

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.

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Top Story

JLR reports - International NGOs demanding only verified legal wood be imported into Japan

Eighteen international NGOs have submitted a note to Japan's Prime Minister saying government action is needed to ensure only legal wood products are utilised in Japan.

The note suggests laws should be enacted that require companies to exercise due diligence and be able to verify the legality of imported wood product to ensure illegal timber does not enter the supply chain.

Pages 16

Subscribers will be mailed just one ITTO market report in August instead of the usual two. The August report will be mailed at month end.

The usual twice monthly reporting will resume in September.

Central and West Africa

Exchange rates and market volatility on everyone's mind

The slight weakness in prices for sipo and sapele was reigned in over the past two weeks and there is no news of further price movements either up or down.

On all producer's minds is what effect the turmoil after the UK referendum will have on exports. The massive decline in the sterling exchange rate against the US dollar and euro could have a significant impact on exports. Sterling has recovered slightly from the lows immediately after the referendum but there is a risk that it will remain weakened for some time.

West and Central African producers price exports in euros for EU markets and so far there has been no pressure from buyers in either the EU or UK to lower prices and there has been no pressure (so far) from buyers outside of Europe for an adjustment of prices.

Apart from direct imports from African and other worldwide producer countries the UK importers also buy significant volumes of tropical timber from continental importers/stockists and if sterling remains at current levels then the landed costs of tropical timber in the UK will inevitably rise.

Ozigo harvesting ban lifted

In 2009 the government in Gabon banned the harvesting of Afo, douka, moabi, and ozigo but the ban on ozigo harvesting has been lifted. Apparently the ban on ozigo was because green lobbyists had evidence that the fruits of ozigo were an important part of the diet for wild elephants, this, it seems, is not the case.

In other news from Gabon, producers are concerned that the new Forestry Code due to be announced in August will be more demanding than the current code.

Buyers in no hurry to place orders

For now it is too early to predict how the different markets in EU member states will react to Brexit. Producers report a slight slackening in business for Europe but this is usual as the EU trade enjoys summer vacations. Analysts suggest buyers in UK and mainland Europe will be in no hurry to resume autumn purchases and that West and Central African exporters are bracing for a period of market uncertainty.

For the next two to three years (or maybe more) during the negotiations for the UK to exit the EU the UK will remain a member and it is too early to predict how markets will react. For UK timber traders a further complexity is the forecast slowdown in the construction industry as contractors and house builders are concerned over stability in the UK property market.

Log Export Prices

| West African logs, FOB | Euro per m ³ | | |
|--|-------------------------|-----|------|
| Asian market | LM | B | BC/C |
| Acajou/ Khaya/N'Gollon | 230 | 230 | 160 |
| Ayous/Obeche/Wawa | 260 | 260 | 180 |
| Azobe & Ekki | 230 | 230 | 160 |
| Belli | 250 | 250 | - |
| Bibolo/Dibétou | 150 | 145 | - |
| Iroko | 330 | 290 | 260 |
| Okoume (60% CI, 40% CE, 20% CS) (China only) | 200 | 200 | 160 |
| Moabi | 335 | 305 | 225 |
| Movingui | 210 | 210 | 160 |
| Niove | 160 | 160 | - |
| Okan | 250 | 210 | - |
| Padouk | 220 | 210 | - |
| Sapele | 345 | 285 | 225 |
| Sipo/Utile | 315 | 305 | 220 |
| Tali | 330 | 310 | 265 |
| | 310 | 310 | - |

Sawnwood Export Prices

| West African sawnwood, FOB | Euro per m ³ | |
|----------------------------|-------------------------|-----|
| Ayous FAS GMS | | 410 |
| Bilinga FAS GMS | | 520 |
| Okoumé FAS GMS | | 340 |
| | Merchantable | 225 |
| | Std/Btr GMS | 290 |
| Sipo FAS GMS | | 600 |
| | FAS fixed sizes | 600 |
| | FAS scantlings | 610 |
| Padouk FAS GMS | | 910 |
| | FAS scantlings | 980 |
| | Strips | 650 |
| Sapele FAS Spanish sizes | | 595 |
| | FAS scantlings | 600 |
| Iroko FAS GMS | | 600 |
| | Scantlings | 700 |
| | Strips | 440 |
| Khaya FAS GMS | | 450 |
| | FAS fixed | 460 |
| Moabi FAS GMS | | 610 |
| | Scantlings | 630 |
| Movingui FAS GMS | | 420 |

Ghana

Encouraging May export figures

The export of Ghana's wood products in May 2016 yielded euro 18,755,766 from a volume of 33,348 cu.m which represents an increase of 37% in value and 23% in volume compared to exports in May 2015.

In terms of species the top were teak, rosewood, wawa, papao/apa and ceiba and exports went to 39 different markets with the top 5 being India, China, Vietnam, United States of America and Germany.

Wood product exports to African countries included plywood (overland transport), sliced veneer, air and kiln dry sawnwood, rotary veneer and mouldings. Major destinations included Egypt, South Africa, Morocco; with the ECOWAS sub-region market taking the largest share of 16,490 cu.m valued at euro 4.92million.

Despite the better export performance in May, Ghana's overland wood exports during the first 5 months of the year suffered some setback as sliced veneer, sawnwood and plywood exports were down year on year.

Plywood exports were particularly badly down. Nigeria, which had been the leading importer of Ghana's plywood, slipped to the second ranked importer after Niger, with Burkina Faso and Togo ranked 3rd and 4th.

The drop in Nigeria's plywood import has been attributed to the foreign exchange controls introduced by Nigeria's Central Bank.

In the first 5 months the major market destination for Ghana's wood products were; Asia/Far East 113,671 cu.m (71%); Europe 18,972 cu.m (12%); Africa 19,786 cu.m (12%); America 5,510 cu.m (3%) and Middle East countries 2,953 cu.m (2%).

For more see:

<http://www.fcghana.org/userfiles/files/TIDD%20Export%20Report/EXPORT%20OF%20TIMBER%20AND%20WOOD%20PRODUCTS%20REPORT%20FOR%20MAY%202016.pdf>

Business executives discuss impact of Brexit

Business executives have met to discuss the impact of Brexit on Ghana's international trade.

Dubbed 'Ghana Business Day', the meeting brought together high-level business executives, industrialists, policy makers, the diplomatic community and manufacturers.

Key speakers included the Minister for Trade and Industry, Mr. Ekwow Spio-Garbrah, British High Commissioner to Ghana – Jon Benjamin and President of the Association of Ghana Industries James Asare-Adjei.

The Bank of Ghana has warned that Britain's exit from the European Union could negatively impact Ghana's external trade, foreign investment and exchange rates. The Bank also pointed out that Ghana's strong trade relations with both the EU and the UK could be affected as Ghana may lose some budgetary support from the EU.

Recent statistics show that Ghana is currently the UK's fifth largest trade partner in Sub-Saharan Africa. For Ghanaian exporters, including timber companies, Brexit has created uncertainty which coupled with liquidity problems, high interest rates and the unstable power situation is undermining confidence in the timber sector.

Forestry Master Plan and plantation strategy released

The Ghana Forestry Commission website has made available the Ghana Forestry Development Master Plan (2016-2036).

See:

http://www.fcghana.org/userfiles/files/MLNR/FDMP_June%2015%20Final_draft.pdf

The preamble says "This plan has taken into full account the need to improve the state of the environment, whilst addressing the complexities of land and tree tenure and the importance of appropriate and efficient land use.

Within the framework of the 40-year national development blueprint a 20-year Ghana Forestry Development Master Plan has been formulated.

This master plan is the product of consultative processes involving engagements with experts and technocrats in the forestry sector, traditional authorities and landowners, development partners, forest fringe communities, policy makers and legislators.

The vision, goal, and objectives of the Forestry Development Master Plan (FDMP) reflect the national development agenda, the National Climate Change Action Plan, Sustainable Development Goals of the United Nations and the on-going sector activities.

The plan seeks to contribute to reducing Green House Gas (GHG) emissions from deforestation and forest degradation, climate and temperature regulation, sustainable supply of timber and wood fuels, reducing poverty and helping to conserve biodiversity.

The full implementation of the forestry development master plan will witness a structural transformation of the forestry sector including the industries and institutions.

The plan also provides for financial intermediation and incentive mechanisms for natural forest management, timber plantation development, plant and machinery development for tertiary processing activities and micro and small wood processing enterprises." Plantation development is an integral part of the long term plan and a specific strategy has been developed for the period 2016-40.

The strategy is available on the GFC website and outlines plans to restore degraded landscapes through the development of commercial forest plantations, smallholder plantations, enrichment planting of degraded forests and to provide support for the incorporation of trees within farming systems.

The document says "During the Strategy period (2016 - 2040), it is expected that an estimated average annual rate of 25,000 ha of forest plantations (i.e. 10,000 ha by public sector, public-private partnerships, public-community collaborations; and 15,000 ha by the private sector) will be established.

It is expected that an annual average area of 5,000 ha of under-stocked 2 and degraded forest reserves and community forests will be enriched using high value indigenous tree species over a 20-year period."

For more see:

[http://www.fcghana.org/userfiles/files/Plantation%20Annual%20Report/Ghana%20Forest%20Plantation%20Strategy%20\(2016%20-%202040\).pdf](http://www.fcghana.org/userfiles/files/Plantation%20Annual%20Report/Ghana%20Forest%20Plantation%20Strategy%20(2016%20-%202040).pdf)

Boule Export prices

| | Euro per m ³ |
|----------------------|-------------------------|
| Black Ofram | 394▲ |
| Black Ofram Kiln dry | 444 |
| Niangon | 489 |
| Niangon Kiln dry | 540 |

Export Rotary Veneer Prices

| Rotary Veneer, FOB | Euro per m ³ | |
|--------------------|-------------------------|-------------|
| | CORE (1-1.9 mm) | FACE (>2mm) |
| Ceiba | 367▼ | 433 |
| Chenchen | 416▼ | 522 |
| Ogea | 478 | 556 |
| Essa | 485▼ | 561 |
| Ofram | 350 | 406 |

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

Export Sliced Veneer Prices

| Sliced Veneer, FOB | Euro per sq. m | |
|--------------------|----------------|---------|
| | Face | Backing |
| Afrormosia | 2.00 | 0.91 |
| Asanfina | 3.00 | 0.75 |
| Avodire | 1.60 | 0.34 |
| Chenchen | 1.40 | 0.36 |
| Mahogany | 1.80 | 0.72 |
| Makore | 1.80 | 0.80 |
| Odum | 1.13 | 0.40 |

Export Plywood Prices

| Plywood, FOB | Euro per m ³ | | |
|--------------|-------------------------|-------|----------|
| | Ceiba | Ofram | Asanfina |
| BB/CC | | | |
| 4mm | 415 | 590 | 641 |
| 6mm | 487 | 535 | 610 |
| 9mm | 407 | 450 | 613 |
| 12mm | 364▼ | 463 | 480 |
| 15mm | 400 | 375▼ | 430 |
| 18mm | 282 | 417 | 370 |

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 | | |
| Afrormosia | 860 | 925 |
| Asanfina | 492 | 564 |
| Ceiba | 297 | 368 |
| Dahoma | 419 | 455 |
| Edinam (mixed redwood) | 537 | 599 |
| Emeri | 480 | 535 |
| African mahogany (Ivorensis) | 810 | 970 |
| Makore | 748▲ | 1051▲ |
| Niangon | 610 | 1002▲ |
| Odum | 755 | 835▼ |
| Sapele | 680 | 763 |
| Wawa 1C & Select | 395 | 436▼ |

Export Added Value Product Prices

| Parquet flooring 1st grade | FOB Euro per sq.m | | |
|----------------------------|-------------------|------------|---------|
| | 10x60mm | 10x65-75mm | 14x70mm |
| Apa | 12.00 | 14.47 | 17.00 |
| Odum | 9.00 | 11.33 | 13.00 |
| Hyedua | 13.00 | 18.22 | 16.30 |
| Afrormosia | 13.72 | 13.93 | 17.82 |

Grade 2 less 5%, Grade 3 less 10%.

