

Tropical Timber Market Report

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

Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	4
Myanmar	5
India	6
Brazil	8
Peru	9
Japan	10
China	15
Europe	17
North America	21
Currencies and Abbreviations	23
Ocean Freight Index	23
Price Indices	24

Headlines

	<i>Page</i>
High cost of electricity a major concern in Ghana	2
Capacity of Penang Port to be expanded	3
Indonesia's rattan and log export plan on hold for review	5
GST relief for Indian real estate sector coming	6
Brazilian furniture fair attracts global buyers	8
China's first plywood mill in Liberia	16
Pace of decline in EU tropical timber imports slows	18
US wooden furniture imports consistent for most of 2018	21

Top Story

Decision on Bubinga exports

Unconfirmed reports from Gabon say the government has agreed that current stocks of sawn Kevazingo/bubinga can be exported.

Remaining logs stocks have to be processed into added value products before any export will be permitted.

When current log stocks have been processed no further felling of Kevazingo will be allowed.

See page 2

Central and West Africa

Quiet Chinese and India market demand – log prices stable

Producers report log FOB prices are largely unchanged from the beginning of February mainly because of slow demand from buyers for the Chinese and Indian markets. At the start of the year interest in ovankol and beli sawnwood was growing but this interest has now waned.

Demand in Middle East market is flat according to traders who report that stocks held by the main Middle East buyers are high and could last for 2 to 3 months.

Bad weather slows production across the region

Cameroon, Gabon, Congo and the DRC have been suffering from heavy rain which has caused major disruption of log transport to the mills resulting in lower production and in some cases, as in Cameroon, workers being laid off.

In other news, it is reported that some of the larger millers in Gabon have had to cut production as a result of the bad weather. Analysts write “the extent of the rain has even stumped Rougier, a company that maintains all-weather roads”.

Decision on Bubinga exports

Unconfirmed reports from Gabon say the government has agreed that stocks of sawn Kevazingo/bubinga can be exported and the logs in stock have to be processed into added value products before any export will be permitted.

Further, when current log stocks have been processed no further felling of Kevazingo will be allowed. The ban on felling kevazingo will particularly affect Chinese operations in Gabon.

Expanding production challenges log supplies

There is concern in the region that the heavy investments in processing capacity in Gabon will eventually challenge log supplies. In a short time, say analysts, mills that do not have access to their own concession could experience supply problems.

This appears to be already happening to producers of okoume for the Indian market and is behind the growing interest in India in other species like ilomba and ekoune.

Setting the record straight

In response to our mention of rumours concerning its operation in DRC a representative of Olam provided the following clarification.

“For the record, Olam is not considering any relocation of CIB’s activities from the Republic of Congo to Gabon. As part of its new Strategic Plan, Olam recently announced its intention to divest businesses which no longer fit with the company’s strategic priorities, including CIB in the Republic of Congo.

There is no specific timeframe for this process and we will continue to operate the business as usual while we work in an orderly fashion towards finding the best outcome for the business, employees and customers.

In the meantime we will continue to honour our contracts and maintain the high levels of quality and service to our customers, as well as maintaining our approach to responsible and sustainable forestry in the Republic of Congo.”

Log export prices

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

Sawnwood export prices

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

Ghana

Wood product exports fall marginally

Ghana's total wood products exports in 2018 recorded a marginal decline in both volume and value compared to 2017.

The latest Timber Industry Development Division report shows that export volumes for 2018 dropped by 6,299 cu.m or about 2% to 332,927 cu.m compared to 339,226 cu.m in 2017.

The statistics also show that the value of exports in 2018 was down about 1% year on year (Euro187.87mil. in 2018 against Eur189.89mil. in 2017).

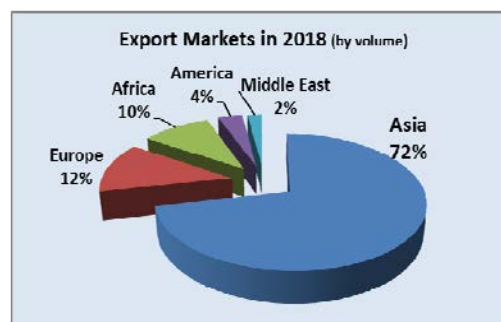
	2018 cu.m	2017-18 % Change
Sawnwood AD	207,322	-5
Sawnwood KD	44,882	188
Billet	29,195	-10
Plywood (Overland)	22,405	44
Sliced Veneer	10,443	-22
Mouldings	7,836	-
Rotary Veneer	5,923	9
Kindling	1,640	17
Plywood	1,182	19
Boules (AD)	1,120	-11
Sliced Veneer	279	-
Boules (KD)	88	-74
Curl Veneer	21	-68
Other	591	-88
Total	332927	-2

Source: TIDD

In 2018, shipments of air-dried sawnwood accounted for 207,322 cu.m or 62% of total export volumes. Kiln-dried sawnwood accounted for another 13.5% of exports or 44,882 cu.m.

Sawnwood exports were mainly plantation teak, rosewood, wawa, ceiba and walnut for the Indian and Chinese markets. Exports of billets, plywood for regional markets, sliced veneer, mouldings and rotary veneer were small.

Analysts say the decline in trade was the result of a reduction in exports of primary products, especially poles and billets the export of which in 2018 was just 29,195 cu.m compared to 34,170 cu.m 2017, and the decline in flooring and furniture parts exports due to falling demand in Asian markets.



Source – TIDD Export Report

Asian markets dominate exports

Ghanaian exporters continue to enjoy good trade relationships with buyers in Asia, Europe, Africa, America, Middle East and Oceania. India and China are the biggest market destinations.

Export volumes to Asian markets accounted for 76% of all timber exports in 2017 but this dropped to 72% in 2018. Demand for Ghanaian wood products in Middle East markets also weakened in 2018. Buyers in Europe, African regional markets and N. America expanded purchases in 2018 and export volumes grew 12.5%, 10% and 2% respectively in 2018.

High cost of electricity of major concern

The most recent AGI Business Barometer report says that confidence amongst Ghanaian business improved in the fourth quarter of 2018 with more companies expanding the workforce.

In its survey of businesses positive macro-economic indicators were a major plus for many companies and many viewed the government Budget Statement and Economic Policy for 2019 positively but there are concerns as to how government will sustain fiscal consolidation measures as the IMF support eases down.

In terms of production the greatest concern amongst manufacturers was the high cost of electricity. In a survey 66% of respondents said the high cost was a major problem. 16% said the electricity tariffs are unfair and a further 15% cited the bureaucracy in the electricity tariff administration system was a problem.

On a regional basis the high cost of raw materials emerged as a major challenge across almost all the regions surveyed. Raw materials for production are largely imported and have become more expensive because of the Cedi depreciation.

For the full report see: https://agighana.org/uploaded_files/document/BB_O4_2018_Highlights_revised_edited.pdf

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	430
Niangon	573↑
Niangon Kiln dry	680

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	310	371↓
Chenchen	425	479
Ogea	473	590
Essa	517↑	711
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	1,025↓
Avodire	2,833
Chenchen	660↓
Mahogany	1,220↓
Makore	1,240↑
Odum	1,708↑

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	328↓	640	641
6mm	412	535	604
9mm	373	446	560
12mm	529	463	480
15mm	450	380	430
18mm	423	422	383

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

Export Sawwood Prices

Ghana Sawwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afromosia	490	564
Asanfina	490	564
Ceiba	405	564
Dahoma	424	492-
Edinam (mixed redwood)	520	619
Emeri	475	564
African mahogany (Ivorenensis)	1045	1000↑
Makore	775	874
Niangon	555	629
Odum	832	940↑
Sapele	700	850↑
Wawa 1C & Select	450	430

Malaysia

Foreign workers have a vital role in manufacturing

The Malaysian government has announced that as of March this year it will lower the levies on companies utilising foreign workers if the workers have been employed for more than 10 years. The lowering of levies will apply to five sectors – manufacturing, services, construction, agriculture and plantations.

For the manufacturing, services and construction sectors the levy will be lowered from RM10,000 to RM6,000 while that for the agriculture and plantation sectors it will be reduced from RM3,500 to RM2,000.

Previously, foreign workers were only allowed to work in the country for a maximum of 10 years but this has been extended. The change has been introduced in recognition of the difficulty in securing workers in the sectors defined.

Capacity of Penang Port to be expanded

Penang Port has allocated RM500 million for expansion of the northern container terminal. The expansion work will take around five years and is aimed at upgrading the terminal status from a feeder port to a major port that can accommodate large-sized vessels.

On completion of the upgrading the port's handling capacity will increase to 7.40 million (TEUs) from the current 1.60 million TEUs. The Port of Penang was the third busiest harbour in Malaysia in terms of cargo in 2017, handling 1.52 million TEUs of cargo.

SMEs to get support for machinery purchases

Malaysian Timber Council (MTC) is expanding its assistance to SMEs by introducing the 'MTC's Financial Incentive Programme' for the purchase of machinery. This programme is to encourage local timber manufacturers in Peninsular Malaysia, particularly small and medium enterprises, to adopt the latest mechanisation/automation technologies.

The support includes partial reimbursement of the machine price and freight charges for the purchase of machinery every three years.

Eligibility specifies the company must fall within the definition of small and medium enterprises (SME) under the National SME Development Council's definition and be a member of any one of the six Malaysian timber associations.

See: http://www.mtc.com.my/images/cms/MTC_FIPM_2019_-guidelines___application_form-_copy.pdf

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

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

Indonesia

More exhibitions means more exposure for exporters

Endro Wardoyo, Chairman of the Association of Indonesian Furniture and Craft Industries (Asmindo) has called on the government to invest more in helping the furniture and handicraft sectors promote exports. He called for support for more trade exhibitions in Indonesia and for assistance to exporters to attend overseas events. Exhibitions, he said, provide an opportunity for sellers and buyers to engage directly.

