Tropical Timber Market Report

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News from Australia

Reform of Australia's illegal logging regulation

The Australian Government is reforming its illegal logging laws to streamline their 'due diligence' requirements and remove un-necessary compliance costs to Australian importers and processors.

The Illegal Logging Prohibition Regulation 2012 will be amended to establish a new 'deemed to comply' arrangement for products certified or licensed under the FSC and PEFC schemes.

Once implemented, parties dealing with FSC or PEFC certified products will only need to check that certification claims are legitimate and current to satisfy the due diligence requirements. The reforms are expected to come into force in January 2018.

See:
http://www.agriculture.gov.au/forestry/policies/illegal-logging/consultation-engagement

Headlines

Central and West Africa

A long stretch with few FOB price movements, why?

No changes in FOB prices for either logs or sawnwood have been reported during the second half of October so the slight downward pressure on prices in Asian markets has been arrested for now.

The European market for African logs is small and the previously reported drop in FOB prices for dousie and andoung is holding steady.

Sawnwood prices continued unchanged through to month end and exporters say that the rather dull market conditions still prevail in the main markets.

Such a long period of stable prices is rather unusual and when pressed analysts suggested that this is partly due to the consolidation that has occurred in the import businesses in the EU and to some extent in the US.

Many of the smaller importers have stopped direct imports citing the risks and costs/time involved in meeting due diligence requirements. With fewer buyers, exporters have less opportunity to "play the market' to lift prices.

In todays' trading environment importers are tending to stick with the one or two trusted suppliers not wanting to risk buying from sources they are not familiar with just to save a few dollars per cubic metre.

Add to these constraints the growing competition from alternatives, then opportunities for price increase are dependent on significant increases in consumption that is not yet happening despite an overall improvement in the global economy.

On/off news on Kevazingo exports

The new Minister for Water and Forests has announced that all exports of kevazingo are forbidden. This, say analysts, applies also to kevazingo sawnwood already loaded in the containers awaiting shipment.

It seems the government is reviving the previous proposal so it is anticipated that the temporary halt to exports may last for two to three months while the authorities devise a permit system for exports.

News is circulating that one of the largest producers will continue to expand stocks and will accept contracts for kevazingo in anticipation that they, along with other millers complying with the stringent investment rules on downstream processing, will eventually be allowed to resume exports.

Gabon peeler mills short of okoume

The new peeler mills in Gabon owned by Indian investors continue to face okoume log supply problems upon which their production is dependent. Their suppliers of okoume logs say they cannot always predict the proportion of peeler logs and sawlogs being extracted.

Reconstruction in Middle East to lift demand

Middle East buyers are perhaps more upbeat than those in other markets in anticipation of huge demand for construction timber when rebuilding begins in war ravaged regions.

Producers are not expecting any significant surge in buying by European importers and reports suggest buyers of tropical timber are becoming even more wary of failing to comply with the EUTR and the actions of non-governmental agencies.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	215	215	160
Ayous/Obeche/Wawa	245	240	190
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	180	170	-
Bilinga	230	230	-
Iroko	325	300	265
Okoume (60% CI, 40% CE, 20% CS) (China only)	245	240	190
Moabi	330	300	235
Movingui	210	200	160
Niove	175	160	-
Okan	230	205	-
Padouk	300	275	210
Sapele	260	260	220
Sipo/Utile	290	270	200
Tali	330	320	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	425
Bilinga FAS GMS	530
Okoumé FAS GMS	430
Merchantable	320
Std/Btr GMS	350
Sipo FAS GMS	540
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	880
FAS scantlings	1000
Strips	645
Sapele FAS Spanish sizes	505
FAS scantlings	510
Iroko FAS GMS	630
Scantlings	710
Strips	410
Khaya FAS GMS	450
FAS fixed	470
Moabi FAS GMS	620
Scantlings	630
Movingui FAS GMS	430

Ghana

Manufacturing sector – fastest growth in 5 years

Data released by the Ghana Statistical Service is showing that the manufacturing sector in Ghana is beginning to recover. An almost 7% increase in output was recorded for the second quarter of this year, an improvement on the 5.9% growth in the first quarter and the highest quarterly growth in 5 years.

As previously reported, the manufacturing sector has suffered in recent years from the energy crisis, the high cost of power and high taxes. The timber industry has an additional worry in that log raw materials are in scarce supply which the government is addressing with extensive reforestation and afforestation efforts.

Recovering degradation in savannah forests

The Forestry Commission (FC) of Ghana is partnering with the United Nations Development Programme (UNDP), to develop the country's second REDD+ programme, which is focused on reducing deforestation and forest degradation in savannah forests.

Addressing the 2nd National REDD+ Forum under the theme "Strengthening Law Enforcement for Effective REDD+ Implementation", and organised by the Ministry of Lands and Natural Resources and the Forestry Commission, the Ghana President, Nana Addo Dankwa Akufo-Addo, said efforts to stop deforestation and forest degradation in Ghana has his government's full support.

The President tasked the FC with strengthening its law enforcement measures to curb illegal logging, mining and unsustainable harvesting of forest products. He also said law enforcement agencies need to collaborate closely with the FC and the Ministry of Lands and Natural Resources to enforce the laws that govern the management of the countries natural resources.

New tree seed centre

The Ghana media is reporting that, to support efforts in reforestation and afforestation, a national tree seed centre has been established through joint efforts of the Ministry of Lands and Natural Resources and the Forestry Research Institute of Ghana (FORIG).

The new Minister for Lands and Natural Resources, said the Centre will be the cornerstone of efforts to revive the health of Ghana's forests. The Minister indicated that the Forestry Commission required about 13 million seedlings to meet its needs for the national plantation development programme and it was to meet this demand that the Centre was established.

For more see:
https://www.businessghana.com/site/news/general/154029/FORIG-gets-national-tree-seed-centre

Boule Export prices

	Euro per m³
Black Ofram	400
Black Ofram Kiln dry	482
Niangon	530
Niangon Kiln dry	620

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315	400
Chenchen	425	468
Ogea	467	604
Essa	439	500
Ofram	350	406

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

Export Sliced Veneer

Sliced face veneer	FOB Euro per m³
Arormosia	-
Asanfina	815
Avodire	897
Chenchen	951
Mahogany	915
Makore	783
Odum	917

Export Plywood Prices

Plywood, FOB	Euro per m³		
BB/CC	Ceiba	Ofram	Asanfina
4mm	355	586	641
6mm	550	535	626
9mm	407	474	560
12mm	470	463	480
15mm	450	356	430
18mm	417	417	370

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m³	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	209	280
Dahoma	380	494
Edinam (mixed redwood)	520	580
Emeri	380	510
African mahogany (Ivorensis)	870	1033
Makore	685	730
Niangon	620	650
Odum	755	936
Sapele	700	857
Wawa 1C & Select	370	441

South Africa

Evaporating confidence

Analysts write 'the market is still weak and confidence, what little remained, is evaporating fast". On the political front there is turmoil with the President having shuffled the Cabinet. Despite the uncertainty the Rand has been reasonably steady against major currencies which suggests the uncertainty has already been factored in.

In addition to the political uncertainty, major storms have lashed both Johannesburg and Durban, the latter being so bad hit there was extensive damage to the port which had cease operations for a few days. News reports say three ships ran aground, equipment was lost and some piers are still not accessible.

Despite the gloom, recent data from Statistics South Africa point to expanded GDP in the second quarter of this year, which if confirmed, would mean the economy moved out of recession. Analysts say the growth was driven higher output from the agriculture sector.

While the overall economy showed signs of growth, capital investment was reported as haven fallen. Unsurprisingly, most indicators have been driven down by the decline in residential construction.

No end of year boost to construction

The final quarter of the year is usually the busiest time of the year in the building sector but pine mills continue to build up stocks in the face of weak sales. The extent of price discounting by pine mills is not yet undermining the market but if the current market conditions continue into the New Year competition for sales will become intense.

Many pine mills are feeling the strain of the last round of log price increases set by the South African Forestry Company (SAFCOL). In addition, there have been reports of labour unrest affecting a few mills. Against this backdrop some owners are talking of ceasing operations until the market conditions improve.

The woodbased panel market is facing the same market constraints as affecting pine sawmillers but panel producers have benefitted from buyers switching from solid wood to panels in an effort to cut costs.

Hardwood markets kept alive by demand for US timber

In contrast demand for American hardwoods remains are steady driven by interest in white oak, ash and walnut. High end furniture manufacturers seem to have enough work for the time being.

Over the past few weeks traders report some improved activity in the meranti market but this comes at a time when consumption had fallen very low so all that can be said is that there has been a modest recovery. A similar change has been seen in the iroko market.

As buyers look to cut costs demand for Saligna (eucalyptus) has also perked up especially as an alternative to native hardwoods.

Wood in the home and everyday life – a call for promotion

October saw the conclusion of the "Forestry Industrialisation Conference" attended by the then Deputy Minister of Agriculture, Forestry and Fisheries, Bheki Cele, Mr Dikobe Martins, Deputy Minister of Public Enterprises, Mr Bulelani Magwanishe, Deputy Minister of Trade and Industry, as well as many captains of industry.

In an editorial in Sawmilling South Africa, Roy Southey writes "A unanimous realisation coming out of the conference was the need for the total South African forestry sector to work together in promoting the virtues of our sector, from the growing of trees to the use of timber and timber derived products in the building of our homes and everyday lives".

WoodEX for Africa, July next year

WoodEX for Africa, the largest trade exhibition in Africa dedicated exclusively to the timber trade, is scheduled for July 2018. This event offers a unique business and networking platform to connect, unify and grow the African timber, tooling and machinery markets.

According to Stephan Jooste, WoodEX for Africa Director, "The previous fourth edition of WoodEX for Africa was very well supported by both local and international exhibitors and visitors alike.

WoodEX for Africa 2018 will showcase innovative timber and woodworking products and services, such as woodworking machinery, fixtures and fittings, decking, flooring, structural timber, timber preservatives and treatment, sawmilling and logging, pulp and paper manufacturing, and wood material and veneer production.

See:http://www.timber.co.za/news/article/dates-set-for-woodex-for-africa-2018

Malaysia

Revision of Malaysian timber standard

Discussions are underway to revise the Malaysian Timber Standard MS 1401, which describes the grading requirements for dressed timber, door jambs and mouldings manufactured from tropical hardwoods and plantation timbers, MS 1401 was first published in 1996.