Malaysia

Exports to get a boost from interest rate cut

In a surprise move, the central bank, Bank Negara Malaysia (BNM) lowered its policy rate to 3%, the first reduction since 2009 citing heightened risks to the global economy. This change should mean the commercial banks will lower lending and saving rates.

Local observers suggest the BNM rate change was linked to the ringgit exchange rate and that the cut in rates was aimed at weakening the ringgit to boost exports.

Implementation of import regulation postponed

The Malaysian Timber Industry Board (MTIB) has announced that full implementation of the timber import legality regulations under the domestic Timber Legality Assurance System (TLAS) will be postponed until January 2017. From January 2017 importers will be required to verify the legality of imported logs, baulks and plywood.

Importers have been advised to secure legality verification for wood products from producing countries especially for products which will be processed for export.

See:

http://www.mtib.gov.my/index.php?option=com_content&view=article&id=2299%3Aimport-legality-regulation-under-timber-legality-assurance-system-tlas-&catid=1%3Ahighlights&lang=en

Opportunities in bio-prospecting – native knowledge to be tapped

Sarawak has taken its research of the State's biodiversity to a new level with the establishment of an Integrated Biodiversity Research facility in the Sarawak Biodiversity Centre (SBC).

Sarawak's Chief Minister, Adenan Satem, said as the research progresses new economic opportunities may emerge through bio-prospecting. The aim is to have local communities work with the new centre to pass on traditional knowledge and experience.

At the moment communities in the Bario highlands are working with SBC to explore the possibility of commercialising LitSara essential oil.

Market volatility and economic uncertainty jar markets

Wood product exports from Sarawak in the first half of this year fell 3.5 % to RM3.09 billion compared to the same period in 2015. Analysts point to market volatility and economic uncertainty in major markets such as Japan, India, Taiwan P.o.C and China as behind the decline.

Sabah export update

The value of Sabah's wood product exports between January and May 2016 totalled RM 659.94 million, almost the same as the value of exports in the same five month period last year.

| Product | 2015 Jan - May cu.m | 2016 Jan - May cu.m |
|------------------|------------------------|------------------------|
| Sawnwood | 92,449 | 67,120 |
| Laminated Boards | 15,335 | 16,785 |
| Mouldings | 5,191 | 3,823 |
| Veneer | 22,666 | 26,158 |
| Plywood | 237,904 | 229,514 |

Data source: Dept. of Statistics, Sabah

| Product | 2015 Jan - May RM | 2016 Jan - May RM |
|------------------|-------------------|-------------------|
| Sawnwood | 158,078,972 | 127,471,775 |
| Laminated Boards | 27,566,203 | 35,250,581 |
| Mouldings | 24,153,486 | 17,412,245 |
| Veneer | 32,897,680 | 46,079,759 |
| Plywood | 418,624,269 | 433,741,406 |

Data source: Dept. of Statistics, Sabah

Indonesia

Saudi Arabi to import gaharu

Importers in Saudi Arabia have placed a long term order for Indonesian gaharu, internationally known as agarwood. Agarwood forms in *Aquilaria* and *Gyrinops*, both large tropical trees found throughout SE Asia, when the trees become infected with a mould.

Since 1995 *Aquilaria malaccensis*, the main source for gaharu has been listed in Appendix II of CITES and in 2004 all *Aquilaria* species were listed in Appendix II.

Importers in Saudi Arabia have apparently contracted for 100 tonnes of Indonesian gaharu wood to be supplied over the course of 12 months. Indonesian exports of gaharu for this year to June were around 10 tonnes.

Moratorium on land clearing for palm oil to impact log supply

The Indonesian government will introduce a five-year moratorium on new palm oil concessions as part of the country's effort to reduce the negative impact of land clearing on the environment.

Last year the government extended the 2011 moratorium on peatland clearing for plantations.

Darmin Nasution, Coordinating Minister for Economic Affairs, said the government will have an integrated plan that harmonises all concessions maps to ensure that the new regulations do not overlap with existing regulations in the mining, agriculture and infrastructure development sectors.

A recent report from King's College London and the Center for International Forestry Research (CIFOR), says the October 2015 forest fires in Sumatra and Kalimantan released some 11.3 million tons of carbon each day (a figure that exceeded the daily carbon emissions in the European Union).

Traditionally slash-and-burn practices are used to clear land for plantations after commercial logs are extracted.

See:

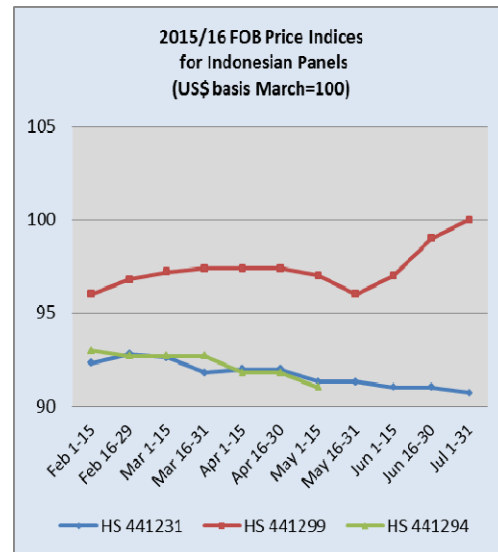
<http://www.cifor.org/press-releases/carbon-emissions-2015-fires-southeast-asia-greatest-since-1997-new-study/>

Tax amnesty could boost growth

The Asian Development Bank (ADB) has maintained its 2016 growth projection for the Indonesian economy at 5.2%.

Growth will be driven by private consumption says the ADB but some domestic and global risks remain. In related news Bank Indonesia Deputy Governor, Perry Warjiyo, has said he was optimistic that the tax amnesty law would provide a boost to growth later in the year and this should become more apparent in 2107.

Perry expressed the view that off-shore funds repatriated under the tax amnesty deal will improve liquidity, allow for a lowering of interest rates and stabilise the rupiah exchange rate.



Data source: License Information Unit in <http://silk.depht.go.id/>

Myanmar

First mill closure after logging suspension

The first casualty of the suspension of logging has emerged as a veneer mill in Myeik, a town in the southern part of Myanmar. The mill has ceased production and the CEO said milling would resume if raw materials become available. Analysts comment that the mill was aware of the likelihood of a logging suspension so should have secured stocks to allow production to be maintained.

Tough to support unemployed elephants

Log haulage in Myanmar relies on elephants in many areas and with the suspension of harvesting the owners of the elephants are finding it hard to pay for food for their animals. Elephants eat around 200 kg of foods every day and securing food is now a problem.

The Myanmar Timber Enterprise (MTE) has about 3,000 elephants while private sector enterprises have a further 2,000. According to researchers working elephants in Myanmar can live for up to 40 years while the life span of zoo elephants is around half that of working elephants.

Is there a place for private sector harvesting when logging suspension lifted?

For fiscal 2017-18 after the one-year suspension harvest levels will be set at 320,000 Hoppus tons, about half the production in 2015-16. In fiscal 2017-18 the teak harvest will be around 15,000 Hoppus tons out of the total for the year.

The domestic media have quoted U Myo Min, Deputy Director of the Forest Department, as saying that private logging companies will not be allowed to harvest logs as the MTE will need to utilise its own resources for harvesting. Prior to the log export ban MTE had sub-contracted some harvesting to private companies when harvests were beyond the capacity of the MTE.

China - biggest investor in Thilawah Special Economic Zone

The first phase of Thilawah Special Economic Zone which started in 2014 has attracted around US\$760 million in investment. In the first phase, 73 enterprises from 16 countries were involved with companies in China investing most followed by Singapore, Thailand, Hong Kong, United Kingdom, Korea, Malaysia, Netherlands and Vietnam.

Recently the Myanmar Investment Commission announced business excluded from foreign investors and the management of natural forests is one. There are growing calls from domestic industry for some protection of local sawmills. The argument is that foreign investors should focus on added value products and should be excluded from primary industries such as sawmilling.

SMEs need innovative financing mechanisms

At a recent conference Prof Aung Tun Thet, an economist and adviser to Myanmar's Federation of Chamber of Commerce and Industry called for support for SMEs in the country pointing out that new financing mechanism need to be found to help SMEs get established as SMEs play a major role in job creation and poverty alleviation.

A recent Banking and Finance Conference heard that SMEs face fierce competition from imported products which is made worse when they face problems securing credit and loans.

Official statistics indicate that there are over 125,000 registered SMEs in Myanmar. During the conference, Janet Hyde, an investment specialist with the Asian Development Bank said trade finance would be a key pillar to boosting Myanmar's economic growth.

Timber imports for domestic milling

The government has decided that companies in Myanmar be allowed to import wood raw materials.

U Kyaw Zaw, Director of the office of the Minister for Natural Resources and Environmental conservation, said, "a plan to permit the importation of raw timber from overseas has been approved." In support of this U Kyaw Zaw proposed the import duty on imported timber raw materials be lowered.

Myanmar stopped exporting logs in fiscal 2014-15 and has now temporarily suspended logging as part of a plan to rehabilitate its forests but this has deprived domestic mills of raw materials and could create a shortage of wood products in the country.

To ease the situation the MTE will continue to sell existing stocks of teak and hardwoods during 2016-17 to meet the needs of local mills but traders in the timber industry want to import timber raw materials to keep mills in full production. Natural forest harvesting is expected to resume in fiscal 2017-18 financial but harvest levels could be only sufficient for domestic needs.

Timber trader, U Bar Bar Cho, said buying timber raw materials from overseas sources could support the government's plan limit domestic logging. He pointed out that some imported timber was cheaper than that produced domestically and if imports were permitted end-users and consumers would benefit from lower prices.

Latest teak log auction prices

| Grade | H.tons | Avg US\$/H.ton |
|-------|--------|----------------|
| SG-2 | - | - |
| SG-4 | 51 | 3,440 |
| SG-5 | 54 | 2,090 |
| SG-6 | 29 | 2,652 |
| SG-7 | 17 | 1,490 |

India

Wood product exports beat the trend

While India's overall export performance in 2015 was rather weak wood product exports were satisfactory. The table below shows 2014/15 and 2015/16 exports for a range of wood products. Of note was the high growth in plywood and wood based panel exports in fiscal 2015.

Selected wood product exports (US\$ mil.)

| | 2014-15 | 2015-16 | % Change |
|--------------------------|---------|---------|----------|
| Cork and cork products | 2.03 | 2 | -1.5 |
| Hardboard | 14.96 | 14.39 | -3.8 |
| Other articles of wood | 231.42 | 257.06 | 11.1 |
| Plywood and other panels | 29.18 | 40.85 | 40 |
| Sandalwood chips | 3.94 | 2.35 | -40.4 |
| Sawnwood | 31.41 | 25.32 | -19.4 |
| Tea chest panels | 0 | 0.01 | |
| Veneer | 15.45 | 14.06 | -9 |
| Wooden furniture | 394.56 | 430.63 | 9 |
| Total | 722.95 | 786.67 | 8.8 |

Data source: Export Import Data, Ministry of Commerce, India

Gurjan plywood facing tough competition

Plywood manufactured by small and medium sized plants in the so-called 'unorganised plywood sector' is facing tough competition from products manufactured by larger mills. The smaller mills continue to use gurjan face veneers, traditionally the preferred timber. However, plywood faced with poplar or eucalyptus has gained market share as it is cheaper than gurjan faced panels and have been accepted by consumers.

Until the log export ban in Myanmar gurjan logs were readily available at competitive prices but now gurjan face veneers are being sourced in Laos which has driven up production costs.

Indian owned mills producing gurjan veneers in Laos report that the authorities there would prefer to see exports of plywood rather than low added value veneers but this, say millers, would increase prices further but that the Indian market for plywood at present is very competitive and could not bear a price increase.

CREDAI calls for more loans for home buyers

The Indian Confederation of Real Estate Developers (CREDAI) has called for relaxing bank lending to boost housing developments so the sector can contribute more to the GDP and meet the goal of providing housing for all. At present the real estate sector in India accounts for only 6% of the GDP far below levels in other countries.