In related news the Ministry of Industry plans to study the best way for SMEs to penetrate the US and EU markets.

Gati Wibawaningsih, Director General for Small, Medium, and Multifarious Industries in the Ministry noted that Indonesian craft products have a good reputation in both the US and EU markets and efforts will be made to expand penetration of these two markets. Gati reported that at present only around 300 out of a total 27,000 SMEs in the country were engaged in exporting.

Rattan and log export plan on hold for review

The Ministry of Trade recently announced that it has frozen its decision to allow the export of raw rattan and plantation logs, mainly because of concern raised by furniture entrepreneurs.

Abdul Sobur, Secretary General of the Association of Indonesian Furniture and Handicraft Industry (HIMKI) said relaxing the rattan and log export restrictions could undermine the competitiveness of domestic furniture manufacturers as such a move would inevitably result in a rise in raw material costs.

Both rattan and logs were initially included in the list of commodities for which surveyor reports (LS) for export were no longer required.

The Minister of Industry, Airlangga Hartarto, has openly disapproved of the plan saying these raw materials should be processed locally to create jobs and added value earnings.

Higher industrial plantation log supply this year

The Executive Director of the Association of Indonesian Forest Concessionaires (APHI), Purwadi Soeprihanto, has announced that log supplies from industrial plantations totalled 37 million cubic metres last year and that the Association members were confident that a 10% rise in production can be achieved this year.

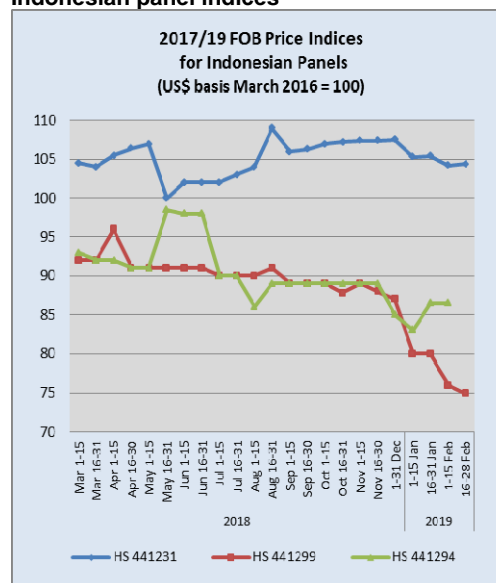
Increasing demand for pulp and paper products was considered to be the main driver of higher production.

IFPF targets growth in furniture exports

According to the Head of the Indonesia Furniture Promotion Forum (IFPF) a 10-15% rise in furniture exports is possible this year.

He added that the trade dispute between the US and China has created opportunities for Indonesian exporters who can take advantage of the “Generalised System of Preference” (GPS) policy in the US. On a cautionary note the Head of the IFPF said that it is likely that demand for furniture in the EU could experience a decline this year because of the turmoil created by Brexit.

Indonesian panel indices



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

Myanmar

Uphill struggle to attract investment

Recently the government and the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) held an ‘Invest Myanmar Summit’ which focused on attracting foreign investment in about 200, mainly infrastructure, projects worth US\$20 billion over the next 20 years.

The aim of the latest investment initiative was to begin rebuilding the image of Myanmar as an investment opportunity after the Rakhine crisis undermined the confidence of potential investors.

A follow up event was held in Rakhine State and was attended by State Counsellor, Daw Aung San Suu Kyi, who emphasised the economic potential of the State. Participants from India, Japan, Korea, Thailand and China attended. Analysts write the Rakhine crisis is just one of several factors that is affecting investor confidence.

The December 2018 Business Confidence Survey from the European Chamber of Commerce in Myanmar found that 81% of European companies were not satisfied with the business environment, up from 76 percent in 2017. Further, 45% said the business climate had worsened over the previous 12 months due to regulatory issues, a shortage of skilled labour and legal uncertainties.

See: <https://eurocham-myanmar.org/publications>

MTE earnings vital to Government

Recently the Deputy Minister of Finance told an Extractive Industries Transparency Initiative (EITI) Workshop that the state budget has to rely on the income of the State-Owned Enterprises, such as the Myanma Timber Enterprise but he did not elaborate on what level of revenue the government expects MTE to generate.

Corruption allegations in new EIA report

The latest report on the Myanmar teak trade from EIA levels some very serious allegations of corruption against individuals in Myanmar and appears to implicate selected importers in Europe.

See: <https://eia-international.org/>

Analysts in Myanmar have been quick to point out that most of the alleged wrong doings reported by EIA appear to have occurred several years before the current administration came to power in Myanmar and before the log export and felling bans were introduced.

In an informal comment a trade analyst in Myanmar said: "Why is the EIA digging up the past when the current government is moving in the right direction focusing on forest conservation. Myanmar is striving as best it can for forest conservation and also for a legal supply chain. These accusations of past practices associated with many high ranking military officers could have a negative impact on the current process of establishing a mechanism that verifies the legality of Myanmar wood products."

January tender prices

Teak logs

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

Prices for other hardwood logs

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

India

Lower inflation forecast

The Reserve Bank of India, in its sixth bimonthly policy review, revised downwards the path of inflation to 2.8% in the fourth quarter of 2018-19, 3.2-3.4% in first-half of 2019-20 and 3.9% in the third quarter of 2019-20, with risks broadly balanced around the central trajectory.

It also projected the inflation outlook remains soft in the near term while flagging certain risks which merit "careful monitoring" going forward. These include volatile retail prices, trade tensions and geopolitical developments which could impact commodity prices.

GST relief for real estate sector coming

At a recent CREDAI event the Indian Finance Minister announced the government is likely to suggest that the next GST Council Meeting consider lowering the GST for the real estate sector. He also said state-run banks have been asked to meet with housing developers to work out new financing packages for building projects that have been delayed because of financing difficulties.

The Indian real estate sector faces serious difficulties at present because so many projects are behind schedule because of financing problems, poor sales (buyers consider homes over-priced) and the the Real Estate (Regulation and Development) Act, 2016 (RERA) is not a yet adopted across the country leading to confusion as to which regulations apply.

The major issue, say analysts, is that a large number of building projects have been undertaken at a time when the home buyer market is not strong mainly because of the high asking prices for completed homes.

In an effort to cut costs, even as new building projects come on line, developers are moving away from teak joinery (even plantation teak) which is traditional in Indian homes in favour of cheaper alternatives such as kapur, meranti and nyatoh. Some are even turning to WPC mouldings and extrusions.

C&F prices for imported teak remain within the same range as previously quoted.

Plantation teak prices

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516

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

Price range depends mainly on length and girth.

Locally sawn hardwood prices

Prices for imported hardwood sawnwood remain unchanged from a month earlier.

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

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

Myanmar teak prices

Indian manufacturers continue to complain over the high costs of locally milled and imported Myanmar sawnwood. Many sawmills are now milling lower cost large sized plantation teak from Ghana, Sudan and Tanzania. Analysts write this sawnwood is of a comparable quality to Myanmar F.E.Q. grade natural teak and that this material is finding a ready market.

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Increased shipments of hardwood sawnwood from Canada and some European member states has increased the competition in this segment of India's market and this is serving to stabilise prices.

Prices for sawn hardwood imports remain unchanged.

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

Price range depends mainly on lengths and cross-sections.

Indian market opens to wider variety of plywood

Plywood manufacturers are anticipating that at the upcoming GST Committee Meeting their pleas for relief from the punitive 18% GST will garner support. While the manufacturers are looking for a reduction of GST to 5% it seems that is very optimistic.

Birch plywood imports from Russia have found market acceptance and are selling at a 10% premium over locally manufactured MDF.

Analysts write that the colour bias which underpinned the market for Gurjan faced plywood is slowly waning which is a relief to manufacturers.

Prices for plywood continue as previously reported.

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

Partnership between government and the productive sector

The State Secretariat of the Environment (SEMA) and the Acre Environmental Institute (IMAC) have consolidated a partnership with the private sector. At a recent meeting, the State government commitment to minimise the bureaucratic burden on the private sector in respect of environmental legislation.

The Federation of Industries of Acre State (FIEAC) and the Union of Forestry Companies welcomed this initiative saying the new State/private sector relationship could raise productivity and result in greater job opportunities. Initially this scheme was applied to one operator but the State Government, through SEMA and IMAC, will make contact with other companies to extend the scheme.

Export update

In January this year the total Brazilian exports of wood-based products (except pulp and paper) fell almost 5% in value compared to January 2018, from US\$236.8 million to US\$225.4 million.

The value of January pine sawnwood exports rose 6% year on year (2018,US\$41.3 million/ January 2019 US\$43.9 million). In volume terms exports also increased by around the same percent, from 199,300 cu.m to 211,100 cu.m.

Tropical sawnwood exports in January this year rose an astonishing 43% in volume, from 29,000 cu.m in January 2018 to 41,500 cu.m in January 2019. In terms of value, exports increased 31% from US\$13.6 million to US\$17.8 million over the same period.

In contrast the value of pine plywood exports declined in January by almost 30% compared to a year earlier (US\$54 million to US\$ 38.4 million) and export volumes dropped around 20% over the same period from 169,400 cu.m to 136,400 cu.m.

Brazil’s tropical plywood exports are now small and year on year January 2019 exports declined in terms of both volume and value from 12,300 cu.m (US\$5.1 million) in January 2018 to 10,600 cu.m (US\$3.9 million) in January 2019.

