by TechSci Research, "India Furniture Market Forecast and Opportunities, 2019", the country's furniture market is projected to reach USD32 billion by 2019.

The country's furniture market is expected to grow at a rapid pace due to rising disposable income, an expanding middle class and a growth in the number of urban households. In addition, the anticipated rise in the tourism and hospitality sectors is also expected to spur demand for furniture demand in the country.

The Western and Southern regions are expected continue to be the leading revenue generators due to the expanding distribution network of furniture manufacturers in these regions. Uttar Pradesh, Kerala, Punjab, West Bengal and Andhra Pradesh are the major suppliers of wood, the most widely used raw material in the country's furniture sector.

The report reveals that wooden furniture is expected to continue its dominance in the Indian furniture market. The home furniture market is expected to witness the fastest growth over the next five years, followed by office and institutional segments.

Major 'organised' market players such as Godrej Interio, Durian, Wipro, Evok and Nilkamal are expected to outperform during the next five years due to their diverse product range, expanding distribution network and exclusive outlets.

The market is also witnessing a growing trend, wherein, an increasing number of domestic manufacturers are cooperating with foreign manufacturers to improve product design and quality.

Karan Chechi, Research Director with TechSci Research writes "With growing employment opportunities, purchasing power of the Indian consumers is increasing, which is consequently expected to continue and boost the demand for designer as well as standardized furniture in the country over the next five years."

'The India Furniture Market Forecast and Opportunities-2019' evaluates the future growth potential of India's furniture market and provides statistics and information on market structure, and consumer behavior trends. The report includes India furniture market projections and demand forecasting and help-decision makers to take sound investment evaluation.

See: <https://www.techsciresearch.com/news/218-india-furniture-market-to-surpass-usd32-billion-by-2019.html>

Plantation teak prices

Demand in the domestic market for teak remains firm and exporters report strong growth in international markets for India's teak products.

Importers have now seen a slight easing in the strength of the US dollar and this, along with domestic measures, has stabilised the dollar/rupee exchange rate. C&F prices in US dollars for imported plantation teak logs and sawnwood remain unchanged from two weeks ago.

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

Demand for hardwood sawnwood milled locally from imported logs remains steady. For now, the cost of imports in rupees has not changed but importers remain alert to exchange rate movements.

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 AD	850-950
Whitewood	850-950

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

Myanmar teak prices

Improved demand has allowed stockiest of Myanmar teak logs to increase sales. As stocks of Myanmar logs imported before the log export ban decline further price rises for locally sawn teak.

Myanmar teak prices

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	7,000-8,000

Price range depends mainly on lengths and cross-section

Sawn hardwood prices

Prices for the timbers in the table below increased recently and the higher prices have been accepted in the market. Millers hope there will be a period of stable exchange rates which will enable them to better plan imports.

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	2,000-2,200
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-section

Plywood price update

Plywood market has absorbed the earlier price rise which has encouraged a rise in production. However, analysts write that production is now outstripping demand so a correction of production is inevitable if the recent price increases are to be sustained.

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	

Brazil

Expansion of work on Araucaria

The Experimental Research Station Caçador (ERSC) in Santa Catarina is home to a model forest extending over some 1,000 hectares of mainly Araucaria forest and it is here that forest restoration and agro forestry techniques are trialled.

Until 2012 the Station was under the coordination of the Agricultural Research and Rural Extension Company of Santa Catarina (EPAGRI), but management coordination has been transferred to the Brazilian Agricultural Research Corporation (EMBRAPA).

Since the transfer there has been an expansion of work to cover management for the conservation and sustainable use of the Araucaria Forest. Currently, there are 18 experiments especially on araucaria and bracatinga (*Mimosa scabrella*) as well as on some native fruit trees.

Sustainable trade strategy in Mato Grosso

The 'Produce, Conserve and Include' (PCI) strategy employed by the State Government of Mato Grosso has attracted participation from companies such as Walmart and Unilever who see a way to strengthen the power of the supply chain force to address tropical forest deforestation.

The PCI strategy is seen as a way to establish a sustainable trade as well as contribute to securing the natural forest.

The PCI Strategy was launched in Paris during COP 21 in 2015 and consists of a set of targets aimed at expanding and increasing the efficiency of agricultural and forestry production, conservation of native vegetation, managing environmental liabilities, socioeconomic inclusion of family farming, emission reduction and carbon sequestration.

The Mato Grosso State Secretariat for the Environment (SEMA) aims to maintain 60% of native vegetation of Mato Grosso and eliminate illegal deforestation in the state by 2020.

Furniture exports grow in Bento Gonçalves

Furniture exports by manufacturers in Bento Gonçalves, Rio Grande do Sul State continue to grow. Between January and September this year there was an almost 9% rise in the value of furniture exports to US\$28 million from US\$26 million in the same period in 2017.

Despite the positive results the Bento Gonçalves Furniture Industry Union (Sindmóveis,) says that increasing costs are eating away any advantage from recent price increases.

The manufacturing sector has been hit by higher freight and power charges which have increased between 5 to 10%. In addition, the cost of imported furniture accessories has increased pushing up production costs.

Colombia and the United States stand out as main buyers of furniture from Bento Gonçalves. Other market include Saudi Arabia, Chile and Uruguay where there has been a significant increases in shipments. India, Ecuador, Puerto Rico and South Africa also import from the enterprises in Rio Grande do Sul State.

On the other hand, demand in traditional markets such as Argentina and Paraguay has fallen and this is especially noticeable for Argentina due to economic weakness and a weakening currency.

CIPEM invited to join international trade group on tropical timber

The Center for Timber Producers and Exporters in Mato Grosso State (CIPEM) was invited to join the ITTO Market Discussion held in conjunction with the 2018 International Tropical Timber Council, considered one of the most important places for dialogue on tropical timber.

During the event, the greatest interest of international representatives was to learn about the mechanisms of tropical timber control in Brazil. CIPEM presented the legal framework that the forestry sector has to comply with. The wood control process involves some steps such as Environmental Rural Registry (CAR), Forest License, Logging/harvesting Permit, Industry Operation License, Forest Products Consumers Registry (CC-Sema) and Document for timber products Transport.

"The forest-based sector is the most strict production segment in monitoring forestry activities. From logging license to control of forest products stock, everything goes through numerous inspection steps to guarantee legality," reported CIPEM.

CIPEM's representatives mentioned that ITTO could support the forest sector in Mato Grosso through funding specific research projects for the tropical forest sector, such as carbon measurement and valuation of forest assets as well as communication and marketing to show the strength of the command and control system that guarantees the legality of Brazilian tropical timber.

See: https://www.itto.int/ittc-54/market_discussion/

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	193
Jatoba	108
Massaranduba	104
Muiracatiara	104
Angelim Vermelho	101
Mixed redwood and white woods	85

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	785
Jatoba	396
Massaranduba	375
Muiracatiara	368
Angelim Vermelho	345
Mixed red and white	224
Eucalyptus (AD)	179
Pine (AD)	136
Pine (KD)	156

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	493
10mm WBP	397
15mm WBP	332
4mm MR	387
10mm MR	279
15mm MR	256

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	212
15mm MDF	239

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1472
Jatoba	903
Massaranduba	842
Muiracatiara	839
Pine (KD)	201

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

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	332
12mm C/CC (WBP)	315
15mm C/CC (WBP)	296
18mm C/CC (WBP)	288

Source: STCP Data Bank

Export Prices For Added Value Products

		US\$ per m ³
FOB Belem/Paranagua Ports		
Decking Boards	Ipê	2,697
	Jatoba	1,450

Source: STCP Data Bank

Peru

SERFOR reviews exchange of experiences with US Forest Service

The Board of Directors of the National Forestry and Wildlife Service (SERFOR) recently exchanged experiences on governance and forest management with representatives of the United States Forest Service (USFS) and the United States Agency for Development (USAID).

The SERFOR board indicated that this visit provided an opportunity for a frank and fruitful exchange on forestry and wildlife issues.

Jaime Nalvarte, from the Association for Integral Research and Development (AIDER), a member of the delegation to the US said it was a sobering experience to see such a diverse group including representatives of indigenous peoples, the private sector and national, regional and local authorities participating in the discussions in the US.