The problem is, says CREDAI that real estate credit is a very small percentage of total bank credit on offer. While this has kept non-performing assets in real estate sector close to zero it is strangling growth prospects.

CREDAI put the case that priority lending in the housing sector be increased and that the private sector should be eligible for slum rehabilitation loans,.

See:http://credai.org/assets/upload/news_updates/real-estate-industry-calls-for-easing-bank-lending-norms-the-times-of-india.pdf

Prices for locally sawn hardwoods

As in the previous month the US dollar/Rupee exchange rate has allowed importers to maintain past price levels.

| Sawnwood Ex-mill | Rs per cu.ft |
|---------------------|-----------------|
| Merbau | 2400-2650 |
| Balau | 1750-1950 |
| Resak | 1250-1450 |
| Kapur | 1750-1890 |
| Kempas | 1250-1700 |
| Red Meranti | 1200-1350 |
| Radiata pine AD | 850-950 |
| Whitewood | 850-950 |

Price range depends mainly on length and cross section

Plantation teak prices

The current pace of deliveries matches demand thus C&F prices remain stable.

| | US\$ per cu.m C&F |
|--------------------------|----------------------|
| Angola logs | 459-574 |
| Belize logs | 350-400 |
| Benin logs | 290-614 |
| Benin sawn | 530-872 |
| Brazil logs | 321-665 |
| Brazil squares | 370-556 |
| Cameroon logs | 405-616 |
| Colombia logs | 426-775 |
| Congo D. R. logs | 450-761 |
| Costa Rica logs | 320-780 |
| Côte d'Ivoire logs | 289-756 |
| Ecuador squares | 254-564 |
| El-Salvador logs | 399-732 |
| Ghana logs | 276-434 |
| Guatemala logs | 360-451 |
| Guyana logs | 300-450 |
| Kenya logs | 515-876 |
| Laos logs | 300-605 |
| Liberia logs | 265-460 |
| Malaysian logs | 225-516 |
| Mexican logs | 515 |
| Nicaragua logs | 402-505 |
| Nigeria squares | 321-405 |
| Panama logs | 368-430 |
| PNG logs | 443-575 |
| Sudan logs | 488-857 |
| Tanzania teak, sawn | 307-613 |
| Thailand logs | 511-700 |
| Togo logs | 354-590 |
| Trinidad and Tobago logs | 557-680 |
| Uganda logs | 411-576 |
| Uganda Teak sawn | 680-900 |

Price range depends on quality, length and average girth of logs.

Myanmar teak flitches resawn in India

Ex-mill prices for sawn teak remain unchanged. Imports of sawn teak from Myanmar have stabilized prices in the Indian market.

| Sawnwood (Ex-mill) | Rs. per cu.ft |
|---------------------|---------------|
| Myanmar Teak (AD) | |
| Export Grade F.E.Q. | 8000-15000 |
| Teak A grade | 6500-7500 |
| Teak B grade | 5000-5500 |
| Plantation Teak FAS | 4000-4500 |

Price range depends mainly on length and cross section

Prices for imported sawnwood

Overall, prices remain unchanged except for American walnut for which firm demand resulted in an upward pressure on prices.

| Sawnwood, (Ex-warehouse) (KD) | Rs per ft ³ |
|-------------------------------|------------------------|
| Beech | 1350-1450 |
| Sycamore | 1500-1650 |
| Red oak | 1600-1750 |
| White Oak | 2100-2150 |
| American Walnut | 4000-4400 |
| Hemlock clear grade | 1300-1400 |
| Hemlock AB grade | 1250-1300 |
| Western Red Cedar | 1650-1850 |
| Douglas Fir | 1350-1450 |

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

| Plywood, | Rs per ft ³ |
|---------------------------|------------------------|
| Ex-warehouse,(MR Quality) | |
| 4mm | 41.55 |
| 6mm | 55.00 |
| 9mm | 70.00 |
| 12mm | 86.00 |
| 15mm | 114.50 |
| 18mm | 120.00 |

Domestic ex-warehouse prices for locally manufactured MR plywood

| | Rs per ft ³ | |
|------------------|------------------------|----------|
| | Rubberwood | Hardwood |
| 4mm | Rs.21.00 | Rs.31.00 |
| 6mm | Rs.31.80 | Rs.40.00 |
| 9mm | Rs.40.00 | Rs.48.50 |
| 12mm | Rs.49.00 | Rs.58.50 |
| 15mm | Rs.59.50 | RS.71.50 |
| 19mm | Rs.67.80 | Rs.80.00 |
| 5mm Flexible ply | Rs.42.00 | |

Brazil

June tropical sawnwood exports increase 22%

In June 2016 Brazilian exports of wood-products (except pulp and paper) increased 4.1% in value compared to June 2015, from US\$231.7 million to US\$241.1 million.

The value of pine sawnwood exports fell 3.9% over the same period from US\$30.9 million to US\$ 29.7 million but, in terms of volume June 2016 exports increased 15.7% year on year from 134,800 cu.m to 156,000 cu.m.

Tropical sawnwood exports increased 22.4% in volume, from 26,300 cu.m in June 2015 to 32,200 cu.m in June this year and the value of exports increased 12.3% (US\$13 million to US\$14.6 million).

June 2016 pine plywood exports increased 2.6% in value year on year from US\$34.1 million to US\$35.0 million and export volumes also increased from 99,600 cu.m to 134,200 cu.m.

A similar trend was seen for tropical plywood exports. Year on year June exports were up 22.4% in volume from 9,800 cu.m in June 2015 to 12,000 cu.m in June 2016. The value of exports increased 4.3% from US\$4.7 million to US\$4.9 million over the same period.

Brazil's wooden furniture exports performed well in June 2016 rising US\$35.2 million a year earlier to US\$39.5 million.

ABIMCI pushes trade development

During June the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) participated in several meetings to promote Brazilian wood products. Meetings were held with representatives from Argentina, the United States and Japan.

The purpose of the meeting with the representatives from Argentina was to discuss how to coordinate trade policies between the two countries so as to facilitate exports. In particular attention was focused on the need for the automatic granting of import licenses for wood products.

In anticipation of growth in US demand for wood products Brazilian manufacturers foresee opportunities for greater exports and for investment in the US.

During a meeting with US officials the various incentive programmes for business investments in the US were presented including the Select USA programme. (For more see: <https://www.selectusa.gov/welcome>)

This programme aims to attract more businesses to the US and offers a range of assistance to startup operations such as business information, research, technical and marketing advice and networking. In 2015 the United States was the main market for Brazil's plywood and sawnwood .

The meeting with JICA and the Japan-Brazil Chamber of Commerce aimed to expand exports and discussions on Japanese assistance for the development of wood frame construction systems suitable for Brazil.

Urgent review of Brazil/Chile maritime agreement demanded

The Brazilian Tree Industry (IBA) has suggested a review of the maritime agreement between Brazil and Chile which has been in force since the 1970s is urgently required. This agreement gives exclusivity to Chilean and Brazilian ships for transport of goods between the two countries but is now outdated and results in shipping costs being higher than necessary.

At a meeting between representatives of the National Agency for Waterway Transportation (ANTAQ) and the Brazilian National Confederation of Industry (CNI) Brazilian industry representatives pointed out that, due to the agreement, the cost of shipping between Brazil and Chile can be higher than shipping to China.

As trade has a major impact on growth, the IBA says it is necessary to review the agreement for the benefit of both countries.

Furniture makers search for solutions to overcome marketing challenges

The 26th MOVERGS Congress held on 30 June in Bento Gonçalves, Rio Grande do Sul was themed "Renovation - Attitudes in search for better results". One of the highlights of the Congress was presentations by speakers from the Institute for Market Intelligence (IEMI). One presentation provided an analysis of the national furniture industry over the past 10 years looking at production, demand and trends.

The statistics show that economic recession is having a strong negative impact on the furniture industry and that the challenge for furniture manufacturers in 2015 was how to guard against the negative effects of the weak domestic market.

What emerged from the analysis was that innovation became the core driver of growth in the sector. To be successful in this changing consumer behaviour and retail channels had to be considered.

IEMI pointed out that understanding customer behaviour is a basic rule in marketing and even more critical when economic conditions are volatile. IEMI emphasised that understanding demand drivers and categorising end-users and their purchasing trends is important.

Entrepreneurs in the furniture sector were encouraged to abandon the 'comfort zone' of past production and marketing models and rethink their business.

Domestic demand for furniture in Brazil is forecast to remain depressed throughout the second half of this year but an improvement should become apparent in 2017.

Economic viability of sustainable forest management undermined by marketing of illegal timber

A study by Brazil's Center for Sustainability Studies (GVces) published in June reports that the economic viability of Brazilian goal of increasing the area of forest under sustainable management is closely linked to addressing competition from illegally sourced wood products.

Brazil has committed to increase the forest area under sustainable forest management and to eliminate the marketing of illegal produced wood products from natural forests by 2030.

For more see: <http://www.gvces.com.br/>

Domestic Log Prices

| | US\$ per m ³ |
|-------------------------------------|-------------------------|
| Brazilian logs, mill yard, domestic | |
| Ipê | 176▲ |
| Jatoba | 97▲ |
| Massaranduba | 102▲ |
| Muiracatiara | 104▲ |
| Angelim Vermelho | 96▲ |
| Mixed redwood and white woods | 83▲ |

Source: STCP Data Bank

Domestic Sawnwood Prices

| | US\$ per m ³ |
|---|-------------------------|
| Brazil sawnwood, domestic (Green ex-mill) | |
| Ipê | 810▲ |
| Jatoba | 396▲ |
| Massaranduba | 373▲ |
| Muiracatiara | 381▲ |
| Angelim Vermelho | 334▲ |
| Mixed red and white | 218▲ |
| Eucalyptus (AD) | 193▲ |
| Pine (AD) | 138▲ |
| Pine (KD) | 156▲ |

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

| | US\$ per m ³ |
|----------|-------------------------|
| Parica | |
| 4mm WBP | 531▲ |
| 10mm WBP | 412▲ |
| 15mm WBP | 364▲ |
| 4mm MR | 471▲ |
| 10mm MR | 350▲ |
| 15mm MR | 324▲ |

Prices do not include taxes

Source: STCP Data Bank

Prices For Other Panel Products

| Domestic ex-mill Prices | US\$ per m ³ |
|-------------------------|-------------------------|
| 15mm MDParticleboard | 233↑ |
| 15mm MDF | 313↑ |

Source: STCP Data Bank

Export Sawwood Prices

| Sawnwood, Belem/Paranagua Ports, FOB | US\$ per m ³ |
|--------------------------------------|-------------------------|
| Ipe | 1412↓ |
| Jatoba | 913↓ |
| Massaranduba | 729↓ |
| Muiracatiara | 707↓ |
| Pine (KD) | 195↓ |

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

| Pine Plywood EU market, FOB | US\$ per m ³ |
|-----------------------------|-------------------------|
| 9mm C/CC (WBP) | 305↓ |
| 12mm C/CC (WBP) | 276↓ |
| 15mm C/CC (WBP) | 274↓ |
| 18mm C/CC (WBP) | 270↓ |

Source: STCP Data Bank

Export Prices For Added Value Products

| FOB Belem/Paranagua Ports | US\$ per m ³ |
|---------------------------|-------------------------|
| Decking Boards Ipê | 2,613↓ |
| Jatoba | 1,525↓ |

Source: STCP Data Bank

Peru

International investment seminar targets forestry and timber sectors

AGROBANCO, a state financial institution, charged with providing credit and financing to micro and small enterprises in the agricultural and forestry sectors, recently arranged a seminar on rural microfinance. Themed "Promoting Forestry Development in Peru" this was for investors and entrepreneurs from a wide range of countries. The aim was to encourage private investment in the forestry sector in Peru and promote the financial mechanisms on offer from the bank.

The event was attended by over 200 invited representatives of business, finance and academia who shared experiences and evaluated business opportunities in Peru.

Among the international attendees was Alexis Wainer, founding partner of Trypan (Chile); Glenda Lee, co-director of Global Terra Latin America; Monarrez Mario Macias, deputy director of Fisheries, Forestry and Environment of the Bank of Mexico; Ricardo Luján Ferrer, director of Forest Brinkman and Associates Reforestation (Canada).