January was not a good month for wooden furniture exports as the value fell US\$32 million in January 2018 to US\$29.8 million in January 2019, an almost 7% drop.

Brazilian furniture fair attracts global buyers

The Brazilian Furniture Project, an initiative of the Brazilian Furniture Industry Association (ABIMÓVEL) and the Brazilian Trade and Investment Promotion Agency (APEX-Brazil) aims to raise the profile of Brazilian furniture production and design. In partnership with ABIMAD, the São Paulo trade show, international buyers were invited to attend the mid-February fair to see the latest trends in design in Brazil.

The fair attracted buyers from the main importers in Latin and North America and generated around US\$4 million in immediate business.

Over the past five years it is estimated that the Brazilian Furniture Project generated more than half a billion dollars in business transactions. In the first eight months of 2018 the initiative generated business worth US\$102 million and for the whole of 2018 it is estimated that some US\$153 million in business transactions have been achieved.

Analysts write, “2019 looks promising for Brazil’s economy opening possibilities for business and investments. Within this context the Brazilian Furniture Project stands ready to foster business expansion”.

Furniture exports grows

Furniture exports (wooden and all others) in January 2019 increased 10.3% compared to January 2018. The total value is US\$ 42.8 million versus US\$ 38.8 million in 2018; out of the 16 exporting states, 9 states presented export level fall.

The top five exporting States are located in the South and Southeast regions of Brazil. The State of Santa Catarina continues to lead, with January 2019 exports coming in at US\$16.8 million, up 17% year on year, followed by the State of Rio Grande do Sul with January 2019 exports at US\$0.9 million, a drop of 2.5% year on year.

The third ranked exporting State was Paraná with January 2019 exports worth US\$6.6 million (a 17% increase). São Paulo State is in fourth place with US\$5.1 million, an increase of 7.6% compared to January 2018. Fifth placed is the state of Minas Gerais which posted the highest growth in its exports, an increase of 57% compared to January 2018.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	212↑
Jatoba	118↑
Massaranduba	114↑
Muiracatiara	113↑
Angelim Vermelho	110↑
Mixed redwood and white woods	94↑

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	853↑
Jatoba	436↑
Massaranduba	411↑
Muiracatiara	397↑
Angelim Vermelho	372↑
Mixed red and white	244↑
Eucalyptus (AD)	196↑
Pine (AD)	146↑
Pine (KD)	170↑

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	544↑
4mm WBP	432↑
10mm WBP	357↑
15mm WBP	423↑
4mm MR	302↑
10mm MR	276↑
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
<i>Domestic ex-mill Prices</i>	
15mm MDParticleboard	227↑
15mm MDF	258↑

Source: STCP Data Bank

Export Sawnwood Prices

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

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

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	320
12mm C/CC (WBP)	299
15mm C/CC (WBP)	281
18mm C/CC (WBP)	278

Source: STCP Data Bank

Export Prices For Added Value Products

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

Source: STCP Data Bank

SERFOR/OSINFOR alliance to strengthen sustainable forest and wildlife management

In order to optimise state resources, the National Forestry and Wildlife Service (SERFOR) and the Forest Resources and Wildlife Oversight Agency (OSINFOR) signed an inter-institutional cooperation agreement that will allow the exchange of experiences and information in the supervision, control and control of the use of natural resources.

Both agencies will strengthen their functions to improve the efficiency and effectiveness in achieving their institutional objectives. SERFOR and OSINFOR also signed an agreement to align their institutional role within the framework of the 0130 Budget Program, called Competitiveness and Sustainable Use of Forest and Wildlife Resources.

Legally compliant companies cannot compete in local market

The decision of the Peruvian Government to locate OSINFOR within the Ministry of the Environment does not diminish its independence or its capacity to sanction forest operations and according to the Second Vice President of the Association of Exporters (ADEX), Erik Fischer, the power and capacity of OSINFOR could be enhanced through this relocation he said.

In a statement Fischer described as pure speculation the rumours reported in some Peruvian and foreign media about possible sanctions being imposed on Peru by the US government because of the relocation of OSINFOR.

He stressed that legally compliant timber companies in Peru have to rely on exports as they cannot compete in the domestic because "it is impossible to compete with the low prices offered by small domestic manufacturers who utilise raw materials that cannot be traced to ensure legality".

Project to recover degraded forests

The World Bank's has approved the allocation of US\$12.2 million to fund the Integrated Forest Management Project to be undertaken by the Ministry of the Environment (MINAM), in Atalaya, Ucayali the fifth most deforested area in the country.

This initiative by MINAM will benefit more than 2,300 indigenous families and forest and seeks to restore forest cover and introduce forest management over almost 400,000 in the region.

Some of the funds will be used for small-scale cottage business development a priority will be integrating the role of women in implementation and management.

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	579-609↑

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

Domestic Sawnwood Prices

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

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	346-374
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

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

Domestic Prices for Other Panel Products

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

Export Prices for Added Value Products

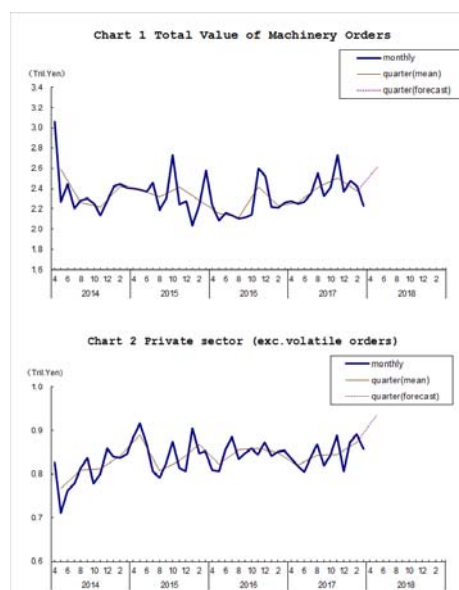
Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1304-1391
Cumaru KD, S4S Swedish market	979-1098
Asian market	1085-1115
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	523-545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

Japan

Exports nosedive

Data from the Ministry of Finance points to a more than 8% decline in exports over the past 12 month. This is focusing attention on the impact of slowing global demand and trade frictions on business confidence and investment. Foreign purchases of Japanese machinery, another indicator of business prospects, have dipped to the lowest for the past 10 years.

Sentiment amongst Japanese businesses is at a two-year low, raising a question on the continuing rosy economic outlook promoted by government agencies. Many analysts warn that economic growth this year will not be as good as last year. The Cabinet Office, in its latest monthly assessment of industrial output, downgraded its assessment for the first time in three years.

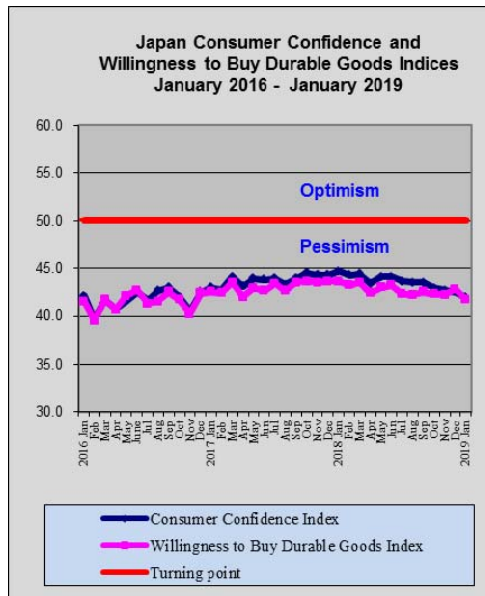


Source: Cabinet Office, Japan

In introducing the January to March forecast for machinery orders the Cabinet Office says: "In the January-March period the total amount of machinery orders was forecasted to decrease by 13.0% and private-sector orders, excluding volatile ones, were forecasted to fall by 1.8% from the previous quarter respectively.

This forecast was basically made by summing up the figures from 280 machinery manufacturers.”

See: <https://www.esri.cao.go.jp/en/stat/juchu/1812juchu-e.html>

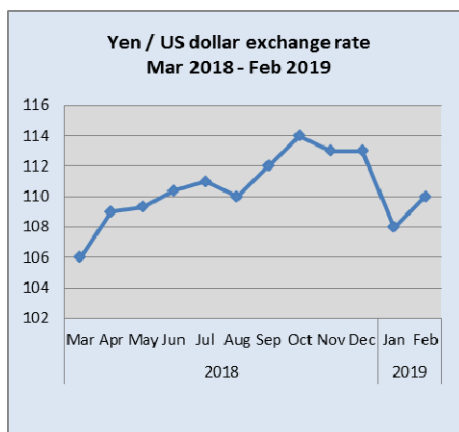


Data source: Cabinet Office, Japan

Bank of Japan mulls more fiscal stimulus if yen strengthens

In a rare explicit coupling of policy and the yen, Bank of Japan (BoJ) governor, Haruhiko Kuroda, surprised analysts but explicitly pointing to the possibility of more fiscal stimulus if exchange rate movements start to undermine Japan’s inflation target and the wider and economy.

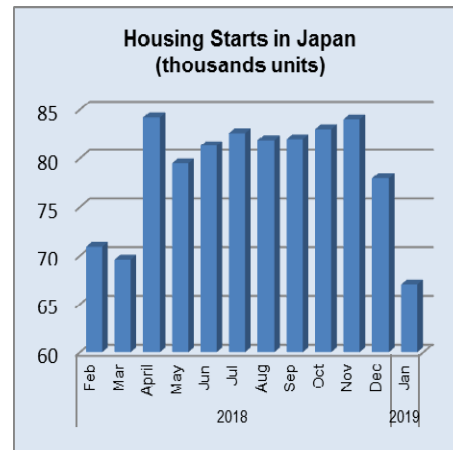
This statement had an immediate impact on the US dollar/Yen exchange rate bringing the Yen back to 110 to the US dollar. In recent weeks some ex-BoJ officials had warned that if the Yen strengthened sharply there would be little the BoJ could do but Kuroda said the BoJ could influence bond yields and increase asset purchases.



