

Tropical Timber Market Report

Volume 23 Number 16, 16th – 31st August 2019



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.

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Top Story

EU plywood market faces a 'perfect storm'

The European plywood sector is becoming increasingly depressed according to a number of leading importers and distributors. In the words of one company, the market faces a 'perfect storm of negative factors'.

There's been a steady draining of end-user and consumer confidence as a result buying has become piecemeal with forward ordering evaporating and prices dropping across the board.

See page 18

Just in

CITES includes genus *Cedrela*, as well as African rosewood (*Pterocarpus tinctorius*), in Appendix II.

https://www.cites.org/eng/CITES_CoP18_moves_towards_strengthened_regulations_for_tropical_trees_as_well_as_caution_exports_for_rosewood_musical_instruments_29082019

Central and West Africa

Demand steady but trending to a 'buyers' market'

Exporters report that over recent weeks there has been a revival of interest in ovankol for the Chinese market. For other timbers demand is flat but prices are largely stable. With weakening order flows importers are seeing an opportunity to beat down prices.

Shippers of okoume and okan sawnwood to the Philippines have been facing claims on the quality supplied, a sign that demand slowly turning to become a 'buyers' rather than sellers' market'.

Weighbridge charges a continuing challenge

Mills in Cameroon are having problems with the supply of logs due partly to the rains but also the implementation of weight limits for log hauling trucks. Companies complain that the 25 tonne weight limit is seriously disrupting transport logistics and causing mills to run out of logs.

A source in Cameroon says the Ministry of Transport intends to introduce a new regulation through which a payment of 15,000 CFA per cubic metre has to be paid to a private company running the weighbridges. There are suggestions that a further payment will be required for 'weighbridge maintenance'.

Kevazingo auction planned

Media reports are suggesting a decision has been taken by the Ministry of Forests in Gabon to auction some of the seized kevazingo. Earlier this year the authorities seized 353 containers of kevazingo, destined for Asian markets.

It is reported that 125 containers of Kevazingo have been transferred to a sorting yard where the timber will be measured and the volumes recorded in Forest Department records and declared legal for sale. The timber is expected to attract bids worth almost US\$80 million.

See: <https://lalibreville.com/le-gabon-escompte-tirer-45-milliards-de-francs-cfa-de-la-vente-de-125-conteneurs-de-kevazingo-saisis-sur-le-port-dowendo/>

Stories continue to circulate about Chinese and Indian companies in Gabon looking for opportunities to relocate production to neighbouring countries such as Congo.

EU/Liberia extend VPA negotiation period

The European Union (EU) and the Government of Liberia have agreed the VPA negotiation process be extended for a further 3 years according to a press release from the Forestry Development Authority (FDA). Also in Liberia, the FDA is facing mounting complaints from rural communities who say they are not receiving the financial benefits provided for in the National Forestry Reform Law.

The National Union of Community Forestry Development Committee and affected communities plan a peaceful protest calling for their legal rights to be respected.

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	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	330↓	340↓	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	300	280	230
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	330	330	-

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	720
FAS scantlings	850
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

New Policy to support SMEs

A national policy to stimulate growth of small and medium sized enterprises will be debated by the government which if agreed would provide for reform of the administrative and the necessary regulatory, institutional and legal framework for development of the sector.

Carlos Kingsley Ahenkorah, Deputy Minister of Trade and Industry, announced this when addressing a meeting on 'Formalising the Informal Sector – Practical Steps to Promote Local Economic Development' organised by the National Board for Small Scale Industries in partnership with Christian Aid.

The SME sector faces many challenges including inappropriate technology, poor information flows, managerial weaknesses and serious financial services issues.

SMEs Ghana are said to account for most of the enterprises in Ghana and the new policy when finalised should provide the framework for support and interventions for technology transfer, entrepreneurial management training and advice on financing.

See: <https://www.gepaghana.org/policy-to-stimulate-business-growth-before-cabinet/>

Diaspora urged to invest in Ghana

The Ghana government is implementing the 'Year of Return' which is a celebration for African American diaspora. Those from the US are participating in a historical and reconciliatory 'Year of Return' marking their journey to the US centuries ago. As part of the celebration the opportunities for investment in Ghana are being promoted.

As part of the government's plan for further industrialisation through the 'One-District-One Factory' initiative the strengths of Ghana in terms of financial services, information technology, energy, infrastructure, agriculture and manufacturing are being promoted.

See: <http://www.ghana.gov.gh/index.php/news/5951-ghana-welcomes-diasporans-to-mark-400-years-of-african-resilience>

Liberian foresters to experience Ghana forest management

Ghana is hosting a 21-member delegation from the Liberia Forest Development Authority to study Ghana's system of forest resources management. The visitors will experience Ghana's Community Resource Management Area (CREMA) mechanism which involves community participation for sustainable forest resources management in protected areas.

Boule Export prices

	Euro per m ³
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	550▲
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	349	445
Chenchen	431	542▼
Ogea	508	590
Essa	625▲	733
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m ³
Asanfina	728
Avodire	721
Chenchen	1,543
Mahogany	1,731
Makore	855
Odum	2,797

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	333▲	580▼	641
6mm	412	535	604
9mm	400	446	560
12mm	510	450▼	480
15mm	450	338	430
18mm	450	441	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
Afrormosia	465	564
Asanfina	405	487
Ceiba	465▼	484
Dahoma	520	610▼
Edinam (mixed redwood)	532	560
Emeri	930	1,008
African mahogany (Ivorensis)	740	810
Makore	620	633
Niangon	649	865
Odum	700	838
Sapele	420	466
Wawa 1C & Select		

Malaysia

Increased exports of plantation logs from Sarawak

Logs from industrial plantations are fast becoming a major export for Sarawak as production from the natural forest has been reduced drastically. According to Sarawak Timber Industry Development Corporation (STIDC), in the first half of 2019 Sarawak exported over 399,000 cu m of plantation logs, mainly acacia mangium, most of which was shipped to Indonesia.

Of the total log export volume of 731,758 cu.m in the first six months of 2019, plantation logs accounted for about half. Acacia mangium exports have expanded rapidly since 2013 when some 147,100 cu.m was exported.

Records show there are 43 licensed forest plantation owners in Sarawak with around 420,000 ha. However, expansion of the planted area has fallen far short of the State target of one million ha. for 2020. A new target data 2025 has been adopted.

Trade analysts report that some Japanese companies have been testing acacia mangium and falcata as alternative raw material sources.

Sabah export earnings plummet

Data released by the Sabah Statistics Department for the first half of the year showed Sabah's wood product exports were worth RM540,331,476, a decline of 23% from the corresponding period last year. In 2018 first half exports were RM705,887,110.

Sabah export volumes (cu.m) first half 2019

	2018	2019	% Change
Sawnwood	68,394	54,689	-20
Mouldings	8,391	4,842	-42
Veneers	30,251	15,062	-50
Plywood	251,038	184,486	-26
Total	358,074	259,079	-28

Data source: Sabah Statistics Dept.

The national tree - Merbau

The Prime Minister, Dr. Mahathir Mohamad, has confirmed Malaysia will maintain at least a 50% forest cover in accordance the commitment made at the Rio Earth Summit in 1992. Speaking at a recent exhibition the Prime Minister announced that merbau *Intsia bijuga* is now the national tree of Malaysia. *Intsia bijuga*, locally known as *ifit*, is also the official tree of Guam.

See:

<https://www.nst.com.my/news/nation/2019/08/515369/merbau-now-malaysias-national-tree>

Non-timber forest products

Urban Planning, Land Administration and Environment Assistant Minister, Len Talif Salleh, has reported that the Sarawak Forest Department was collaborating with various national and international agencies on research and development of species such as gaharu (agarwood).

Through a project in Ulu Menyang in Batang Ai the local community plants gaharu to produce gaharu tea. The Department and NGOs assist in supplying seedlings, technical advice, monitoring and maintenance.

In related news there is a proposal to plant bamboo in Undop, near Sri Aman. There is already a pilot project where 25 hectares have been planted with 13 species of bamboo.

Sabah mangrove project with support from Japan private sector

The Sabah Forestry Department (SFD) has signed a MoU with the International Society for Mangrove Ecosystems (ISME) for a mangrove rehabilitation project funded by Tokio Marine & Nichido Fire Insurance Co Ltd (TMN), Japan.

Plywood prices

Plywood traders based in Sarawak reported the following July export prices.

FB (11.5mm)	US\$ 610 C&F
CP (3'x 6')	US\$ 470-490 C&F ↓
UCP (3'x 6')	US\$ 570-590 C&F ↓
Middle East	US\$ 425 FOB ↓
South Korea	
(9mm and up)	US\$ 430 C&F ↓
Taiwan P.o.C	
(9mm and up)	US\$ 405 FOB ↓
Hong Kong	US\$ 440 FOB ↓

Indonesia

Investment in furniture manufacturing slows - export target slips

The Secretary General of the Association of Indonesian Furniture and Crafts Industry (HIMKI), Abdul Sobur, said while initially entrepreneurs predicted that furniture production could grow 8% this year, conditions in the domestic and export markets are seriously challenging which has impacted investment and competitiveness. As a result industry growth is now estimated only 5% - 6%.

He said if Indonesia wants a furniture sector like Vietnam's which continues to expand conditions must be created that stimulate domestic investment as well as foreign investment.