The Malaysian Timber Industry Board (MTIB) was appointed the Standards Development Agency (SDA) for timber in 2013. An SDA is responsible for the management as well as the development of standards.

Part of the review process involves public comment, an important stage in the Malaysian Standard (MS) development process and a recent consultation was held with the industry on the new draft MS 1401 "Specification for Dressed Timber Door Jambs and General Mouldings".

The purpose of the consultation was to update the timber industry and stakeholders on the progress of the MS 1401 revision, to obtain feedback and comments on the proposed changes made to MS 1401. The consultation provided an opportunity for the industry to share views related to the development of the standard.

Certified timber at the core of green cities

The Malaysian Timber Certification Council (MTCC) took part in the recent International Greentech & Eco Products Exhibition and Conference Malaysia (IGEM) 2017.

MTCC advocated the utilisation of timber certified under the national certification scheme as a strategic move to promote the building of greener cities in Malaysia.

MTCC CEO, Yong Teng Koon, said "The call for greener cities is more than ever crucial with over half of the world's population living in cities today.

As we strive to transform our cities into modern, sustainable living spaces, we must ensure that the development process, among others, embraces the use of sustainable materials at its core.

Green cities are about building and living in a sustainable manner, which includes the use of sustainable material in our everyday lives and the national certification scheme empowers specifiers, companies and individuals to do their part in achieving this. Yong also urged consumers to join in this endeavour by consciously choosing certified timber products".

Firm demand for plywood

Recent reports say the supply of tropical plywood from both Malaysia and Indonesia is tight in the Japanese market. This is due mainly to the end of year wet season when heavy rains cause delays in log supply.

Transportation of logs to the mills is a problem at present so plywood mills are working with very low log inventories. This situation will probably improve towards year end.

According to Ta Ann, a leading Malaysian plywood manufacturer and exporter based in Sarawak, the price of its plywood products increased by about US$25 per cu. m in first half-2017 and with improving demand further price rises are anticipated.

Sarawak log production

Sarawak's log production in first half-2017 was around 3.75 million cu.m, out of which 2.94 million cu.m was from natural forests and 808,000 cu.m from plantations. According to the Japan Lumber Reports, Sarawak's harvest of planted timber could be around 1.6 million cu.m this year some 300,000 cu.m more than in 2016.

Plywood price update

Plywood traders based in Sarawak reported the following export prices:

FB (11.5 mm)	US$ 620 FOB
CP (3' x 6')	US$ 510 C&F
UCP	US$ 580 C&F
Standard 4x8 panels	
Middle East (12mm)	US$ 440 FOB
S. Korea (9mm and up)	US$ 460 FOB
Taiwan P.o.C (9mm & up)	US$ 440 FOB
Hong Kong	US$ 440 FOB

Indonesia

Centre of excellence in wood processing

The Ministry of Industry is claiming some of the credit for the establishment of a new training facility, the Polytechnic for the Furniture and Wood Processing Industries, built in an industrial estate in Kendal, Central Java.

Analysts write this new development has been designed to become a centre of excellence in technological innovation and product development for the wooden furniture and wood processing industry in the country.

In a press release the Secretary General in the Ministry of Industry, Haris Munandar, said the Polytechnic will deliver training on best practices for the sector through high level vocational education that was initiated by the Ministry and will create a link between academics and industry.

Wood must have a great role in housing policy

An urban planning expert from Trisakti University, a private university in Jakarta, Nirwono Joga, has called for wood science and technology to be given a place in the country's housing policy.

The core of his argument was that wood has many advantages over other building materials and home construction costs are lower with wood components, many of which can be fabricated off-site.

He called on the authorities to help develop the full potential of wood in domestic housing, saying that a review of some regulations may be necessary to encourage more wood use in construction

Chinese rattan furniture makers eye move to Indonesia

The future of the rattan craft industry in Cirebon, West Java, is threatened according to Zaenal Arifin from the Advisory Council of the Indonesian Furniture and Craft Association (HIMKI).

It has been reported that a number of enterprises have had to suspend production and decline orders from overseas buyers because they were unable to secure raw rattan that comes from Kalimantan, Sulawesi and Sumatra.

Rattan furniture is popular in China and with Indonesia being the main source of raw rattan the restrictions on raw rattan exports has worried Chinese rattan enterprises prompting them to consider shifting production to Indonesia.

The Indonesian and Chinese governments have been exploring the feasibility inviting Chinese companies to locate to Indonesia. Cirebon is known as the centre of the rattan furniture industry in Indonesia and would be an obvious place for foreign enterprises to establish production capacity.

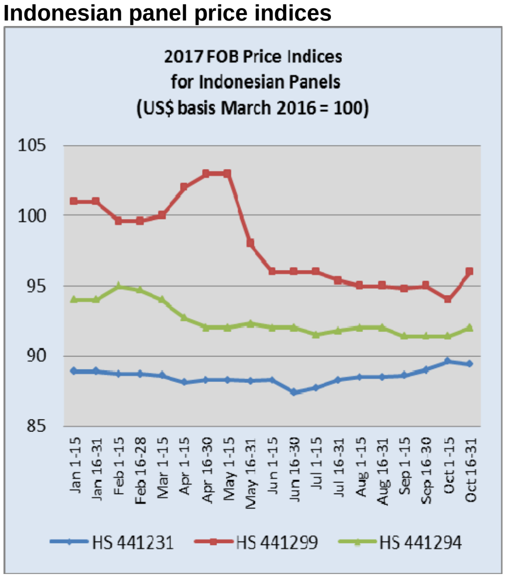
Major wood products producer to expand

A press release from Indonesia Investments has reported that one of Indonesia's biggest vertically integrated wooden product manufacturers, Integra Indocabinet, is planning to expand production using some of the US$24 million derived from its recent initial public offering on the Indonesia Stock Exchange.

Integra Indocabinet produces indoor and outdoor furniture as well as wooden doors, wooden window frames and other wooden and rattan-based products. During the first half of 2017, around 80% of production was exported.

See: https://www.indonesia-investments.com/business/business-columns/indonesian-wood-furniture-firms-in-focus-integra-indocabinet/item8303

Indonesian panel price indices



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

Myanmar

Calls for comprehensive assessment of harvesting in Myanmar

Analysts report that representatives of the Myanma Timber Enterprise (MTE) recently held informal discussions with representatives of its longtime critic the Environmental Investigation Agency (EIA).

A report distributed by the EIA earlier this year led the several authorities in EU responsible for enforcing the EUTR to call for severe restrictions on timber imports from Myanmar.

In Denmark action was taken against importers of teak and in the Netherlands punitive measures were taken against two companies which placed teak from Myanmar on the European market.

In both cases it appears that the basis for action in Denmark and the Netherlands was the EIA report on Myanmar's logging.

Barber Cho, Secretary of Myanmar Forest Certification Committee has expressed disappointment that authorities in the EU would base their decisions on just one assessment and has called for more comprehensive and realistic approach to assessing conditions in Myanmar.

He said "there are a lot of lessons we could take from EIA reports which are professionally compiled but cannot be regarded as the sole guide to judge the legality of Myanmar Timber".

Cho continued saying the timber industry in Myanmar is striving to get all stakeholders in the forestry sector to act responsibly and that such punitive measure as introduced in some EU member states are uncalled for and counterproductive as such action could undermine ongoing efforts to negotiate a VPA with the EU. As yet there has been no word on the outcome of the meeting between the MTE and the EIA.

Property tax for investors in industrial zones

Foreign investors who use plots in industrial zones are required to pay property tax according to Kyaw Zeya, Secretary of the Yangon Regional Finance, Planning and Economic Committee.

The issue of land is complicated in Myanmar. Six different government authorities are tasked with handling land management and there are many classification of land in the country which complicates the issue of assigning industrial plots.

Of concern to potential investors is that Myanmar's land rental price are the highest in ASEAN countries. Some foreign investors attracted by the new investment law hesitate because of the confusion over land issues even in industrial zones. Nine MPs have debated a proposal for the government to free-up idle state-owned lands and buildings in Yangon region.

October teak log tender prices

Grade	H.tons	Average US$/H.ton
SG-1	7.4	4,545
SG-2	34.3	3,680
SG-4	80.6	3,100
SG-5	109.6	3,050
SG-6	107.0	2,620
SG-7	162.9	1,665

World Bank – Myanmar needs to better communicate progress with reforms

Despite some risks especially those related to the ongoing conflict in Rakhine state, Myanmar's economy is expected to recover this year, with growth rising from 5.9% in 2016 to 6.4% this year.

Public and private investments in infrastructure such as power and transportation are projected to pick up and inflation is expected to ease according to a press release on the October 2017 edition of the Myanmar Economic Monitor.

This report says that despite notable reforms, strong foreign investment a commitment to further reforms is needed. The the report also suggests Myanmar build on (and better communicate) important reforms already underway. For instance the efforts to provide access to finance, electricity and land, friendly business regulations and labour force skills, all of which will boost investor confidence should be promoted.

For more see
http://www.worldbank.org/en/news/press-release/2017/10/04/myanmars-economy-is-projected-to-pick-up-amid-downside-risks

India

Dip in inflation prompts calls for rate cut

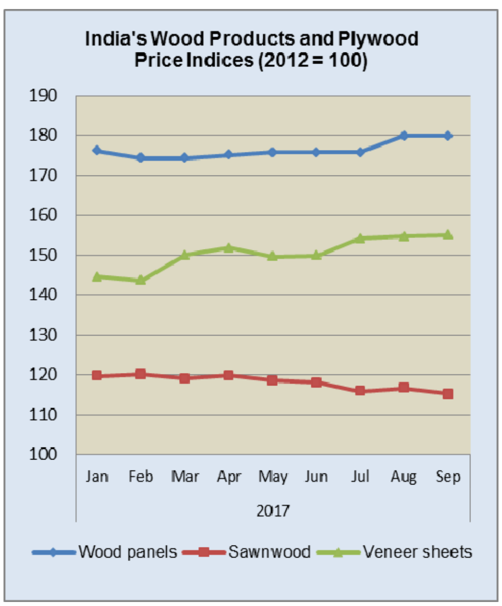
India's official wholesale price index for all commodities (Base: 2011-12=100) for September 2017 released by the Office of the Economic Adviser to the government (OEA) declined to 114.3 from 114.8 for the previous month rose by 0.8% to 114.8 from 113.9 in July.