Lourdes Huanca of the National Federation of Peasant, Artisan, Indigenous, Native and Salaried Women of Peru (Fenmucarinap) emphasised that clearly the issue of governance in the US is different from that in Peru.

Oscar Benavides, a representative of local governments mentioned that the visit highlighted the efforts being made by the private sector to improve forest management in cooperation with local administrations and other stakeholders.

Peru and Germany reaffirm cooperation on forestry

The Deputy Minister of Agrarian Policies of the Ministry of Agriculture and Irrigation, William Arteaga Donayre, led the Peruvian delegation in the Intergovernmental Negotiations on Cooperation for Development between the Governments of Peru and Germany. This meeting was held as part of the commitment between both nations to reaffirm the technical and financial support in the agricultural and forestry sectors.

Deputy Minister Arteaga participated in the negotiations on the future of the programme for the promotion and sustainable management of forest production in Peru. This programme aims to increase the productivity and competitiveness of forest production in Peru and is focused on Ancash, Ayacucho, Cusco, Huánuco, Junín, Loreto, San Martín and Ucayali.

This programme has three main components; the promotion of forest plantations; sustainable forest production in natural forests in order to optimise forest concessions management and community forest management.

Technicians trained in sustainable use of the forest

The Swiss Federal Institute of Technology and GIZ conducted a series of courses on good practices for sustainable forest management for students. The training was carried out in production forests under management of the Canchahuaya community in the province of Orellana, Loreto Region.

Harvesting in the area is carried out by a company recognised for its good forest management practices.

The students were exposed to the methodologies used by the company in logging, personnel safety, road planning and implementation of traceability to demonstrate the legal origin of the wood.

Huánuco Region invests in reforestation

The manager of Natural Resources and Environmental Management in the Huánuco region has reported that over US\$8 million has been spent on reforesting some 10,000 ha.

In the Province of Huacaybamba, 600 ha. were reforested with pine, alder, quinal, eucalyptus and tara. In the Province of Dos de Mayo, 917 ha. were also reforested. In addition, reforestation was undertaken in the Montane Forest of Carpish with quinal, magche, alder, walnut and cedar.

Export Sawwood Prices

	US\$ per m ³
Peru Sawwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	556-599

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	489-502
Cumarú 4" thick, 6'-11' length KD	
Central American market	939-963↑
Asian market	998-1041
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	662-679
Marupa 1", 6-11 length KD	
Asian market	526-595

Domestic Sawwood Prices

	US\$ per m ³
Peru sawwood, domestic	
Mahogany	-
Virola	252-266
Spanish Cedar	332-374
Marupa (simarouba)	205-217

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 8mm	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)

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

Domestic Prices for Other Panel Products

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

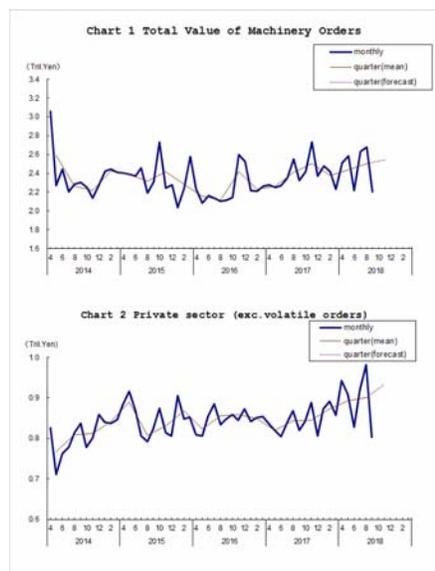
Export Prices for Added Value Products

Product	US\$ per m ³
Peru, FOB strips for parquet	1304-1391
Cabreuva/estoraque KD12% S4S, Asian market	
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

Natural disasters disrupt production and drive down machinery sales

Data on machinery orders derived from a survey conducted by the Cabinet Office in Japan show that in September orders fell by the most ever recorded.



<http://www.esri.cao.go.jp/en/stat/juchu/1809juchu-e.html>

The cause of this has been put down to the series of natural disasters. Western Japan experienced widespread flooding in early September due to one of the most powerful typhoons ever to pass over the country. The international airport in Osaka was damaged and had to close.

The typhoon was followed almost immediately by a magnitude 7 earthquake in Hokkaido causing widespread blackouts and then another typhoon hit western Japan at the end of September.

These events disrupted business activity so it is not surprising that there was an 18% dip in machinery orders.

Manufacturers surveyed by the government expect machinery orders to come in higher in the last quarter of this year but uncertainties on the direction of global trade have analysts worried.

Japan's gross domestic product fell a seasonally adjusted 0.3% in the third quarter of 2018 in line with expectations following the 0.7% gain in the previous three months. On an annualised basis, GDP declined 1.2% year on year.

Infrastructure spending to be boosted to support growth

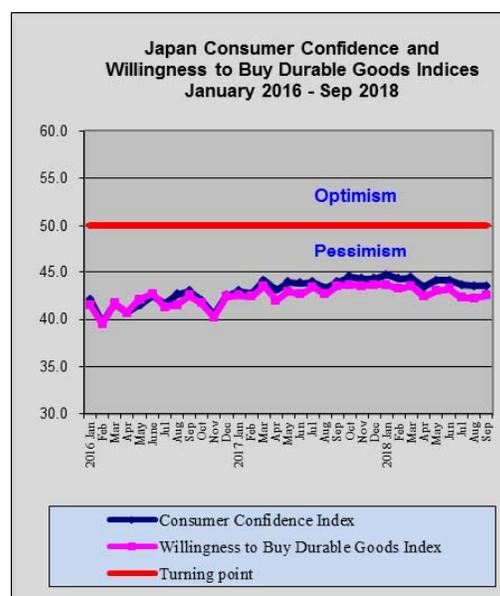
The Japanese media over the past weeks has focused on a growing concern among policymakers about the direction of the economy which contracted in the third quarter. The recent drop in machinery orders has also worried policymakers.

In the face of these risks to growth the prime minister has called for an increase in public works spending and some other measures to support consumption.

Analysts anticipate an increase in infrastructure projects to be announced in April next year. The Council on Economic and Fiscal Policy (CEFP) sees the thrust of spending being aimed at infrastructure related to earthquake risks and damage control from flooding.

Weak wage growth undermines consumer spending

The September decline in Japanese workers' inflation-adjusted real wages was the second consecutive fall a worrying sign that rising petrol prices and higher living costs are depriving consumers of purchasing power. September's 0.4% drop in real wages from a year earlier followed a revised 0.7% decline in August.



Data source: Cabinet Office, Japan

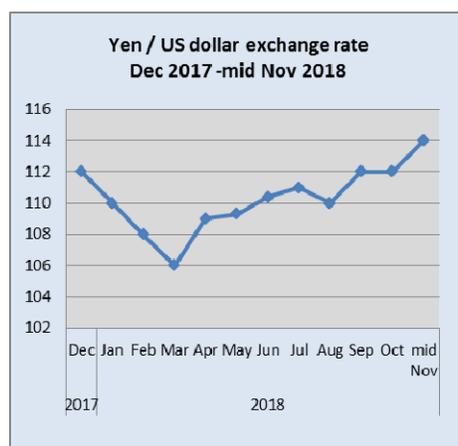
Household spending is a cornerstone of the economy so any fall in consumption will be a problem for the Bank of Japan which is aiming for 2% annual inflation. The traditional summer bonuses lifted incomes in June but since then real wages have been weakening.

See data at: <https://www.mhlw.go.jp/english/database/db-1/30/3009pe/3009pe.html>

Yen tips to 114 to the dollar

As anticipated, the US Federal Reserve (Fed) left interest rate unchanged at its November meeting, saying "risks to the economic outlook appear roughly balanced." In a statement, the Fed noted that inflation remained around 2% on the back of strong employment figures and consumer spending. However the Fed did say US business investment has cooled from its rapid pace earlier in the year.

The yen weakened slightly against the dollar in early November because its attraction as a safe haven diminished. However, analysts say the diverging monetary policies of the US Federal Reserve and the Bank of Japan continues to dominate sentiment. The Fed remains on course to raise interest rates in December and the Bank of Japan is widely expected to continue its loose monetary policy. The yen was traded at 113.85 to the US dollar on 9 November .

