



# Newsletter™

Volume 1 ~ Issue 7 ~ December 2016

## Current Trends

**2016**  
**5.2 MMBF**

**2006**  
**2.9 MMBF**

US Imports of hardwood lumber from Oceania - including Australia and 13 South Pacific nations - are on pace to total a record 5.2 MMBF in 2016.



The Federal Reserve Bank of St. Louis Trade Weighted U.S. Dollar Index for Major Currencies rose 8% from May 2 through December 9, 2016.

**Milestones in  
Imports from  
South America**

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## Market Commentary

### Market Trends

Tropical hardwood lumber sales operations in the US and Canada report that business flattened out during the first half of December, as it typically does prior to Christmas. Distributors and end-users tend to avoid unnecessary inventory buildups and the taxes often associated with them at year-end. However, some describe activity as above average for early December, including orders for prompt shipment. Contacts attribute better-than-expected sales to increased optimism about 2017 business prospects and thin inventories in need of replenishment at some customers.

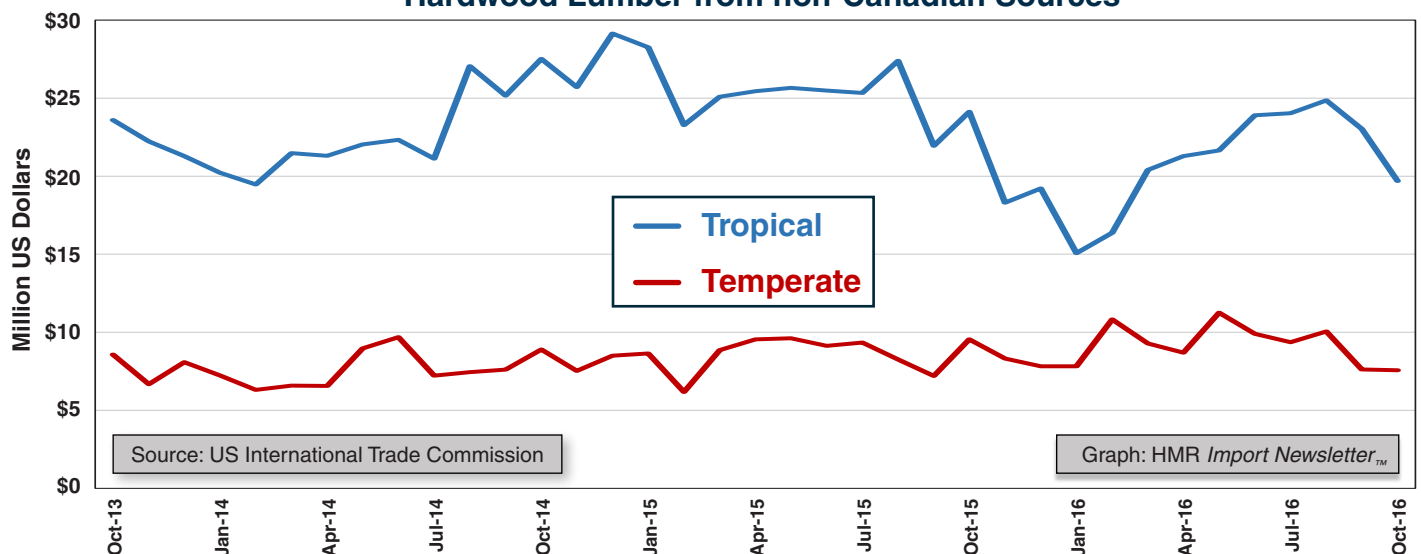
Sellers report fair to good demand from commercial millwork and residential moulding manufacturers, and steady orders from distribution yards. Meanwhile, shipments remain slow to residential flooring and furniture manufacturers. Tropical hardwood use is the cabinet sector, though limited, is reportedly similar to recent months.

North American inventories of the most widely used tropical hardwoods have gradually been worked down during

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**Monthly US Import Values of Tropical and Temperate  
Hardwood Lumber from non-Canadian Sources**



Leading Tropical Species	– Board Feet –		Chg %	– Board Feet –		Chg %
	Oct-15	Oct-16		YTD 2015	YTD 2016	
Balsa	2,301,538	2,600,671	+13%	18,328,838	19,760,944	+8%
Ipé	580,469	995,695	+72%	12,095,364	11,838,178	-2%
Sapele	1,629,127	1,077,045	-34%	15,747,658	10,445,052	-34%
Keruing	919,005	518,185	-44%	8,371,465	7,465,594	-11%
Genuine Mahog.	1,180,852	561,403	-52%	6,903,344	6,766,489	-2%
African Mahog.	705,037	479,205	-32%	9,393,853	6,579,637	-30%
Spanish Cedar	276,252	333,876	+21%	3,211,646	2,975,221	-7%
Virola/Imbuia	251,254	151,261	-40%	3,325,621	2,887,516	-13%
Dark Red Meranti	344,468	229,222	-33%	3,473,493	2,768,880	-20%
Teak	338,960	216,511	-36%	2,476,950	2,080,791	-16%
Jatoba	74,571	30,930	-59%	1,341,011	819,436	-39%
Andiroba/Padauk	11,440	56,776	+396%	190,241	498,271	+162%
Iroko	38,980	69,487	+78%	261,423	274,981	+5%
Aniegre	16,101	0	-100%	241,085	104,230	-57%
<b>Tropical Total</b>	<b>9,304,028</b>	<b>8,025,302</b>	<b>-14%</b>	<b>94,766,861</b>	<b>82,783,353</b>	<b>-13%</b>