The annual rate of inflation, based on monthly WPI, stood at 2.6% (provisional) for September 2017 compared to 3.24% for the previous month.

Inflation for this financial year so far was 0.97% compared to a rate of 3.44% in the corresponding period last year. The decline in food prices was the foundation for the decline in inflation. The fall in annualised inflation has prompted the Confederation of Indian Industry to seek an interest rate cut.

The September wholesale price index for wood products and plywood rose to 132.4 from 132.1 for the previous month due to higher price of plywood and sawnwood.

The press release can be found at:
http://eaindustry.nic.in/cmonthly.pdf



Data source: Ministry of Commerce and Industry, India

Action to reverse economic slowdown

The Chairman of the Indian Prime Minister's Economic Advisory Council (PMEAC) has acknowledged the slowdown in economic activity and said his group will develop plans that can accelerate growth and employment.

The PMEAC has urged the government to continue with its policy of fiscal consolidation but avoid the temptation of a fiscal stimulus package.

The PMEAC has identified priority areas for accelerating growth including job creation, informal sector integration, fiscal framework, monetary policy, public expenditure, agriculture and animal husbandry.

For more see:;http://www.thehindu.com/news/national/pms-advisory-committee-acknowledges-slowdown/article19840741.ece

Auctions in Western Indian forest depots

Auctions at various forest depots in the Surat and Vyara Division of the Dangs forests have just ended. Approximately 6,000 cubic metres mainly teak was offered for sale. Other timbers included Adina cordifolia, Gmelina arborea, Pterocarpus marsupium, Acacia catechu and Mitragyna parviflora.

Quality	Rs. Per cu.ft
Grade A ship building	3200-3400
Grade B ship building	3000-3100
Grade A large girth	2800-3000
Grade B large girth	2500-2600
Grade A long	2400-2500
Grade B long	2300-2400
Grade A 15ft & up	2100-2250
Grade B 15ft & up	2000-2000
Grade A 12ft & up	1800-1950
Grade B 12ft & up	1600-1750
Grade A 8-10ft.	1500-1600
Grade B 8-10ft	1300-1400
Small girth low quality	1100-1250

At the Surat and Vyara Division auction good quality non-teak hardwood log prices remained firm.

First quality logs of 3 to 4m length with girths of 91 cm & up of haldu (Adina cordifolia), laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium attracted prices from Rs.800 to 900 per cu.ft. Second quality logs were sold at between s.600 and 700 per cu.ft and the lowest quality logs went for between Rs.250 to Rs.350 per cu.ft.

Century Ply continues to invest in processing capacity

The Indian construction sector WFM Construction Industry Market Place website has reported that Century Plyboards is planning to set up a door manufacturing unit in collaboration with a Chinese Company.

Century Ply is also close to completing its MDF plant in Hoshiarpur in Punjab which will have the capacity to produce almost 200,000 cubic metres annually making it one of the largest MDF plants in the country.

For more see: https://www.wfm.co.in/century-ply-setup-door-unit/

Imported plantation teak

Demand for imported logs remains steady and supplies are reported as adequate say traders. In the absence of a decision on the GST from the GST Council no prices movements have been reported.

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth

Locally sawn hardwood prices

Prices for imported hardwoods remain unchanged. Traders report demand is slow which does not allow for any price increases.

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

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

Myanmar teak prices

The arrivals of sawn Myanmar teak are adequate to meet the slightly lower demand say traders. Due to weaker local sales the price for some grades has been reduced to stimulate sales.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	9000-16000
Teak A grade	7000-8000
Teak B grade	5000-6000
Plantation Teak FAS grade	3500-4000

Price range depends mainly on lengths and cross-section.

Prices for imported sawnwood

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

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

Price range depends mainly on lengths and cross-section.

Prices for WBP marine grade manufactured by domestic mills

The slow housing market and the expansion of domestic plywood production has put a downward pressure on plywood prices.

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Brazil

Impact of changing US tariffs discussed

During a recent joint-meeting of the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) and the Paraná State Federation System of Industries (FIEP) timber industry entrepreneurs discussed the dynamics of the Brazilian timber sector.

The main issues discussed revolved around market opportunities and hurdles created by exchange rate fluctuations, logistics and tariffs on manufactured goods especially those in the US market.

On exchange rates, specialists forecast that the BRL/US$ rate will remain around BRL 3.10/US$ this year with a projected slight strengthening in 2018.

FIEP, with support of other institutions (including ABIMCI), has been working on an investment plan for logistics, infrastructure and new investments in ports and railways that can improve the profile and performance of enterprises in the southern state of Paraná.

The plan aims at reducing logistics costs and guaranteeing energy supplies.

During the meeting the status of the US tariffs on Chinese plywood exporters was discussed as was the likely outcome of the negotiations on a revised North American Free Trade Agreement.

It was noted that, at present, Canada supplies around 90% of the sawnwood consumed in the US and that any change to import tariff on Canadian sawnwood and plywood will need to be carefully monitored.

Production of native timber declines

According to data from the Brazilian Institute of Geography and Statistics (IBGE), production of native timber fell almost 10% in 2016 compared to a year earlier. The figure quoted by IBGE included production of firewood for charcoal, fuelwood and industrial logs.

Extraction of hardwood logs from natural forests fell by 7% in 2016 compared to 2015 from 12.3 million cu.m to 11.5million cu.m. The northern Brazilian states of Rondônia and Pará reported the most significant declines in native timber production, dropping 23% and 21% respectively.

On the other hand, production of native timber in the west-central state of Mato Grosso rose 8% last year to 3.3 million cu.m compared to 2015 when 3.1 million cu.m were produced. However, despite the increased production in Mato Grosso, national production declined.

Production of logs for charcoal from natural forests also dropped 32% in the same period, from 797,000 cu.m (2015) to 544,500 cu.m (2016). Extraction of native timber fuelwood also fell 7%, from 27.0 million cu.m to 25.0 million cu.m.

Analysts comment that the decline in production from natural forests is most likely the result of the recently enacted environmental legislation and stronger enforcement as well as the unavailability of labour in remote areas.

Export roundup

In September 2017, Brazilian exports of wood-based products (except pulp and paper) increased 25.0% in value compared to September 2016, from US$201.2 million to US$251.5 million.

Pine sawnwood exports in value increased 19% from September 2016 (US$ 35.3 million) and September 2017 (US$ 41.9 million). In volume terms, exports rose 12% over the same period from 181,100 cu.m to 202,500 cu.m.

Tropical sawnwood exports expanded 41% in September 2017 from 30,200 cu.m in September 2016 to 42,500 cu.m this year. The value of September tropical sawnwood exports jumped 38% from US$14.1 million to US$ 19.5 million this year. The good news continued with the value of pine plywood exports which expanded 36% in September 2017 from US$ 35.8 million a year earlier to US$ 48.7 million this September. In volume terms September 2017 exports were up 24%.

As for tropical plywood, Brazilian exports were 23.5% higher in volume and 17% higher in value, from 13,200 cu.m (US$ 5.4 million) in September 2016 to 16,300 cu.m (US$ 6.3 million) in September 2017.

Exports of wooden furniture from Brazil increased from US$ 35.7 million in September 2016 to US$ 40.4 million in September 2017, a 13% increase.

Strengthen forest industries to meet GGE goals

The Mato Grosso Timber Production and Export Industries Center (Cipem), a union of eight forest-based employers' unions, has said strengthening the Brazilian forest-based industry will help the country to fulfill the commitment made with the Paris Agreement

Brazil committed to reduce its greenhouse gas emissions (GGE) by 2025 and one measures proposed to achieve this goal is the restoration and reforestation of 12 million hectares by 2030.

For this to be achieved it will be necessary to enlist the full support of private forestry sector.

A greater utilisation of wood in construction could contribute to reducing GGE by the construction sector. Some environmental agencies have been working in partnership to show the benefits and opportunities from using wood in architectural projects through adapting technologies already used in other countries.

The Brazilian Tree Industry (IBÁ) has reported that forest plantations in Brazil are able to store nearly 1.7 billion ton/year of carbon dioxide.

Climate Fund - cash to reward declines in deforestation

It has been reported that the Green Climate Fund (GFC) approved a US$500 million package of support for developing countries that prove reduction in deforestation by 2022. Brazil is seeking around US$150 million for its efforts in reducing deforestation in the Amazon and in the Cerrado (Brazilian savannah) ecosystems between 2014 and 2018.

The GFC package offers US$5 per tonne of reduced carbon which is a good opportunity for countries with large forest areas and a high potential to reduce carbon emissions through avoiding deforestation.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m³
Ipê	219⬆
Jatoba	122⬆
Massaranduba	122⬆
Miiracatiara	125⬆
Angelim Vermelho	118⬆
Mixed redwood and white woods	103⬆

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m³
Ipé	963⬆
Jatoba	484⬆
Massaranduba	452⬆
Muiracatiara	449⬆
Angelim Vermelho	403⬆
Mixed red and white	269⬆
Eucalyptus (AD)	224⬆
Pine (AD)	161⬆
Pine (KD)	184⬆

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m³
4mm WBP	611⬆
10mm WBP	490⬆
15mm WBP	425⬆
4mm MR	506⬆
10mm MR	377⬆
15mm MR	349⬆

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m³
15mm MDParticleboard	260⬆
15mm MDF	319⬆

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m³
Ipe	1429
Jatoba	890
Massaranduba	777
Muiracatiara	750
Pine (KD)	183

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

Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m³
9mm C/CC (WBP)	284
12mm C/CC (WBP)	268
15mm C/CC (WBP)	253
18mm C/CC (WBP)	255

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m³
Decking Boards	Ipê	2,514
	Jatoba	1,467

Source: STCP Data Bank

Peru

SERFOR and Ucayali government cooperation

In order to further develop strategies to strengthen forestry and wildlife management the National Forestry and Wildlife Service (Serfor) and the Regional Government of Ucayali signed an inter-institutional support agreement.

The Executive Director of Serfor, John Leigh and the General Manager of the Regional Government of Ucayali, Luis Briceño, inked the agreement which consolidates actions for the benefit of Amazon.

Leigh stressed that this was the first agreement by Serfor with a regional government to whose authority for forest and wildlife management has been expanded.