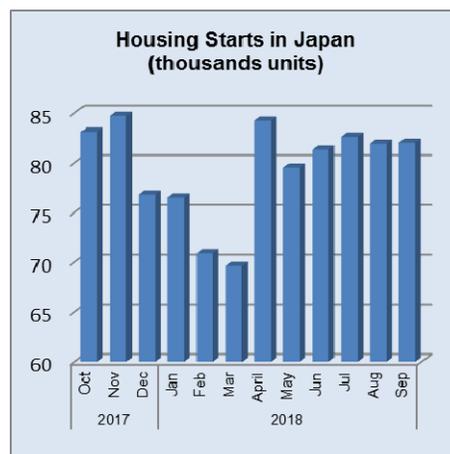


Revival of housing ‘eco-points’ ahead of consumption tax hike

The Ministry of Land, Infrastructure, Transport and Tourism is thinking about re-introducing the ‘eco-point’ subsidy programme to promote building and renovation of energy-efficient homes. Behind this revival is the aim to help limit the likely decline in housing starts when the consumption tax is raised from the current 8% to 10% in October next year.

Under the programme home owners would receive ‘eco-points’ when homes meet energy-saving standards through improved insulation. The ‘eco-points’ will be exchangeable for environmentally friendly goods and gift tickets. In 2015, when such a programme was introduced ‘eco-points’ worth yen300,000 for a new home and up to yen 450,000 were offered for renovation work to improve both heat insulation and earthquake resistance.

The government is also considering expanding the existing tax relief for home loans and a cash handout for low and middle-income home buyers.

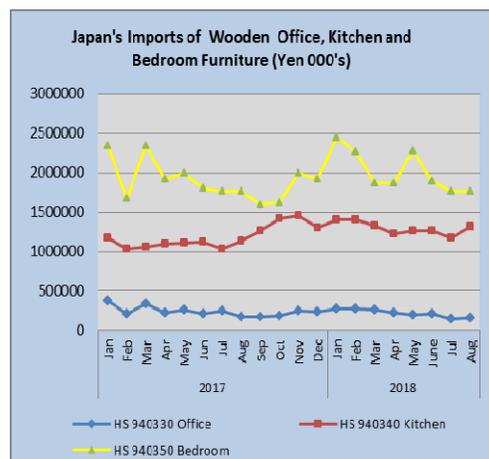


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Furniture imports

In line with trends observed in previous years, the third quarter of the year traditionally marks a turning point for Japan’s imports of wooden furniture.

In every year since data has been provided in this report wooden furniture imports to Japan dip in the first two quarters of the year and reverse direction in the middle of the second quarter and an upward trend is generally recorded into the final quarter of the year. However, while this overall trend applies to wooden office and bedroom furniture it is less pronounced with imports of wooden kitchen furniture.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The top three shippers of wooden office furniture (HS940330) to Japan in August were China which accounted for 45% of all wooden furniture imports followed by Italy 11% and the US 10%. Other significant suppliers of wooden office furniture in August were Poland and Portugal.

August marked the first time manufacturers in the US had shipped such a high value of wooden furniture to Japan. August 2018 shipments from the US are at a record around being some ten times the value shipped in July.

Year on year, Japan's wooden office furniture imports in August were down 6% but in contrast month on month imports were up around 7%. Compared to the value of wooden office furniture imports in the first eight months of last year 2018 imports over the same period were down 14%.

Office furniture imports

	Imports Aug 2018 Unit, 000's Yen
S. Korea	274
China	71424
Taiwan P.o.C	4801
Hong Kong	1005
Vietnam	298
Thailand	-
Singapore	-
Malaysia	6438
Indonesia	973
India	-
Sweden	-
Denmark	-
UK	-
Netherlands	393
France	453
Germany	9449
Switzerland	-
Portugal	10345
Spain	-
Italy	17865
Poland	13319
Romania	-
Turkey	-
Lithuania	1177
Slovenia	-
Slovakia	1232
USA	15930
Mexico	483
Australia	1383
Total	157242

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The value of Japan's wooden kitchen furniture imports (HS940340) continue to move in a very narrow range.

Tracking exports of this category of furniture over the past 4 years it has been observed that wooden kitchen furniture

imports do not follow the month by month trend observed for both wooden office and bedroom furniture signaling there are different demand drives in play for wooden kitchen furniture.

Year on year, August imports of wooden kitchen furniture were up 17% and month on month import values rose 12%. The top three shippers of wooden kitchen furniture to Japan in August were the Philippines at 47% of all HS 940340 imports followed by Vietnam at 35% and China at 9%. In August shipments from Vietnam rose 11% month on month and Chinese shippers secured a 50% rise in month on month exports to Japan.

Kitchen furniture imports

	Imports Aug 2018 Units,000's Yen
S Korea	-
China	120581
Taiwan P.o.C	-
Vietnam	464268
Thailand	17997
Malaysia	12198
Philippines	619481
Indonesia	6612
India	-
Denmark	2259
UK	-
Belgium	-
France	-
Germany	40082
Italy	21239
Finland	-
Poland	-
Austria	-
Romania	-
Canada	5619
USA	8803
Total	1319139

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

It appears that the value of Japan's imports of wooden bedroom furniture (HS940350) bottomed out in July which fits with the pattern of imports in previous years. Both year on year and month on month there was virtually no change in the value of bedroom furniture imports.

China and Vietnam dominate Japan's imports of HS 940350 with China accounting for 56% of August imports and Vietnam a further 31%. However in August both the top suppliers lost market share to other suppliers. Thailand increased shipments in August and two new comers, Lithuania and Poland, made it to the list of top 20 shippers in August.

Bedroom furniture imports

	Imports, Aug 2018 Units, 000's Yen
S Korea	-
China	986422
Taiwan P.o.C	4545
Hong Kong	-
Vietnam	554612
Thailand	73924
Malaysia	34795
Philippines	-
Indonesia	18616
Cambodia	-
India	-
Sri Lanka	-
Sweden	-
Denmark	1142
UK	-
Netherlands	-
Belgium	-
France	-
Germany	-
Switzerland	-
Portugal	-
Italy	5368
Poland	34933
Austria	1414
Romania	1907
Turkey	-
Estonia	-
Latvia	-
Lithuania	38510
Ukraine	1011
Bosnia Herzegovina	1530
Slovakia	265
USA	219
Mexico	735
Australia	528
Total	1760476

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>

Promotion to hire foreign workers

The government has started to promote hiring foreign workers as one of solutions to cover labor shortage by depopulation of Japan and aging labor force. It will form a new law for status of residence for foreigners.

Presently there is technical intern system to accept foreign workers. This is to hire and train foreign workers for five years and as of 2017, there are about 270,000 foreign trainees working in Japan. However, there are three categories for the qualification. System one allows one year to stay. System two allows three years and system three allows five years, depending on type of job.

System one is applied to any type of job and system two is applied to 77 jobs, which does not include jobs like lumber, plywood, laminated lumber and precutting so trainees for these business are allowed only one year's stay.

Now the National Federation of Log and Lumber Co-op Association is trying to have system two for wood related jobs so that workers can stay three years. Wood industry needs imported workers and training period should be longer than one year since they need to learn high skills.

System two requires official examination of technical skills and the test is equivalent to basic degree of National Trade Skill Test System .

System two does not include lumber manufacturing and processing but includes manufacturing fixtures, maintenance of machines, industrial packaging and carpentry for construction and about 2,500 foreign workers are engaged in these jobs now.

The government is aware of the needs so it will set new staying qualification and establish entry and staying administration bureau in 2019. New qualification for five years stay requires certain ability to communicate in Japanese language and completion of technical training.

Wood demand projection meeting

The Forestry Agency held the second demand projection meeting recently. Projection for the fourth quarter this year and the first quarter next year is increase of domestic wood and decline of imports.

Time limit to withhold 8% consumption tax is contracts made by April 1, 2019 even with delivery is after October 2019 when the tax rate is increased to 10% so rush-in demand should arise during the first quarter next year but negative factor is decline of both supply and demand as a

result of recent successive natural disasters such as earthquakes, typhoons and unusual heavy rains.

Also trade friction between U.S.A and China, which may result in decline of crating lumber demand. .