Sobur said he is convinced Indonesia has the potential to attract the relocation of manufacturers from China but the investment climate in the country must be improved.

See:

<https://surabaya.bisnis.com/read/20190820/532/1138814/tanpa-investasi-masuk-industri-mebel-cuma-tumbuh-5-persen>

Las Vegas furniture show a success for Indonesian producers

In a press release the Ministry of Trade reported the success of Indonesian companies at the recent Las Vegas Market Exhibition.

Indonesia's participation in show was encouraged by the Indonesian Trade Promotion Center (ITPC) for the Chicago and Los Angeles areas and 3 Indonesian exporters exhibited their products at the Indonesian Pavilion.

The Head of ITPC (Chicago), Billy Anugrah, said the Indonesian Pavilion received a lot of attention and business enquiries were worth around US\$500,000.

See: <https://pressrelease.kontan.co.id/release/furnitur-dan-produk-dekorasi-rumah-indonesia-memikat-di-las-vegas-market-2019>

Authorities step up efforts to fight forest fires

The authorities have stepped up efforts to control forest fires because the number of 'hot spots' has risen in recent week causing smoke to blanket large parts of the country and neighbouring countries. The media report more than 600 fires were detected between 31 July and 6 August and there were another 150 outbreaks in a few days after 6 August.

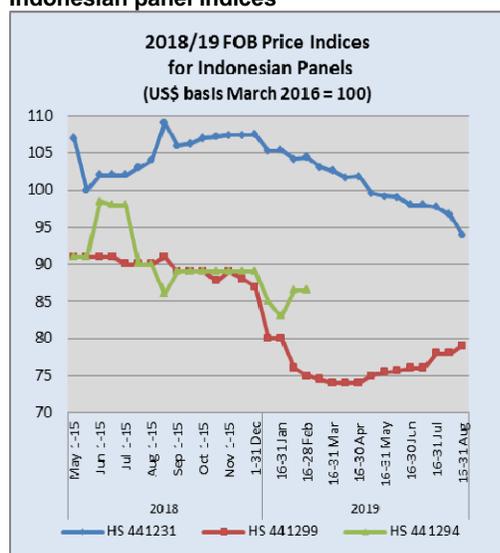
An emergency response team has deployed extra helicopters for water bombing bringing the total to 36 according to the National Disaster Management Agency.

Indonesia- South Korea trade deal to be signed

After a meeting with the South Korean Minister of Trade, Industry and Energy, Myung Hee Yoo, Enggartiasto Lukita, Indonesia' Minister of Trade, said Indonesia and South Korea are set to finalise a Comprehensive Economic Partnership Agreement (IK-CEPA) during the November ASEAN-Korea Summit to be held in South Korea.

Central Statistics Agency (BPS) data shows total trade between the two countries was US\$18.6 billion in 2018 with Indonesia enjoying a surplus of US\$443.6 million. South Korea is the seventh largest destination for Indonesia's exports which include mineral, natural rubber, plywood and manufactured goods.

Indonesian panel indices



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

Myanmar

MEITI report praised for boosting transparency

Art Blundell and Khin Saw Htay, writing for the online media 'moderndiplomacy' a platform for assessing and evaluating complex international issues that are often outside the boundaries of mainstream Western media and academia, acknowledge the improved transparency in Myanmar specifically mentioning the latest Myanmar Extractive Industries Transparency Initiative (MEITI) report as an important contribution to improved transparency and accountability in Myanmar's forest sector.

See: <https://moderndiplomacy.eu/2019/08/20/in-myanmar-better-oversight-of-forests-a-vital-step-in-transition-to-rule-of-law/>

Analysts in Myanmar write "the recent launching ceremony of the MEITI report on the forestry sector is a really significant development in the transparency history of forestry sector of Myanmar".

Myanmar-Japan-US investment forum

A Myanmar/Japan/US Forum on 'Fostering Responsible Investment' was held recently in Yangon.

The Forum was organised by the Ministry of Investment and Foreign Economic Relations in collaboration with the US Embassy, the Embassy of Japan, the American Chamber of Commerce, the Japan Chamber of Commerce and Industry, the Myanmar Federation of Chambers of Commerce and Industry, the Japan International Cooperation Agency, the Japan External Trade Organization and US Commercial Services. The aim was to highlight Myanmar's investment potential against a background of Asian growth potential.

The Directorate of Investment and Company Administration (DICA) has reported that investment flows into the country from Japan and the US totaled US\$1.6 billion as of the end of June 2019.

New voice for entrepreneurs

With the creation of the Myanmar Entrepreneurs Association (MEA) entrepreneurs in the country can more effectively voice their concerns and share knowledge and experience among members. The MEA was inaugurated on 22 August with U Ko Ko Htwe as the chair of the association.

It is understood MEA will seek to be a platform for entrepreneurs to share their knowledge and experience in areas such as human resource management, technology and financing.

Log tender schedule announced

The Myanma Timber Enterprise (MTE) has announced the tender schedule for 2019-20. MTE says 8,000 tons of teak logs and 150,000 tons of hardwood logs will be auctioned. The harvesting season usually begins in October/November.

Log Tender Prices for August 2019

Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	61.47	3,465
SG-5	67.25	2,857
SG-6	185.57	2,414
SG-7	767.88	1,679

Other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	273.18	655.00
Kanyin	2nd	10,947.7	560.00
Pyinkado	2nd	673.49	762.00
Ingyin	2nd	153.25	334.00

India

Only plywood prices on the rise

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for July 2019 declined to 121.2 from 121.5 in June. The index for the group 'Manufactures of Wood and of Products of Wood and Cork' declined to 134.2 from 134.6 for the previous month due to lower prices for wooden splints and veneer sheets. However, prices for plywood were higher.

The annual rate of inflation based on monthly WPI in July stood at 1.08% compared to 5.27% in July in the previous year.

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



Data source: Ministry of Commerce and Industry, India

Plantation teak imports

Serious efforts are being made by importers' to get the government to ease the advance payment conditions for GST. The timber sector is not the only one affected adversely by the GST implementation and in some other sector industrial action has been taken to draw attention to the issue.

The rupee is slipping against the US dollar and dropped to Rs.71, per US dollar, the year's lowest. A firm dollar, weak domestic equity markets and asset outflows from India as the super-rich move money to avoid the recent tax hike weakened the rupee.

C&F prices for teak imports continue within the same range as reported previously.

	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

Ex-mill prices for sawnwood milled from imported logs remain unchanged in what analysts write is a stable market.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

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

Importers cut back on Myanmar teak

Due to weakening demand for Myanmar teak, importers have started to reduce the volumes being imported. The main reason for the slowing demand is the dull housing market and consumer concerns on the economy and current political issues.

Myanmar teak prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Teak AD Export Grade F.E.Q.	15,000-22,000
Teak A grade	9,500-11,000
Teak B grade	7,500-8,500
Plantation Teak FAS grade	5,000-7,000

Price range depends mainly on lengths and cross-sections.

The government is actively promoting construction of affordable housing but real estate observers report home sales and starts have declined. In fact, according to a report from PropTiger.com, affordable housing accounts for half of the unsold housing stock in key cities.

PropTiger says” while home sales in the affordable category fell 7% during the quarter ending June, new launches declined by 56% compared to the same quarter of 2018”.

For more see: https://housing.com/news/proptiger-com-real-insight-report/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest

Sawn hardwood prices

Prices for imported European and US hardwoods remain unchanged at the moment as importers are absorbing the higher costs due to exchange rate changes.

Sawnwood, (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,700-1,850
Sycamore	1,800-2,000
Red Oak	2,000-2,200
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	2,200-2,400
Western Red Cedar	2,300-2,450
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

Plywood

Traders report that the price increases introduced earlier in the month have been accepted in the market but the dull housing market has impacted sales.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	74.00
6mm	98.00
9mm	123.00
12mm	153.00
15mm	200.00
18mm	215.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	37.50	53.50
6mm	55.50	70.50
9mm	70.50	86.50
12mm	87.00	102.00
15mm	102.00	123.00
19mm	119.00	141.00
5mm Flexible ply	75.00	

Local manufacturers have noted an increase in imports of birch plywood from Russia which has gained market acceptance and the volume of imports from Russia is expected to increase.

Production of hardwood plywood in Russia and the EU has increased to such an extent that these countries are having to diversify markets. (See EU report page 18)

The market for face veneers is undergoing change say analysts. Suppliers in SE Asia are facing growing competition from shippers, many of which are SE Asian companies, operating in Gabon. This is benefitting Indian mills as face veneer prices have fallen.

Forest Rights Act – government pledges to protect forest dwellers rights

On a purely domestic issue, ‘Down-to-Earth’, an Asian think tank on politics, the environment and development supported by the Indian Centre for Science and Environment recently focused on a decision from the Indian Supreme Court ordering the authorities in 21 states to explain why evictions, under the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act (FRA) 2006, had not been implemented. The government acted immediately and secured a stay-order promising to protect the rights of forest dwellers.

This issue has become a major test for the government which in its election campaigning promised to protect the rights of forest communities.

‘Down-to-Earth’ says “Several empirical studies including works of the Tata Institute of Social Sciences, Centre for Science and Environment and Indian School of Business show that wherever properly implemented, community forest rights have improved conservation”.