As part of the agreement Serfor will have a liaison office in the headquarters of the regional government of Ucayali and will be provided with basic services to facilitate coordination and implementation of work. This agreement runs for two years with the option for extension.

ITTC in the national interest say President

The President of the Republic, Pedro Pablo Kuczynski, said that the upcoming international tropical timber event to be held in Lima is of national interest.

Through Supreme Decree No. 012-2017 MINAGRI the Peruvian State declared the Fifty-third Session of the International Tropical Timber Council (ITTC) to be held in in Lima is in the national interest. Peru will host the ITTC in Lima from November 27 to December 2, 2017.

Regional forestry and wildlife monitoring board

In order to coordinate joint action a Regional Forestry and Wildlife Control and Surveillance Bureau (MRCVFFS) has been established in Ucayali. The new bureau brings together participation of the Regional Government and ten public institutions responsible for sector issues.

The Executive Director of Serfor said that this initiative has the backing of the National Forest and Wildlife Control and Surveillance System (SNCVFFS) as there will be cooperation and joint work utilising up-to-date technologies and surveillance methods to strengthen the capacity to eliminate deforestation, illegal logging and trafficking in wildlife and timber.

At next meeting is scheduled for the second half of November when the Bureau will seek to identify additional stakeholders from the public sector and civil society that are allied to forest control and monitoring activities.

The SNCVFFS, led by Serfor. works with the Satellite Monitoring Unit in order to issue alerts on land use change.

Export Sawnwood Prices

	US$ per m3
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD	
Mexican market	545-598

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	523-599
Grade 2, Mexican market	461-482
Cumaru 4" thick, 6'-11' length KD	
Central American market	887-933
Asian market	934-981
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	655-678⬆
Marupa 1", 6-13 length KD	
Asian market	496-569⬆

Domestic Sawnwood Prices

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

Export Veneer Prices

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

Export Plywood Prices

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

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1304-1391
Cumaru KD, S4S	Swedish market	962-1095
	Asian market	1059-1089
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		493-519
	2x13x75cm, Asian market	732-815

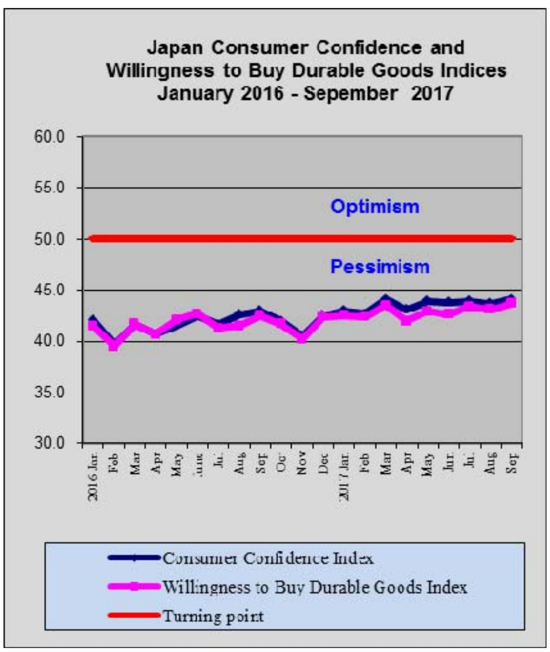
Japan

Growth in domestic consumption remains illusive

In its October economic report the Cabinet Office maintained optimism that exports and industrial output will continue to drive growth. The report continues to say that consumption is picking up and that capital expenditure is also on the rise.

The Bank of Japan (BoJ) has pushed forward its target for 2% inflation to 2020 but this is looking increasingly optimistic say analysts.

This year the Japanese economy has performed well largely due to rising international demand but this has not spurred inflation as companies have not passed on bigger earnings as wage improvements. Only a rise in domestic spending can underpin inflation.



Data source: Cabinet Office, Japan

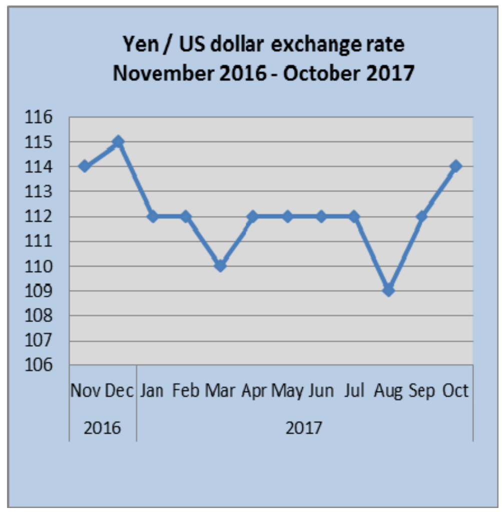
Continuing with the weak yen policy

With the election success of the Liberal Democratic Party (LDP) the country is expecting the government to continue with the economic policies established over the past 3-4 years dubbed 'Abenomics' which has three pillars for reviving the Japanese economy; loose monetary policy, fiscal flexibility and structural reforms.

Analysts have been quick to point out that the prospects for structural reform remain limited.

However, the LDP election win means the consumption tax is most likely to be raised to 10% from the current 8% in 2019. Financial markets welcomed the election result as signaling continuity and strong export growth built around the weak yen.

In late October the yen fell to its weakest level against the US dollar since July because of expectations that the loose monetary policy of the BoJ will be sustained.

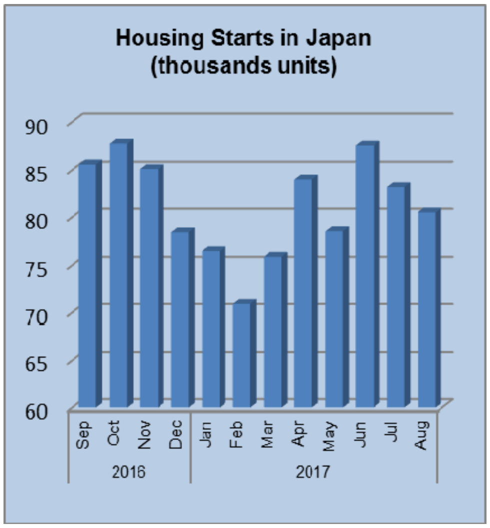


Holiday season a quiet month for housing starts

Data from Japan's Ministry of Land, Infrastructure, Transport and Tourism show that August housing starts dropped 2% year on year, an increase had been forecast.

The decline in August marks the second straight drop since the high in June this year. Because of the August drop prospects for annual housing starts fell to 942,000 down from the 974,000 in July.

Other statistics show that orders received by the major builders fell by almost 11% in August, traditionally a quiet month because of the holidays.

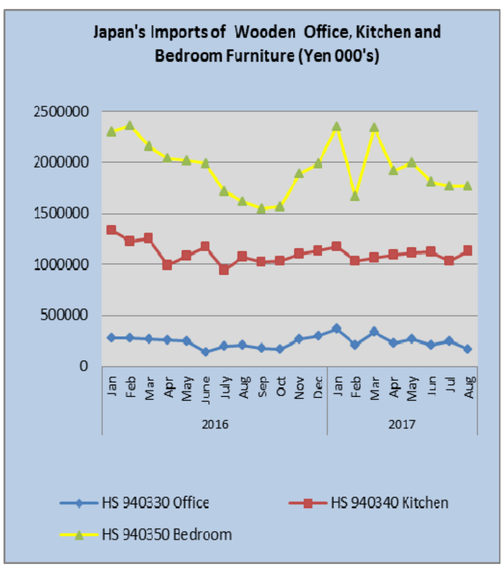


Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Japan's wooden furniture imports

There was little in the August furniture import data to suggest the downward trend has come to an end. Month on month import values were flat for wooden bedroom furniture, down for wooden office furniture and up moderately for wooden kitchen furniture.

It should be remembered that August is holiday season in Japan so a more accurate picture of the underlying trend should become apparent when full third quarter data is available.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

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

August data shows that year on year imports fell 21% while month on month imports were down over 30%.

Three suppliers, China Poland and Portugal account for just over 75% of all wooden office furniture imports. China tops the list at 66% and the combined supply from EU member states makes up most of the balance. Shippers in SE Asia account for only a small part of Japan's wooden office furniture imports.

Office furniture imports

	Imports Aug 2017 Unit 1,000 Yen
S. Korea	-
China	109952
Taiwan P.o.C	3063
Vietnam	4018
Thailand	-
Malaysia	3113
Philippines	-
Indonesia	5152
Israel	221
Sweden	-
Denmark	-
UK	4989
Belgium	-
France	822
Germany	1687
Switzerland	-
Portugal	8772
Italy	2604
Finland	-
Poland	10908
Turkey	-
Lithuania	1428
Czech Rep.	-
Slovakia	2277
USA	7590
Mexico	409
Brazil	-
Australia	-
Total	167005

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The slight correction in the value of wooden kitchen furniture imports in July following 4 months of a steady upward trend was reversed in August as import values rose. Year on year imports of wooden kitchen furniture are up 5% with Vietnam (48%) the Philippines (34%) and China (10%) accounting for over 90% of all wooden kitchen furniture imports.

Amongst the other suppliers to Japan only Germany stands out accounting for 3.5% of Japan's August imports of this category of wooden furniture.

Kitchen furniture imports

	Imports, Aug 2017 Unit 1,000 Yen
South Korea	-
China	111728
Taiwan P.o.C	-
Vietnam	541203
Thailand	17246
Malaysia	14894
Philippines	387680
Indonesia	9945
Denmark	-
U KING	530
Belgium	-
France	281
Germany	38030
Spain	-
Italy	3082
Poland	-
Austria	389
Greece	223
Romania	1122
Slovenia	-
Canada	720
USA	3161
Total	1130234

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

A staggering 90% of Japan's imports of wooden bedroom furniture come from shippers in just three countries, China, Vietnam and Thailand. Between China and Vietnam over 85% of Japan's bedroom furniture imports are accounted for.

Year on year, imports of wooden bedroom furniture were up 9% in August and data for past 3-4 months seems to indicate that the downward trend in wooden bedroom furniture imports is bottoming out.