Housing starts forecast for 2018 by 13 private think tanks is 951,000 units. However, forecast by top managements is down by 4,000 units from previous forecast with the comment that there is no sign of demand pick-up before the tax rate is increased.

Demand for domestic logs will increase for plywood with start-up of new mills. Log demand for lumber for the fourth quarter this year is down from the same quarter last year because of successive natural disasters then there is some expectation of demand pickup in the first quarter next year.

North American log import for the second half of this year would decrease compared to the first half while North American lumber would increase in the second half.

Import of European lumber continues to increase after October. Solid wood European lumber demand would increase while lamina for beam manufacturing would decrease. Total supply of structural laminated lumber including laminated beam would increase with more supply capacity in Europe.

Expectation for last minutes rush-in demand before tax increase is strong. Domestic manufactured laminated lumber supply would decrease in the first quarter next year compared to the same quarter this year.

Supply of imported plywood from Malaysia and China would decrease while Indonesia and Vietnam would increase slightly.

Radiata pine demand continues shifting from New Zealand logs to Chilean lumber. Russian supply of logs would continue declining and shifting to lumber and veneer would continue.

Change of wood based house members

By the survey made by the Japan Forest Products Journal on ranking of wood based house builders, questionnaires were sent out to 400 builders to find out what type of materials they use as members of house building.

For post, 82.2% use laminated lumber, the highest since the survey started in 1998. It was 60.8% in 1998. In this, percentage of domestic laminated lumber was 23.6%. 25.0% of redwood, 2.5 points up from 2017 and 21.6% of whitewood, 1.0 points up. Domestic cedar laminated post was 17.3%, 1.1 points less and cypress laminated lumber was 6.3%.

Solid wood post of cedar was 9.2%, 0.4 points less and cypress was 6.2%, 10.4 points less.

For beam, 69.4% was structural laminated lumber, 3.4 points less. In this, redwood was 43.9%, 2.2 points up and KD Douglas fir solid wood was 22.1%, 4.8 points less.

Cypress is the top for sill with 33.4%, 7.9 points less. Laminated lumber for sill was 29.4%, 2.8 points less. Others are hemlock, Douglas fir and yellow cedar.

South Sea (tropical) log market

After log export ban in Sabah, Malaysia, log supply for Japan was expected to drop considerably but the importers have developed sources in PNG and necessary volume is secured and plywood mills keep running.

Species from PNG is mersawa, which prices are 20-30% higher than meranti regular in Malaysia. This is tough deal for plywood mills but no choice.

Supply of keruing and melapi logs for lumber manufacturing is also exhausting and lumber supply is also unstable.

Lumber demand has not recovered even in fall. Orders for laminated free board for construction are not increasing so distributors' inventories are not decreasing so they stopped ordering to supply side.

Indonesian mercusii pine laminated free board prices are getting weak.

South Sea hardwood plywood

Facing approach of rainy season and declining log supply, plywood mills in Malaysia and Indonesia are proposing higher export prices with reduced volume. In the past, plywood mills in producing regions build up log inventories before arrival of rainy season but this year is different.

With tight supply of logs even in summer months, mills are not able to build up log inventories so now offer volume is much less than normal volume. Also plywood mills sell some portion of logs for export to generate profit even when mills rely on log supply from its own timberland. Also Sabah, Malaysia banned log export since last May so ample log supply was expected for plywood mills but in reality log harvest is stagnant by investigation of the central government for illegal harvest so the situation is the same as Sarawak.

Actually plywood mill in Sabah, Sinora Sdn Bhd stopped plywood manufacturing because of log supply shortage. Sinora has been supplying about 4,000 cbms of 12 mm structural and concrete forming plywood a month for Japan market. Also Korindo, Indonesian plywood mill shut down some of plywood mills.

Korindo is the only manufacturer of coated concrete forming panel for Japan and has been supplying about 7,000 cbms a month from two plants. It stopped the operation of KAS plant so the supply volume will be down by half. Korindo shut down in late last year and early this year for about two months because of log shortage.

Log supply is one reason but Korindo accepted too much orders before log prices soared so more they run, more loss for the company. After all, weather factor and tighter restriction of illegal harvest cause tight log supply so even in dry season, log supply was not enough.

Proposed prices by Malaysian suppliers are about US\$690 per cbm C&F on JAS 3x6 coated concrete forming panel and about US\$590 on JAS 3x6 uncoated concrete forming panel.

Both are up by US\$10 from September. Indonesian mills are following Malaysian prices. The export prices are expected to keep climbing during rainy season by drop of log supply.

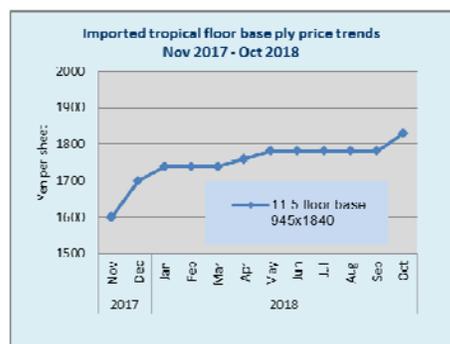
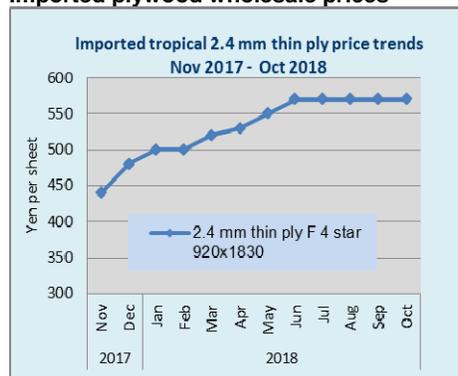
In Japan, the market for imported plywood continues dull but as higher cost cargoes keep arriving, the importers are proposing higher prices while low cost inventories have been consumed. Market prices of JAS 3x6 coated concrete forming panels are 1,480 yen per sheet delivered, 30 yen higher than September but the importers asking prices are over 1,500 yen.

Since September was the month of mid-term book closing, there were some low priced offers to dispose of the inventories so the prices varied much but October is different. Prices of JAS 3x6 uncoated concrete forming panels are about 1,320 yen per sheet and of JAS 3x6 structural panel are 1,340 yen per sheet. Both are up by 20 yen from September. In any case, the market prices have been edging up on all the items. Higher cost, further increase is necessary.

The suppliers export prices are US\$315-320 on thin board per cbm C&F and \$305-310 on square. Arauco plans to increase the supply volume of both green and KD lumber so number 8 ship' volume will be 20,000 cbms.

Demand by other market is changing. By trade war with the U.S.A., KD lumber for furniture to China is declining then crating lumber for Korea is also dropping because of decreasing demand of export crating lumber for China. Part of these will be coming to Japan. Demand of KD lumber by North America and Central America is active for interior laminated lumber and wood pallet but these do not compete with demand for Japan.

Imported plywood wholesale prices



China

China's forestry industry in 2017

The value of China's domestic forestry output in 2017 was just over RMB7 trillion, up 9.8% from 2016.

Industry Sector	Output value Billion RMB	Year on year % Change
Primary	2337	8
Secondary	3395	6
Tertiary	1395	25

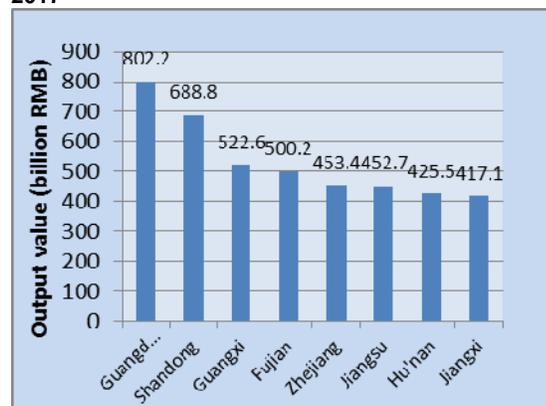
Source: China National Forestry Statistics Report, 2017

The leading sectors with an output value of exceeding RMB1 trillion were plantations, harvesting, wood processing, bamboo product manufacturing and the forestry tourism and leisure sectors.

The value of the forestry tourism and leisure service industries exceeded RMB1 trillion for the first time. The number of people participating in forestry tourism and leisure reached 3.1 billion in 2017.