For the full story see:

<https://www.downtoearth.org.in/blog/forests/forest-rights-act-a-litmus-test-for-govt-to-protect-forest-dwellers-65816>

Vietnam

Not all plain sailing for companies relocating to Vietnam

The prospect of a long drawn out US/China trade conflict is seen as an opportunity for Vietnam to capture more of the US market share and this has been happening but it is not plain sailing. Many Chinese manufacturers have relocated to Vietnam but face problems.

One Chinese manufacturer in Vietnam pointed out that in China the company could get all the goods and services necessary to keep the factory running but in Vietnam the engineering service sector, for example, is not well developed and does not have the latest technology.

There are also problems, for example, with securing educated and skilled workers and the infrastructure is not well developed.

However, despite the problems many big corporations have relocated creating a golden time for Vietnam to develop the domestic industrial service sector and for the Vietnamese companies to improve their positions in the global supply chains.

See: <https://nhipcaudautu.vn/thuong-truong/wsj-viet-nam-se-can-them-nhieu-nam-nua-de-tro-thanh-cong-xuong-cua-the-gioi-3330083/>

Walmart wants to widen range of Vietnamese goods in its stores

Vietnamese products continue to attract foreign retailers and recently representatives of Walmart were in Vietnam to explore opportunities to expand its network of Vietnamese suppliers.

Walmart executives participated in a workshop “Enhancing participation of Vietnamese enterprises in global distribution networks” chaired by the Minister of Industry and Trade.

The workshop was informed that Walmart now has stores in 28 countries with total turnover of over US\$500 billion 2018 and the stores are visited by an average of nearly 270 million people per week.

To meet consumer demands Walmart reported that it wants to widen the range of Vietnamese goods in its stores and is willing to provide technical assistance, capacity building, productivity improvement and advice on legal compliance for the various markets.

Cambodia and Vietnam discuss cooperation to halt cross-border illegal timber trade

During a recent visit to Vietnam, Cambodia’s National Assembly Foreign Affairs Commission Chairman, Chheang Vun, discussed with his hosts how the two countries could cooperate to curb the trade in illegal timber from Cambodia.

Cambodia’s National Committee for Forest Crime Prevention recently seized nine trucks as they made their way toward the Trapeang Sre checkpoint in Kratie Province apparently on their way to Vietnam.

See: <https://www.khmertimeskh.com/50635603/kingdom-seeks-vietnams-help-to-curb-timber-trade/>

EU/Vietnam trade deal may boost opportunities in German furniture market

Trade between Vietnam and Germany should expand due to the recently agreed EU-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA).

Vietnamese furniture is popular in the EU but Vietnamese firms say their market share in Germany is small. In the first quarter of 2019, Vietnam’s furniture exports to Germany were only US\$80.8 million, a fraction of Germany’s furniture imports.

Forest concessions effective tool for sustainable use of public forests

The Brazilian Forest Service (SFB) and Madeflona Industrial Madeireira Ltda. recently signed a forest concession agreement for the Forest Management Unit IV in the Jamari National Forest in Rondônia State. Officials stressed that such partnerships are one of the most effective tools for the preservation and sustainable use of public forests as they prevent encroachment and help combat illegal activities.

The total forest area granted was 32,294 hectares. The company, which won a competitive bidding process in 2018, will be able to exploit the area for 40 years. Harvests will be limited to trees over 50cm diameter and the company plans to develop non-wood forest product harvesting and ecotourism. The company estimates annual revenue could reach R\$2.2 million.

Currently, around one million hectares of forest concessions have been granted to ten companies for 40 years. According to the SFB the goal is to allocate 4 million hectares as forest concession by 2022 in the states of Amazonas, Amapá and Pará and it is estimated that about 25,000 direct and indirect jobs would be generated.

The forest concession agreement authorises logging and controlled use of wood and other forest products but does not allow access to genetic resources, use of water resources, exploration of mineral resources, fisheries or wildlife or commercialisation of carbon credits.

The land title remains with the government for the concession period as the concessionaire is only entitled to forest management. In addition, the local community is assured of access to the concession area.

Madeira /Wood 4.0 Program promotes improvement of production and managerial performance

The so-called 'Madeira/Wood 4.0 Program' developed by the Brazilian Support Service to Micro and Small Businesses (Sebrae-MT) and the Center for Timber Producers and Exporters of Mato Grosso State (CIPEM), will soon begin studies on stock/inventory and process management and energy efficiency in collaboration with companies associated with CIPEM.

A forest stock management study will focus on control, traceability, material flow, consumption and purchasing strategies. The purpose is to provide technical recommendations for the improvement of production and managerial performance of the participating companies.

The study on energy efficiency aims to increase the energy efficiency of production systems through an analysis of processes and will develop solutions based on ISO 50001.

The 'Madeira/Wood 4.0 Program' will also offer workshops on financial management, commercial management, diagnosis of competitiveness and technological assessment of the productive area for entrepreneurs associated with the forest trade unions of the Alta Floresta, Guarantã do Norte, Juína and Sinop regions, major timber producing clusters.

Export update

In July 2019, the value of Brazilian exports of wood-based products (except pulp and paper) increased 4.4% compared to July 2018, from US\$213.9 million to US\$223.3 million.

The value of pine sawnwood exports declined 9.4% in July this year compared to a year earlier (July 2018, US\$41.7 million and July 2019, US\$37.8 million). However, in terms of volume exports increased 17% over the same period, from 163,400 cu.m to 190,900 cu.m.

In contrast, the volume of tropical sawnwood exports increased almost 50% from 0,800 cu.m in July 2018 to 46,100 cu.m in July 2019. In value, exports increased 27% from US\$13.7 million to US\$17.4 million over the same period.

The value of pine plywood exports fell 35% in July 2019 in comparison with July 2018, from US\$47.7 million to US\$30.8 million and export volumes also fell from 136,200 cu.m in July 2018 to 129,000 cu.m in July 2019.

Tropical plywood exports declined in volume (-29%) and in value (-37%), from 11,600 cu.m (US\$5.1 million) in July 2018 to 8,200 cu.m (US\$3.2 million) in July 2019.

The same negative result was seen for wooden furniture exports which fell from US\$48.3 million in July 2018 to US\$45.5 million in July 2019, an almost 6% drop.

Exports of panels to Asian markets dip

There was a drop in first half 2019 woodbased panel exports from Brazil. According to the Brazilian Tree Industry (IBA), in the period January to June 2019, 598,000 cubic metres of panels were exported, a drop of 3.5% compared to the volume exported in the same period of 2018.

While there was a rise in panel exports to China, exports to Asian markets and Oceania dropped sharply (-72%). Exports to Europe also fell by 71% in the first half of 2019.

In contrast, domestic sales of panels rose over 3% year on year in the first half of 2019. According to IBA, apparent consumption of wood panels was at its highest this year.

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	210↑
Ipê	117↑
Jatoba	111↑
Massaranduba	111↑
Muiracatiara	110↑
Angelim Vermelho	92↑
Mixed redwood and white woods	

Source: STCP Data Bank

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	843↑
Ipê	448↑
Jatoba	425↑
Massaranduba	390↑
Muiracatiara	379↑
Angelim Vermelho	249↑
Mixed red and white	195↑
Eucalyptus (AD)	142↑
Pine (AD)	165↑
Pine (KD)	

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	540↑
4mm WBP	428↑
10mm WBP	3513↑
15mm WBP	420↑
4mm MR	301↑
10mm MR	276↑
15mm MR	

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDParticleboard	219↑
15mm MDF	257↑

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,419
Jatoba	865
Massaranduba	841
Muiracatiara	850
Pine (KD)	185

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)	288
12mm C/CC (WBP)	272
15mm C/CC (WBP)	253
18mm C/CC (WBP)	248

Source: STCP Data Bank

Export Prices For Added Value Products

	US\$ per m ³
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,828
Jatoba	1,450

Source: STCP Data Bank

Sharp drop in sawnwood exports to China

According to the Association of Exporters (ADEX), first half 2019 timber exports were worth US\$60.9 million FOB, just over half a percent higher than in the first quarter of 2018. Sawnwood exports in the first half dropped by almost 14% to US\$9.8 million, FOB.

China continues to be the main export destination market for Peruvian exporters accounting for around 11% of all exports in the first half, a rise of over 15% year on year. In the first half 2019 France was the second highest export destination and there was a significant year on year rise in exports to France.

The Dominican Republic remained the main export market for Peru's sawnwood accounting for almost 40% of all sawnwood exports. Mexico is the second ranked market followed by China. In the first half 2019 sawnwood exports to China dropped over 60%.

Extra cash to check forest management plans

The Ministry of Economy and Finance (MEF) has transferred around US\$1.4 million to the Forest and Wildlife Resources Supervision Agency (OSINFOR) so it can boost monitoring of forest management plan implementation in areas most affected by illegal logging.

Slight drop in imports of wooden furniture

In the first six months of 2019, Peruvian imports of wooden furniture totalled US\$25.67 million, a slight year on year decline to US\$25.94 million.

Brazil remained the main supplier of wooden furniture shipping almost US\$17 million in the first quarter 2019. China was the second largest supplier at US\$3.69 million followed by Malaysia with US\$1.1 million.

The main Peruvian importers of wooden furniture in the first half of 2019 were Sodimac (ACE Peru SAC), the Falabella Group, Saga Falabella and Homecenters Peruanos.

July a bad month for forest fires

The National Institute of Civil Defence reported that the 142 forest fires reported across the country up in July alone were caused mainly by farmers. In late August only one fire was reported and this was in the district of Tamburco in Apurimac.