Bedroom furniture imports

	Imports Aug 2017 Unit 1,000 Yen
S Korea	-
China	1009635
Taiwan P.o.C	30696
Vietnam	482467
Thailand	74536
Malaysia	43586
Philippines	-
Indonesia	11356
Cambodia	-
Sweden	-
Denmark	1709
UK	-
Netherlands	324
Belgium	-
France	247
Germany	1973
Switzerland	-
Portugal	-
Spain	-
Italy	14833
Poland	34720
Russia	1102
Austria	-
Hungary	-
Romania	11120
Turkey	-
Estonia	1144
Latvia	-
Lithuania	9828
Bosnia-Herzegovina	746
USA	464
Mexico	-
Total	1730486

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

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

Wood demand and supply projection for 2017

The Forestry Agency held the second meeting for wood demand and supply in 2017. Supply forecast of domestic logs for lumber manufacturing is difficult because of damages by several heavy rain. Demand projection for the second half of the year would slightly decline.

Demand for domestic lumber in the third and fourth quarter last year was very active so the supply was on short side so if the demand this year would be the same as last year, lumber supply would get tight again.

For housing starts forecast by the Japan Federation of Housing Organization, detached units during the second quarter this year declined by 13 points. By forecast by eleven private think tanks, average housing starts in 2017 are 969,000 units compared to 974,000 units in 2016.

Therefore, if this forecast is correct, domestic lumber demand would be less than last year so tightness may not be so bad.

As compared to log demand for lumber, log demand for plywood would exceed that of last year as new plant will start up next year and log purchase would start this year. So the demand would increase and the supply would follow, which does not include any negative factor of damages by heavy rain.

North American Douglas fir log supply for the fourth quarter would stay about the same as last year based on assumption that the demand for lumber would stay firm so that log inventories would decrease. For the first quarter next year, log supply in the North America would recover but the arrivals would decline by about 2.1%.

North American lumber supply would increase toward the year end so the supply would be about the same as the fourth quarter last year.

Third quarter supply of laminated lumber would increase by 5.8%. Import would decrease by 3.4% but domestic supply would increase by 11.0%. The domestic supply for the second half of the year would be more than last year.

Forecast of the import for the fourth quarter would be the same as last year but that for the first quarter next year would be down by 10.7%. The demand would also be down so supply tightness is unlikely.

European lumber import for the fourth quarter would increase by 6.8% by aggressive purchase of lamina then for the first quarter, the supply would decline by 6.3% by purchase curtailment of small size common lumber.

Radiata pine logs and lumber from Chile and New Zealand for the third and fourth quarter this year are more than last year but the fourth quarter supply would decline as the demand would be less than last year. The supply of logs in 2017 would be 15.3% less than last year while that of lumber would be 2.7% more.

South Sea (Tropical) logs and lumber

There is some change in South Sea hardwood log supply. India, which is leading buyer, eases log purchase after rush-in purchase was over before GST tax hike. Malaysian meranti log prices are unchanged because of tight harvest control but the log prices in PNG and Solomon Islands are weakening after India stopped pushing log prices.

Malaysian meranti regular prices are about US$300 per cbm FOB. In Sarawak, Malaysia, royalty will be raised since late this year so log prices would go higher again. Some comment that royalty increase is minor issue compared to aggressive purchase by India and total log harvest volume.

Movement of laminated free board in Japan in September slowed down.

Domestic users purchased more volume ahead of time to have more inventories since supply reduction was expected in last spring with Islamic New Year holidays and log supply dropping with higher prices but the inventories did not move as expected so the Japanese buyers place very little future orders.

Indonesian merkusii pine laminated free board prices in Japan were close to 120,000 yen up until last summer but now it is down to less than 120,000 yen.

Plywood market

In Tokyo market, demand for softwood plywood continues firm mainly by precutting plants. Since they experienced supply shortage last year, they place orders way ahead of time to make sure the supply would last through the fourth quarter.

The market prices of 12 mm 3x6 are 1,030 yen per sheet delivered among wholesalers but the prices for direct delivery to precutting plants are 1,020-1,010 yen. Price hike plywood mills proposed in September is generally accepted by the market.

In Osaka market, with tight inventories by precutting plants, the prices are firming. Plywood manufacturers in the Western Japan raised the sales prices together with price hike by the manufacturers in the Eastern Japan and the prices are up after seven months.

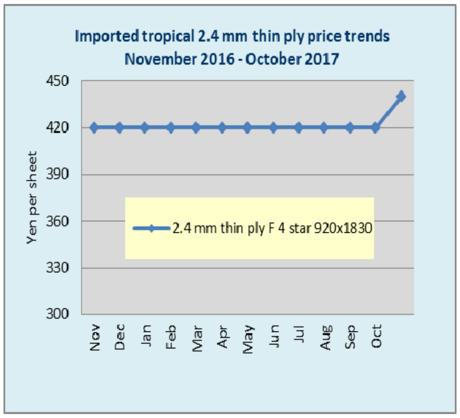
Supply of softwood structural plywood in Osaka region continues tight due to busy operations of precutting plants supported, by active housing starts. By tight supply, the prices of 12 mm 3x6 structural panel prices are up by 30 yen per sheet among wholesalers but the prices for direst delivery to precutting plants are only by 10-20 yen up ike Tokyo market.

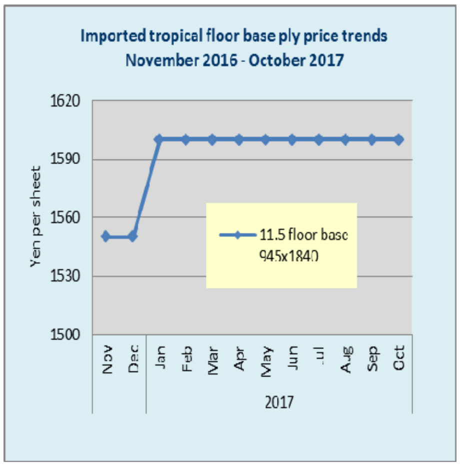
Domestic plywood price hike is demand pull type but imported plywood price increase is cost push type hike.

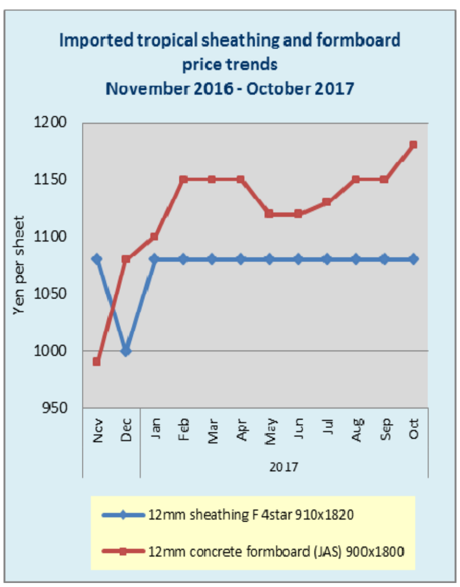
Imported plywood supply is tight by log supply shortage in manufacturing regions in Malaysia and Indonesia. Supply of thin panel is getting short and the inventories in Japan is scarce so that the importers have to keep buying even with higher proposed prices by the suppliers. The prices of thin panel of 2.5 mm 3x6 are unchanged at 450 yen per sheet but the prices seem to go higher because of weak yen.

Prices of coated concrete forming panel are also climbing so that price gap between imports and domestic product is getting narrower. Domestic softwood plywood manufacturers are anxious to grab market share of this product.

Imported plywood wholesale prices







Wood use by local governments

The Japan Forest Products Journal made survey through all the local governments in Japan to find out how much wood they have used in 2016. The central government has been encouraging local governments for use of wood for public businesses.

Total is 49,919 cbms for public buildings except for Hokkaido, Okinawa and Fukuoka and 191,401 cbms for public engineering works.

Problems of use of wood for public buildings are shortage of engineers, instability of log supply, difficulty to obtain JAS certified products, increasing cost for maintenance and insufficient understanding of fire proof standard.

By prefecture, wood use for public buildings by Fukushima and Kumamoto is by far the largest as Fukushima built public housing for the earthquake restoration and Kumamoto built many emergency temporary housing after the earthquake. These demands are temporary.

As large wooden buildings, Kyoto has the most for lodging and athletic facilities. The most large one used 760 cbms of wood. Police boxes are the most easy one for small low level wooden buildings.

In three prefectures, wood is used for interior of concrete school buildings with 200-300 cbcms, which is equivalent to medium size wooden buildings. For public engineering works, Hokkaido takes about 50% of total Japan.

Main uses are maintenance of coast lines, wind barriers and sand barriers. In the cities, main wood use is wooden board walks in the parks, supporting post for trees lining street and benches.

The central government has set basic policy and local governments follow with the promotion policy.

China

Development and transformation of China's timber industries

The structure of China's forestry and timber industry sectors has altered considerably over the past five years. The scale of the industry has expanded and there has been a consolidation in several sectors of industry.

According to government's 13th Five Year Plan for Forest Industry Development, the total value of China's timber industry output will be RMB8.7 trillion. Further, the plan projects a transformation of China's timber industry from resource orientation to innovation and that management will shift from 'extensive' to 'intensive' through technology upgrading. The plan also envisages the emergence of a core of leading enterprises.

The total value of China's forestry industry output in 2016 was RMB6.49 trillion and in 2017 it is forecast to exceed RMB7 trillion, around double that of 5 years ago.

Investment in sawmilling

It has been reported by the Russian Kommersant newspaper that China AVIC Forestry plans to invest US$430 million to set up a new sawnwood production line in the economic and trade cooperation zone established in Tomsk, the first and the biggest development project under the framework of a Sino-Russian utilisation of forest resources initiative.

Under the Sino-Russian initiative a total of 10 factories will be built in Tomsk including plants for the manufacture of plywood, particleboard, laminated panels and furniture.

For more see: http://www.avic-forestry.com/a/EN/

Environmental protection tax levied in Guangdong

A decision to levy an environmental protection tax for air pollutants and water pollutants has been made jointly by Finance Department of the Environmental Protection Department and the Local Taxation Bureau in Guangdong Province. Tax collection will begin in January 2018.

Analysts estimate that the costs of environmental protection for flooring manufacturers will rise sharply with this new tax.

China's environmental protection agency

The Ministry of Environmental Protection (MEP), formerly the State Environmental Protection Administration (SEPA), is a cabinet-level ministry in the executive branch of Government.

The Ministry is the nation's environmental protection department charged with protecting China's air, water, and land from pollution and contamination. Directly under the State Council, it is empowered to implement environmental policies and enforce environmental laws and regulations.