Eight provinces had an output value exceeding RMB400 billion, namely Guangdong, Shandong, Guangxi, Fujian, Zhejiang, Jiangsu, Hu'nan and Jiangxi provinces of which Guangdong province was the top.

Provinces with output exceeding RMB400 billion in 2017



Source: China National Forestry Statistics Report, 2017

The output of national commercial timber in 2017 rose 8% to 83.98 million cubic metres and the output of large diameter bamboo grew 8.5%. Wood-based panel output totalled 294.86 million cubic metres, a year on year decline of 2%.

Of total woodbased panel output plywood was 171.95 million cubic metres, fiberboard 62.97 million cubic metres, particleboard 27.78 million cubic metres and other woodbased panels 32.16 million cubic metres

For more see:

<http://www.forestry.gov.cn/main/304/20180606/153229172921234.html>

Trends in China's furniture industry

The furniture industry in China is a traditional industry and it has developed rapidly over the past 30 years. Large scale furniture enterprises are mainly concentrated in Guangdong, Zhejiang, Fujian, Sichuan and Shandong Provinces and 5 major furniture manufacturing zones have been established in the Pearl River Delta, the Yangtze River Delta, Circum-Bohai-Sea region, Western region and Northern region, accounting for 50%, 15%, 10%, 10% and 5% respectively of the total output value of national furniture industry.

However, the number of unprofitable furniture enterprises has been increasing in recent years due to a slowdown in the domestic economy and to increased competition in the sector.

The number of furniture manufacturing enterprises in China had increased to 6,217 by the first half of 2018, but 15% of these are assessed as unprofitable. Across the sector it has been estimated that profit fell 6% in 2017.

The output value of wooden furniture enterprises (including solid wood furniture and wood-based panel furniture), metal furniture and other furniture account for 64%, 19% and 17% of the national total respectively.

According to the China Furniture Association output from China's furniture manufacturing sector rose about 1% to 435 million pieces between January and July 2018. Of the total, the output of wooden furniture grew 2.2% to 144 million pieces, metal furniture fell 0.5% to 219 million pieces and soft furniture increased 2.4% to 32 million pieces. Wooden furniture manufacturers were the most profitable according to the Association.

Wooden furniture is manufactured in 28 provinces. The top 10 provinces are Guangdong, Zhejiang, Fujian, Jiangxi, Shandong, Sichuan, Liaoning, Jiangsu, Henan and Beijing in terms of output in the first half of 2018.

The output of top 3 provinces, Guangdong, Zhejiang and Fujian are 27 million pieces, 15.7 million pieces and 14.5 million pieces respectively in the first half of 2018.

The Jiangxi Nankang furniture industry cluster continues to maintain a high growth trend and the total output value from the industrial cluster reached RMB73.14 billion in the first half of 2018, up 16% over the same period last year.

China's furniture industry is passing through some difficult times at present especially in respect of domestic regulations on environmental protection and safety. Many small and medium-sized furniture enterprises are ceasing operation or are totally re-tooling to meet the new regulations.

China's Industrial Green Development Plan (2016-2020) points out that the concept of green development will become the guiding principle of the whole industry.

'Green' manufacturing industry has become a new engine of economic growth and is providing an advantage in international markets.

In summary, the furniture manufacturing industry is changing from overcapacity, high resource consumption, simple production to high productivity and high value-added production. The next step will be low carbon, environment friendly and intellectualization of production.

For more see:

http://www.wood365.cn/Industry/IndustryInfo_257773.html

Export and import of China's wooden furniture

According to data from China Customs, in the first half of 2018 the value of China's furniture exports was US\$10.3 billion, down 5% from the same period last year.

China mainly exported wooden seats and wooden furniture for bedrooms which accounted for 42% and 15% respectively of exports. The value of wooden furniture for bedrooms fell dramatically by 30% in the first half of 2018.

In the first half of 2018 the value of China's furniture imports was US\$5 billion, down 3% from the same period of last year. China mainly imported wooden seats (24%), wooden furniture for bedrooms (19%) and wooden furniture for kitchens (18%). The value of wooden seat imports declined by 10% and imports of wooden furniture for kitchens declined by 1% in 2017.

China's furniture exports and imports (First half 2018 US\$ mil.)

	1st half 2018	% change y.o.y	proportion %
Exports			
Wooden seats	4297	1	42
Office furniture	578	2	6
kitchen furniture	773	5	7
Bedroom furniture	1501	-30	15
Other wooden furn.	3165	-1	30

Data source: China Customs

	1st half 2018	% change y.o.y	proportion %
Imports			
Wooden seats	1228	-10	24
Office furniture	164	11	3
kitchen furniture	889	-1	18
Bedroom furniture	964	4	19
Other wooden furn.	1808	-5	36

Data source: China Customs

Both export and import value of natural lacquered wooden furniture for bedroom rose dramatically in the first half of 2018. Chinese consumers now favor environmentally friendly wooden furniture.

Chinese government has formulated strict standards for environmentally friendly furniture to protect consumers. The Code of Management for the Sales and After-sales Services of Rosewood Products (SB/T 11147-2015) came into force on 1 September 2016.

The purpose of this standard is to regulate the sales and after-sales service of rosewood products. For example, rosewood products should be accompanied by information such as tree species, grade and material inspection labels.

This standard also lays down detailed requirements on the sales personnel and sales venue for rosewood products and there are also specific requirements on the warranty period.

In addition a Technical Requirement for Environmental Labelling Products - Furniture was introduced on 1 February 2017. Compared with the previous edition, the new edition requires the classification and disposal of wastes by furniture manufacturers. The direct discharge of sawdust and dust is prohibited.

In the course of painting, enterprises must also take effective gas gathering measures and carry out standardization treatment of the waste gas collected.

China's on imported rosewoods from tropical countries. However, more and more tropical countries have forbidden or limited export of logs such that Chinese furniture makers have seen a dramatic decline in 'redwood' furniture production.

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
yuan per tonne		
Cocobolo	All grades	40-70000

Sawnwood

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

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

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
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

STTC Conference raises questions about role of tropical forest certification

The previous Tropical Timber Market Report (16 – 31 October 2018) provided an introductory report of the Sustainable Tropical Timber Coalition (STTC) annual conference in Paris on 26 September. That report highlighted the positive mood generated during the conference by the firm focus on the new tropical wood marketing initiatives launched by ATIBT and STTC with their strong links to the development of FSC and PEFC certification.

However, discussions at the STTC Conference also raised important questions about the challenges of achieving certification in tropical countries and the underlying value of initiatives that promote FSC and PEFC certified wood to the exclusion of other, non-certified, tropical wood products.

As noted in the previous report, STTC has established a 2020 target “to increase European sustainably sourced tropical timber sales to 50% above 2013 levels”. While STTC does not explicitly define “verified sustainable”, the assumption in STTC reporting to date is that “verified sustainable” refers to FSC and PEFC certified timber.

The rationale for STTC’s support for marketing of FSC and PEFC certified wood was explained in a series of introductory presentations to the Paris conference.

Daan Wensing of IDH, the Dutch agency financing STTC, began by showing a slide with satellite data from Central Africa to demonstrate that certified forest coincided closely with areas free of deforestation.

Mr Wensing went on to say that while there was evidence that certification could play an important role to help conserve tropical forest, the level of market recognition and reward for certified products was weak and had declined since the global financial crises. STTC was formed, he said, with the intent of reversing these trends. Robert Hunink, President of ATIBT, said that ATIBT has also formally associated itself with the STTC target to achieve 50% certified timber supply to the European market by 2020. He commented that “certification is the only guarantee that forests will continue”.

Mr Hunink said that a key role of ATIBT is to help companies that want to achieve certification. However, he also noted that achievement of the STTC procurement target required measures outside the direct control of STTC and ATIBT.

Mr Hunink highlighted the need for greater focus on the profitability of certified operations in tropical countries, suggesting there should be tax incentives for certified operations in the leading tropical supply countries and greater willingness on the part of buyers to pay premiums. The latter was heavily dependent, in turn, on the will of European public agencies and other large buyers to demand only certified wood.