The largest number of forest fires were reported in the Department of Cusco, with a total of 32; followed by Ayacucho, with 14 events; Huánuco and Puno, with 12 each and Ancash 10. In the Amazon, six fires were reported while in Madre de Dios there were three. Loreto and Ucayali reported only one fire.

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	604-641

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	966-984▲
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	551-591

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic Mahogany	-
Virola	264-275
Spanish Cedar	333-352
Marupa (simarouba)	225-236▲

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	349-379
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	1327-1398
Cumaru KD, S4S Swedish market	97991098
Asian market	1085-1119
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	544-577
2x13x75cm, Asian market	756-822

Japan**Nothing at present to reverse current negative trade trends**

All eyes in Japan have been focused on the trade negotiations between Japan and the US and while there are signs that a deal is close the news was not enough to lift Japanese business sentiment or sway foreign exchange markets that have seen the Japanese yen, a safe haven in times of anxiety, strengthen to 104 to the dollar for a short while in late August. Analysts say there is little that could reverse the negative trends at present.

The weak business sentiment in Japan stems from the impact of the US/China trade dispute, the weakening Chinese currency and the slowdown in manufacturing in all industrialised nations.

Export growth into reverse

The Ministry of Finance has reported that exports fell 1.6% year on year in July marking one of the longest periods of monthly declines since a 14-month long bad period in between October 2015 and November 2016. The main reason for the decline was the drop in exports to China of electronic goods and car parts.

Not surprisingly, manufacturers' confidence (Reuters poll) turned negative for the first time in more than six years.

See: <https://www.reuters.com/article/us-japan-economy-trade/japans-exports-slip-for-eighth-month-sales-to-china-drop-as-recession-fears-grow-idUSKCN1V9015>

No increase in annual bonuses for workers

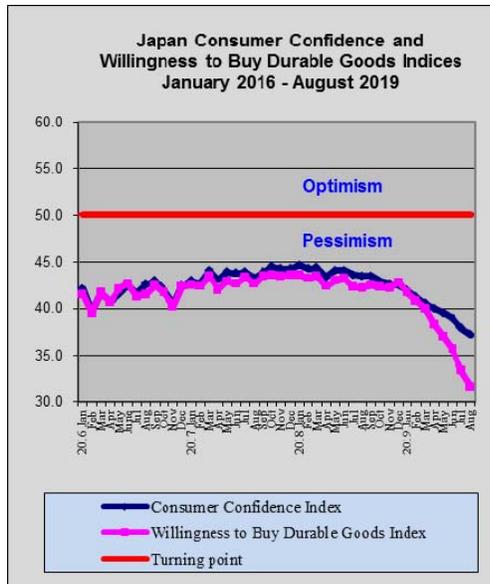
Most Japanese companies have decided not to raise annual bonuses this year. Annual bonus payments are considered another measure of business confidence in Japan. In contrast, the National Personnel Authority has advised the Cabinet to raise salaries and bonuses for government employees in fiscal 2019.

If this recommendation is adopted it will be the sixth consecutive pay rise for civil servants. The Authority said the increase is necessary to close the income gap with the private-sector.

Consumer sentiment at five and half year low

The Cabinet Office August consumer sentiment survey reports sentiment fell for the 11th month in a row, dropping to the lowest level in nearly five-and-a-half years. The survey covered 8,400 households across Japan on their perceptions of overall livelihood and other categories for the next six months.

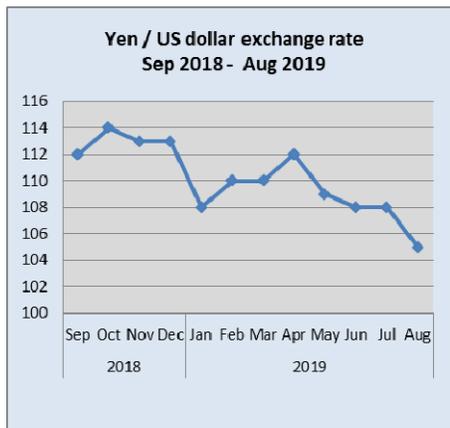
The overall index fell to a low last seen in April 2014. Among the other sub-indices the index reflecting households' inclination to buy durable goods continued down as did indicators measuring overall livelihood and employment prospects.



Data source: Cabinet Office, Japan

Rush to yen as global uncertainty rises

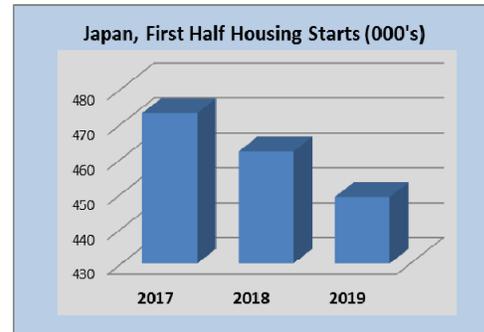
The flight to safety brought on by another series of US tariff increases on Chinese exports caused a sharp strengthening of the yen which rose to its highest level against the US dollar since late 2016.



Housing starts down for 3 consecutive years

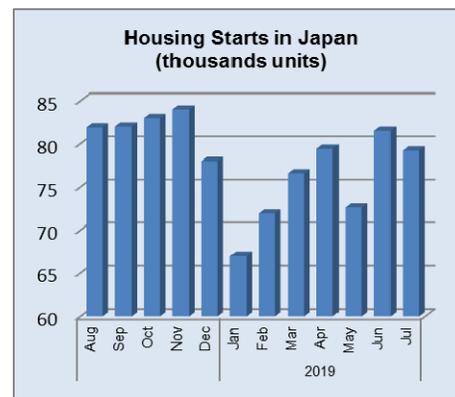
Over the past 3 years there has been a steady decline in housing starts in Japan. Between 2017 and 2018 first half year starts dipped 2% and there was a 3% decline between 2018 and 2019. Housing starts have dropped around 5% over the past three years.

Residential building prices have started to fall according to data from the Land Institute of Japan. The average price of new condominiums in Tokyo dropped 1.65% y-o-y in the second quarter of 2019, a sharp slowdown from growth of almost 10% a year earlier.



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

July 2019 housing starts dropped 3% month on month and were down around 4% year on year.



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

Import update

Furniture imports

The value of first half 2019 imports of wooden office furniture HS 940330 were down around 14% compared to the first half of 2018 and there was a slight year on year dip in imports of wooden bedroom furniture in the first half of 2019.

What stands out was the 12% increase in wooden kitchen furniture in the first half of 2019 compared to the same period in 2018. This rise in kitchen furniture imports mirrors the steady increase in housing starts in Japan which, except for May, have been rising since January this year (see housing starts above).



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year, the value of June imports of wooden office furniture declined 12% and month on month, June 2019 imports were down 19%.

Office furniture imports

	Imports June 2019 Unit, 000's Yen
S. Korea	-
China	119,468
Taiwan P.o.C	-
Hong Kong	-
Vietnam	1,522
Thailand	-
Malaysia	2,654
Indonesia	-
India	-
Denmark	-
UK	4,031
Netherlands	-
France	-
Germany	9,195
Portugal	11,789
Spain	-
Italy	4,655
Poland	14,164
Turkey	-
Lithuania	3,589
Slovakia	1,184
Canada	2,655
USA	4,707
Mexico	-
Tanzania	-
Total	179,613

Data source: Ministry of Finance, Japan

Building on the rise in shipments in May, the value of June shipments of wooden office furniture rose again in June and accounted for around 66% of all Japan's wooden furniture imports. China is the biggest supplier and the other significant suppliers in June were Poland (8%) and Portugal (7%). In total, shippers in the EU accounted for just 28% of June imports.

Kitchen furniture imports (HS 940340)

Exporters in the Philippines and Vietnam maintained their huge share grip of Japan's imports of wooden kitchen furniture. In June exports from the Philippines edged Vietnam into second place. However, both sources dominate wooden kitchen furniture imports into Japan.

In June the Philippines accounted for 45% of Japan's wooden kitchen furniture imports while Vietnam provided another 39%. China is not a major shipper of wooden kitchen furniture to Japan, supplying just 10% of June import values. Exporters in Asia accounted for 96% of Japan's wooden kitchen furniture imports in June.

Kitchen furniture imports

	Imports June 2019 Unit, 000's Yen
China	139,102
Taiwan P.o.C	-
Vietnam	550,594
Thailand	17,036
Malaysia	17,357
Philippines	628,254
Indonesia	3,246
Cambodia	-
India	-
Denmark	-
UK	-
Netherlands	-
France	-
Germany	32,983
Spain	-
Italy	5,246
Finland	-
Romania	6,239
Czech. Rep.	-
Canada	7,400
USA	-
Total	1,407,457

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

With Japan being a highly developed and quality conscious market it is surprising that just 4% of bedroom furniture imports are from the EU. Manufacturers in China and Vietnam have successfully penetrated the Japanese

bedroom furniture market supplying almost 85% of all Japan's June wooden bedroom furniture imports.

The year on year value of shipments of wooden bedroom furniture was up 4% in June but, compared to a month earlier, June arrivals were down 9%.