For more see: http://english.mep.gov.cn/

Price of sawn rubberwood surges in Hainan

The production of sawn rubberwood in Hainan Province has fallen drastically as many mills have been ordered to close by the national environmental protection team. Analysts report that almost all rubberwood mills in Hainan have ceased operation.

Stocks of sawn rubberwood are said to be low and the flow of rubberwood imports from the main supplier, Thailand, has fallen as the rain season in Thailand hampers harvesting. Inevitably the price of sawn rubberwood has started to rise.

Furniture from Bazhou City exported to 130 countries

According to Hebei Entry-Exit Inspection and Quarantine Bureau data presented at a conference 'Second China Export Wood Products Quality Technology Promotion' in Bazhou City, Hebei Province, the number of enterprises exporting furniture has increased.

In 2013 there were just 20 furniture manufacturers exporting but that number has grown to 55 this year. The expansion of furniture manufacturing for export is due partly to the recent establishment of a furniture demonstration/production zone in the city.

The value of furniture exports from manufacturers in Bazhou City rose US$2,28 billion between January and August this year, up 47% from last year. Exports are shipped to more than 130 international markets.

Guangzhou Yuzhu International Timber Market Wholesale Prices

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

Sawnwood

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

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

Zhangjiagang Timber Market Wholesale Prices

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

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

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

Shanghai Furen Forest Products Market Wholesale Prices

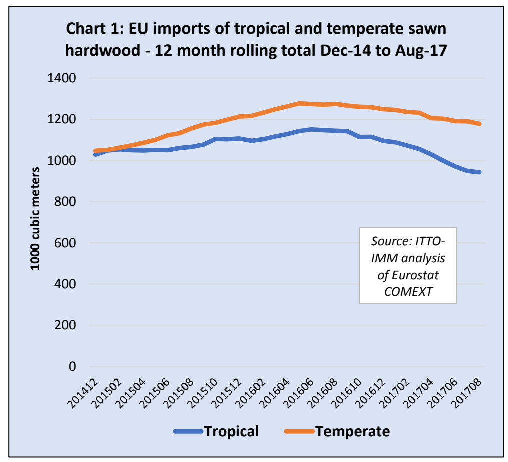
Logs All grades	000's yuan/tonne
Bois de rose	120-290
Red sandalwood	800-1800
Siam rosewood	90-300
Burma padauk	14-20
Rengas	12
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	18-28
Cocobolo	35-120
Morado	10-15
Ebony	28-40
Trebol	3.6-8
African sandalwood	11-14

Europe

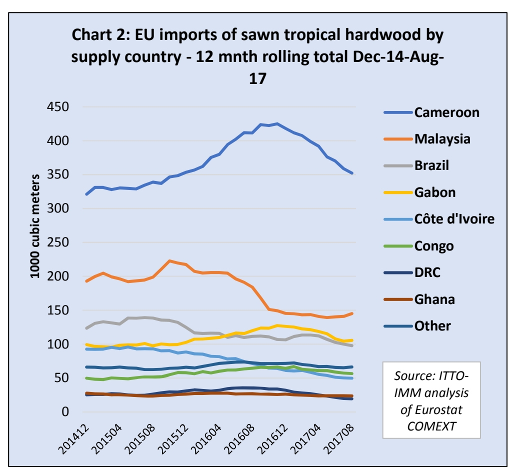
EU sawn tropical hardwood imports continue to slide

The latest trade data shows that EU imports of sawn tropical hardwood have continued to slide this year, despite on-going economic recovery in the region. The decline is not restricted to tropical products. EU imports of sawn temperate hardwood have also declined in 2017, although at a slower rate than for tropical hardwood.

Chart 1, which reports 12-month rolling data to remove short-term variability and emphasise long term trends, shows that EU imports of both tropical and temperate sawn hardwood declined after reaching a peak in the middle of last year. For sawn tropical hardwood, the 12-month rolling total import fell from 1.15 million m3 to 0.95 million m3 between June 2016 and August 2017.



After a brief surge in the second half of last year, EU imports from Cameroon, the largest EU supplier, slowed dramatically in 2017. There has also been a sharp fall in imports from Malaysia, and a slower decline from Brazil, Gabon, Cote d'Ivoire, Congo, DRC, and Ghana. (Chart 2).

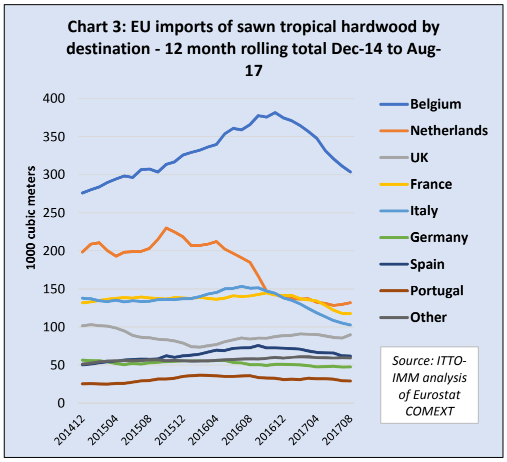


Most tropical sawnwood is now imported into the EU by way of large distributors in Belgium and the Netherlands.

This is due to partly to the large volume of green (undried) lumber imported from Africa which is kilned at facilities close to the ports in both countries, and partly to EUTR which has discouraged many smaller importers from dealing direct with tropical suppliers.

The central role of re-exports from Belgium and the Netherlands makes it more difficult to determine from trade statistics exactly where this year's slowdown in EU tropical wood consumption is concentrated. However, the decline seems to be widespread across the continent.

There was a very dramatic fall in imports into both transit countries, as well as into France and Italy. Imports into Germany and Spain, which are now relatively limited, have slowed this year, while imports into the UK and Portugal have been flat. (Chart 3).



The decline in EU imports of sawn tropical hardwood is particularly disappointing at a time when economic conditions in the EU seem to be improving. The latest annualised GDP numbers show the euro zone is growing at 2.3%, faster than the U.S. where growth is 2.2%. Eurozone unemployment has fallen to the lowest level since 2009, while manufacturing output in the region is up 3.2% on last year.

To some extent weak imports into the EU during 2017 are supply related. Exporters of sawn hardwood in all regions have benefitted this year from steady demand from China at a time when supply of favoured species have been constrained.

Buyers in other Asian markets and the Middle East are also now more active. Restrictions on log exports in several countries are also boosting global demand for sawnwood.

European importers, therefore, have to secure supplies in competition with other buyers, many of which are willing to pay better prices. The demands of the EUTR, which has led EU importers to focus their buying on a much narrower range of tropical suppliers, also encourages supply to be diverted to other markets.

Lingering economic uncertainties in the EU

However, continuing weaknesses in the European economy are also likely to be contributing to slow tropical imports this year.
While the headline GDP figures have improved, the economic crisis has left deep scars in the EU and many wounds are yet to fully heal.

Despite the rapid pace of job creation, eurozone unemployment remains high (9.1%) and eurozone economies need to expand faster to generate steeper falls in unemployment. High rates of unemployment are not only an indication that the economy is operating at well below full capacity, but also act as a constant drag on consumption.

In France, the economy is expanding at an annualised rate of 1.7%, fuelled by confidence in French president Emmanuel Macron and his reform agenda, but growth continues to lag the euro
zone average.

Germany's economy remains solid, but Germans are increasingly worried about inequality and low-wage jobs. Italy's economy is doing better, but it is starting from a low base and worries remain over its heavily indebted banks.

Spain was bouncing back well from the crisis, but the recent secession bid by the wealthy north-eastern region of Catalonia has created new uncertainty. The Spanish government currently forecasts the euro zone's fourth-largest economy to grow 3% this year, but the standoff with Catalonia over its independence ambitions has prompted Madrid to slash growth projections for next year.

Uncertainty also continues to surround prospects for the UK economy. In the immediate aftermath of last year's referendum decision to leave the EU, the economy initially proved resilient. However, weakness in the value of the pound is now feeding through into high inflation which recently spiked to almost 3 per cent, squeezing real wages.

The slow pace of Brexit negotiations, and the lack of any clear vision of the UK's future relationship with the EU after March 2019 when the country is due to leave the trading bloc, seems now to be undermining business investment, which in turn is leading to declining productivity.

The continuing uncertainty prompted the International Monetary Fund to cut its forecast for UK economic growth in 2017 from 2% to 1.7%. For now, the forecast for 2018 remains unchanged at 1.5 per cent.

ATIBT launches tropical timber branding initiative

A new tropical timber branding initiative is being launched by the ATIBT (International Tropical Timber Technical Association) focused on encouraging 'qualitative and participatory' consumption that is 'respectful of mankind and the environment'.

The promotional campaign will focus on the brand 'Fair & Precious', which will be available for use by companies which "affirm their adherence to strict environmental standards and allocate significant budgets to ensure compliance as verified by audits conducted by independent bodies".

These, at least initially, will be ATIBT's core African tropical timber producer members, and their customers among timber processors, traders and distributors in Europe and around the world. It's hoped that businesses that will use and promote the brand will include public and private sector tropical timber procurers, specifiers, retailers and end-users large and small.

As well as the importance of sustainable procurement and the environment, a strong focus of the campaign will also be on social and corporate responsibility.

"Fair & Precious companies will participate in solidarity-based economic and social growth that is conducive to the well-being of people living in [tropical timber] production areas, providing them services such as education, health care and housing," states the ATIBT.

"The brand will be administered from France, where ATIBT is based, but it is intended to be a European and even global promotional initiative," said ATIBT Marketing Programme Coordinator Christine Le Paire. "Besides companies in African countries and France, our members include Dutch, German, Spanish, Italian, English, and American companies."

Fair & Precious will be officially launched on November 8 by ATIBT President Robert Hunink at Paris's Garden of Tropical Agriculture in Nogent-sur-Marne.

For more: www.fair-and-precious.org.

ATIBT is promoting 'Fair & Precious' alongside another new website www.mytropicaltimber.org described as a launching pad for the sector designed to deliver broad messaging on tropical timber to a wide market audience and give descriptions and applications of a broad range of species, plus supplier listings.

STTC calls for greater focus on marketing and promotion

The Sustainable Tropical Timber Coalition (STTC) conference held in Aarhus, Denmark, in September highlighted that work by European governments, trade and NGOs to encourage certification in tropical producing countries must be linked to concerted efforts to increase certified tropical timber market demand.