Poor start to year for housing starts

January housing starts dipped a surprising 12% year on year, matching the decline seen in January 2016 and setting a new record low for January.

The harsh winter weather always drives down construction activity in January but at just 67,000 starts this year has not started well. Compared to a month earlier, January housing starts were down around 14%.



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

Furniture imports

Details of full year 2018 wooden furniture imports into Japan are given below. The tables for imports of Wooden Office, Kitchen and Bedroom furniture (HS 940330/40/50) are shown below along with indications of the main suppliers. It will be noted that for all three categories of furniture the top 3-5 suppliers account for well over 80% of all wooden furniture imports.

Office furniture imports (HS 940330)

2018 wooden office furniture import values were down 16% from a year earlier. In 2018 the top suppliers in order of rank were China (62%), Poland and Italy (6% each), the USA (5%) and Portugal (4%).

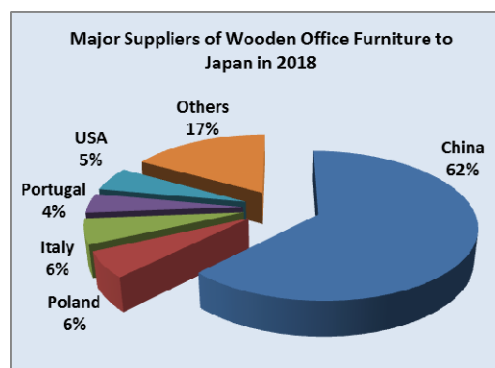
2018 imports from China were down around 5%, Poland scored a 40% rise in 2018 shipments over 2017. In contrast shipments from Italy fell more than a quarter. Shipments from both the USA and Portugal were significantly higher than in 2017.

The top five shippers of wooden office furniture accounted for 83% of all Japan’s imports of this category of furniture.

Office furniture imports

	2018 Imports Unit, 000's Yen
S. Korea	14740
China	1516064
Taiwan P.o.C	83269
Hong Kong	1005
Vietnam	20748
Thailand	15107
Singapore	1516
Malaysia	35427
Indonesia	42295
India	5141
Sweden	1207
Denmark	5281
UK	7782
Netherlands	601
France	5285
Germany	82353
Switzerland	29885
Portugal	104081
Spain	511
Italy	134279
Poland	139696
Romania	1057
Turkey	1998
Lithuania	14810
Slovenia	233
Slovakia	24453
Canada	3285
USA	129251
Mexico	6018
Australia	1383
Total	2428761

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The value of Japan's imports of wooden kitchen furniture in 2018 was some 15% up on levels in 2018 and shipment were dominated by three shippers the Philippines, Vietnam and China which provided 47%, 35% and 11% respectively.

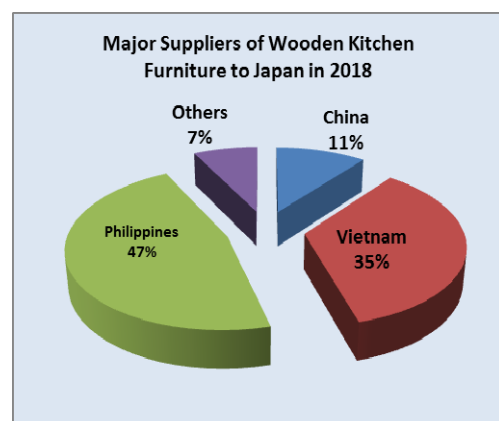
Kitchen furniture imports

	2018 Imports Unit, 000's Yen
S Korea	313
China	1732739
Taiwan P.o.C	16960
Vietnam	5719887
Thailand	320442
Malaysia	150399
Philippines	7598514
Indonesia	64485
India	2852
Sweden	983
Denmark	11291
UK	2375
Netherlands	675
Belgium	264
France	3314
Germany	291480
Italy	199717
Finland	5992
Poland	1470
Austria	5345
Romania	21612
Canada	76694
USA	54299
total	16282102

Data source: Ministry of Finance, Japan

The value of shipments of kitchen furniture from the Philippines in 2018 was significantly higher than in 2017, rising over 40%. The value of shipments from the second largest supplier, Vietnam, was unchanged from a year earlier and there was a modest 10% increase in the value of shipments from China.

Amongst the “others” group shipments from Thailand, Malaysia, Germany and Italy were significant.

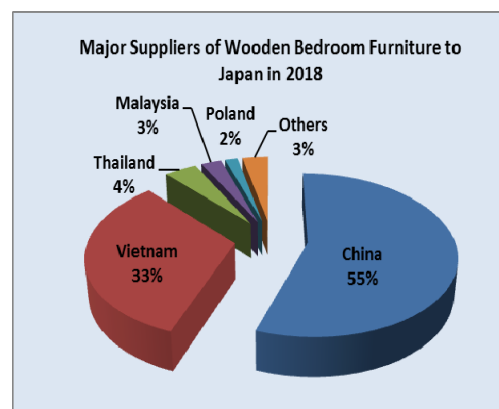


Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

Compared to a year earlier there was only a modest rise (5%) in Japan’s 2018 imports of wooden bedroom furniture. The top five shippers China, Vietnam, Thailand, Malaysia and Poland accounted for a massive 97% of all wooden bedroom furniture imports in 2018.

Shipments from China in 2018 were about the same value as in 2017, this was also the case for Malaysian and Polish suppliers. The big winners in 2018 were Vietnam for which shipments rose 11% and Thailand which saw a 12% in the value of shipments.



Data source: Ministry of Finance, Japan

Bedroom furniture imports

	2018 Imports Unit, 000's Yen
S Korea	14383
China	13171316
Taiwan P.o.C	110973
Hong Kong	5571
Vietnam	7759166
Thailand	999042
Singapore	1765
Malaysia	625830
Philippines	4483
Indonesia	207463
Cambodia	1991
India	828
Sri Lanka	309
Sweden	31299
Denmark	20743
UK	29448
Netherlands	558
Belgium	535
France	8775
Germany	2296
Switzerland	1459
Portugal	25119
Italy	128895
Finland	367
Poland	388232
Austria	18039
Romania	78362
Turkey	4774
Estonia	7833
Latvia	239
Lithuania	60125
Ukraine	11167
Bosnia Herzegovina	6565
Slovakia	265
USA	10941
Mexico	735
Australia	528
New Zealand	424
Total	23740843

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>

Change of duty with EPA

On February 1, 2019, EPA between EU and Japan takes effect. Import duty on European softwood lumber, structural laminated lumber, OSB and particleboard will be reduced step by step and they will be totally abolished after eight years.

Time to start is February 1, 2019 and April 1 of every year. Reduction rate is equal every year. For instance, lumber duty is 4.8% which is reduced by 0.6% every year but some items like laminated lumber of 3.9% cannot be divided by eight so 0.5% is reduced every year except for fourth year at which year, reduction rate is 0.4%. Wooden board rate is 6.0% which is reduced by 0.7 and 0.8 % alternately.

Review of 2018

Problem in last two years is how high cost of lamina is passed onto sales prices of finished products.

On laminated whitewood post, based on lamina cost, sales prices need to be 2,000 yen per piece delivered but due to low cost domestic cedar laminated post of about 1,700 yen, laminated whitewood post prices had been 1,860-1,880 yen.

With rigid high lamina cost, supply of imported laminated post and domestic production were curtailed in early stage then the demand and movement improved since last fall so the prices have been firming and 1,900 yen seems possible in January.

Meantime, redwood laminated beam prices climbed up to 63,000 yen per cbm delivered in early 2018 but with competition with Douglas fir solid wood KD beam, which prices had been held at 58,000 yen, further increase of redwood beam became impossible with 5,000 yen price spread. However, the supply continued robust so oversupply resulted in drop of market prices.

Based on lamina cost, 65,000 yen should be sales prices of redwood beam but the market prices dropped down to 61,000 yen as future prices of imported beam dropped.

Imported volume of structural laminated lumber for the first ten months of 2018 was 381,350 cbms of small size, 7.7% less than the same period of 2017 then 302,032 cbms of medium size, only 1.2% less than 2017. Export prices of lamina and genban had stayed up high due to high cost of logs in Europe and busy other markets.

Lamina prices were Euro 250-260 per cbm C&F and genban prices were Euro 280-290. Redwood prices climbed to Euro 270-280 through the third quarter then the demand dropped. At the same time, North American lumber market sharply weakened and purchase by China slowed down so supply side bullishness is fading.

Based on the statistics, LVL production in 2017 was 179,000 cbms out of which 55% was used as structural materials.

There is new LVL plant was built in Aomori and with old plant, total of 300,000 cbms of cedar is consumed a year.

Plywood

Total estimated softwood plywood production in 2018 based on January through November figures is 3,093 M cbms, 1.6% less than 2017 out of which structural plywood production was 2,866,700 cbms, 4.8% less. The shipment would be about 3,042,800 cbms, 0.5% less despite one additional plywood mill started running in April. Reason of why total production decreased even with one additional new plant is labor shortage and log supply.

Labor shortage is becoming serious problem. In local regions, securing young labor force is becoming awfully hard so the mills change working rules. Mills used to run overtime or week end when the demand was busy but now mills stop such extra works to tie up young people. There will be two more new mills starting up this year but total supply would not increase much by the above reason.