Other attendees were Martin Sanchez Acosta, editor of Electronic Bulletin New Forest INTA (Argentina); Cannaval Robinson, CEO of Innovatech Business Forest

(Brazil); Manoel de Freitas, a forestry expert (Brazil); Jorge Echeverria Vargas, corporate manager at MASISA Forestal Forestal (Chile); Luis Enrique Arréllaga, Chairman of the Board of PAYCO (Paraguay); Patricia del Valle, Forestry and Landuse Unique (Germany); Felipe Koechlin, executive director of Amazon Reforestadora (Peru).

Directional felling training in cooperation with GTZ

In order to minimise the impact of logging the German Technical Cooperation Agency (GTZ) arranged a training event in the native community of New Irazola on directional felling for chainsaw operators.

More than twenty chainsaw operators attended and expanded their skill on the use of chainsaws and directional felling. The course was conducted by Martin Winkler and William Pariona, both of GTZ Peru.

Fibreboard imports fall

Between January and May 2016 Peruvian imports of fibreboard amounted to US\$10.24 million, a decline of almost 5% compared to the same period in 2015. Chile remained the main supplier despite seeing a 12% decline in exports to Peru.

Shipments from Brazil increased by 93% to US\$ 1.96 million compared to the same period in 2015. Turkey remained the third ranked supplier with shipments worth for US\$1.24 million. Arauco Peru was the largest importer accounting for just over 52% of all fibreboard imports. Masisa Peru and the Martin Group each imported around US\$1.7 million.

Fibreboard imports by the local subsidiary of Duratex, Duratex Andina totaled US\$434,000 representing around 4% of total fibreboard imports. Duratex is a major manufacturer of fibreboard in Brazil.

Export Sawwood Prices

| Peru Sawnwood, FOB Callao Port | US\$ per m ³ |
|--|-------------------------|
| Mahogany S&B KD 16%, 1-2" random lengths (US market) | 1570-1655 |
| Spanish Cedar KD select | |
| North American market | 958-977 |
| Mexican market | 946-965 |
| Pumaquiro 25-50mm AD Mexican market | 545-598 |

| Peru Sawnwood, FOB Callao Port (cont.) | US\$ per m ³ |
|---|-------------------------|
| Virola 1-2" thick, length 6'-12' KD | |
| Grade 1, Mexican market | 474-564 |
| Grade 2, Mexican market | 426-467 |
| Cumaru 4" thick, 6'-11' length KD | |
| Central American market | 875-917 |
| Asian market | 919-973 |
| Ishpingo (oak) 2" thick, 6'-8' length | |
| Spanish market | 509-549 |
| Dominican Republic | 623-653 |
| Marupa (simarouba) 1", 6-13 length Asian market | 465-519↑ |

Domestic Sawnwood Prices

| Peru sawnwood, domestic | US\$ per m ³ |
|-------------------------|-------------------------|
| Mahogany | - |
| Virola | 209-244↑ |
| Spanish Cedar | 316-368↑ |
| Marupa (simarouba) | 179-196↑ |

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, 15mm | 328-365 |
| Virola, 2 faces sanded, B/C, 5.2mm | 466-489 |
| Cedar fissilis, 2 faces sanded, 5.5mm | 759-770 |
| Lupuna, treated, 2 faces sanded, 5.2mm | 389-412 |
| Lupuna plywood B/C 15mm | 421-451 |
| B/C 9mm | 366-385 |
| 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 | 1296-138 |
| Cumaru KD, S4S | |
| Swedish market | 962-1095 |
| Asian market | 1069-1112 |
| Cumaru decking, AD, S4S E4S, US market | 1188-1222 |
| Pumaquiro KD Gr. 1, C&B, Mexican market | 479-554 |
| Quinilla KD, S4S 2x10x62cm, Asian market | 493-519 |
| 2x13x75cm, Asian market | 732-815 |

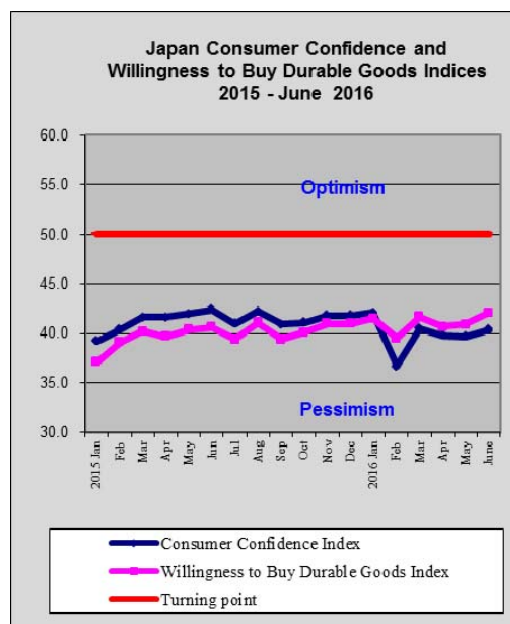
Japan

Pre-Brexit consumer confidence likely to be undone

June consumer confidence in Japan improved for a second month on the back of stable employment conditions according to the Cabinet Office Consumer Confidence Index report.

This latest survey was completed before the volatile currency and stock market conditions experienced as a result of the British referendum to leave the EU.

In the June survey all four of the sentiment indices improved with consumers expressing optimism on employment, willingness to buy new durable goods, overall livelihood prospects and their assessment of income growth prospects.



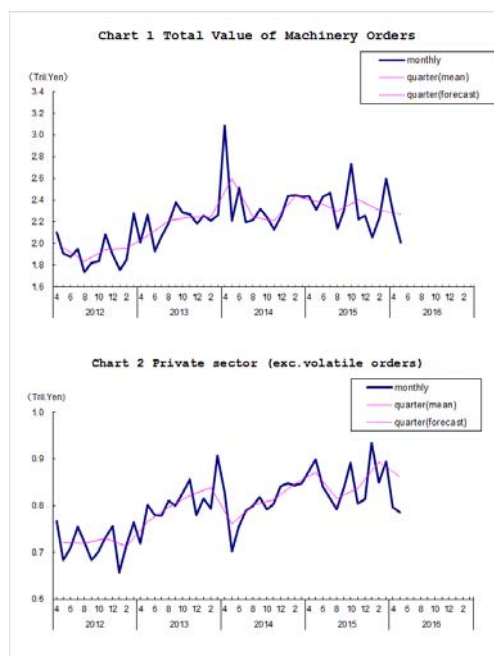
Data source: cabinet Office, Japan

Second monthly decline in machinery orders

The total value of machinery orders received by 280 manufacturers surveyed for the Cabinet Office in Japan fell 11.5% in May from the previous month.

Private sector machinery orders, excluding those for ships and from power companies, declined a seasonally adjusted 1.4% in May. The decline in May was the second consecutive drop, a sign that enterprises are holding back on spending.

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



Business confidence double whammy

Japan's Ministry of Finance has released its assessment of business sentiment determined from a survey of some 13,000 small, medium and large sized companies.

The survey shows that confidence among large companies weakened in the six months to June this year explained by forced suspension of production in many factories due to the severe earthquake in western Japan and because the yen has strengthened undermining competitiveness.

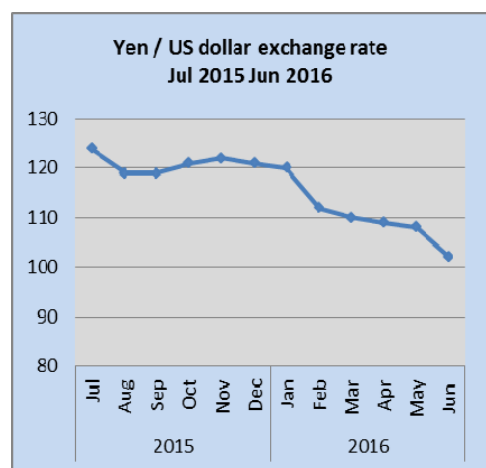
The June level confidence index was down nearly 8 point far worse than the forecast 2 point drop anticipated and is worse than the low experienced in 2014.

The business sentiment index for the July to September period is expected to rebound according to government forecasts.

Yen weakens – a welcome sign for Japanese exporters

The US dollar rose mid-month following the release of US housing starts data which, on the heels of firm employment figures, was a further indication that the US economy is strengthening. The June US employment figures showed companies added almost 300,000 new jobs well above expectations.

Against this backdrop the dollar firmed against the yen pushing the Japanese currency down to 106 to the US dollar, the lowest since June 24, Brexit day.



Over supply of housing rental units

Record-low interest rates and revisions to Japan's inheritance tax law have resulted in a significant shift in investments into construction of rental housing. For Japan as a whole the number of units built in April this year was around 15% higher than in April last year. The result of this is that occupancy rates have been falling.

The Ministry of Land, Infrastructure, Transport is expecting some 450,000 rental units will be built this year. Analysts expect this situation to continue as the population declines.

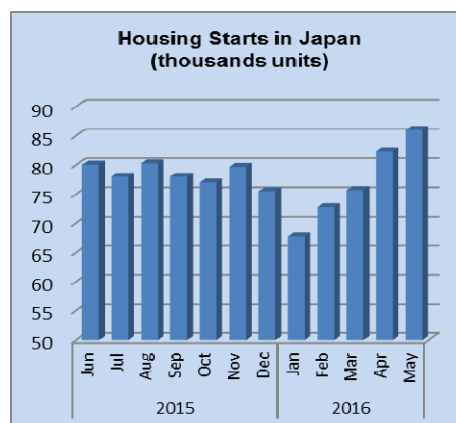
The other problem facing Japanese is that real wages for the social group that usually rent a home has fallen almost

10% since 1999 which has pushed average expenditure on rents to about 30% of income for this group, a likely explanation why more young people are tending to live at home for much longer than previously.

May Housing starts beat expectations – 5th monthly increases to-date

Data from Japan's the Ministry of Land, Infrastructure and Transport shows starts rose by 9% compared to May last year. The May data signals the fifth consecutive monthly increase in housing starts.

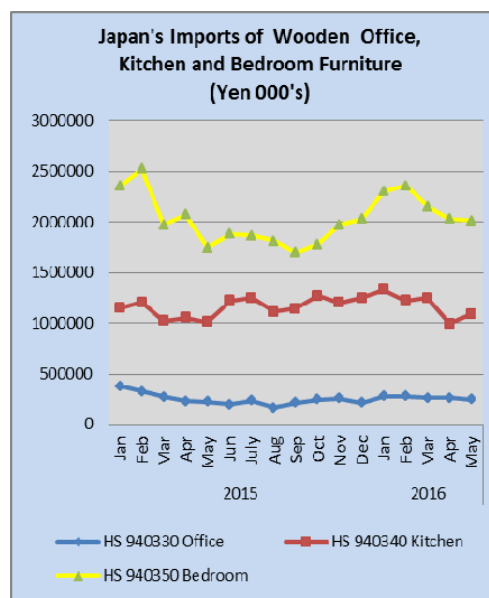
The data from the Ministry also shows orders for housing placed with the top construction companies expanded more than 30% compared to the decline reported in April.



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

Japan's furniture imports

While Japan's office furniture imports have remained remarkably stable over the past 12 months more volatility has been observed in the value of both kitchen and bedroom furniture demand for which is affected by consumer spending and willingness to purchase durable goods, items on which spending can easily be deferred.



Data source: Ministry of Finance, Japan

In April this year kitchen furniture imports fell well below the average monthly flow. For bedroom furniture a declining trend in imports first became noticeable in March and continued into April after which import values steadied.

Office furniture imports (HS 940330)

Year on year, imports of office furniture in May 2016 were up 8% but compared to the previous month May imports were down 6%.

From the highs in January this year Japan's imports of wooden office furniture have consistently fallen. Business confidence and a lack of investment in production capacity across enterprises of all sizes has dampened demand for office furniture.