However, Mr Hunink also said that each forest concession must have the option to choose the appropriate certification system, whether FSC, PAFC, and PEFC. He hinted at the value of a phased approach and continuing need for innovation in certification and procurement practice, observing that certification using existing procedures is “a long and costly process” and concluding that “we need a change in approach that is radically different and patient”.

Ms. Jessica Tholon of Le Commerce du Bois (LCB), said the French trade association had been working closely with STTC since 2014 to develop responsible procurement policies and to boost sales of certified tropical timber.

However, in the case of LCB, rather than apply a target for certified imports to the entire membership, LCB had chosen to work with five companies willing to make a public commitment and to report progress, namely Bois des Trois Ports, CID, Rougier, Pasquet, and Tradelink.

According to Ms. Tholon, the proportion of certified product in total tropical trade reported by the five companies ranged from 10% to 55% in 2017, with most companies reporting an increase compared to the previous year. However, said Ms. Tholon, continuing supply difficulties constrained these efforts to deliver more certified tropical product.

UK TTF questions over-reliance on certification as sustainability measure

While most speakers at the STTC Conference were cheer leaders for the procurement targets adopted by STTC, a cautionary note was introduced by David Hopkins, Director of the UK TTF.

Mr Hopkins said that while the TTF supported the concept of increased procurement of certified wood, in practice the targets for certified tropical timber are overly-ambitious and should be reconsidered.

Mr Hopkins said that TTF members have been implementing a responsible procurement policy now for many years, which is reflected in an impressive “headline statistic” from the latest annual audit report, that 90% of timber placed on the UK market by TTF members is certified.

However, closer analysis of this data shows that the high proportion of certified is just indicative of the very large proportion of UK timber imports sourced from Scandinavia. Considering tropical wood in isolation, at most 30% of wood traded by TTF members is certified and the actual proportion may be even lower given uncertainties of measurement.

In the tropical segment of the UK market, according to Mr Hopkins, the total quantity of tropical imports continues to fall, and there are even signs that the certified proportion of this shrinking segment is declining.

Mr Hopkins asked the question, “have we reached peak certification?” He wondered whether the existing STTC method of relying only on certification as a metric of sustainable procurement is appropriate in the current market situation.

Europe is declining in importance relative to other global markets for tropical timber and needs to maintain leverage, while there is also intense pressure on demand from other materials, emphasising the need for a focus on wider competitiveness issues.

Mr Hopkins said that “in future plans, we need to redefine goals and set targets based on careful assessment of the market reality, to look and see what is actually out there, rather than what we would like to be out there”.

“We need to be aware of other initiatives, such as FLEGT which is also relevant.

There is a huge opportunity for FSC and PEFC within that process, but we should move away from current model of sole reliance on certification and find a new way forward”, concluded Mr Hopkins.

Measuring certified trade in Europe

To be useful, not only do targets for procurement of certified wood trade have to be realistic, they must also be measurable.

Much of discussion at the STTC conference in Paris revolved around the methodology to monitor share of third party certified and legally verified tropical timber in the European market and more widely in the global market.

The challenges of accurate monitoring were recognised at the Conference. Neither FSC nor PEFC centrally collate data on flows of certified material.

An attempt by FSC to achieve this a few years ago, by requiring certified operators to use of their On-line Claims Platform (OCP) to record all certified wood transactions, collapsed in the face of industry concerns about commercial confidentiality and costs.

This means that monitoring of certified volumes placed on the EU market is dependent on the willingness of companies to voluntarily report how much certified wood they are trading.

However, gathering survey data from traders in often fragmented supply chains is expensive and companies are usually reluctant to provide information when under no obligation to do so. If anything, gathering this data in Europe is becoming more challenging now that companies’ procurement practices are under intense scrutiny by EUTR regulators.

There’s also no way to verify that the information provided by individual companies is accurate. The widespread use of volume credit systems and percentage-based or “Mix” labels adds another area of uncertainty.

More positively, at the STTC Conference there was clear willingness on the part of all those present, including representatives of FSC, PEFC, European trade associations, the FLEGT IMM, and large distributors to co-operate more closely in collating and analysing the data that might be acquired from surveys. It was also noted that, in time, expansion of formalised responsible procurement policies by associations can facilitate improved data collection.

There was also widespread agreement that efforts to gather data from traders in Europe should be combined with efforts to improve the quality and level of access to data

on production volumes of certified timber in tropical countries. FSC, PEFC and ATIBT all offered to facilitate this process at the Conference.

To conclude the conference, George White of the Global Timber Forum (GTF), presented on work commissioned by STTC to develop and refine the methodology for monitoring against the STTC targets.

GTF is undertaking the work jointly with PROBOS, the Dutch consultancy responsible for monitoring implementation of the NTTA policy which commits Dutch importers to procurement of certified wood.

Mr White explained that, given the significant challenges of acquiring comprehensive survey data from EU traders, the project will be heavily dependent on so-called “exposure to certification” analysis to calculate market share figures.

Essentially the “exposure to certification” measure takes the percentage of certified forest area in a supplier country and applies this figure to import flows from that country into specific markets. The method has been pioneered by the FLEGT IMM, an ITTO project funded by the EC, which is also advising the STTC project.

“The exposure to certification method has its limits,” said Mr White. “But we believe it can be refined by, for instance, using percentage of certified timber produced rather than forest area along with targeted trade interviews.”

Tropical forests fall further behind in global uptake of certification

There was no detailed consideration of global uptake of certification at the STTC Conference in Paris, although this is critical to the success and impact of the procurement targets set by European operators.

Analysis of this data tends to support the conclusions of David Hopkins of the UK TTF to the STTC Conference, that there are signs of “peak certification” being reached and that reliance on certification as the only metric of sustainable procurement is inappropriate.

In fact, there is reason to believe that reliance on this metric may be potentially damaging, both environmentally and with respect to fair and equitable market access for tropical producers.

According to data derived from the respective certification frameworks, the total global area of third party certified forest in June 2018 was 200.5 million hectares by FSC and 307.5 million hectares by PEFC.

Data issued jointly by FSC and PEFC in January 2018 reveals that 71 million hectares of forest worldwide is certified by both frameworks. Taking account of this duplication, the total area certified worldwide in June 2018 was around 437 million hectares.

Further review of the certification data reveals that, following a surge in the decade to 2010 when global certified forest area increased on average around 30 million hectares each year, the rate of increase has averaged only around 3 million hectares each year in the last 5 years.

To put this into perspective, certified forest currently accounts for 11% of global forest area, only a marginal increase from around 10% in 2012.

The progress of FSC and PEFC certification is particularly slow in tropical timber supplying countries. Between 2011 and 2017, the total area of certified forest in tropical countries increased by less than 10 million hectares compared to 103 million hectares in non-tropical countries (if no adjustment is made for double counting of dual certification).

Nearly all the increase in FSC and PEFC certification in tropical timber supplying countries between 2011 and 2017 was in just two countries, Indonesia (rising 5.5 million hectares) and Brazil (rising 2.7 million hectares). Much of the rise in both countries was in plantations and in Brazil a large proportion was likely outside the tropical zone.

Of total global FSC and PEFC certified forest area in 2017, less than 25 million hectares (6%) was in tropical regions compared to over 410 million hectares (94%) in non-tropical regions.

There are also indications that certified area globally is becoming more concentrated in larger state and industry forest enterprises at the expense of smaller non-industrial operators.

At least half of all newly certified FSC and PEFC forest in the last five years is in Russia and likely to comprise large state-owned and operated management units. Nearly all the rest is in Belarus, Ukraine, Sweden, Canada, and Norway where most forest production is concentrated in larger state and corporate management units.

Without a radical change in certification practice in the tropics, so that there is more recognition of progress within realistic timescales, serious efforts to increase local certification capacity, and more equitable access to certification frameworks, it seems likely that procurement targets focused exclusively on certified wood will contribute to a continuing decline in European trade in tropical products. It may also actively exclude smaller operators from the European market.

Given the considerable and increasing opportunities for tropical suppliers in other emerging markets, this approach would also contribute to a continuing decline in the leverage of European buyers over forestry practices in tropical countries.

The success of certification in the tropics is heavily dependent on ensuring that the costs do not exceed the willingness of markets to pay so that financial returns to sustainable forestry operations are enhanced and not diminished. Any diminution of profits due to certification of these operations is more likely to encourage than discourage forest conversion.