Bedroom furniture imports

	Imports June 2019 Unit, 000's Yen
S. Korea	-
China	1,149,219
Taiwan P.o.C	2,942
Hong Kong	-
Vietnam	655,325
Thailand	63,863
Malaysia	24,964
Philippines	269
Indonesia	13,045
India	-
Sweden	1,490
Denmark	519
Netherlands	-
Belgium	-
France	-
Germany	1,988
Spain	-
Italy	11,480
Finland	-
Poland	26,995
Austria	234
Hungary	-
Romania	7,787
Estonia	-
Latvia	657
Lithuania	15,829
Bosnia Herzegovina	3,034
Slovakia	-
USA	-
Brazil	-
Morocco	-
Total	1,979,640

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>

June plywood supply

Total supply in June was 476,200 cbms, 7.4% less than June last year and 5.3% more than May. Production of softwood plywood was 276,300 cbms, 1.6% more and 8.3% more, the highest record. Supply of imported plywood was 189,900 cbms, 18.2% less and 1.8% more.

Domestic supply renewed record high after two new plywood mills started in late May and the production by these mills added on in June. The shipment of softwood plywood was 270,200 cbms, 8.2% more and 2.4% more.

This is the second highest after last January. Since the production exceeded the shipment, the inventories were 121,800 cbms, 6,800 cbms more than last month. Plywood mills' inventories were only 0.4 month so hand-to-mouth operation continues.

In imported plywood, Malaysian supply was 61,000 cbms, 23.5% less and 4.3% less. This is the lowest in last five years. Indonesian supply was 70,700 cbms, 17.4% less and 22.8% more. China supplied 43,000 cbms, 7.7% less and 16.8% less. Because of sluggish market in Japan, the importers have not placed much orders to the supply side so future arrivals seem to continue low.

Plywood

There are two different pictures between domestic plywood and imported plywood. Domestic softwood plywood shipments continue very active and the manufacturers continue a full production with low level inventories.

Meantime, movement of imported plywood market continues slow and high export prices and low market prices in Japan continue.

Pre-cutting plants secured enough orders from large house builders so the operations keep busy. They need more volume of softwood plywood to catch up orders. Movement in distribution channels is slow.

Domestic manufacturers continue a full production but due to high level shipments same as the production, they are not able to build up the inventories so there are some short items like thick panels, which delivery takes much longer now.

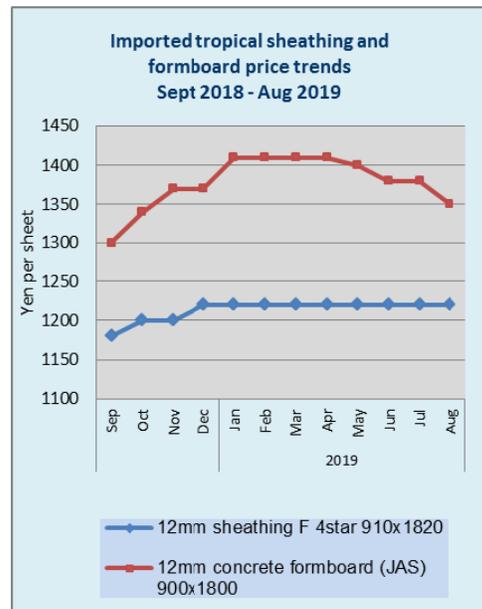
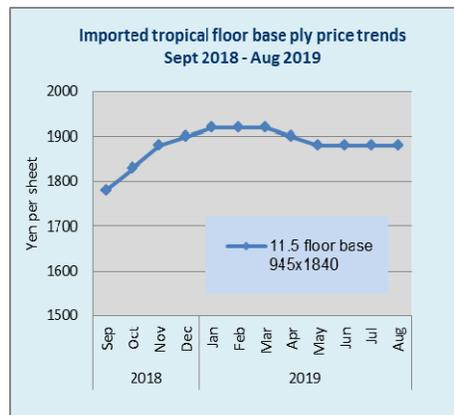
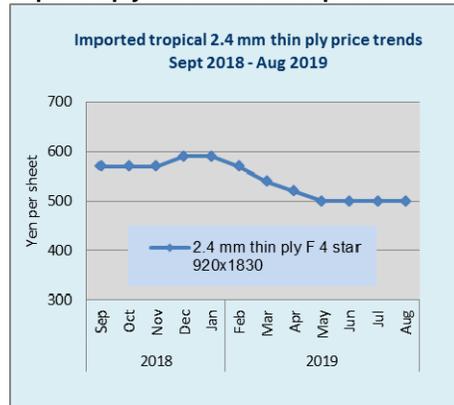
Since the manufacturers have received enough orders for a month, they are not able to accept any more order for August. In this situation, plywood mills try to correct price difference and bring the prices up to the proposed prices after there were gaps between proposed prices and actual market prices and the gap is gradually narrowing. Movement of imported plywood varies by the area.

In Tokyo region, condo starts slowed down and many redeveloping properties are in stage of interior finishing and new properties will be next year so the demand for imported plywood is slow. Meantime, in Kyushu and Nagoya regions, condo starts are busy so that there is ample demand for concrete forming panels but desired prices by the contractors are severe.

By stagnating movement of imported plywood in Tokyo market, the market prices continues depressed while the suppliers export prices remain high. There are some short items in the inventories so the dealers wish to place orders but price gap between the suppliers and market in Japan is too much so they are not able to place new orders.

Actually new orders dropped considerably since late last year so arrivals of imported plywood in May and June were less than 200,000 cbms, record low arrivals for two straight months. There is no more congestion of bulk ships so the inventories will decrease further more.

Imported plywood wholesale prices



South Sea (tropical) logs and Lumber

Arrivals of PNG logs are steady. Log production in PNG is dropping due to rainy season but plywood mills in Japan carry ample log inventories so there is no fear of supply shortage. Log demand by China and India is not so active so the suppliers are not able to push the log export prices up.

Log prices in Sarawak, Malaysia are softening by improved log production but the prices of higher grade logs Japan wants have very little influence.

Market prices of laminated free board from South East Asian countries are steady. Mercusii pine supply is steady in Indonesia and the prices are the same as Chinese red pine laminated board.

Orders for interior refurbishing of public facilities and commercial shops got active before summer vacation, which stimulated the demand. Interior works for building to complete before the consumption tax increase will start shortly so the demand should stay firm despite increased supply.

Domestic logs and lumber

Due to prolonging rainy season, log production dropped in July but the supply was ample in the first half of the year so that sawmills' log inventory is full.

After log supply declined, post cutting cedar log prices are firming and cypress log prices are also firm in Kyushu and Chugoku region. August is the month with least log production so log prices seem to stay firm through September.

Lumber orders increased since last July by major precutting plants. Orders on KD solid wood lumber, cedar laminated lumber and cedar FJ stud are active. Meantime, supply of 120 mm post, stud, sill and girder is excessive.

Market lumber prices are weak by oversupply with active supply from sawmills. Also supply of imported Douglas fir KD beam, hemlock sill, whitewood laminate post and whitewood stud increased this year and the prices are weakening, which influence domestic lumber market. Import of wood fuel for the first half.

Import of major wood fuel during the first six months of this year is 750,319 ton of wood pellet, 56.7% more than the same period of last year while PKS is 628,029 ton, 3.2% less.

Sources of wood pellet are Vietnam with 420,902 ton, 219.6% more, Canada with 266,806 ton, 19.4% less, Australia with 29,255 ton, 211.6% more, Malaysia with 19,822 ton, 417.9% more. This is the first time that Vietnam's volume exceeded Canadian as the demand to use with coal burning increased.

Reasons that the Canadian volume dropped are Canadian pellet manufacturing plant had some trouble then stop of Keihin biomass power generation plant, which used Canadian wood pellet mainly. Wood pellet from the U.S.A is only 163 ton but there are several long term contracts with large power plants, which will start up shortly so the U.S. will be a major supplying country in coming years.

International wood pellet market is firming with recovery of European demand but there is difference between long term contracts and spot deals. Spot deals in the South East Asia are soft after Korean demand decreased so the Vietnamese pellet prices are on weak side.

Present prices for Japan market are holding at \$130-140 per ton C&F. North American long term contract prices are very firm since there are limited number of suppliers. Demand for wood pellet in Japan seems to be firm but large new power plants are looking for long term contracts with South East Asian suppliers because North American prices are high.

PKS import for the first half is almost the same as last year. Sources are Malaysia with 131,455 ton, 31.3% less, Indonesia with 496,280 ton, 8.6% more. FIT power plants look for sustainable supply of PKS so the future is uncertain.

China

China to levy tariffs on US wood products

China will impose additional tariffs on around US\$75 billion worth of US goods. The Customs Tariff Commission of the State Council said extra tariffs of either 5% or 10% will be applied depending on the product imported from the United States.

The extra tariffs will be implemented in stages, some on 1 September and others 15 December 2019.

From 1 September 2019, China will impose 10% additional tariffs on wood products including fuelwood,

softwood chips/pellets, sawnwood, plywood, wood and bamboo tableware and kitchen utensils. From 15 December 2019 China will levy further tariffs on logs, sawnwood, veneer, fibreboard, wooden wares, flooring, bedroom redwood furniture, bamboo and rattan furniture, plywood, particleboard, and natural cork products.

See:
http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372928.html
and
http://www.chinadaily.com.cn/cndy/2019-08/24/content_37505279.htm

Some furniture removed from US tariff list

After announcing the postponement of extra tariffs on Chinese products on 13 August 2019 the office of the United States Trade Representative (USTR) made a second round of adjustment of tariffs removing Chinese made wooden furniture, plastic furniture, metal frame chairs, routers, modems, prams, cradles, cots and some other goods.