Office furniture imports

| | Imports May 2016 Unit 1,000 Yen |
|--------------|------------------------------------|
| S. Korea | |
| China | 136187 |
| Taiwan P.o.C | 14092 |
| Hong Kong | 648 |
| Vietnam | - |
| Thailand | - |
| Malaysia | 2916 |
| Philippines | 328 |
| Indonesia | 5411 |
| Sweden | - |
| Denmark | 2795 |
| UK | 704 |
| Netherlands | - |
| Belgium | - |
| France | 722 |
| Germany | 12578 |
| Switzerland | 630 |
| Portugal | 39757 |
| Italy | 12210 |
| Finland | - |
| Poland | 5886 |
| Hungary | 284 |
| Lithuania | 1826 |
| Czech Rep. | - |
| Slovakia | 2226 |
| Canada | - |
| USA | 5328 |
| New Zealand | - |
| Total | 244528 |

Data source: Ministry of Finance, Japan

China and Portugal continue as top ranked suppliers of wooden office furniture but in May this year shippers in

Taiwan P.o.C leapt into the top three. It should be noted that China alone ships more wooden office furniture to Japan than the combined shipments from all other suppliers.

Suppliers in Asia account for most wooden furniture shipments to Japan with only Germany and Italy shipping a significant value of wooden office furniture.

Kitchen furniture imports (HS 940340)

In contrast to the sharp fall in Japan's imports of kitchen furniture in April, May saw an equally sharp increase bringing shipments up to around the average for the year to date.

Year on year May imports of wooden kitchen furniture rose 7.5% and month on month May 2016 imports were up 9.5% on levels in April.

Vietnam shippers dominate Japan's imports of wooden kitchen furniture followed by the Philippines. The surprise in May was that Indonesia replaced China as the third largest supplier.

Kitchen furniture imports

| | Imports, May 2016 Unit 1,000 Yen |
|--------------|-------------------------------------|
| S. Korea | - |
| China | 133334 |
| Taiwan P.o.C | 224 |
| Vietnam | 391247 |
| Thailand | 12664 |
| Malaysia | 13867 |
| Philippines | 319484 |
| Indonesia | 158419 |
| India | - |
| Denmark | - |
| UK | 1485 |
| France | - |
| Germany | 27820 |
| Italy | 7624 |
| Poland | 261 |
| Austria | - |
| Romania | - |
| Slovenia | 12184 |
| Canada | 7711 |
| USA | 2114 |
| Total | 1088438 |

Data source: Ministry of Finance, Japan

May imports of wooden kitchen furniture from Vietnam were up 7% month on month with the Philippines posting a 26% rise in shipments and Indonesia seeing shipments rise 7%.

Germany features as the top non-Asian supplier of wooden kitchen furniture and in May was joined for the first time by Slovenia.

Bedroom furniture imports (HS 940350)

There was almost no change in the value of Japan's wooden bedroom furniture imports over the past two months but year on year imports in May 2016 were up 15%. Two countries, China and Vietnam, account for over 87% of all wooden bedroom furniture imports into Japan.

The only other significant shipper is Malaysia but, at just 3% of all wooden bedroom furniture imports, the challenge is to capture market share from the top two suppliers.

Bedroom furniture imports

| | Imports, May 2016 Unit 1,000 Yen |
|--------------------|-------------------------------------|
| S. Korea | 503 |
| China | 1170704 |
| Taiwan P.o.C | 28373 |
| Vietnam | 590431 |
| Thailand | 70297 |
| Malaysia | 51398 |
| Philippines | 1813 |
| Indonesia | 14591 |
| Cambodia | - |
| Pakistan | - |
| Sweden | 2781 |
| Denmark | 5684 |
| UK | 226 |
| Netherlands | 763 |
| Belgium | - |
| France | 2160 |
| Germany | - |
| Switzerland | - |
| Spain | 238 |
| Italy | 7428 |
| Poland | 24145 |
| Russia | - |
| Austria | 222 |
| Romania | 6669 |
| Turkey | - |
| Estonia | - |
| Latvia | - |
| Lithuania | 32064 |
| Croatia | 1100 |
| Bosnia/Herzegovina | 539 |
| Slovakia | 2721 |
| Canada | 223 |
| USA | 1583 |
| Mexico | - |
| Australia | - |
| Total | 2016656 |

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

Wood demand projection by the Forest Agency

The Forestry Agency held the meeting to figure out demand for wood products for 2016. It shows increase over last year on all the products for both domestic and imported items. It does not reflect any influence of postponement of consumption tax increase and destroy of Akita plywood mill by fire. Also it was made before sudden appreciation of the yen after UK exited from EU.

On plywood, domestic production increases to 3,009 M cbms, 8.6% more than 2014 while imported plywood decreases to 2,825 M cbms, 2.1% less so domestic share will surpass imports after 20 years. The demand would increase for active housing starts by record low mortgage interest rate and restoration demand on Kumamoto earthquake.

Also domestic plywood products are newly developed for floor base and concrete forming panel which have previously been supplied from South Sea imported plywood so this is new demand for domestic plywood.

Supply of laminated lumber for the third quarter will decline compared to the same quarter last year. Domestic supply will be limited by shortage of lamina supply despite active demand while European supply will decline because of summer vacation season during the third quarter.

Imported lumber for the second half of the year would be the same as last year in which European supply would decrease because of higher lamina prices. Russian lumber supply for the fourth quarter would decline due to log supply shortage and over supply of low grade lumber.

Radiata pine logs and lumber from New Zealand and Chile would increase with hope of recovery of crating lumber demand.

For imported logs for the second half of the year, the supply would vary by the sources. North American logs would increase by summer harvest season. South Sea log supply would continue declining by confusion of harvest tax in Sabah, Malaysia. Russian logs would also decline by difficulty of log harvest.

Domestic log export, which has been increasing year after year by 20-30%, is leveling now. Log export during January and April this year was slightly declined in value.

By items, logs decreased by 14.3% and lumber by 7.5%. By destination, China increased by 12.6% but Korea decreased by 30.8% and Taiwan decreased by 28.1%. Recent trend of strong yen is discouraging factor for the export.

South Sea (tropical) logs

Log export prices in June are firming. In Sarawak, log suppliers have hard time to deal with the new regulation and log production has been stalled. Moreover, Sarawak experiences occasional heavy rain, which hampers log harvest and hauling in muddy ground.

The Japanese log importers barely manage to fill up ships with Sabah logs. In Sabah, weather improves and log production is getting steady but log supply for local plywood mills is busy so that there is not enough surplus logs for export.

With busy demand by local mills, Indian buyers continue aggressive purchase, which makes log suppliers bullish. Particularly Sarawak meranti is low in inventory so the prices seem to go up. Sarawak meranti regular log prices for Japan are US\$270-275 per cbm FOB. Small meranti are US\$250 and super small are US\$235.

Plywood

Domestic softwood plywood business is booming. The manufacturers recorded the highest production for eight months since last October with monthly production of 233,500 cbms. There has not been any such record of high production for prolonging period.

The shipment has also been very active with 238,500 cbms a month for last twelve months. The shipment of last April when Akita Plywood had fire damage was record high of 247,000 cbms.

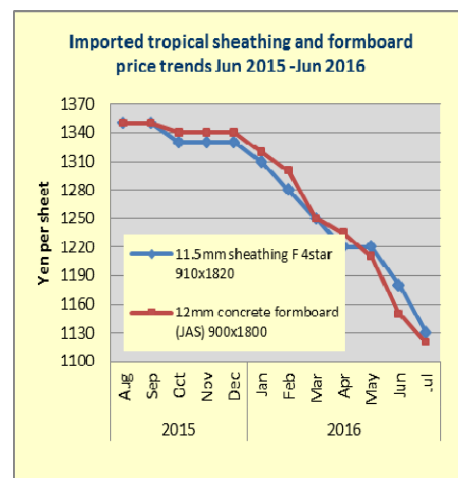
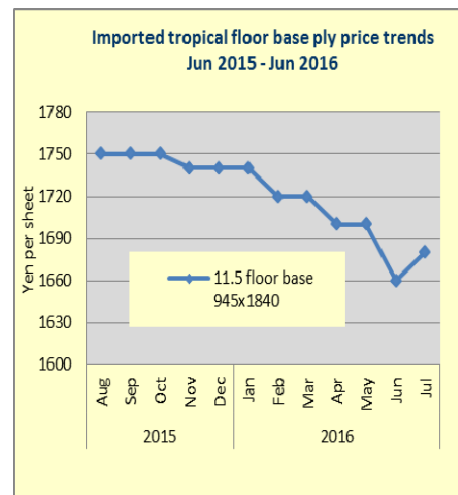
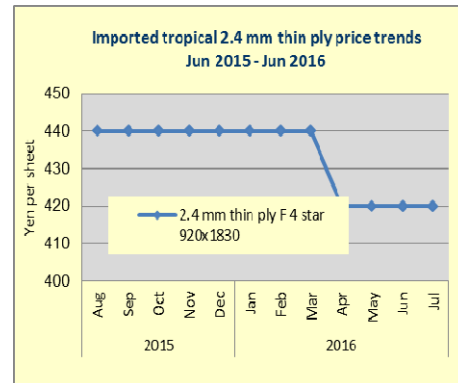
Precutting plant operations increased in June. The largest precutting plant recorded the highest processing volume and others say that orders are 130% of their capacity.

Thick panel supply of domestic softwood plywood continues to be tight. Since operating days are more in June, supply increase was expected but the manufacturers gave priority to catch up order balance carried over from May so overall supply in June did not increase. Since there are so many short items, some manufacturers suffer inefficient operations to switch one to the other, which takes more man power.

Large precutting plants enjoy more orders and busy operations but even large precutting plants experience delay of plywood delivery.

In wholesale channel, there is not much confusion but some struggle to secure special items like thick panel with tongue and groove.

Imported plywood demand should have been high in June and July but orders are not as much as usual years then the buyers restrain from buying because of sudden appreciation of the yen in late June. Importers anticipate further decline of yen prices so when one tries to sell, lower prices are offered since future cost would be lower and there are some spot deals as low as future prices although wholesalers carry higher cost items before the yen got strong.



New chairman of the JLIA

The Japan Lumber Importers Association held its general meeting on 7 June and elected Mr. A. Fukuda (Sumitomo Forestry) as Chairman.

The main subjects are the Association tries to establish stable supply and demand of wood and to expand use of wood as domestic wood and imported wood fit into proper purposes then will have closer communications with overseas wood related groups and share the information widely.

The Association confirmed to try importing legally proven wood much more than before after the Diet adopted the bill to promote using legally approved wood in May.

Also to encourage this move, the Association acknowledged that the special membership fee is reduced by 50 sen per cubic meter for the import of legal wood. Actual result of import of legally proven wood in 2015 by the members was 72.3% in total volume, 2.4 points more than 2014 but only 35.6% of proven wood was sold as legal wood,

Akita Plywood rebuilds the second plant

Akita plywood Mukaiyama second plant burnt down by fire in early April which had monthly production of 10,000 cbms of thick panel. Rebuilding plan has already started. Fortunately steel frame of the plant remains undamaged.

The plan is to finish designs in June and ordered machinery then will restart operation in December this year. The new plant will have less workers but more production. It will produce at least 12-13,000 cbms of not only thick panel but also floor base and other non-structural panels.

Fire protection measures are priority matter for new plant. Total monthly production of Akita Plywood was about 40,000 cbms then by loss of the second plant, the production dropped by about 25%.

Radiata pine sawmills gave up price increase

The New Zealand Log Sawmillers' Conference of Japan held the meeting on June 3 to discuss how to deal with increasing log prices.

New Zealand radiata pine log export prices are pushed up by higher China prices but demand for crating lumber and pallet in Japan continues depressed and prolonging slump puts sawmills in unprofitable operations.

At the meeting, majority of radiate pine sawmills feels it is impossible to ask higher lumber prices in demand absent market so they decided to give up price increase.

International environmental groups demand only verified legal wood to be utilised

Eighteen international environmental protecting groups submit the note to the Prime Minister Abe, requesting the Japanese government should take determined control on use of legally proved wood and secure participation of

corporations in wide range since the law to promote using legal wood may not be enough to stop dealing of illegally harvested wood, which the prime minister promised at the recent G7 meeting.