There are potential solutions to this problem now being discussed, notably new forms of “landscape” and “jurisdictional” certification. In fact, there is significant progress to develop and pilot these forms of certification.

FLEGT licensing may be viewed, in one sense, as a form of “jurisdictional certification” since it confirms that timber is supplied in accordance with an effective framework of national laws governing forest management.

However, excepting FLEGT, there is a certain irony in the fact that much of the work on “jurisdictional certification” is being applied to commercial cash crops such as palm oil and soy, rather than to timber products from sustainably managed forests.

If such certification systems are to be used to justify the “responsible procurement” of products from converted forest land, there is every justification to use similar systems for those areas maintained as forest. Otherwise the certification movement will only further erode the financial incentives for sustainable forest management.

Certification alone “will not get the wood sold”- a demonstration of successful tropical wood promotion
Innovative efforts to promote tropical timber in the Netherlands featured in the presentation by Eric de Munck, Manager of Centrum Hout, to the Annual Market Discussion of the ITTC in Yokohama on 6th November. Centrum Hout is the Netherlands Timber Information Centre, an initiative of the NTTA.

Mr. de Munck focused on Centrum Hout initiatives to increase demand for tropical timber in civil works. As background he observed that the construction sector in the Netherlands, the main source of demand for tropical wood in the country, was hard hit by the financial crises which led to a sharp downturn in activity in the 2012-14 period.

While the Dutch economy is growing rapidly again, Mr de Munck said consumption of tropical timber in the Netherlands in 2017 was only around half that typical before the financial crises. Main suppliers are Malaysia, notably of meranti for the window sector, and Cameroon and Gabon which are especially important for supply of durable hardwoods for civil works.

Mr de Munck said the NTTA has a target of 90% wood to be certified sustainable by 2020 and that, through development and communication of this policy, the trade is recognised by government and NGOs as a credible partner.

However, Mr de Munck also emphasised that certification alone “will not get the wood sold”. There also needs to be a strong focus on improving competitiveness relative to other materials such as PVC which is gaining market share.

Centrum Hout has developed campaigns targeting specific end use applications. For example, one plan which aims to increase use of certified tropical timber in water protection works is supported by 12 companies. All are provided with detailed technical and environmental guidance.

Centrum Hout communication activity is also carefully targeted at the most influential decision makers in the specification and procurement process. Civil engineers have been identified as a particularly crucial group and there is a strong focus on direct contact with the largest engineering firms to identify their concerns and their information needs.

Centrum Hout has also commissioned work on life cycle assessment (LCA) and full life cycle costing studies to assess the relative environmental impact and costs of using different materials on a cradle to grave basis. According to Mr de Munck, science-based LCA studies have shown that tropical timber from sustainably managed forests has a lower environmental impact than key competitors such as concrete, steel and composites.

Centrum Hout has developed a free online carbon calculator to allow users to easily calculate the carbon footprint of sustainably sourced tropical timber products. Short fact-sheets for engineers, architects and other specifiers have been prepared covering a range of topics including carbon footprint, the circular economy, and technical properties of tropical timbers.

Centrum Hout has also established a task force to ensure an immediate expert response to policy and standards changes which are becoming increasingly important in driving demand for different materials.

Mr de Munck said there are signs that these targeted campaigns are having an impact after two years of promotion, with tropical wood imports showing signs of strengthening in the Netherlands, and Centrum Hout regularly receiving calls from engineers and specifiers asking for more advice.

A new action plan covering 2019 and beyond is now being developed, said Mr de Munck, with one aim to link Netherlands promotional activities more closely with similar initiatives in other countries.

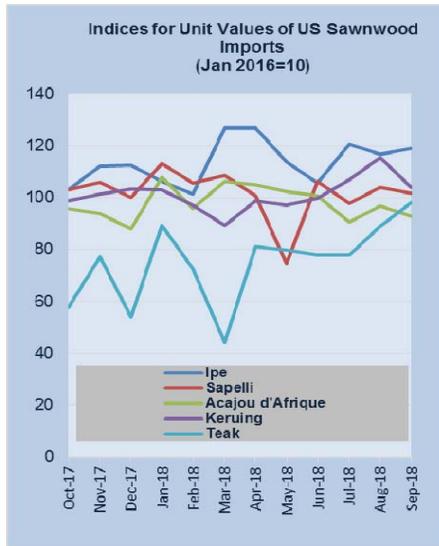
Mr de Monke concluded, “while we obviously have to promote sustainable forest management, it’s also important to share experience of best marketing practices, to carefully target communication, and above all to focus on the competition from other materials rather than competition between different wood products”.

See: https://www.itto.int/itc-54/market_discussion/

North America

Tropical sawnwood imports hold steady in August

US imports of tropical sawn hardwood held steady in September with imports up less than 1% from the previous month at 16,611 cu.m.

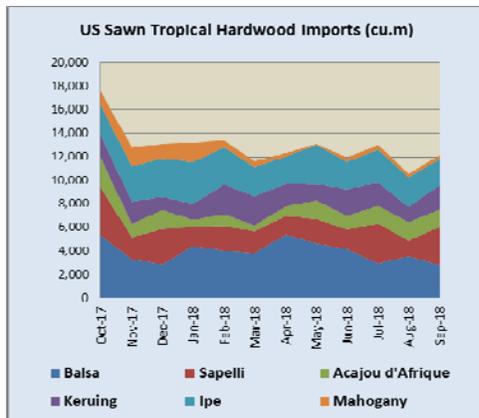


Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Note: Indices are derived from customs value and exclude shipping, insurance and duties

However, because US imports historically drop by 5% to 20% from August to September, a flat month actually improved the outlook for the year as September 2018 imports nearly matched the volume of September 2017.

Year-to-date, tropical hardwood imports are down 12% compared with 2017. The overall decline in tropical sawnwood year-to-date is mainly due to lower balsa, sapelli and virola imports. Sapelli imports rebounded strongly in September from a weak August but are still 21% down from 2017 year-to-date. Keruing imports grew again in September and now surpass 2017 year-to-date figures by nearly 50%.



Data source: US Department of Commerce, Foreign Trade Statistics

Balsa imports declined by 22% in September and are down nearly one-third versus 2017 year-to-date. Virola and teak imports were down sharply in September and are both falling further behind 2017 year-to-date figures. Cedro, meranti and ipé imports all declined in September, but remain ahead of their 2017 pace.

Unit values fell slightly for sapelli and acajou d'Afrique. Ipé prices were up and teak continued its steady climb back up, nearly returning to its level of one year ago after a prolonged decline.

Canadian Sawnwood Imports Continue to Trail

Canadian imports of sawn tropical hardwood fell by nearly a quarter in September as the Canadian market for tropical imports continues to lag behind last year.

Total imports to Canada are down 18% year-to-date, with sapelli, virola, ibuia and balsa all down by about one-third. Imports of Mahogany rose sharply in September to move ahead of last year-to-date by 7%. Imports of most other tropical sawnwood fell sharply in September but are still slightly ahead year-to-date from 2017.

Data source: Statistics Canada

US Consumer Confidence at 18-Year High

US consumer confidence rose in October to an 18-year high amid optimism about jobs and the economy, according to figures from the New York-based Conference Board. The results, coming amid a rout in US stocks, bode well for continued gains in consumer spending, which accelerated in the third quarter to the best pace since 2014.

A solid job market is helping to support household confidence as well as Americans' purchases, which account for about 70 percent of the economy.

The consumer confidence index rose to 137.9 from 135.3 in September and the present conditions measure advanced to 172.8 from 169.4, both seeing their highest levels since 2000. The index measures consumers' assessment of current economic conditions and their outlook for the next six months.

Lynn Franco, Director of Economic Indicators at the Conference Board, said in a statement that "consumers do not foresee the economy losing steam anytime soon. Rather, they expect the strong pace of growth to carry over into early 2019."

US GDP continued strong growth

The US economy grew at a faster-than-expected rate in the third quarter as inflation was kept in check and consumer spending surged, according to data released by the US Commerce Department. Gross domestic product (GDP) expanded by a 3.5% annual rate.

The department said the PCE price index, a key measure of inflation, increased by 1.6% last quarter, much less than the 2.2% increase expected by economists polled by StreetAccount.