However, analysts in China report that furniture parts are still on the list. In addition, not all Children's furniture will be exempt as it seems children's high chairs will attract tariffs from 1 September 2019.

According to the Xinhua News Agency, China's furniture exports accounted for around 25% of the global market share. As a result of the increased tariffs in the US several large retailers in the US increased sales prices. According to US Department of Labour data the US national furniture price index (urban residents) increased 3.9% year-on-year in July 2019, the third consecutive monthly rise. The Children's furniture price index surged almost 12% year-on-year.

VAT rates adjusted to help manufacturers

As of 1 April 2019 the VAT which was 16% for taxable sales or imports was reduced to 13%. Also VAT taxpayers who were subject to a 10% VAT rate saw a reduction to 9% and this has impacted timber companies.

Analysts report that, for example, a wood processing mill in Jiangmen City, Guangdong Province had sales of RMB35 million in 2018 and the total value of timber raw materials was nearly RMB20 million. Based on the new tax schedule the tax payable is expected to be reduced by RMB240,000.

Timber imports through Manzhouli Port are likely to decline

Russian log and sawnwood enters China mainly through Manzhouli Port. This year, due to Russian restrictions on log exports, China's imports have declined. On the other hand imports of sawnwood increased slightly.

The decline was first observed in the second quarter of 2019. Analysts say that much of the decline can be explained by the high stock levels in China. In recent years, due to the slowdown of domestic consumption and the decline of spending on infrastructure wood

consumption slowed driving down imports. The short term prospects for China's consumption suggest imports are likely to fall further.

Lanzhou wood processing zone operational

The new wood processing zone close to the Lanzhou Port in Gansu Province is now operational. Mills in the zone process imported timber raw materials. The zone occupies 13,100 square metres and imports include scots pine and radiata pine from Russia, Belarus and New Zealand. Mills in the zone produce mouldings and decorative panels for the domestic and international market.

Mandatory emission reductions in wood products enterprises

Recently Xuzhou City issued an official notice to further strengthen air pollution prevention and control. The plan requires inspection of VOCs emissions in many wood processing enterprises.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	Yuan/Cu.m
Merbau	dia. 100 cm+	4000-6000
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

	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
Afromosia	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
Amoorra	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

Plywood markets facing multiple pressures

As the year has progressed, the European plywood sector has become increasingly depressed. That's the consensus among a number of leading importers and distributors. In the words of one company, the market faced a 'perfect storm of negative factors'.

There has been a steady draining away of end-user and consumer confidence, buying, as a result, has become increasingly piecemeal, with forward ordering evaporating and prices have fallen across the board, in the case of certain products up to 40%.

Many European buyers are heavily stocked and bad debt is reported on the rise. Reflecting dwindling demand, supply is plentiful and orders available on relatively short lead times.

However, with manufacturers now trimming output in the face of deteriorating market conditions and plant closures and production line mothballing anticipated, importer nervousness about prepaying for orders has increased.

"We expected some market adjustment after having a robust three years of business from 2016 to 2018, with global plywood output hitting a record 161 million cu.m in 2017 and Chinese production reaching 117 million cu.m," said one continental European importer. "But we didn't think it would be as difficult as this."

A new analysis of the total supply of plywood to the EU market in 2018 by the FLEGT Independent Market Monitor (IMM), an ITTO project, highlights one reason for the scale of the current difficulties.

This reveals that, when EU domestic production of around 5 million cu.m is taken into account, the total volume of plywood supplied to the EU market in 2018 increased 4.6% to 9.50 million cu.m, that is a level which exceeds the previous high-water mark in 2007 before the global financial crises.

This begs the question of exactly where the large new plywood supplies arriving in the EU market in the last few years (mainly from Russia, China, Belarus, and Ukraine) are able to find an outlet - given that construction and furniture sector activity in the EU are still down, respectively, around 6% and 14% on the 2007 level.

There's also been much well-publicised substitution of plywood by other products, such as OSB, since then. Part of the answer to that question appears to be that a significant proportion of the most recent surge in supply has gone into stock which can't now find a buyer.

Plywood companies themselves attribute market difficulties to several factors, the most significant being declining confidence in the global economy generally. This is the result itself of several developments, including slowing of Chinese economic output, US-China trade tensions and uncertainty surrounding Brexit and its potential impact on European economic stability.

"We are seeing the effects of international market caution in European manufacturing and exports, notably in Germany, which is, of course, a bellwether for the wider European market," said an importer. "Latest figures show German industrial output falling 1.5% in June, taking the downturn to 1.8% for the second quarter, with predictions of a further 1.5% decline in July. According to some reports this leaves the country on the brink of recession."

These comments are in line with reports from market analysts Bloomberg, which reports an 8% fall in German exports in the year to June, the worst performance for four years. It describes Germany as being caught in the middle of the trade dispute between the US and China, its two main trade partners, with the former hiking trade tariffs and the latter 'responding by allowing its currency to tumble to its lowest value in more than a decade'.

Leading German manufacturers, including Daimler and BASF, have consequently cut their outlooks and Bloomberg predicts German overall growth this year of just 0.5%.

The manufacturing contagion is also reported to be spreading. French industrial production in June fell 2.3%, the most since early 2018, and Netherlands manufacturing has registered its fourth consecutive annual decline.

With the added burden of Brexit nerves and the related fall in the value of the pound pushing up its import costs, UK manufacturing in May reported its worst downturn for 2.5 years, with car and textile production suffering particularly badly.

The one bright spot, say plywood importers, has been European construction, which, to date, has been relatively resilient. "Historically, there's a delayed reaction in construction to wider economic stagnation and slowdown," said one continental-based company. "It is among the last sectors both to enter and emerge from a downturn."

This is borne out by latest analysis from Euroconstruct. In June it stated that in its coverage area, comprising 19 European countries, construction output in 2018 grew by 3.1%, slightly better than expected, to reach €1,600 billion.

This took seven countries above pre-economic crisis levels of building activity, while six are now at 2007 levels, and the remaining six, including three of the big five construction markets, still performing less well than 12 years ago.

“We are still experiencing good demand from the German construction sector and particularly the Netherlands,” said another plywood importer. “And companies still report solid order books.”

Looking ahead, however, Euroconstruct says that 2018 construction performance will be viewed as a peak for a number of years, with European output predicted to grow by just 2% in 2019 and less than 1.5% for the next two years. Infrastructure sector activity will be strongest, with 3% growth forecast this year, but general building, including housing is expected to increase just 1%.

The best performing individual construction markets from 2019 to 2021 are expected to be in Eastern Europe, with growth rates up to 6%, followed by the Netherlands, Portugal and Spain, up 4%. But construction in France and Germany is forecast to stagnate, while Italy and UK are expected to grow at under 2%.

Latest figures from the UK Construction Products Association suggest that UK growth may actually have to be downgraded further, once more due to the general market unpredictability and caution caused by uncertainty surrounding Brexit. It had forecast UK construction to grow 2% in 2019, but has now cut that to just 0.3%. Its latest analysis in August stated that, with the added problem of unseasonably bad weather in June, UK building actually contracted 1.3% in the second quarter.

That said, a leading UK importer maintained in early August that demand, while lower, was not ‘disastrous’. “Business has been pretty steady, albeit not very profitable,” they said.

While construction has to date offered some relief to the plywood sector, the same can’t be said of packaging.

“Packaging manufacturers are definitely being hit by the downturn in industrial manufacturing in lead European economies,” said an importer. “Particularly hard hit are those producers supplying the wider engineering, machine tools and automotive sectors, which have seen export demand tightening.”

One plywood business said that the Brexit issue was also affecting packaging sector confidence. “The prospect of all solid wood packaging for goods exported from the rest of the EU to the UK having to have ISPM 15 (phytosanitary) certification post-Brexit is an issue for

manufacturers,” said one company. “Plywood, as a processed wood packaging material, may not be directly affected, but it is causing uncertainty in the market generally.”

Some European importers say the deterioration in market conditions started from the beginning of the year. Others said that their first three to four months sales were satisfactory, but subsequently turned down. All agreed that by the end of July business was flat. One described it as ‘dead as a dodo’.

“The orders are still coming in, but it’s much more piecemeal,” said one company. “Customers aren’t committing to large volumes, it’s hand to mouth and just in time. Everyone is very wary of building stocks in the current climate.”

Contributing to market problems, the larger European stockholding importers are reported to have bought heavily towards the close of 2018, due to over confidence about market growth and in order to buy within the plywood quota. So they held very large inventories as demand started to contract. They are said now to be attempting to work through the excess and in the meantime have curtailed purchasing further.

In response to declining demand, combined with particular circumstances in key supplier countries and manufacturers attempting to gain competitive advantage, prices have been trending down, depending on source, for the past 10-12 months.

“Brazilian elliotis is down around 40% since last August/September, and Russian down 25-30% since around October, while Chinese has come down 10-15%,” said an importer.

The Brazilian price squeeze has also been attributed to tightening demand in producers key US export markets, plus deteriorating economic conditions in Brazil itself impacting producers’ domestic sales.

“At recent price levels, given the cost of elliotis logs, manufacturers cannot be making a margin, and, with at least one producer already closing, and others mothballing plant and taking out shifts, conditions are clearly tough and further casualties can’t be ruled out,” said another company. “It’s more difficult to work out whether Russian mills are still in profit as their raw material costs are not so easy to ascertain, but they can’t want to continue at recent price levels.”