The note requests that every company, which import wood from suppliers, which have doubt of dealing of illegal harvested wood must be registered by the new law, that due diligence standard to deal with risk of illegal harvest in supply chain must be stipulated and if risk is great and there is not sufficient proof, wood importer must obtain reliable independent information to prove legality.

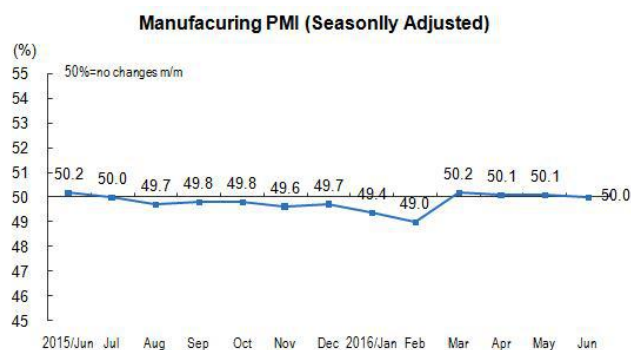
If registered member fails to observe the law, registration must be canceled and the name must be disclosed publicly, that information regarding procurement actions from every registered member must be collected to find out effect of the law.

The note submit by following 18 groups. Global Witness, Environmental Investigation Agency, Market for change, Center for International Environmental Law, National Wildlife Federation, Green Peace Japan, Green Peace International, Rainforest Action Network, Bruno Manser Funds, Japan Tropical Forest Action Network, Sarawak Campaign Committee, Global Environmental Forum, International Environment NGO, Friends of the Earth Japan, International NGO Human Rights Now, FERN, Sierra Club, Rainforest Foundation Norway and CPI.

China

Non-manufacturing PMI rises to 11 month high but insufficient to counter fall in manufacturing PMI

China's National Bureau of Statistics has reported that the manufacturing purchasing managers index (PMI) stood at 50.0 in June 2016, slightly down from the previous month and where it has been stuck since March.



Source: Bureau of Statistics, China

The PMI of large enterprises was just over the negative threshold at 51.0, up marginally from May. The PMI for both medium and small sized enterprises was in negative territory signalling a contraction in prospects.

See:
http://www.stats.gov.cn/english/PressRelease/201607/t20160711_1376016.html

The non-manufacturing PMI for June rose further marking 11 months of increase but despite this the combined trend for both indices is pointing down.

Wide ranging MOU with Russian Federation Forest Services

The heads of China's State Forestry Administration and his counterpart from the Russian Federation Forest Services have signed a memorandum of understanding through which the two sides will undertake technological exchanges and economic cooperation in forestry legislation and enforcement, sustainable forest management, forest monitoring and inventory, conservation, combating illegal logging and related trade, prevention and control of desertification and mutual investments.

Promoting Japan's forest resources

In early July Japan's Timber Export Association met with representatives of the China Timber Protection Industry Association and the Guangdong Timber Industry Association to outline opportunities in Japan for Chinese importers of raw materials.

The Japanese reported that Japan has 5 billion cubic metres of forest stock and the annual growth is around 100 million cubic metres but that domestic demand in Japan is less than 80 million cubic metres which creates an opportunity for exports.

Japanese log exports have been increasing and were 700,000 cubic metres in 2015 with most being shipped to Shandong, Qingdao, Shanghai and Guangxi Provinces. Japan sought to promote sales of cedar and cypress.

Landed timber prices on the rise

It has been reported that the landed cost of logs in China has increased by 5-8% driven up by a weakening of the RMB and rising international freight costs. Analysts say, while global economic uncertainty is partly to blame the main reason for this short term increase is the impact of the UK referendum.

China's forestry overseas investment

The area of overseas forest land rented or purchased by Chinese enterprises amounted to around 61 million hectares valued at approximately US\$2 billion at the end of 2014.

By the end of 2014 some 167, predominantly private sector, Chinese enterprises participated in overseas forestry projects. The trend in investment was 48% as sole proprietorship, 36% joint venture and 16% other forms of cooperation.

Most overseas investment in forestry/wood industries were by enterprises in Heilongjiang, Inner Mongolia Autonomous Region, Jilin, Shandong and Jiangsu which were seen investing in forestry projects in 18 countries. In 2014 around 10,000 Chinese and 30,000 local employees were working in Europe, North America, South America and Oceania, Russia, Gabon, Canada, Laos, Cambodia, New Zealand, Indonesia, Republic of Congo, Benin,

Guyana, Zambia, Bolivia, Georgia, Cameroon, Vietnam, Ethiopia and the British Virgin Islands.

Russia attracted the largest Chinese investment which stood at about US\$3 billion or 76% of all overseas investment in forestry.

Review of bedroom furniture duties by US

The US International Trade Commission has released a schedule for the next full five-year review of duties on Chinese-made wooden bedroom furniture that will determine whether the duties continue moving forward. Duties on imports of Chinese made bedroom furniture came into effect in January 2005 and have been reviewed every five years.

Traders in Chinese bedroom furniture who wish to participate in the review should see the ITC's website, www.usitc.gov

China and EU working together the combat trade in illegal timber

The EU and China established a Bilateral Coordination Mechanism (BCM) on Forest Law Enforcement and Governance (FLEG) in 2009, following an EU-China Forest Law Enforcement and Governance conference in Beijing in 2007.

Through the BCM, the EU and China work together to stop illegal logging and the associated trade in illegal timber. The BCM is a forum for policy dialogue and a mechanism for sharing information on policies and legal frameworks and for coordinating initiatives end illegal logging.

The EU FLEGT Facility has released an update on the BCM which can be found at www.euflegt.efi.int/eu-china. The update says "Under the BCM, China and the EU are exploring approaches to recognise legality verification schemes for timber and timber products managed by timber-exporting countries, including those from countries participating in FLEGT VPAs. This includes a trilateral dialogue between China, Indonesia and the EU.

The two parties to the BCM are also supporting the further development of the Chinese Timber Legality Verification System (CTLVS), taking into consideration EU experiences with the EU Timber Regulation (EUTR) and in countries that are negotiating, or have signed, VPAs."

For more see: <http://www.euflegt.efi.int/eu-china>

Guangzhou Yuzhu International Timber Market Wholesale Prices

| | Logs | yuan/cu.m |
|-----------|--------------|------------------|
| Merbau | dia. 100 cm+ | 4-6000 |
| Bangkirai | dia. 100 cm+ | 3200-4200 |
| Kapur | dia. 80 cm+ | 2700-3000 |
| Ulin | All grades | - |
| Lauan | dia. 60 cm+ | - |

| | | |
|-----------------------|---------------|------------------|
| Kempas | dia. 60 cm+ | 2200-3000 |
| Teak | dia. 30-60 cm | 8500-11500 |
| Logs | | yuan/cu.m |
| Greenheart | dia. 40 cm+ | - |
| Purpleheart | dia. 60 cm+ | 3000-4500 |
| Pau rosa | dia. 60 cm+ | 2000-2500 |
| Ipe | dia. 40 cm+ | 3200-3600 |
| yuan per tonne | | |
| Cocobolo | All grades | 27000-40000 |

Sawnwood

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

| Sawnwood | | yuan/tonne |
|----------|---------------|-------------|
| Ulin | all grades | 9000-10000 |
| Merbau | special grade | 8600-9500 |
| Lauan | special grade | 4300-4500 |
| Kapur | special grade | 5000-6000 |
| Teak | special grade | 14000-20000 |

Zhangjiagang Timber Market Wholesale Prices

| Logs, All grades | Yuan/tonne |
|------------------|------------|
| Sapelli | 3000-4000 |
| Kevazingo | 8000-32000 |
| Padouk de afric | 2400-3100 |
| okoume | 1400-1800 |
| Okan | 2400-2800 |
| Dibetou | 2200-2500 |
| Afromosia | 5500-6500 |
| Wenge | 4700-5500 |
| Zingana | 3400-4800 |
| Acajou de afica | 3000-3500 |
| Ovengkol | 3850-4300 |
| Paorosa | 5900-6600 |
| Merbau | 3500-5800 |
| Lauan | 1800-2020 |
| Kapur | 2020-2500 |
| Keruing | 1700-2200 |
| Geronggang | 1600 |
| kauri | 1700-1850 |
| Amoora | 1900-2080 |
| Calophyllum | 2150-2350 |
| Red ganarium | 1300-1400 |

| Sawnwood | | yuan/cu.m |
|--------------|------------|-------------|
| Cherry | FAS 2 inch | 9000-11000 |
| Black walnut | FAS 2 inch | 15000-18000 |
| Maple | FAS | 8200-10000 |
| White oak | FAS | 7500-13000 |
| Red oak | FAS | 6500-8300 |
| Finnish pine | Grade a | 2600-2900 |

| Sawnwood | | yuan/cu.m |
|------------|---------------|-----------|
| Maple | Grade A | 9000-9500 |
| Beech | Special Grade | 5200 |
| Ash | no knot | 5700-6300 |
| Basswood | no knot | 2800-3300 |
| Oak | no knot | 5300-5700 |
| Scots pine | no knot | 2100 |

Shanghai Furen Forest Products Market Wholesale Prices

| Logs All grades | 000's yuan/tonne |
|--------------------|------------------|
| Bois de rose | 130-250 |
| Red sandalwood | 800-1800 |
| Siam rosewood | 80-300 |
| Burma padauk | 13-18 |
| Rengas | 8-10 |
| Mai dou lai | 6000-8000 |
| Neang noun | 23-36 |
| Burma tulipwood | 20-28 |
| Cocobolo | 28-120 |
| Morado | 10-15 |
| Ebony | 12-40 |
| Trebol | 3.6-8 |
| African sandalwood | 11-14 |

Latvia sponsors China Global Wood Trade Conference

An agreement has been concluded between the Latvia Investment Development Agency and China Timber and Wood Products for Latvia to become the sponsor of the 6th China Global Wood Trade Conference (GWT) to be held in Wuhan City, Hubei Province.

The annual value of Latvian log and sawnwood exports to China has grown to around Euro 30 million and Euro 17 million respectively over the last two years with rail shipments coming from Riga to China.

The China Global Wood Trade Conference is an annual event for global wood traders meet in and since 2011 has been held in five cities across China. Every year GWT attracts more than 350 participants, including wood suppliers, importers, wholesalers, distributors, manufacturers as well as trade associations, industry experts, government officials and representatives of international organizations, from more than 20 countries.

For more see: <http://www.gwtchina.org/en/index.asp>

Slowing pace of EU tropical timber imports

Latest trade data shows that the rising trend in EU import value of tropical wood products that began in the second half of 2014 levelled off in the first five months of this year. No trade data is yet available for the period after May when the effects of the UK vote to leave the EU might become clearer.

Early indications are that it will lead to a significant slowdown in European tropical wood imports in the second half of 2016 in response to currency movements and economic uncertainty in the UK, currently the largest European market for tropical wood products.

Charts 1 to 3 below show the monthly trends in imports of tropical wood products into the EU to May 2016 using 12 month rolling totals. This is calculated for each month as the total import of the previous 12 months. The data removes short-term fluctuations due to seasonal changes in supply and shipping schedules and provides a clear indication of the underlying trade trend.

Chart 1 shows total EU euro import value of all wood products listed in Chapter 44 of the HS codes sourced from tropical countries. Total imports in the 12 months to May 2016 were euro2.29 billion, only slightly above euro2.26 billion recorded for the 12 months of 2015.

The sharp increase in imports of tropical decking and mouldings recorded in 2015, notably from Brazil and into the UK and France, has slowed dramatically in 2016. Imports of tropical flooring products have also slowed this year.

However, European imports of tropical sawnwood, veneer, logs, energy wood and joinery products such as LVL continued to rise between January and May 2016. After recovering in 2014, European imports of tropical plywood remained static between January 2015 and May 2016.