Then there is log supply problem. Total demand for domestic logs has been climbing for lumber, laminated lumber and biomass but the supply has not increased to meet increasing demand so if mills want to expand production capacity, stable log supply becomes hurdle.

Another change is increasing production of non-structural plywood used for floor base. The production of non-structural plywood continues increasing year after year because main material of imported South Sea hardwood plywood for floor base is becoming hard to secure.

Malaysian and Indonesian plywood mills suffer log supply shortage so that shipments continue delaying. Japanese floor manufacturers cannot count on stable supply from South Sea countries so they are shifting to domestic softwood non-structural plywood.

Also concrete forming plywood has mainly supplied from Indonesian mills but the supply has been dwindling so production of softwood concrete forming panel in Japan has been increasing and last year's production was almost 50% more than 2017.

Movement of softwood plywood is steady and there are constant orders for imported plywood. December softwood plywood production was 252,800 cbms, 2.5% less than December last year and 3.0% less than November, first time to have less than 260 M cbms in three months.

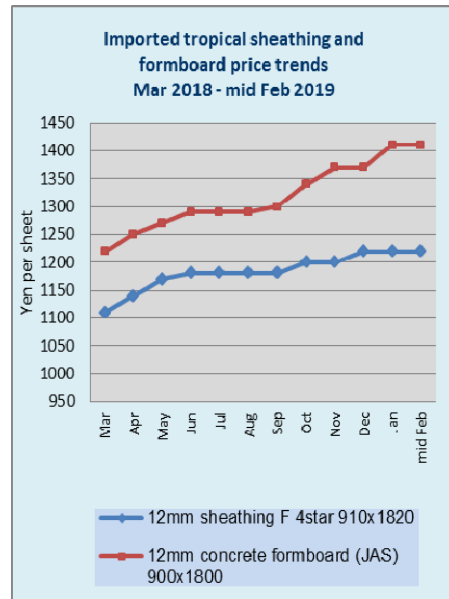
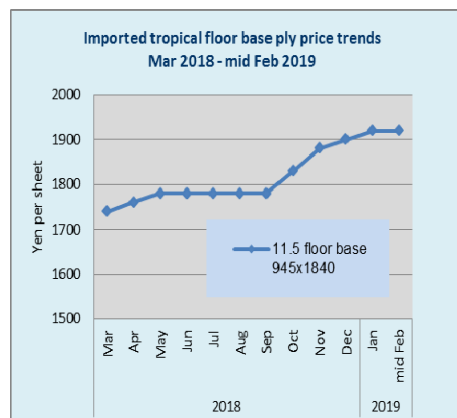
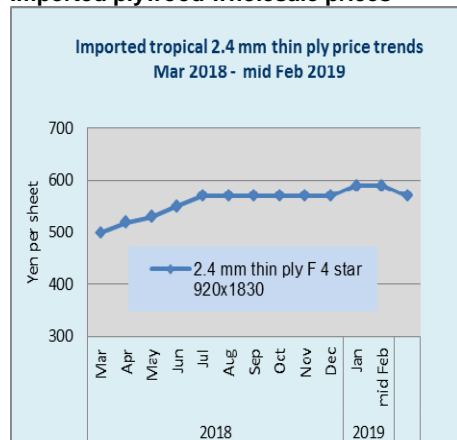
The shipment was 258,300 cbms, 0.4% more and 8.8% less. The inventories were 155,600 cbms, 4,200 cbms less than November, three straight months decline. Shortage of trucks continues so that deliveries are delayed. This did not cause much trouble because construction activities are also delayed by labor shortage. Overall demand and supply are balanced.

Export prices of South Sea hardwood plywood continues firm and climbing. Production cost is up after Malaysia raised minimum wage and log harvest tax in Sarawak is increased. This is middle of rainy season and log availability is extremely tight and plywood mills are afraid of further increase of log prices. Plywood mills are not so anxious to secure new orders.

In Japan, arrivals late last year rushed so delayed contract balances are largely solved. In the second half of last year, the dealers hesitated to place new orders because of high export prices and dull movement in the market so future supply will definitely drop down.

Total port inventories are ample now but some items like concrete forming panels and structural panels are scarce without any hope of recovery. The dealers plan to hold on-hand inventories and keep selling preciously.

Imported plywood wholesale prices



Russian log export duty

The Russian government imposes 40% export duty on spruce, fir and larch from Russian Far East but for the companies which exported processed products in last three years, log export duty is reduced to 6.5%.

The Russian government announced names and allocated volume of companies. Total quota of logs for export is four million cubic meters.

Total of 18 companies are approved. RFPG is the largest company with allocated volume of 2,608,000 cbms, 65% of total. Terneyles has 638,000 cbms. Rimbnan Hijau (RH) MDF has 438,000 cbms. RH International has 105,000 cbms.

They are top five approved companies for 6.5% log export duty. Actually majority of Far East logs are exported to China and Korea so the volume for Japan is very little. Japan mainly buys veneer, laminated lumber and cut stock of hardwood species from Terneyles and veneer from RFPG and some whitewood lumber.

China

Regulatory body targets woodbased panels

China's new market regulator, the State Administration for Market Regulation (SAMR) recently published a catalogue detailing which industrial products will fall under its supervision. Wood-based panels and wood flooring are listed in the catalogue.

SAMR is a result of the reshuffling of several government agencies undertaken in 2018 aimed at elimination of duplicated effort, streamlining regulations and improving coordination between ministries. SAMR will oversee market controls such as regulating anti-monopoly behavior, intellectual property rights, drug safety supervision and the issuance of business licenses.

Profitability of timber enterprises increased in 2018

According to the National Statistics Bureau, profits made by industrial enterprises (with an output value of RMB 5 million plus) was RMB6,635 billion, a year-on-year increase of 10%.

Of 41 industries surveyed the profits of 32 rose and for 9 there was a decline in 2018. The annual operating incomes of furniture manufacturers in 2018 rose 4.5% to RMB708 billion and the annual profit of furniture manufacture in 2018 rose 4.3% to RMB43 billion.

The annual operating incomes of timber processors as a whole rose 2% in 2018 to RMB921 billion but profit levels fell 1.5%.

The costs of producing furniture in 2018 rose 3.8% to RMB590 while the cost of production in timber enterprises 2.2%.

China's first plywood mill in Liberia

According to the Liberian media, China is about to establish its first plywood mill in the country. The plywood mill will be built by Shangyou Wood Industry Development Co., Ltd, one of China's rubberwood furniture manufacturers.

The plywood mill will go into operation by 2020. Speaking to the press in Liberia a company official said it will be hard to find enough good quality rubberwood for milling in Liberia but that the company is optimistic on prospects.

See:

<https://frontpageafricaonline.com/business/china-breaks-ground-for-liberian-first-plywood-factory/>
and
http://www.wood365.cn/Industry/IndustryInfo_259152.html

Steady growth in value of forest sector output

According to the State Forestry and Grassland Administration the total output value of the forest industry sector reached RMB7.33 trillion in 2018, a year on year increase of almost 3%. The value of forest products trade (import and export) totalled US\$160 billion.

The scale of China's forest industry has been continuously expanding and its industrial structure has gradually improved. The primary and secondary industries have made steady progress and the growth of the tertiary industry represented by forest ecotourism and health care sector has seen remarkable growth at around 20% in 2018.

In promoting the development of the forestry sector, the State Forestry and Grassland Administration identified a number of national forestry demonstration zones, economic forests and non-forest demonstration bases as well as key national enterprises.

The State Forestry and Grassland Administration has committed to promote national forest ecological labelled products, improve forest product standards and quality inspection and expand certification systems.

The State Forestry and Grassland Administration is also committed to introduce supportive policies which will include subsidy mechanisms for afforestation, forest tending and loans for relevant projects. Funds will also be available to address poverty alleviation and further expansion of processing.

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

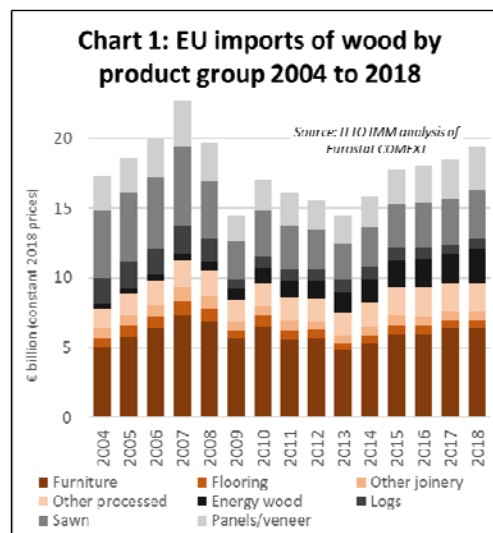
Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
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

Recovery in EU wood imports continues in 2018

The total value of EU imports of wood products was 19.44 billion euro in 2018, 5.1% more than in 2017. This followed an increase of 2.4% to 18.49 billion euro in 2017. In 2018 EU import value was at the highest level since 2008 just before the global financial crises (Chart 1).



The rise in imports into the EU occurred despite slowing economic growth during 2018. According to the EU Winter 2019 Economic Forecast published on 7 February, economic activity in the EU moderated in the second half of last year as global trade growth slowed, uncertainty sapped confidence and output in some Member States was adversely affected by temporary domestic factors, including social tensions and uncertainty over fiscal policy and Brexit.