The conference focused on promotion and marketing of tropical timber in the EU under the headline theme "sustainably sourced tropical timber: selling a positive story".

To tackle the topic, speakers came not only from across the EU timber sector, but also from NGOs and marketing agencies, with a keynote delivered by brands expert and marketeer Nigel Hollis, Executive Vice President of international consultancy Kantar Millward Brown.

A view shared by speakers and the international audience of over 100, was that, besides its environmental story, key to marketing sustainable tropical timber was to present exemplars of its use. These could demonstrate its durability, aesthetics, technical performance and overall sustainability in use, with construction and design professionals among principal targets.

Mr Hollis effectively summed this up with his comment 'great [marketing] content is more than a great advertisement'.

The conference itself did this by including a tour of tropical timber applications and installations across the host city. These ranged from decking and seating in new pedestrian zones, to interior uses in Aarhus's Aros modern art gallery and the striking Kulbroen (Coalbridge).

The latter is a derelict concrete coal conveyor in the reviving harbour area, set to be restored as a public walkway using FSC tropical timber decking in an STTC-backed FSC Denmark project. Conference delegates climbed to the demonstration platform where various species are being tested on outdoor perfomance.

Aarhus City Architect Stephen Willacy underlined the potential of such projects by highlighting the latent appetite of the modern construction sector to build sustainably with wood. He described the significant role timber-based housing was set to play in Aarhus as it grew from a city of 325,000 people to 450,000 by 2050.

Among the sales and marketing-related projects which the STTC has supported, Iván Bermejo Barbier of Copade presented the joint marketing project the sustainable development NGO had undertaken with the Spanish arm of home improvement retail giant Leroy Merlin. This included creating a database of the company's tropical timber suppliers and supporting those still uncertified towards achieving certification.

Leroy Merlin staff were trained in certification issues and new in-store point of sale material and a website advert on sustainable tropical timber were developed. The project partners also held meetings with public procurement officers in Madrid and elsewhere to deliver sustainable tropical timber messaging.

Alberto Romero of Spanish timber trade federation AEIM described its ambitious marketing led plan for the next three years. The goal is to increase Spain's percentage of verified legally sourced tropical imports from 86% to 95% of the total, and sustainably sourced from 4% to 12%.

Delegates at the STTC conference were also invited to join three half hour presentations from a choice of twelve on themes ranging from using sustainable development goals in timber sales, to positioning FLEGT when selling timber, marketing lesser known species and the importance of market intelligence in boosting sustainably sourced timber demand.

The Value and Impact Analysis Initiative (VIA), which is led by the ISEAL Alliance (IA), in partnership with Kingfisher, IKEA and Tetra Pak, also shared independent research-backed marketing messages that businesses can now use in their efforts to communicate the sustainability benefits of certified tropical timber.

In his keynote, Mr Hollis underlined the importance in marketing any product of building a strong and coherent identity.

“The vast bulk of buying decisions are influenced by brands,” he said. “They are ultimately determined by emotions and ideas already in your head, but what a strong brand does is short cut the decision-making process through building trust and confidence.”

It was also important the industry has confidence and pride in its identity and was not afraid to be unique, pioneering and to challenge market perceptions. “It’s been shown that meaningfully different brands grow fastest,” said Mr Hollis.

Following his presentation, he used exercises to guide delegates, divided into groups, through the process of developing a potential marketing approach and identity for sustainable tropical timber. Besides sustainability, climate change and saving the forest, promotional themes also emerged from the ‘teams’ around ‘pride’, ‘protection’ and ‘beauty’.

The Conference closed with a call from IDH for ideas for the future development of the STTC since its funding programme in its current form finishes at the end of 2018. A poll of delegates showed nearly all favouring STTC’s continuation and put communication at the top of its priorities.

Nienke Sleurink of IDH said they will continue to be involved in STTC and provide some support, perhaps as a secretariat, but their future role will be more in an enabling capacity.

The most likely option for the STTC going forward seems to be a membership structure, but funding needs to be found for a coordinator. IDH would like to hear from the industry on how and in what form the STTC should continue. To contribute your ideas email sleurink@idhtrade.org.

Dutch certification mark to link FSC and PEFC

Independent Netherlands timber research institute Stichting Hout Research (SHR) has unveiled a new business certification mark, guaranteeing to their customers all their timber is 100% sourced from sustainably managed forest, regardless of sustainability certification scheme.

The STIP (Sustainable Timber in Product) scheme has been approved by the Dutch Timber Procurement Assessment Committee, TPAC. SHR Director, Oscar van Doorn, said it also aligns with the objective of supporters of the Netherlands’ multi-sector-backed Green Deal and new Wood Covenant to remove logistical barriers to use of sustainable timber.

“It’s a breakthrough,” he said. “Removing uncertainties about mixing woods with different chain of custody (CoC) certificates and facilitating achievement of the broad-based goal that 100% of timber is from responsibly managed forestry.”

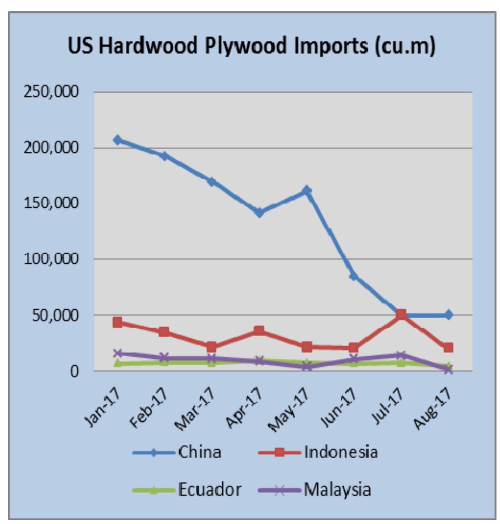
The STIP is not itself a CoC, he explained, but a business mark, confirming that a business only sells timber from sustainable sources, for example FSC or PEFC forests.
“It entails fewer administrative and logistical obligations and less paperwork for woodworking companies and their customers,” said Mr Van Doorn.

He explained that to become a STIP company, a business submits to exhaustive evaluation by experts from an accredited certification body to ensure all their timber is sourced from responsibly and sustainably managed forest. Once approved, they are periodically audited to ensure maintenance of STIP standards.

North America

Plywood imports from China bottom out

Hardwood plywood imports fell 19% in August to 168,059 cu.m., but year-to-date imports were unchanged from August 2016. The value of plywood imported in August was down by approximately the same rate.



Data source: US Census Bureau, Foreign Trade Statistics

Plywood imports from China held steady in August at 49,660 cu.m., following two consecutive months of decline when the US introduced preliminary antidumping duties on Chinese hardwood plywood.

Hardwood plywood imports from Indonesia fell 60% in August to 19,890 cu.m., but the decline was from an exceptionally high import volume in July. Imports from Malaysia declined even more in August to just 1,523 cu.m.

Russia and Cambodia were the only countries that increased hardwood plywood exports to the US in August. Cambodia shipped 10,623 cu.m. of plywood to the US market in August, worth US$8.7 million. The value per cubic metre of plywood imported from Cambodia was below Vietnamese and Chinese plywood, but higher than the unit value of Indonesian plywood.

Higher veneer imports from Cote d'Ivoire

Tropical hardwood veneer imports were worth US$2.9 million in August, down slightly from the previous month. Year-to-date imports from all countries declined in 2017 compared to the same time last year, but imports from Italy decreased the least.

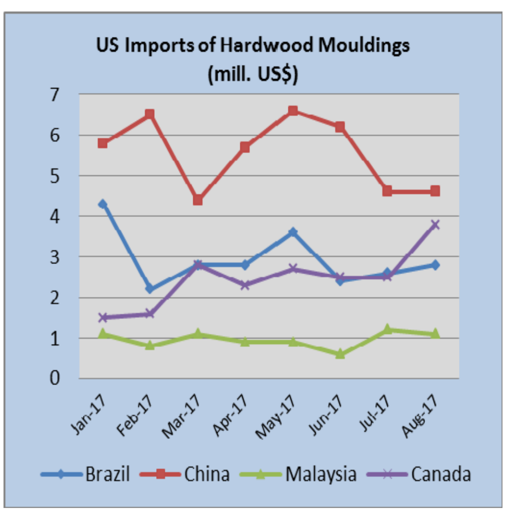
Veneer imports from Cote d'Ivoire doubled in August to US$484,237, making it the second-largest source of tropical veneer imports after Italy. Imports from India also increased month-over-month to US$124,518.

Moulding imports from Indonesia up

Imports of hardwood moulding were worth US$17.3 million in August, up 11% from the previous month. Year-to-date imports are almost unchanged from August 2016. Year-to-date China and Canada gained, while Brazil and Malaysia shipped less compared to the same time last year.

China was the largest source of hardwood moulding imports in August at US$4.6 million, almost unchanged from the previous month. Imports from Brazil increased to US$2.8 million.

Indonesia has again become a major supplier hardwood moulding to the US market. August shipments to the US were worth US$1.1 million.



Data source: US Census Bureau, Foreign Trade Statistics

Flooring imports steady

Hardwoods flooring imports declined in August to US$4.0 million, but year-to-date imports are up 19% from August last year.

Hardwood flooring imports from Malaysia more than doubled in August to US$315,630, while Indonesian shipments were down at US$548,484. Imports from China fell by half from July, but China remained the second-largest source of hardwood flooring imports after Canada.

Assembled flooring panels imports were almost unchanged month-over month at US$14.0 million. Imports from China and Indonesia increased in August, while imports from most other countries declined.
Imports from Indonesia were worth US$1.3 million in August. Year-to-date assembled flooring imports from Indonesia grew 60% from the same time last year.

Wooden furniture imports down except office furniture

Wooden furniture imports were worth US$1.57 billion in August, down 3% from July. Year-to-date imports increased 10% compared to August 2016.

Furniture imports from most countries declined month-over-month in August, but the strongest dip was in imports from Canada and Indonesia. Imports from Indonesia fell by almost a quarter to US$37.1 million.

Of the major furniture supplying countries only Mexico increased exports to the US in August. However, year-to-date wooden furniture imports were up for all suppliers compared to August last year.

Wooden office furniture imports grew 11% in August, while imports of all other wooden furniture types declined.