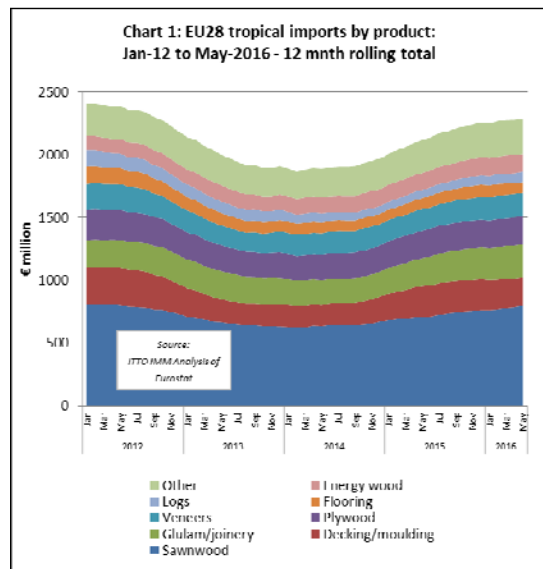


Chart 2 shows how European imports from the major tropical supply countries developed between 2012 and May 2016. After rapid growth in 2015 and the first quarter of 2016, European imports from Indonesia (dominated by decking, doors, plywood and LVL) stabilised at the higher level in April and May this year.

Imports from Malaysia (mainly sawnwood, plywood, doors, and LVL) remained static at a relatively low level between mid-2015 and May 2016. Imports from Cameroon (almost all sawnwood) were rising sharply in the year to May. However, imports from Brazil (mainly sawnwood and decking) fell rapidly between September 2015 and May 2016.

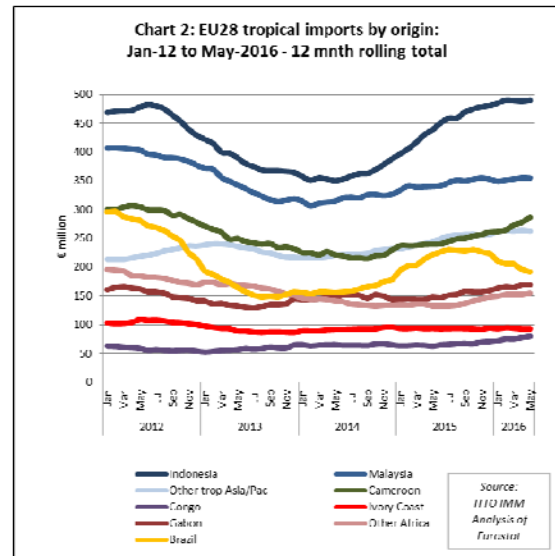
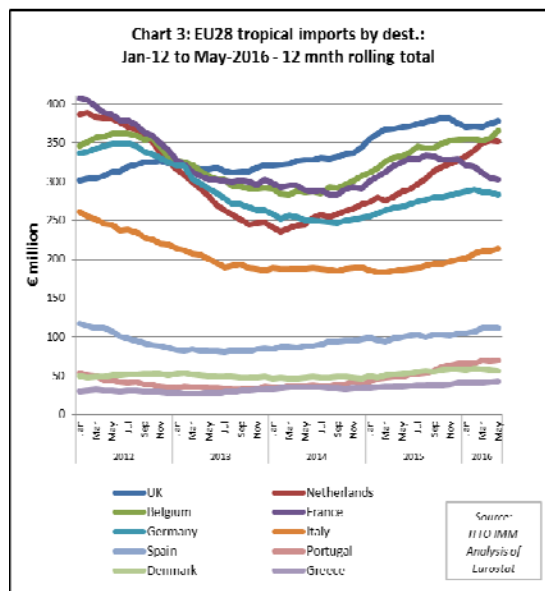


Chart 3 shows the recent trend in tropical wood imports into the main EU consuming countries. The pace of growth in imports into the UK (the leading EU market which takes mainly doors, plywood and sawnwood) was already slowing in the early months of 2016 before the Brexit vote.

Imports into Belgium (mainly sawnwood and decking) and the Netherlands (mainly sawnwood, LVL and decking) continued to rise in the first five months of 2016, narrowing the gap with the UK. Imports have also continued to rise this year into Italy (mainly sawnwood and veneer), Spain (mainly sawnwood and veneer) and Portugal (mainly sawnwood, logs and chips).

In contrast, imports into France (mainly sawnwood, decking and veneer) were declining during the first five months of 2016, due to weakening imports from Brazil. Imports into Germany (mainly decking and sawnwood) also dipped a little in April and May this year.



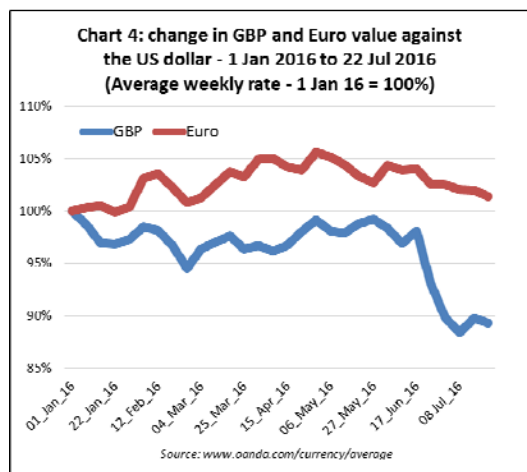
Lower European imports expected in second half of 2016

The fall-out from the Brexit vote on 23 June, combined with challenging economic conditions in other parts of the Europe, particularly Italy, is likely to lead to a downturn in European imports in the second half of 2016.

Feedback from UK timber importers in the aftermath of the Brexit referendum vote on 23 June is that their most immediate concern is the exchange rate.

The value of the British pound, which increased from 1.41 to 1.50 against the US dollar in the days leading up to the referendum on the expectation that “Remain” would win, fell sharply to a 30-year low of \$1.29 on 6 July after the result. By 22 July it had recovered only slightly to \$1.31.

The euro, already low against the US dollar after a dramatic fall in late 2014 and early 2015, also weakened following the referendum from \$1.14 on 22 June to euro1.10 on 22 July (Chart 4).



UK import prices for hardwoods, particularly when invoiced in dollars, have therefore increased sharply since the referendum and a prolonged hiatus in purchasing is now expected. Merchants and manufacturers already appear to be hunting for landed stock before looking to order from overseas. The extent to which prices for stock already landed in the UK now also rise depends on availability and the extent to which consumption slows in response to wider economic uncertainty.

For now, UK importers report there is good availability of landed stock of most of the key commercial hardwoods. Overall there is probably enough stock on the ground to tide the bulk of the UK market over the summer months. There’s therefore likely to be a sharp slowdown in orders from UK importers at least until September and probably longer.

UK importers report that sales to manufacturers and merchants did not dry up after the referendum, although buying was quiet for the last week of June when there would usually be an uptick in activity. There are reports of some UK customers, while not placing new orders, sending out long lists of requirements. As one agent commented, “it looks like they are fishing for new price structures as nobody is yet sure where the market will settle”.

No one yet knows what the real economic impact will be of the Brexit vote. But of course markets generally don’t like change or uncertainty and the Brexit process means that the period of uncertainty will be prolonged. Some major investors will delay decisions, while tens of thousands of smaller investors will also wait to see what happens. Government tax receipts and spending are likely to be curtailed. This is likely to dampen economic growth in the UK over the next couple of years or more.

Early indications are that the short-term economic impact of Brexit has been severe in the UK. Following the referendum, major house builders in the UK suffered initial blows to their future forecasts and analysts are predicting a slowdown in the market along with increased costs of 10-12% for major construction projects, leading to more being put on ice.

The UK Purchasing Managers Index (PMIs) compiled by Markit dropped to 47.7 in July from 52.4 in June, the sharpest one-month drop on record and a decisive shift from expansion to contraction (50 being the threshold value). Both services and manufacturing recorded sharp declines, with a small silver lining being an apparent increase in new export business, helped by the steep drop in the British pound.

But there are some reasons for optimism. The indexes stand in contrast to a report published on 20 July by the Bank of England based on interviews with businesses around the UK saying there had been no clear evidence of a sharp slowing in activity, although uncertainty had risen.

And the PMI may have been coloured by political uncertainty that has decreased with the relatively rapid appointment of a new British Prime Minister on 13 July.

No sign yet of Brexit contagion

There is also no sign yet of any significant contagion from the Brexit vote in other European markets. The Markit Flash Eurozone Manufacturing PMI came in at 51.9 in July, down from 52.8 in June but only slightly below market expectations of 52.

Although Eurozone export growth slowed in part due to lower sales to the UK this was offset by increased export orders to other markets due to the weaker euro.

In Germany, the widely watched IFO business climate index dipped to 108.3 in July from 108.7 in June. That was both better than expected and the second-highest outcome this year. In other words, business expectations slid, but only marginally.

The French economy has shown signs of improvement this year with latest GDP data to end March 2016 registering the strongest annual expansion since 2011. Even after the British vote to leave the EU, both the finance ministry and the International Monetary Fund (IMF) maintained their forecasts for France to show growth of 1.5% in 2016. However, the strength of economic recovery is still uncertain.

The Markit composite PMI for France stood at 50 in July, the threshold that divides expansion from contraction. The data suggests a continued slump in French manufacturing output which is erasing a return to growth in services.

Apart from Brexit, weakness in the Italian economy remains the primary concern in the EU. Italy's economy is unlikely to return to pre-crisis levels for close to a decade, according to the IMF.

Italian banks now have an estimated euro360 billion of non-performing loans, reflecting around 20% of Italy's GDP and 15% of all its banking system's loans (which compares to around 5% in the U.S. during in the 2008-09 banking crisis).

The problem is not a real estate bubble, but low growth, deflation, and lack of competitiveness — exacerbated by a euro exchange rate which is over-valued from the perspective of Italian manufacturers.

Exchange rate will also be the key concern of the European timber trade in the months ahead. Forecasting the euro dollar exchange rate is extremely difficult given political and economic uncertainty on both sides of the Atlantic.

But drawing on the recent better-than-expected economic signals in Germany and with no signs yet of any change in ECB monetary policy, most forecasters suggest relative stability in the euro-dollar rate for the time-being.

However, the UK Financial Times is reporting that the majority of analysts they follow are forecasting a notably weaker British pound in the months ahead. There is a widespread expectation, fed by public statements by the Governor of the Bank of England about the need for economic stimulus, that the UK interest rate will be cut from the current 0.5%, at least to 0.25%, perhaps even to zero in the next few months.

In addition to a hoped for boost in spending, this would tend to reduce inflows of foreign capital into the UK and create further downward pressure on the exchange rate. Therefore, it might be some time before UK importers are encouraged back into the tropical timber market in any volume.

North America

Unemployment rate slightly up

The US unemployment rate increased by 0.2 percentage points to 4.9% in June largely offsetting the decline in May and brought unemployment back to the levels that had prevailed from August 2015 to April 2016.

On a more positive note US GDP rose 1.1% in the first quarter of 2016 according to the latest estimate by the Bureau of Economic Analysis. Higher personal consumption, residential construction, higher exports and lower imports contributed to this growth.

The Federal Reserve is expected to hold interest rates until after the US election in November.

Disappointing first 5 months tropical imports

The US imported 127,068 cu.m. of sawn temperate and tropical hardwood in May, up 60% from April. However the value of these imports increased by just 5% to US\$43.9 million. The volume growth was mainly in imports of temperate species.

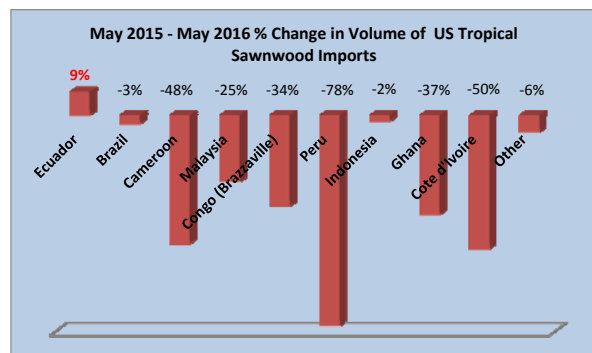
May tropical sawn hardwood imports grew 5% from April to 19,705 cu.m., were valued at US\$21.7 million and accounted for half of all US sawn hardwood imports for the month. However, year-to-date the volume of tropical hardwood imports was down 20% compared to May 2015.