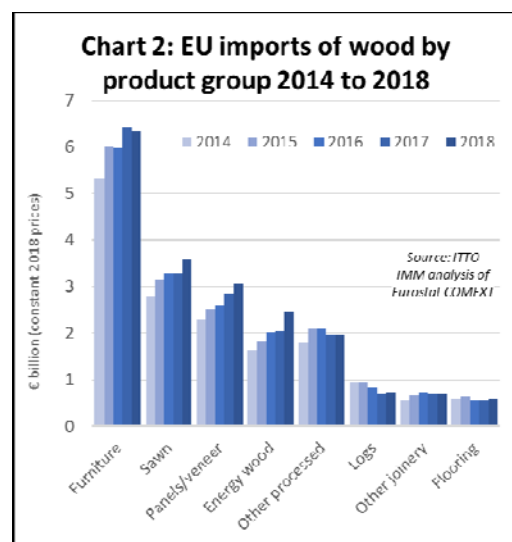
As a result, GDP growth in both the euro area and the EU likely slipped to 1.9% in 2018, down from 2.4% in 2017.

Slowing economic growth fed through into a fall in the value of the euro and the British pound last year, both of which weakened against the U.S. dollar by around 8% during 2018. However, EU currencies remained strong relative to currencies in several key Eastern European supply countries, including Ukraine, Russia, and Turkey.

Both the euro and British pound strengthened by around 7% against the Russian rouble in 2018 and by over 25% against the Turkish lira. These exchange rate fluctuations generally favored EU imports from Eastern Europe and acted as a drag on imports from North America and Asia.

Considering individual products (Chart 2), the value of EU imports of wood furniture decreased by 1% to 6.35 billion euro in 2018 after a 7% rise in 2017. A dip in EU imports of wood furniture from China and Norway was offset by rising imports from Ukraine, Belarus, Bosnia, Serbia, Russia and Turkey.

This forms part of general trend of increasing EU dependence on wood furniture manufactured in central and Eastern Europe. EU wood furniture imports from tropical countries, led by Vietnam, Indonesia and Malaysia, were flat overall last year, although imports from India continued to rise.



Growth in EU imports of sawn wood resumed in 2018 after flat-lining the previous year. The total value of EU imports of sawnwood (including both softwood and hardwood) in 2018 was 3.59 billion euro, nearly 10% more than in 2017.

There was a particularly significant 21% increase in the value of EU sawnwood imports from the CIS countries in 2018, building on an 11% increase the previous year. Most of the increase in sawnwood imports from CIS countries in 2018 came from Ukraine, Belarus and Russia and is due both to currency weakness and increasing controls on log exports from these countries.

EU imports of sawnwood, both softwood and hardwood, increased sharply from Brazil in 2018. Imports of tropical sawn wood from both South East Asia (most notably from Malaysia and Myanmar) and Africa (mainly Cameroon, Gabon and Congo) regained some ground in 2018 after a sharp fall the previous year. EU imports of sawnwood from North America slowed a little in 2018.

EU imports of panels (mainly plywood) increased 8% to Euro 3.06 billion in 2018. This follows a 9% rise in 2017 and is the fifth consecutive year of import growth of this commodity.

As for other wood commodities, much of the gain was due to a rise in plywood imports from Russia, Ukraine and Belarus, however plywood imports from China, Brazil and Indonesia also increased in 2018.

Imports of plywood and veneer from Gabon slowed in 2018, being affected by the financial problems of the Rougier group. There was a partial recovery in veneer imports from Cote d'Ivoire in 2018. EU imports of composite panels increased from Turkey.

The long-term rise in EU imports of energy wood accelerated in 2018 with annual import value rising over 20% to 2.47 billion euro. This followed a slowdown to only 3% growth in 2017 after average annual growth of 11% in the previous five years.

There was another sharp increase in EU imports of energy wood from the United States in 2018 (now dominated by pellets), to reach over 1 billion euro for the first time, with most destined for the UK. Imports of energy wood also increased sharply from Russia, Belarus and Ukraine, mainly destined for continental EU. Import growth also resumed from Brazil and Uruguay.

EU imports of other joinery products (mainly doors and laminated wood for window frames and kitchen tops) increased 1% to Euro 710 million in 2018, recovering from a 1% fall the previous year.

Imports of joinery products from Russia, Ukraine and Belarus continued to rise last year, with gains also made by Indonesia, Vietnam, Bosnia, and Turkey.

China continued to lose ground, although it maintained its position as the single largest external supplier of this commodity group in the EU market, just ahead of Indonesia. EU imports of joinery products were stable from Malaysia in 2018.

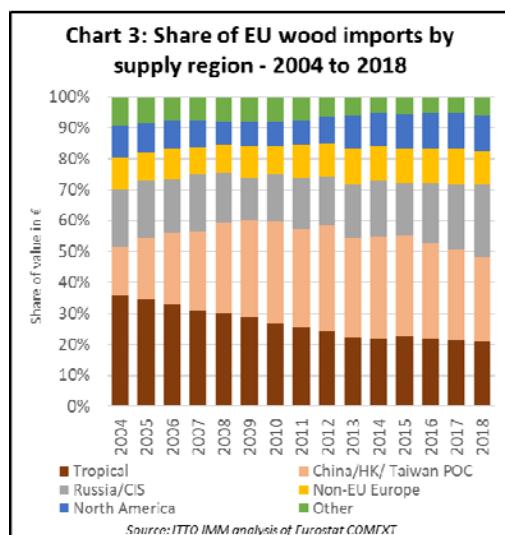
After falling back 9% in 2016 and staying flat in 2017, EU imports of wood flooring increased 2.6% to 580 million in 2018.

Flooring imports from China, by far the largest external supplier accounting for around two thirds of the total, recovered ground in 2018, while imports from Ukraine increased sharply, helping to offset a decline in imports from Indonesia, Malaysia, Brazil and Switzerland.

Pace of decline in EU tropical timber imports slows

The total value of EU imports of tropical timber products (including direct imports and imports via third countries such as China) increased 1.7% to 4.05 billion euro in 2018. This follows a 0.4% fall in import value in 2017.

The share of tropical timber in the total value of EU wood product imports declined from 21.5% in 2017 to 20.8% in 2018. Although 2018 was the third straight year of declining share for tropical timber, the rate of decline is now much slower than in the decade prior to 2014 when share fell continuously from around 36% to 22% (Chart 3).

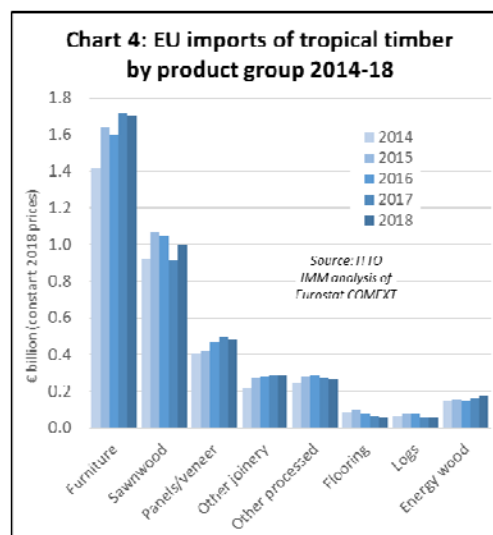


China's share in total EU imports of timber products fell from 29.4% in 2017 to 27.2% last year, the lowest level since 2007. Meanwhile the share of Russia and other CIS countries increased from 21.0% to 23.9%. In 2018, there was a slight decrease in share of EU imports from non-EU European countries (from 11.1% to 10.6%) and North America (from 11.7% to 11.6%).

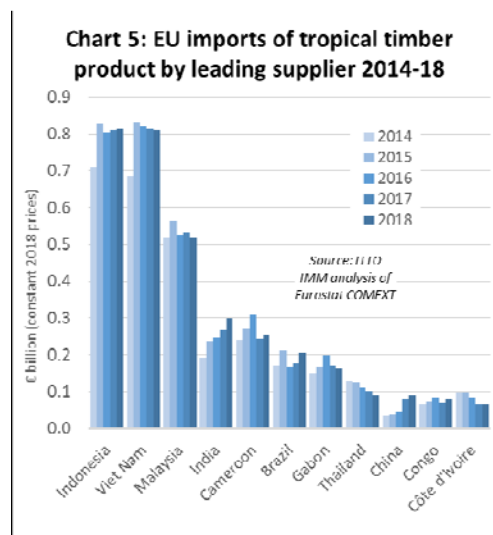
The slight increase in the total value of EU wood product imports from the tropics in 2018 hides variations between products groups (Chart 4). In 2018, there was a 9% increase in EU imports of tropical sawn wood, from 914 million euro to 996 million euro, a rebound following the 13% decline the previous year.

There was also an increase in imports of energy wood from tropical countries, rising from 160 million euro in 2017 to 179 million euro in 2018, with the biggest gains comprising charcoal from Nigeria and other forms of fuelwood from Congo and CAR.

The value of EU imports of other tropical products – including furniture, joinery, plywood, veneers, and logs – were either flat or declining in 2018. The decline in imports of tropical flooring was particularly dramatic, down 15% to 59 million euro in 2018, following on from an average decline of around 15% in each of the previous three years.