Strong economy but furniture manufacturing down

The latest economic indicators were very positive. GDP grew at an annual rate of 3.1% in the second quarter of 2017, according to the third estimate by the Bureau of Economic Analysis. In the first quarter, real GDP increased 1.2%. The unemployment rate declined to 4.2% in September.

Consumer confidence in the economy surged in early October despite the large-scale destruction by hurricanes in the US south, according to the University of Michigan's survey of consumers. The university's confidence index reached its highest level since the start of 2004. Consumers are expected to increase spending to at least mid-2018.

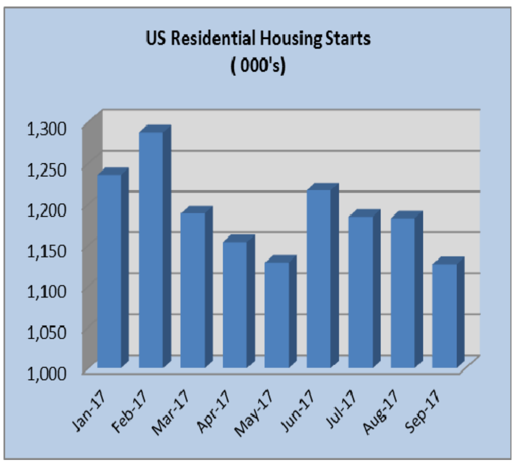
Almost all manufacturing industries including wood products reported growth in September, according to the Institute for Supply Management. Only the furniture industry reported contraction in September from the previous month.

Lower housing starts because of hurricanes

Housing starts in September were at a seasonally adjusted annual rate of 1,127,000, according to the US Department of Housing and Urban Development and the Commerce Department. This is a decline of 5% from August, but is 6% above the September 2016 rate.

The overall decline was due to a drop in single-family construction in the US South where many communities are affected by damage from hurricanes. In all other regions of the country single-family housing starts were up in September. Building permits increased nation-wide by more than 2% in September.

Builders' confidence in the market for new single-family homes grew in October to the highest level since May, according to the National Association of Home Builders. While this summer's hurricanes have a negative effect on the cost of building materials and labour, builders expect the housing market to strengthen in the coming months.



Source: US Census Bureau

Lumber Liquidators settles flooring formaldehyde class actions

US retailer Lumber Liquidators Holdings will settle all pending litigations related to the laminate flooring products from China sold between 2009 and 2015, according to Reuters and other media. The settlement is worth US$36 million. The company's shares were up almost 3% after the settlement announcement.

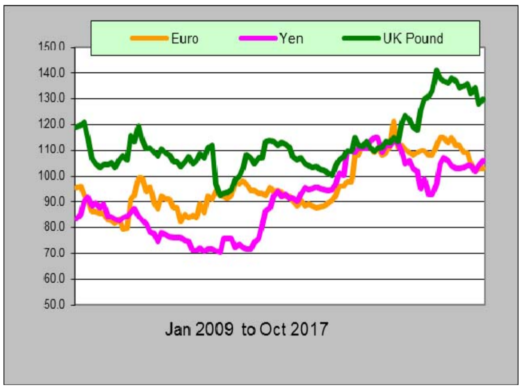
A US TV show had alleged that Chinese-made laminate flooring sold by Lumber Liquidators was labelled as compliant with California formaldehyde emission standards, despite elevated formaldehyde content. Lumber Liquidator discontinued the sale of the product in May 2015. The payment will settle all claims regarding the product.

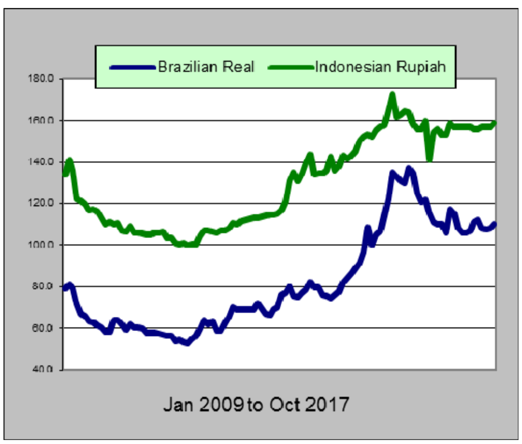
Dollar Exchange Rates

As of 25 October 2017

Brazil	Real	3.2435
CFA countries	CFA Franc	565.24
China	Yuan	6.6399
EU	Euro	0.8460
India	Rupee	64.815
Indonesia	Rupiah	13572
Japan	Yen	113.74
Malaysia	Ringgit	4.2355
Peru	New Sol	3.3355
UK	Pound	0.754
South Korea	Won	1127.81

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



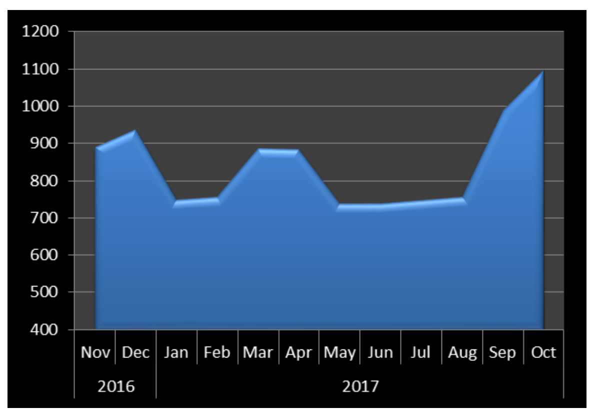


Abbreviations and Equivalences

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

Ocean Freight Index

Baltic Supramax Index
November 2016 – October 2017

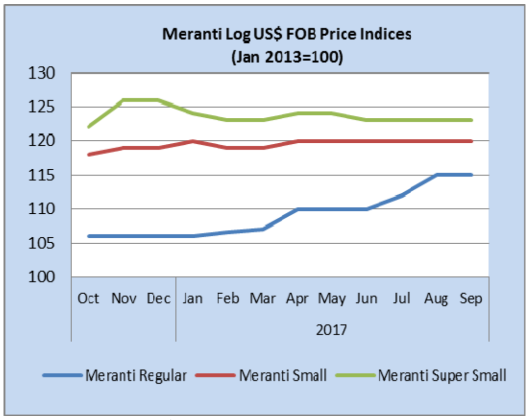


Data source: Open Financial Data Project

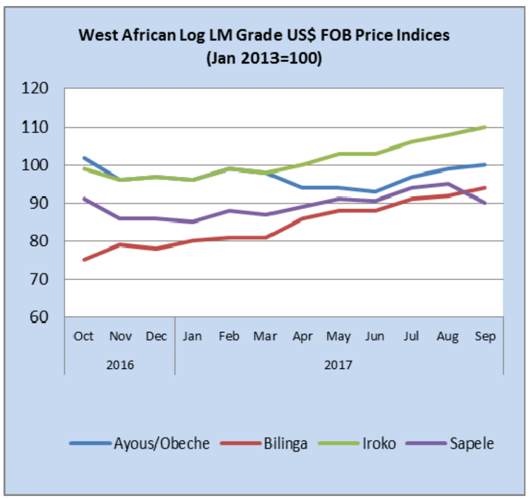
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

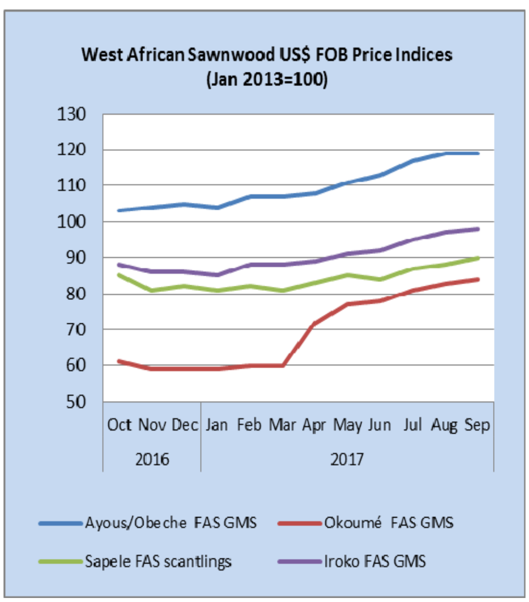
Price indices for selected products

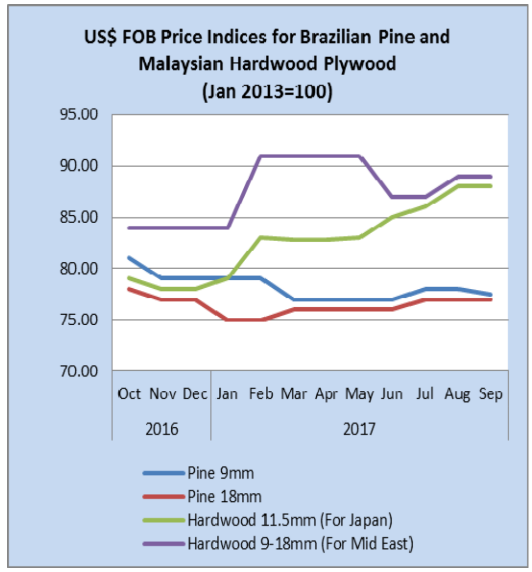
The following indices are based on US dollar FOB prices

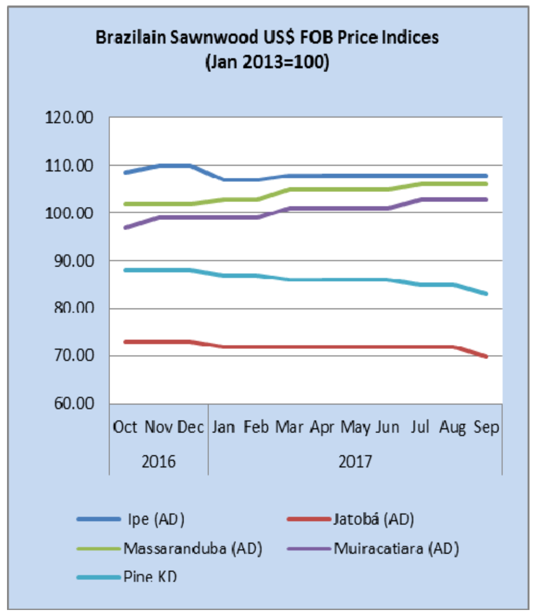


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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