In May this year imports of balsa (4,641 cu.m.), ipe (3,957 cu.m.) and mahogany (1,159 cu.m.) increased from the previous month but imports of sapelli (2,735 cu.m.), acajou d'Afrique (1,164 cu.m.) and keruing (1,468 cu.m.) declined month-on-month.

Sawwood shipments to the US from Cameroon and Malaysia fell in May due to lower imports of sapelli and keruing. On the other hand teak sawnwood imports from Myanmar increased significantly from 55 cu.m. in April to 189 cu.m. in May.

While volumes were modest, the value of teak imports from Burma was close to US\$1 million in May. Year-to-date US imports of teak from Myanmar were up 22% in May from the same time in 2015.

Despite the improvement in May imports the overall trend for US imports of tropical sawnwood has been disappointing with only Ecuador posting gains as can be seen in the graphic below.



Source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Higher plywood imports from China

US hardwood plywood imports grew 27% in May following four months of declines. Year-to-date import volumes were up 3% from May 2015 but the value of imports fell 5%. A total of 268,735 cu.m. was imported in May, worth US\$159 million.

A recovery in US plywood imports from China was mainly responsible for the growth in May. Imports from China jumped 55% from the previous month to 157,103 cu.m. Canadian shipments to the US also increased while imports from Indonesia declined to 21,779 cu.m. (-7%).

China increases share of hardwood moulding imports

May US hardwood moulding imports grew 7% year on year to US\$15.9 million and year-to-date imports are slightly higher (1%) than in 2015.

The largest jump was in imports from China, which increased 37% to US\$4.8 million however, year-to-date imports from China remain below 2015 levels.

Hardwood moulding imports from Brazil were almost unchanged in May. Imports from Malaysia fell 40% month-on-month, but were well above levels in 2015.

Hardwood flooring imports lower than in 2015

Wood flooring imports increased significantly in May, but compared on a year-to-date basis up to May 2015, imports were only 1% up for assembled flooring panels. Hardwood flooring imports declined 16% year-to-date compared to the same time last year.

Thailand and Indonesia shipped more assembled flooring panels this year. For hardwood flooring China saw the largest gain, both month-on-month and year-to-date. In May this year imports from China were worth US\$904,146, followed by Indonesia (US\$751,153) and Malaysia (US\$692,110).

Strong growth in US wooden furniture imports

US imports of wooden furniture grew 13% in May month on month to US\$1.44 billion. Year-to-date imports were up 5% from May 2015.

As was the case in April much of the month-on-month growth was due to rising imports from China (US\$691.4 million, +25%) and Vietnam (US\$268.9 million, +33%).

Furniture imports from Mexico and Malaysia declined in May while Indonesian shipments to the US were unchanged. Imports of all types of wooden furniture grew in May, except non-upholstered seating. Imports of kitchen furniture increased 24%, followed by office furniture (+15%) and upholstered furniture (+14%).

LEED with new credit for legal wood

The US Green Building Council (USGBC) has announced a new Alternative Compliance Path Credit for its green building rating system 'Leadership in Energy and Environmental Design' (LEED).

The purpose of the credit is to help prevent the use of illegal wood in buildings by promoting verified legal wood. Existing processes for responsible wood sourcing and chain of custody are used to proactively verify that wood is legal.

LEED is the most widely used green building certification system in North America. Worldwide there are nearly 75,000 commercial projects participating in LEED, according to the USGBC.

Luxury tiles - a new market for WPCs

The Freedonia Group released an updated market outlook report for wood-plastic composite (WPC) and plastic-lumber. Decking will remain the main application for WPC and plastic-lumber. Larger size decks and additional components such as benches, tables and privacy lattices will increase demand. Most decking is capstock-coated WPC, which better mimics the texture of natural wood. Cellular PVC is taking market share from traditional plastic lumber. For a useful description of the manufacture and types of WPCs see:

http://www.ecobuildingpulse.com/products/composite-or-pvc-which-one-is-best_o

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.

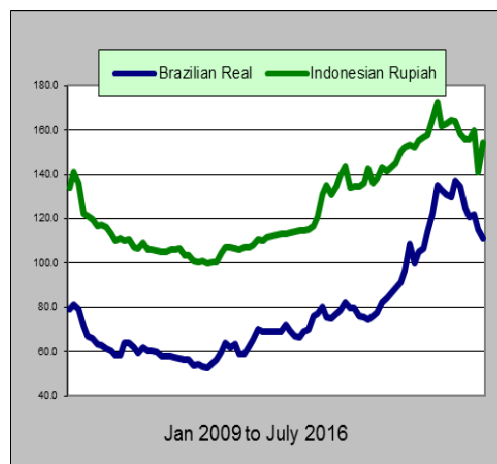
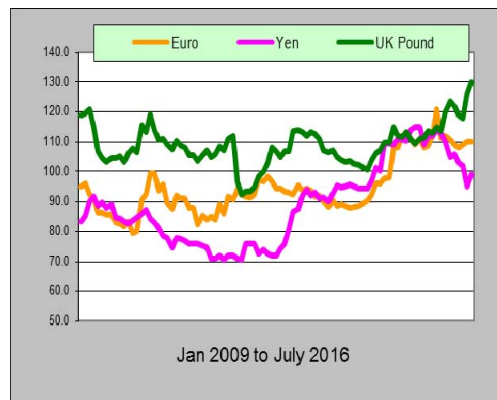
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 18 July 2016

| | | |
|---------------|-----------|---------|
| Brazil | Real | 3.2536 |
| CFA countries | CFA Franc | 596.81 |
| China | Yuan | 6.7012 |
| EU | Euro | 0.9029 |
| India | Rupee | 67.1367 |
| Indonesia | Rupiah | 13072 |
| Japan | Yen | 106.15 |
| Malaysia | Ringgit | 3.9732 |
| Peru | New Sol | 3.2771 |
| UK | Pound | 0.7544 |
| South Korea | Won | 1135.26 |

Exchange rate indices (Dec 2003=100)

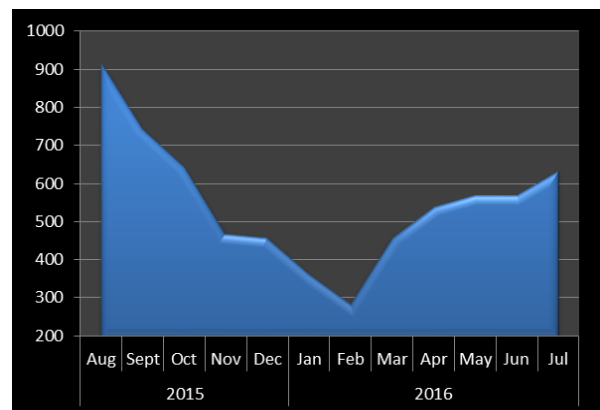


Abbreviations and Equivalences

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

Ocean Freight Index

Baltic Supramax Index
Aug 2015 – July 2016

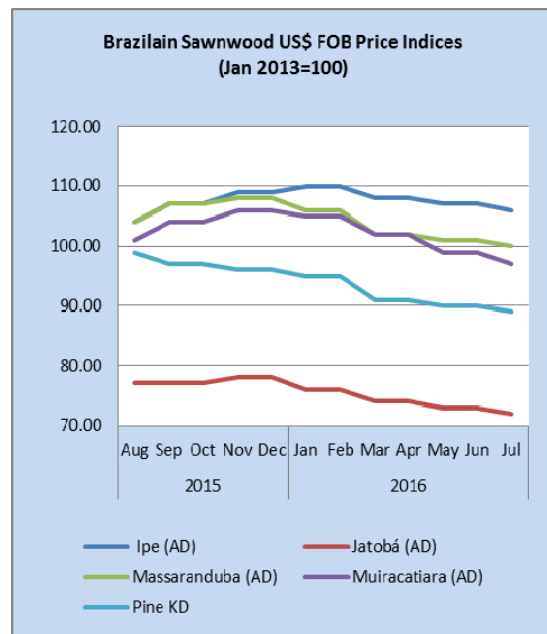
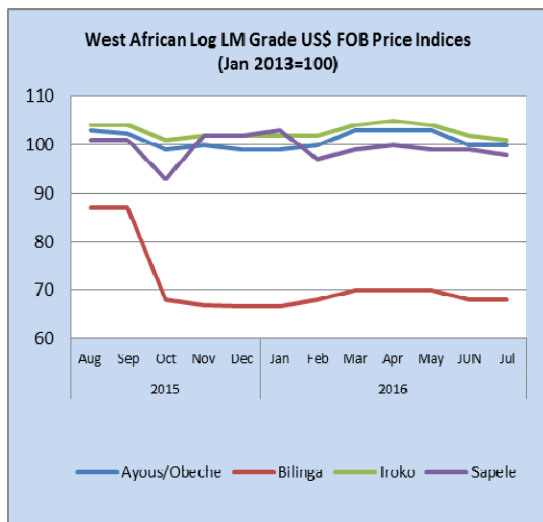
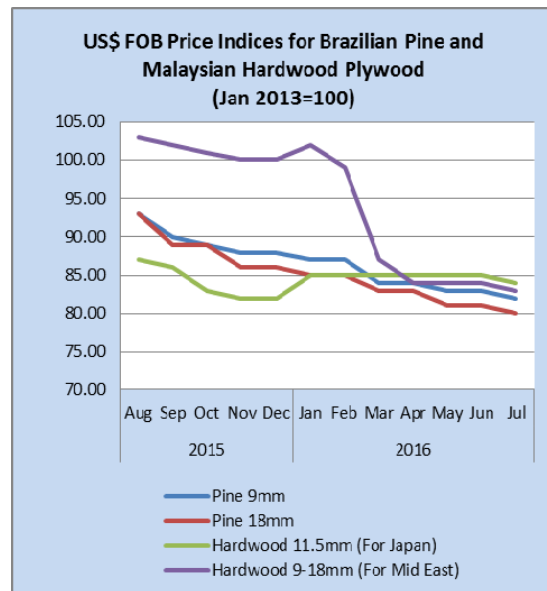
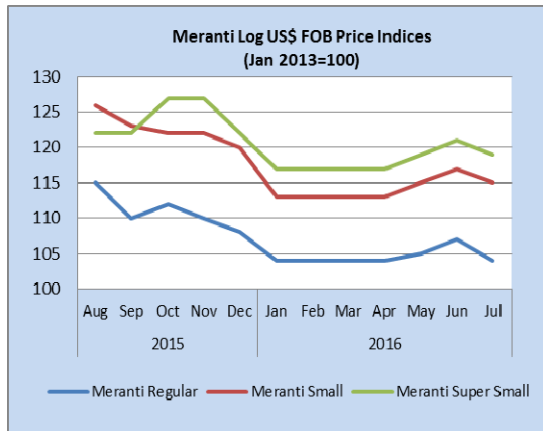


Data source: Open Financial Data Project

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

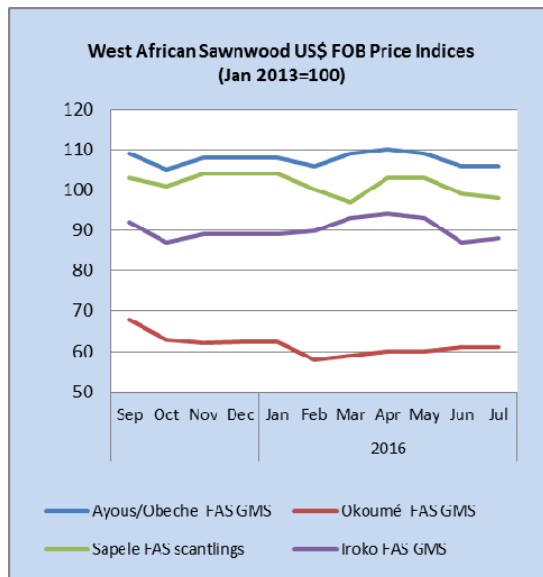
Price indices for selected products

The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market

Note: Jatobá is mainly for the Chinese market.



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