The value of EU imports of all wood products from the two leading tropical suppliers, Indonesia (813 million euro) and Vietnam (812 million euro) was stable in 2018. Total import value declined from Malaysia (by 5% to 519 million euro), Gabon (by 5% to 163 million euro) and Thailand (by 13% to 90 million euro). (Chart 5)

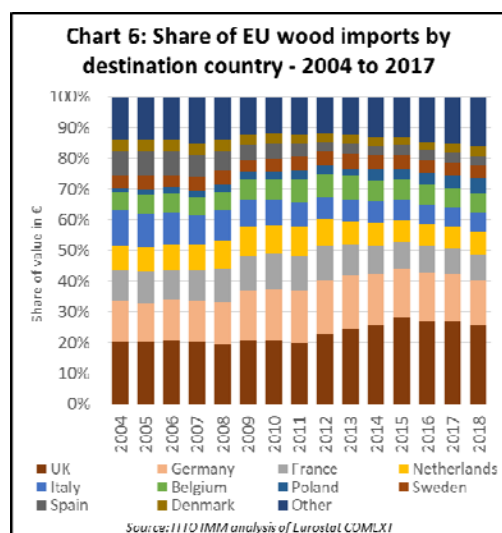


However, these declines were offset by rising imports from India (by 12% to 299 million euro, mainly furniture), Brazil (by 16% to 205 million euro, mainly hardwood sawnwood and decking), and China (by 15% to 89 million euro, mainly tropical faced plywood). There was also recovery in imports from some African countries, mainly of sawn wood, including Cameroon, by 4% to 252 million euro, and Congo, by 12% to 79 million euro.

Shifting destinations for EU timber imports

There are significant shifts on-going in destinations for EU imports of timber products. After emerging as by the largest single market in the EU for timber products from outside the bloc between 2011 and 2015, the relative importance of the UK eased a little in the 2016 to 2018 period.

The UK's share of total EU imports of timber products from outside the region declined from a peak of 27.6% in 2015 to 25.0% in 2018. (Chart 6).



The UK's emergence as the leading EU market for external timber suppliers between 2011 and 2015 coincided with relatively strong economic growth in the country and rising consumer demand. This drove a strong increase in imports from outside the EU, particularly wood furniture and plywood from China, and wood furniture from Vietnam.

There was also a big increase in UK imports of wood pellets, mainly from the U.S., driven by the UK's climate change commitments which encouraged some large energy suppliers to switch from coal to biomass.

However, between 2016 and 2018, growth in the UK economy slowed, particularly with rising uncertainty over the effects of Brexit, currently scheduled for 29 March 2019 (but may be delayed for at least a few months, although nobody yet knows for sure). The British pound also weakened significantly on foreign exchange markets during this period, dampening import growth.

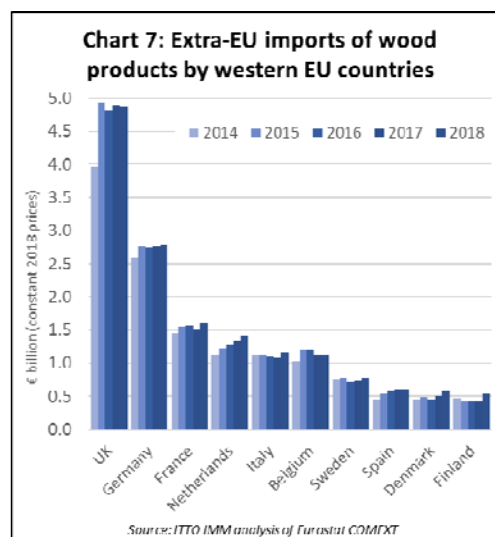
Against this background, the fact that the Euro value of UK imports from outside the EU remained flat at around 4.9 billion euro between 2016 and 2018 is a positive outcome. During the same period, imports from outside the EU by most other western European countries also remained quite flat (Chart 7).

The Netherlands is an exception, experiencing strong import growth, rising consistently from a low of 1.03 billion euro in 2013 to 1.42 billion euro last year on the back of economic recovery and rising construction activity in the country. The Netherlands is also playing a larger role as a gateway for imports for distribution throughout the EU.

In 2018, there was also a significant recovery in the value of imports of timber products from outside the EU by two countries that formerly were leading players in the global

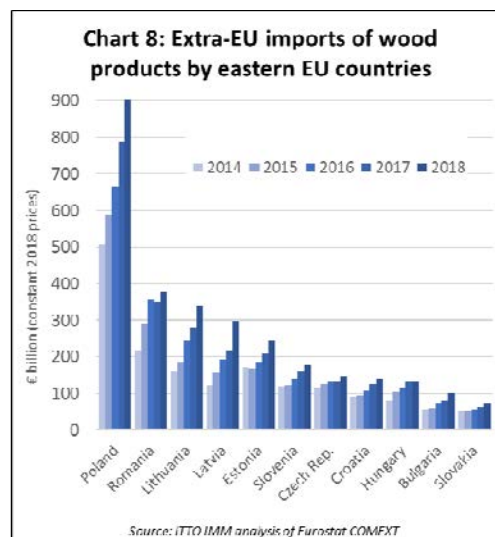
timber trade but have since waned in significance; France (up 8% to 1.62 billion euro), and Italy (up 8% to 1.17 billion euro).

In the case of France, imports increased sharply from China (notably in furniture) in 2018, with gains also made in imports from Vietnam (furniture), Brazil (hardwood decking), and Russia (sawn softwood). For Italy, imports in 2018 increased from Russia (mainly plywood), Ukraine (mainly sawnwood), Bosnia (mainly energy wood), Brazil (softwood plywood), Cameroon (sawnwood) and Myanmar (sawnwood).



Rising share of EU timber imports destined for Eastern Europe

While there was some increase in imports by a few western European countries in 2018, eastern EU countries recorded much larger and more consistent gains in imports from non-EU countries last year. Large increases were recorded in Poland, Romania, Lithuania, Latvia, Estonia, Slovenia, Czech Republic, Croatia, Hungary, Bulgaria, and Slovakia (Chart 8).

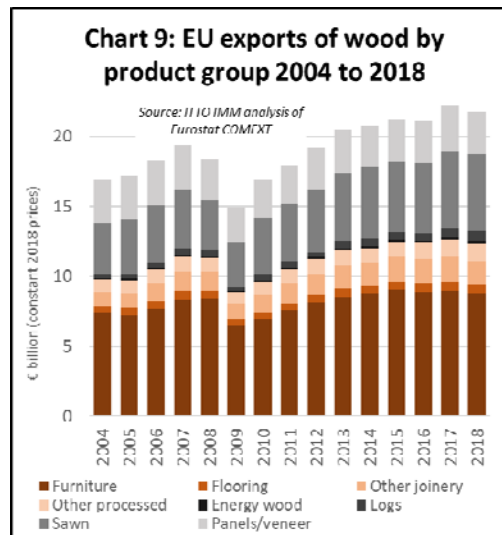


This is a reflection both of their proximity to Russia, Ukraine and Belarus, the source of most of the rising imports, relatively higher rates of economic growth and construction sector growth in Eastern Europe, and the establishment of new wood processing and manufacturing capacity in the region.

EU wood products exports at record level in 2018

In 2018, the EU exported wood products with a total value of 21.8 billion euro, 2% less than in 2017 when exports were at record levels (Chart 9). EU exports of wood furniture, flooring and other joinery products, and plywood and other panels all slowed last year, a response to general cooling in the global economy.

However, EU exports of logs and sawnwood continued to increase in 2018 to record levels for these commodities, exports of sawnwood up 2% to 5.54 billion euro and exports of logs rising by over 14% to 735 million euro.



In 2018, the value of EU timber product exports continued to rise to the USA but was flat or declining to the other leading export markets including Switzerland, Norway, China, Japan, Russia, Egypt and Algeria.

The combined effect of last year's fall in EU export value and rise in EU import value was to reduce the EU's trade surplus in timber products with the rest of the world from 3.70 billion euro in 2017 to 2.38 billion euro in 2018.

North America

November cabinet sales drop

According to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey, participating cabinet manufacturers reported an increase in cabinet sales of just 0.3% for November 2018 compared to the same month in 2017. Stock sales increased 7.4%; semi-custom sales decreased significantly at 8.1%; and custom sales increased 2.2% compared to November 2017.

Compared to last month, sales decreased 9.4%. Every category took a hit with stock sales down 4.1%, semi-custom sales down 12.2%, and custom sales down 10.4% compared to October.

Year-to-date cabinetry sales through November 2018 are up slightly (2.1%) according to participating manufacturers. Stock sales are up 4.7%; semi-custom sales continue to decrease with a downturn of 1.5%; and custom sales up 4.6%.

See: <http://www.kcma.org/news/press-releases/November%202018%20Trend%20of%20Business%20press%20Release>

Wooden furniture imports consistent for most of 2018

US imports of wooden furniture gained less than 1% in November rising to US\$1.78 billion. Wooden furniture imports have been consistent for most of 2018 and are up 7% year-to-date. Imports from China, which accounts for nearly half of US imports, were also up 7% year-to-date and were up 2% in November.

Imports from Vietnam, Indonesia and Mexico are all up between 7% and 9% year-to-date, while Canadian imports are nearly identical to where they were at this time in 2017. While imports from India were down 12% in November, India has had the highest percentage of growth in 2018, up 13% year-to-date.

Year to November 2018 Growth in US Furniture Imports



Data source: US Census Bureau, Foreign Trade Statistics

US manufacturing still growing but exports slowing

Economic activity in the US manufacturing sector expanded in January, and the overall economy grew for the 117th consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report on Business.

Comments from the panel reflect continued expanding business strength, supported by strong demand and output. Consumption continued to strengthen, with production expanding strongly and employment continuing to expand at previous-month levels.

“Exports continue to expand, but at the lowest level since the fourth quarter of 2016. Prices contracted for the first time since the first quarter of 2016. The manufacturing sector continues to expand, reversing December’s weak expansion, but inputs and prices indicate fundamental changes in supply chain constraints,” said Tim Fiore, Chair of the ISM Manufacturing Business Survey Committee.

California targets deforestation

This week a group of legislators introduced a bill in the California State Assembly titled AB-572, the California Deforestation-Free Procurement Act.