Chinese price deflation is put down to manufacturers following international market trends to remain competitive, plus US tariff hikes.

The Americans were also reported in April by www.woodworkingnetwork.com to be stepping up policing against attempts to evade antidumping and countervailing tariffs on Chinese imports.

Indonesian and Malaysian plywood prices were also reported to have weakened in line with the wider market, although one importer said that, other than in the UK, these suppliers had become 'niche' in the EU.

"They've faced increasingly fierce competition from other sources," they said. "For instance, Indonesian film-faced has been undercut by Russian, which has also become an increasingly high quality product."

On a brighter note, there are signs that prices may finally be bottoming out, with some Brazilian and Russian suppliers reported to be attempting to edge the market upwards slowly.

However, many stockholding importers are said to be still taking a hit on over-valued stocks.

"In some cases we're talking about US\$100 cu.m difference between what companies paid for product, and current import prices. That's around US\$5,000 per container and it's not unusual for some of the bigger businesses to be placing orders of 100 to 200 containers, so we're talking about stock write-offs of between US\$500,000 to US\$1 million. It's pretty serious."

Quite a few companies must be under some pressure. Consequently we're being very careful in our purchasing. Given the precarious state of some Brazilian producers, we're keeping a close eye on payment times and in we're also not prepaying for orders as we used to. Once a shipment is on the water, then we'll pay."

Chinese prices were also reported by a UK importer as now 'steady', with Indonesian and Malaysian following suit, 'although volumes of the latter have been down and shortages are anticipated in Q4, which is also the rainy season', they said.

Latest figures from Eurostat are for January to May 2019, so prior, according to most importers, to the sharpest slowdown in demand. They show total EU imports of plywood by EU countries (including internal EU trade) down 4.3% compared to the same period in 2018 at 2.01 million tonnes. Total EU imports from outside the EU were 1.27 million tonnes, 2% more than the same period in 2018.

Of larger EU importers, Spanish imports (including intra-EU and extra-EU imports) were up 11.4% to 52,600 tonnes from January to May. This, say plywood businesses, reflects the country's improving economy, with the Bank of Spain in June revising its forecast for GDP growth for the year from 2.2% in March to 2.4% and Spanish 'value-added' construction, led by the residential and commercial building, sector expected to grow 3%.

Total intra-EU and extra-EU imports were also up in Belgium (+4% to 165,300 tonnes), France (+6.3% to 157,400 tonnes) and Denmark (+9.3% to 69,500 tonnes).

However, imports fell in Poland (-5.2% to 94,900 tonnes), Italy (-13.4% to 124,700 tonnes), Netherlands (-0.8% to 184,700 tonnes), Germany (-15.7% to 372,100 tonnes) and UK (-2.6% to 373,400 tonnes).

EU tropical hardwood plywood imports were actually up from January to May compared to the same period in 2018, rising 11.8% in volume to 149,200 tonnes and 20% in value to €133.3 million. This, say importers, reflected continuing confidence in demand in late 2018 and that price deflation experienced in the market was more focused in temperate hardwood and softwood sectors, and became steeper as the year went on.

In the January to May 2019 period, tropical plywood imports fell in Belgium (-3.1% to 16,300 tonnes), France (-2.4% to 8,700 tonnes), and Italy (-0.3% to 7,100 tonnes).

However, German imports of tropical plywood rose 3.1% to 11,200 tonnes, and imports in the Netherlands were up 5.6% to 14,700 tonnes, but the biggest increase came in the UK, up 22.2% at 83,200 tonnes, a trend attributed in part to stockpiling pre-Brexit. "Quite a number of companies built their [tropical plywood] stocks very high, despite weakening demand and they're now trying to offload surpluses which means competitive market conditions," said one UK importer.

EU tropical hardwood plywood imports were up from China (+48.5% to 66,000 tonnes), Brazil (+23.4% to 5,400 tonnes) and Vietnam (+16.4% to 5,400 tonnes). However, imports fell further from Malaysia (-31.8% to 16,100 tonnes) and were also down 1% from Indonesia, to 39,700 tonnes.

Asked whether FLEGT licensing was having any more market impact for Indonesian suppliers, EU importers echoed comments from the last IMM Trade Consultation in Antwerp earlier this year. They said there was still little awareness or understanding of what a FLEGT license means further down the supply chain and that, where any form of legality or sustainability verification or certification was specified, it was FSC or PEFC. So FLEGT remained a 'nice to have' rather than a 'must have'.

Previously reported mismatches on FLEGT licensed shipment product codes between the EU and Indonesia were not flagged up by importers as a major issue and one thought the problem had been 'largely resolved'.

An issue reported in Germany of customs putting 'patched' plywood, which was touch or contact sanded to achieve a specified nominal thickness post import, into a higher duty band has also been settled according to German timber trade federation GD Holz. The authorities ultimately decided this did not constitute a product refinement.

In the EU temperate hardwood plywood sector, imports from outside the EU were up 2.9% overall to 630,300 tonnes in the January to May period.

The biggest increases came in imports from Russia (+10.8% to 337,800 tonnes) and Ukraine (+17.2% to 37,100 tonnes). The largest decreases were in imports from China (-7.9% to 199,300 tonnes) and Belarus (-8.5% to 45,200 tonnes).

In softwood plywood, EU imports from outside the bloc between January and May 2019 contracted 1.7% to 487,000 tonnes, with biggest declines from Chile (-13.3% to 43,500 tonnes) and Russia (-10.5% to 40,600 tonnes). However, imports increased from China (+2.5% to 28,500 tonnes) and Brazil (+4.3% to 358,900 tonnes). Growth in the latter was again attributed in part to UK stockpiling in the first quarter.

“There was crazy Elliotts buying in the first three months – way too much,” said a UK importer. “Then it was dumped as forward prices kept falling. Utter madness by UK importers.”

Looking forward, EU importers said they could see no immediate reason for much change in market conditions through the rest of 2019. One anticipated improvement setting in in 2020, although another said it was impossible to predict ‘when we can’t even forecast what’s going to happen in the coming three months. The overall economic outlook is just too uncertain’.

Prices were expected to be more stable, with Russian and Brazilian suppliers continuing to nudge levels upward. “But in the current climate, with Brexit, international trade tensions between the US and China and to some extent the US and Europe, we don’t anticipate jumps of 10%,” said an importer.

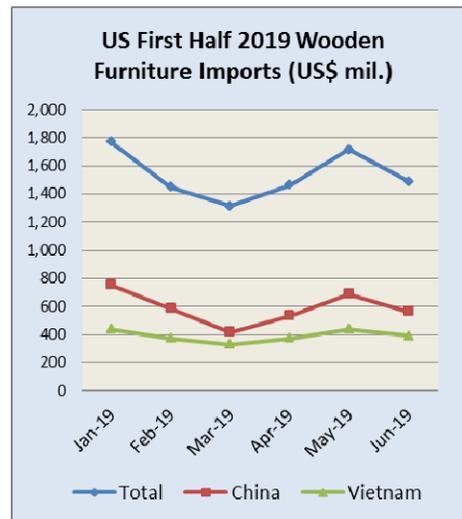
“We’re gearing for the market to remain competitive,” said another company. “In fact, forecasters are saying we’re going to have to get used to lower overall economic growth than recently for the next two to three years. It’s a case of being cautious in buying, ensuring stocks are not too high and being as lean and mean as possible.”

North America

Imports of wooden furniture dropped in first quarter 2019

US imports of wooden furniture slowed by 13% in June and have now fallen behind 2018 totals for the first time this year. At US\$9.17 billion through June, total imports are down 2% year to date.

Imports from China account for most of the slowdown, falling 18% both for June and for the year to date. Imports from Vietnam, while falling 11% in June, are up 28% year to date.



Data source: US Census Bureau

US removes some tariffs - furniture exporters to benefit

The United States Trade Representative's (USTR) office has announced that tariffs will be removed from some Chinese imports. The majority of the removed tariffs are those on furniture products including wooden chairs and children’s furniture.

“Certain products are being removed from the tariff list based on health, safety, national security and other factors and will not face additional tariffs of 10 percent,” said a USTR press release. As part of USTR’s public comment and hearing process it was determined that these tariffs should be delayed until December.

EPA publishes correction to formaldehyde rule

The Final Technical Corrections Rule that makes technical fixes to the US Environmental Protection Agency's (EPA) Formaldehyde Emission Standards for Composite Wood Products regulation was published in the Federal Register.

The International Wood Products Association (IWPA) is working with EPA to schedule a webinar on the technical fixes following the Labor Day holiday.

Weakness in US apartment building

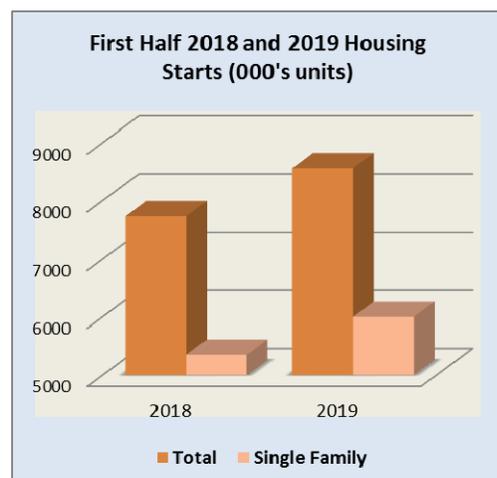
US new-home construction unexpectedly fell in July for a third month on another drop in starts of apartment buildings that masked a gain in single-family units.