Consumer spending, which accounts for more than two thirds of US economic activity, grew by 4% in the third quarter, the strongest since the fourth quarter of 2014.

The strong rise in consumer spending helped offset a 7.9% decline in business spending. That was the biggest quarterly decline in business spending since the first quarter of 2016. While stronger than expected, the overall expansion was a slower pace of growth than in the previous quarter.

Housing starts and home sales fall

Led by a drop in multifamily home building, total housing starts fell 5.3% in September to a seasonally adjusted annual rate of 1.2 million units, according to data from the US Department of Housing and Urban Development and the US Commerce Department.

According to the US Census Bureau and US Department of Housing and Urban Development single-family starts edged down 0.9% to 871,000 units. Meanwhile, multifamily starts, which includes apartment buildings and condos, fell 15.2% to 330,000. Regionally in September, combined single-family and multifamily housing starts rose 29% in the Northeast and 6.6% in the West. Starts fell 13.7% in the South and 14% in the Midwest.

Existing-home sales declined in September after a month of stagnation in August, according to the National Association of Realtors. All four major regions saw no gain in sales activity in September.

Total existing-home sales fell 3.4% from August to a seasonally adjusted rate of 5.15 million in September. Sales are now down 4.1% from a year ago according to data from the National Association of Realtors.

Sales of newly built, single-family homes fell to a seasonally adjusted annual rate of 553,000 units after downwardly revised August, July and June reports, according to the US Department of Housing and Urban Development and the US Census Bureau. This is the lowest sales pace since December 2016. However, on a year-to-date basis, sales are up 3.5 percent from this time in 2017.

According to the Census Bureau's Housing Vacancy Survey, homeownership rates among all age groups under 64 increased over the last year. Millennial households, mostly first-time homebuyers, registered the largest gains among all households, with owners under age 35 showing a 1.2 percentage point increase from a year ago to 36.8%.

Millennials are gradually returning to the for-sale housing market, where gains in home price are slowing down. The homeownership rates of households ages 45-54 and 55-64 experienced a 0.8 percentage point increase. The US homeownership rate was 64.4% in the third quarter of 2018, which is not statistically different from its last quarter reading.

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.

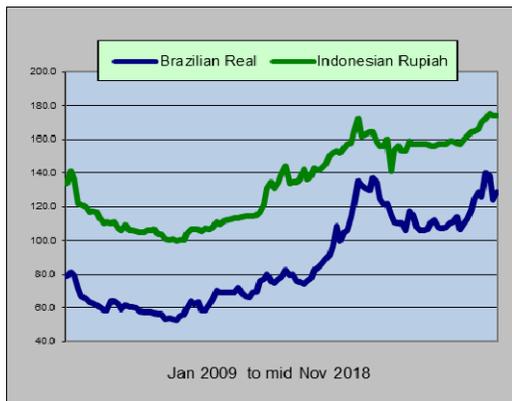
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 10 November 2018

Brazil	Real	3.8033
CFA countries	CFA Franc	582.3
China	Yuan	6.9561
EU	Euro	0.8858
India	Rupee	72.615
Indonesia	Rupiah	14810
Japan	Yen	113.81
Malaysia	Ringgit	4.184
Peru	New Sol	3.31
UK	Pound	0.7711
South Korea	Won	1131.91

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

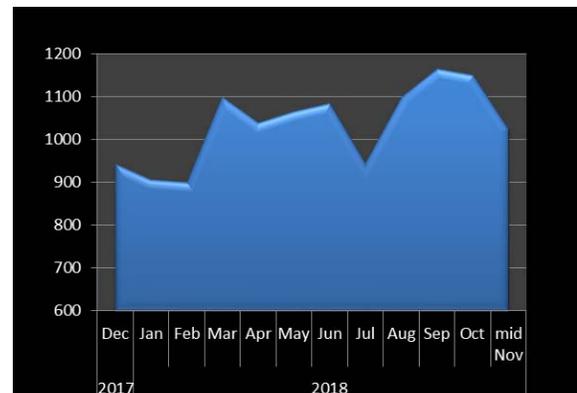


Abbreviations and Equivalences

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
December 2017 – mid November 2018

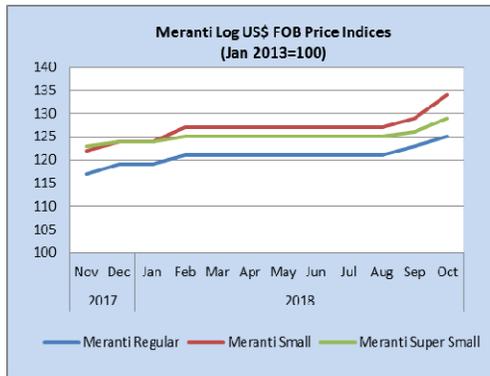


Data source: Open Financial Data Project

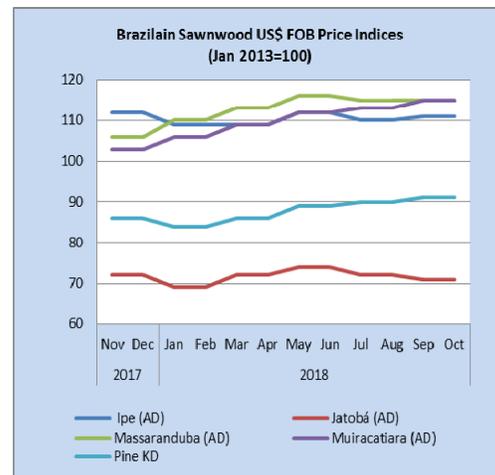
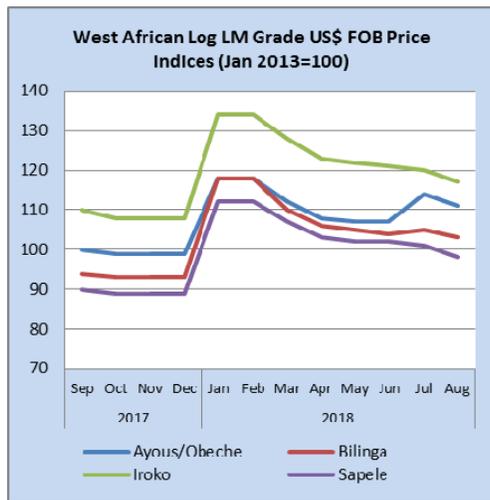
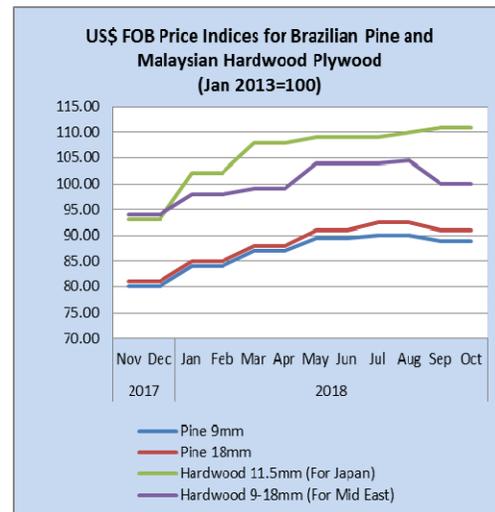
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

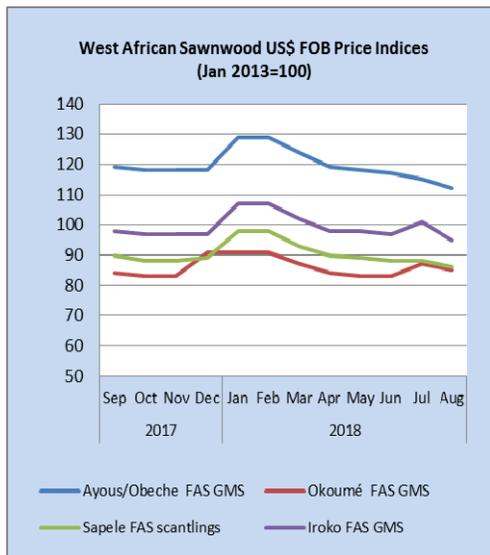
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



West African log and sawwood price indices will be updated when prices become available.

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