If enacted, the legislation would require firms contracting with the State of California for the procurement of “forest-risk commodities” such as wood, paper, pulp, palm oil, soy, beef, leather, coffee, cocoa, and rubber to certify that those products do not contribute to tropical deforestation or illegal land conversion. Initial consideration of this legislation in the California State Assembly is expected in mid-March, and it could be enacted by fall 2019.

For details see:

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB572

Government shutdown drives up unemployment

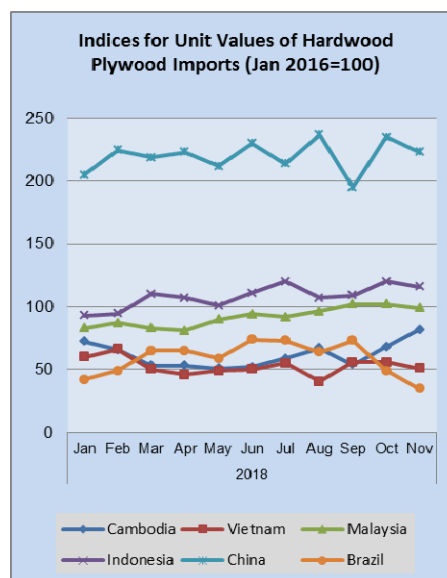
Both the US unemployment rate and the number of unemployed persons, at 6.5 million, edged up in January. Total nonfarm payroll employment increased by 304,000 in January, and the unemployment rate edged up to 4.0 percent, according to the US Bureau of Labor Statistics.

US consumer sentiment rebounded by more than forecast from a two-year low, suggesting recent weak retail sales will be a temporary blip after the government shutdown ended and the US Federal Reserve signaled it would hold off on interest-rate hikes.

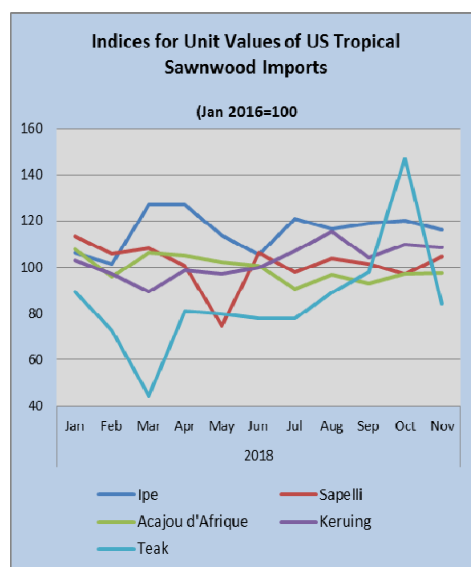
The University of Michigan’s preliminary February consumer sentiment index rose to 95.5, exceeding the median forecast in a Bloomberg survey for an increase to 93.7. The measure of current conditions rose 1.2 points while the expectations gauge jumped 6.3 points, indicating the rise in sentiment was concentrated in the outlook.

Confidence remains elevated compared with historical levels, though it’s below average for the period since Donald Trump was elected president. The gauge may stabilise as the government avoided another shutdown and US trade negotiators work toward a new deal with China.

Sentiment may be getting a boost from muted expectations for prices and rate hikes, as fewer respondents saw borrowing costs rising. Consumer expectations for inflation in the next five to 10 years fell to 2.3 percent, matching the lowest in the past half century, while the expected rate in the coming year dropped to the lowest since 2017.



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics
Note: Unit values are based on Customs value and exclude shipping, insurance and duties.

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

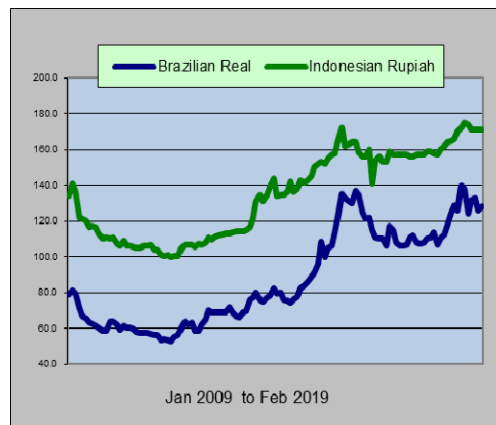
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 February 2019

Brazil	Real	3.7522
CFA countries	CFA Franc	577.68
China	Yuan	6.6894
EU	Euro	0.8804
India	Rupee	70.84
Indonesia	Rupiah	14018
Japan	Yen	111.06
Malaysia	Ringgit	4.0682
Peru	New Sol	3.33
UK	Pound	0.7635
South Korea	Won	1116.06

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

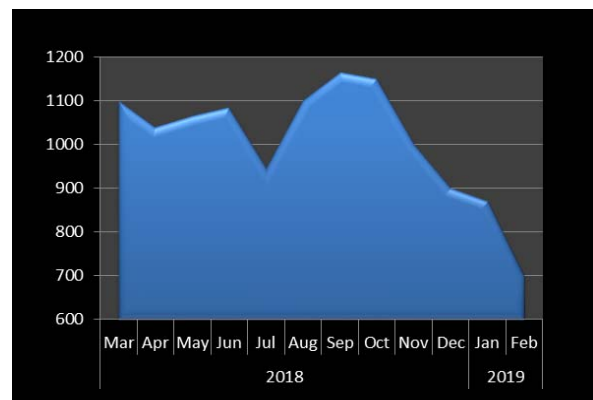


Abbreviations and Equivalences

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
March 2018 – February 2019

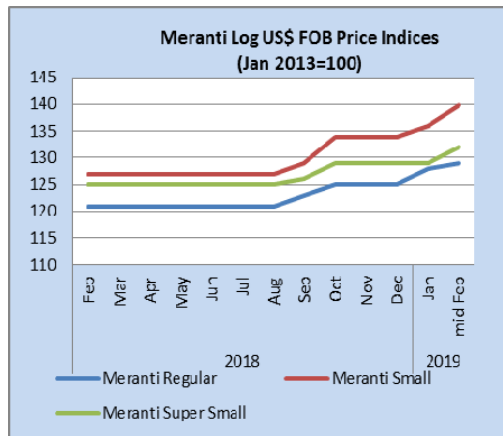


Data source: lloydslist.maritimeintelligence.informa.com

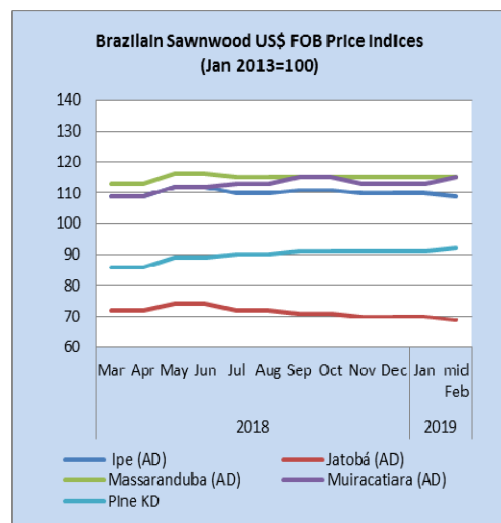
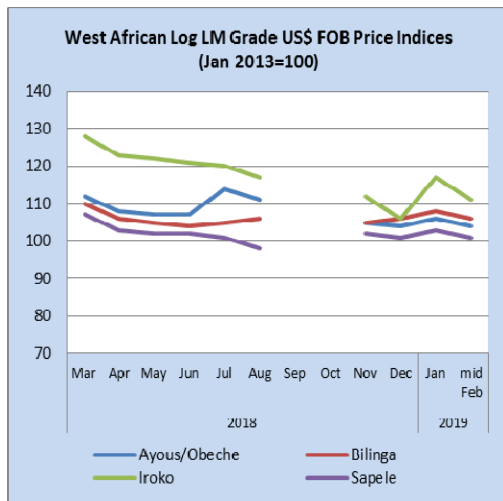
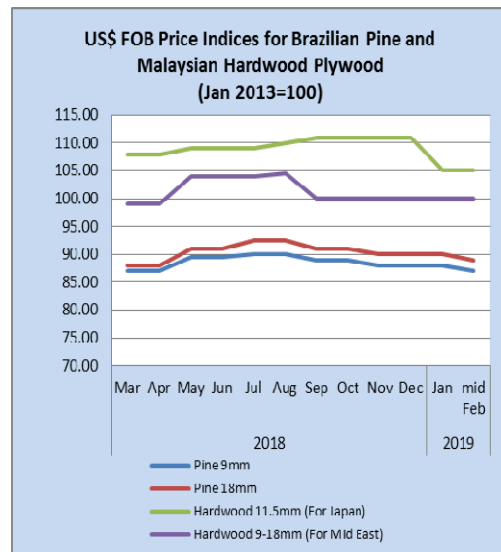
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

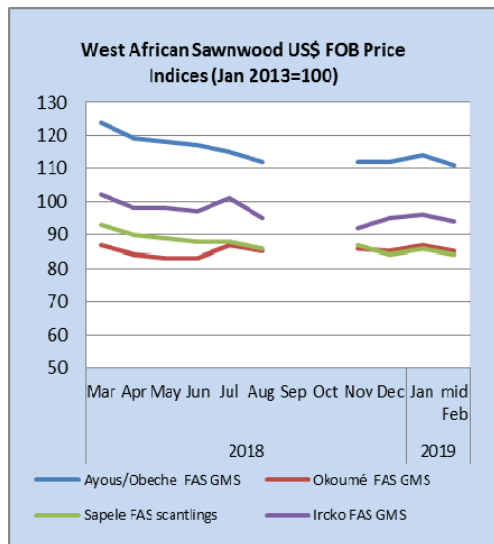
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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