Residential starts dropped 4% to a 1.19 million annualised rate after a downwardly revised 1.24 million pace for June.

Multifamily home construction slumped for a second month, while starts of single-family housing increased to the highest level since January.

Starts for multifamily homes, a category that tends to be volatile and includes apartment buildings and condominiums, decreased 16.2% after a 16.4% decline in June, while permits increased 21.8% last month.

Single-family starts climbed 1.3% to an 876,000 annualized rate, and permits rose for a third month. Single-family housing starts rose in the Northeast, West and Midwest, but dropped 3.9% in the populous South.



Data source: US Department of Housing and Urban Development

Record high employment, but 2018 figures revised down

Payroll growth rose in line with expectations in July and the unemployment rate remained at 3.7% amid a sharp jump in the size of the labour force to its highest level ever.

The Labor Department reported that payrolls increased 164,000 during the month, just 1,000 below the 165,000 Dow Jones forecast. This also was about the average monthly gain for the year.

Economists had expected the unemployment rate to drop to 3.6%, which would have tied a 50-year low, but an influx of 370,000 new workers to the labour force brought the participation rate up to 63%, its highest since March. The total labor force of 163.4 million set a record high.

This positive news was offset by a Labor Department announcement that it was revising down total job gains from April 2018 to March 2019 by 501,000, the largest downward revision in a decade.

The agency's annual benchmark revision is based on state unemployment insurance records that reflect actual payrolls while its earlier estimates are derived from surveys. The large change means job growth averaged 170,000 a month during the 12-month period, down from the 210,000 initially estimated.

Manufacturing still growing but at a slower pace

Economic activity in the US manufacturing sector expanded in July and the overall economy grew for the 123rd consecutive month, say the nation's supply executives in the Manufacturing ISM Report on Business.

The ISM manufacturing index continued to show expansion, but slipped lower for the fourth straight month. Manufacturing supply executives reported contraction in both imports and new export orders.

However, the wood products industry was the only one of the 18 ISM sectors reporting growth in imports in July. Wood products led the nine industries that reported growth in July, although some respondents credited that to seasonality.

US consumer confidence falls to lowest level for 2019

US consumer sentiment fell to 92.1 in August, the lowest indicator since the start of 2019. The dip points to further uncertainty in the US economy, as consumers navigate wild market swings and a constantly shifting trade environment.

The University of Michigan's preliminary August reading came in well below Wall Street estimates. The August losses spanned all index components, according to the report. Businesses across all sectors have curtailed spending amid efforts to counteract the impact of reciprocal US and China tariffs. Poor consumer sentiment suggests those efforts haven't fully staved off concern.

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.

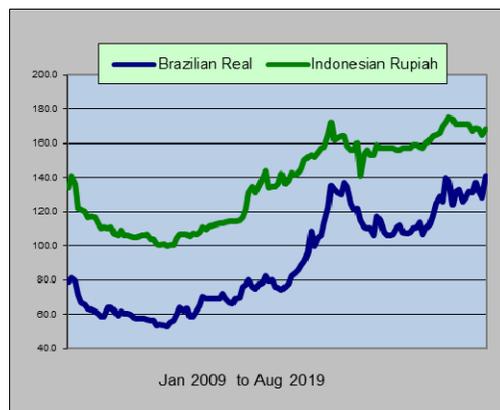
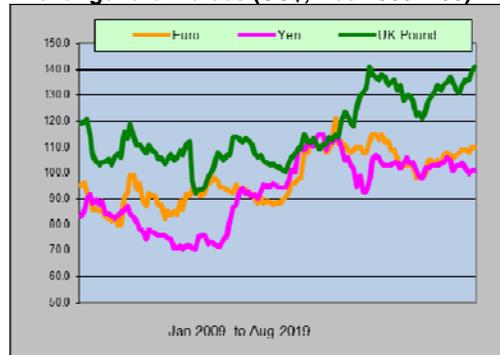
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

Dollar Exchange Rates

As of 25 August 2019

Brazil	Real	4.15633.9853
CFA countries	CFA Franc	590.0
China	Yuan	7.1513
EU	Euro	0.9009
India	Rupee	71.925
Indonesia	Rupiah	14240
Japan	Yen	106.13
Malaysia	Ringgit	4.2009
Peru	New Sol	3.32
UK	Pound	0.8184
South Korea	Won	1212.74

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

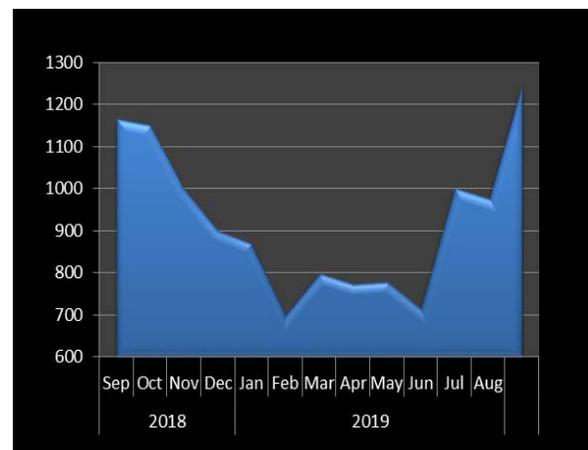


Abbreviations and Equivalences

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

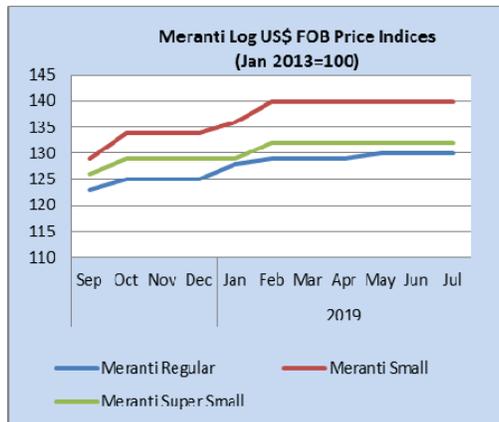
Baltic Supramax Index
September 2018 – August 2019



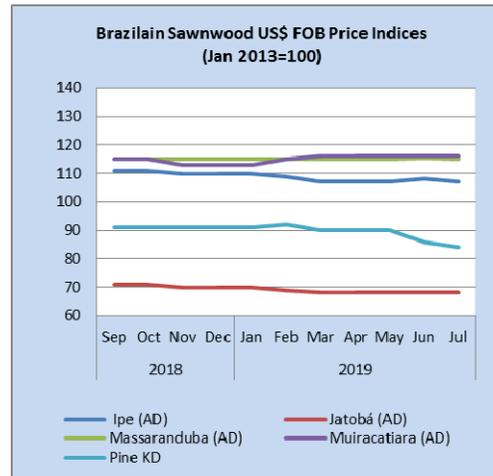
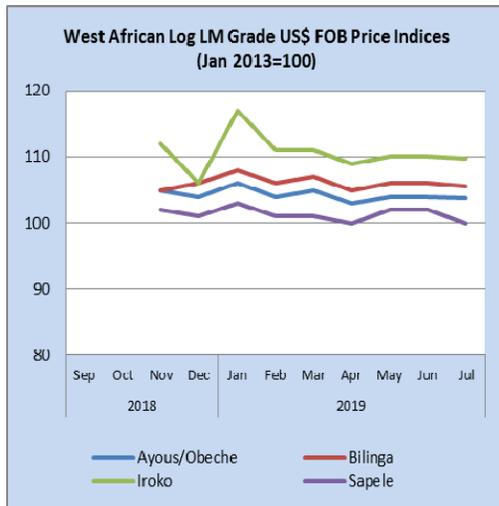
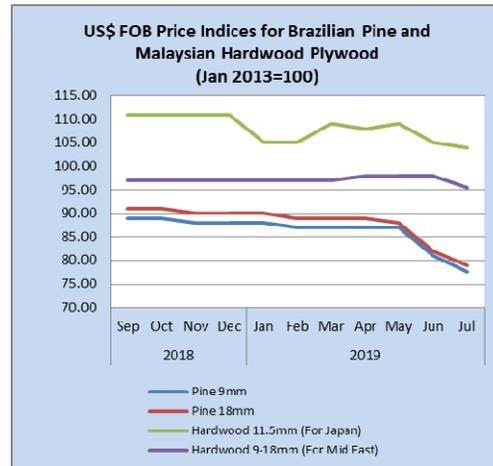
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

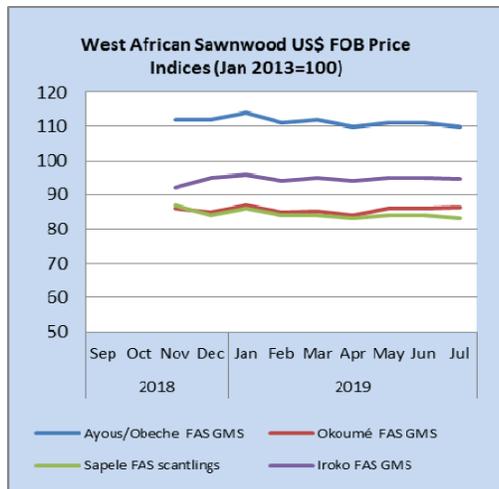
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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