Leading Temperate Species	– Board Feet –		Chg %	– Board Feet –		Chg %
	Oct-15	Oct-16		YTD 2015	YTD 2016	
Beech	2,355,348	2,157,480	-8%	22,955,219	24,914,831	+9%
White Oak	140,245	351,247	+150%	4,150,989	5,330,993	+28%
Baltic/Russ. Birch	279,642	283,032	+1%	2,088,841	2,239,678	+7%
Pop/Aspen/Ctnwd	27,541	49,573	+80%	238,119	264,389	+11%
Soft Maple	4,237	0	-100%	135,584	257,610	+90%
Red Oak	0	0	--	222,866	99,146	-56%
<b>Temperate Total</b>	<b>19,457,999</b>	<b>6,486,847</b>	<b>-67%</b>	<b>192,933,066</b>	<b>142,143,300</b>	<b>-26%</b>

Leading Countries	– Board Feet –		Chg %	– Board Feet –		Chg %
	Oct-15	Oct-16		YTD 2015	YTD 2016	
Brazil	10,487,846	1,758,779	-83%	30,624,612	36,766,144	+20%
Germany	2,488,814	2,165,954	-13%	23,075,549	26,024,925	+13%
China	735,967	1,007,982	+37%	7,952,002	25,955,862	+226%
Ecuador	2,204,935	2,600,247	+18%	18,080,550	19,657,562	+9%
Cameroon	1,392,278	936,801	-33%	20,637,580	18,494,929	-10%
Mexico	125,839	63,131	-50%	1,347,790	13,407,139	+895%
India	3,123,516	83,893	-97%	5,112,364	11,833,094	+131%
Ghana	386,414	251,254	-35%	6,195,341	9,112,940	+47%
Malaysia	1,134,245	522,422	-54%	10,306,503	8,423,156	-18%
Congo (ROC)	539,370	542,760	+1%	6,704,629	6,517,777	-3%
<b>World Total</b>	<b>28,762,027</b>	<b>14,512,149</b>	<b>-50%</b>	<b>287,699,927</b>	<b>224,926,653</b>	<b>-22%</b>

Source: US International Trade Commission

## Market Commentary cont'd

the latter half of 2016. Supply and demand are now closer balanced for several species that were quite abundant in early fall. Sapele is the most noteworthy example.

Markets for Sapele are performing better than markets for most other tropical “redwood” species. While many contacts say demand in early December is comparable to November, some report rising demand. Interest is generally better from millwork and door producers than other end-users. At the same time, several importers are expressing concern about declining Sapele offerings from African sawmills.

The forward supply situation is much different for African Mahogany than Sapele. African

**"Supply and demand are now closer balanced for several species that were quite abundant in early fall."**

mills are reportedly offering out large volumes of African Mahogany to North American importers. However, demand for this species remains sluggish, overall, and markets are already amply supplied. Some overstocked companies are offering deeper price concessions to try and bring hesitant buyers off the sidelines. That said, the vast majority of reported prices are clustered around the current listings or contained within the ranges.

Buyers and sellers paint a mixed picture of business for Genuine Mahogany. On the one hand, the species remains a favorite in ultra-high-end commercial projects, where price is only a secondary consideration. Therefore, Genuine Mahogany sales are steady for importers and distributors with access to those markets. On the other hand, sellers not participating in that niche report limited demand from their customers. While most contacts indicate little change in Genuine Mahogany prices from last month, some lower end prices did bump up, and new reports show information above the previous ranges. The low and high sides of the ranges for all published thicknesses increase accordingly.

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## Sel/Btr (Net)

### Spanish Cedar (African stock)

4/4	2900	(2775-3075)
5/4	2925	(2800-3100)
6/4	2950	(2825-3125)
8/4	2975	(2850-3150)

### Cumaru

4/4	3650	(3400-3850)
5/4	3750	(3500-3950)

### Ipé

4/4	5200	(5000-5500)
5/4	5350	(5100-5600)

### Jatoba

4/4	3000	(2850-3200)
5/4	3080	(2950-3300)
8/4	3230	(3100-3450)

## Sel/Btr (Net)

### African Mahogany (Cameroon/Ghana stock)

4/4	2800	(2650-2900)
5/4	2825	(2675-2925)
6/4	2850	(2725-2975)
8/4	2875	(2750-3000)

### Genuine Mahogany (South/Central American stock)

4/4	6000	(5750-6400)
5/4	6025	(5770-6420)
6/4	6050	(5790-6440)
8/4	6075	(5810-6460)

### Sapele

4/4	2850	(2750-2975)
5/4	2875	(2770-2995)
6/4	2900	(2790-3015)
8/4	2925	(2800-3050)

Prices are in US dollars per thousand board feet for kiln dried lumber measured after kiln drying ("net tally"), FOB US or Canadian import yard. Prices are presented only as a guide.

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## Market Commentary cont'd

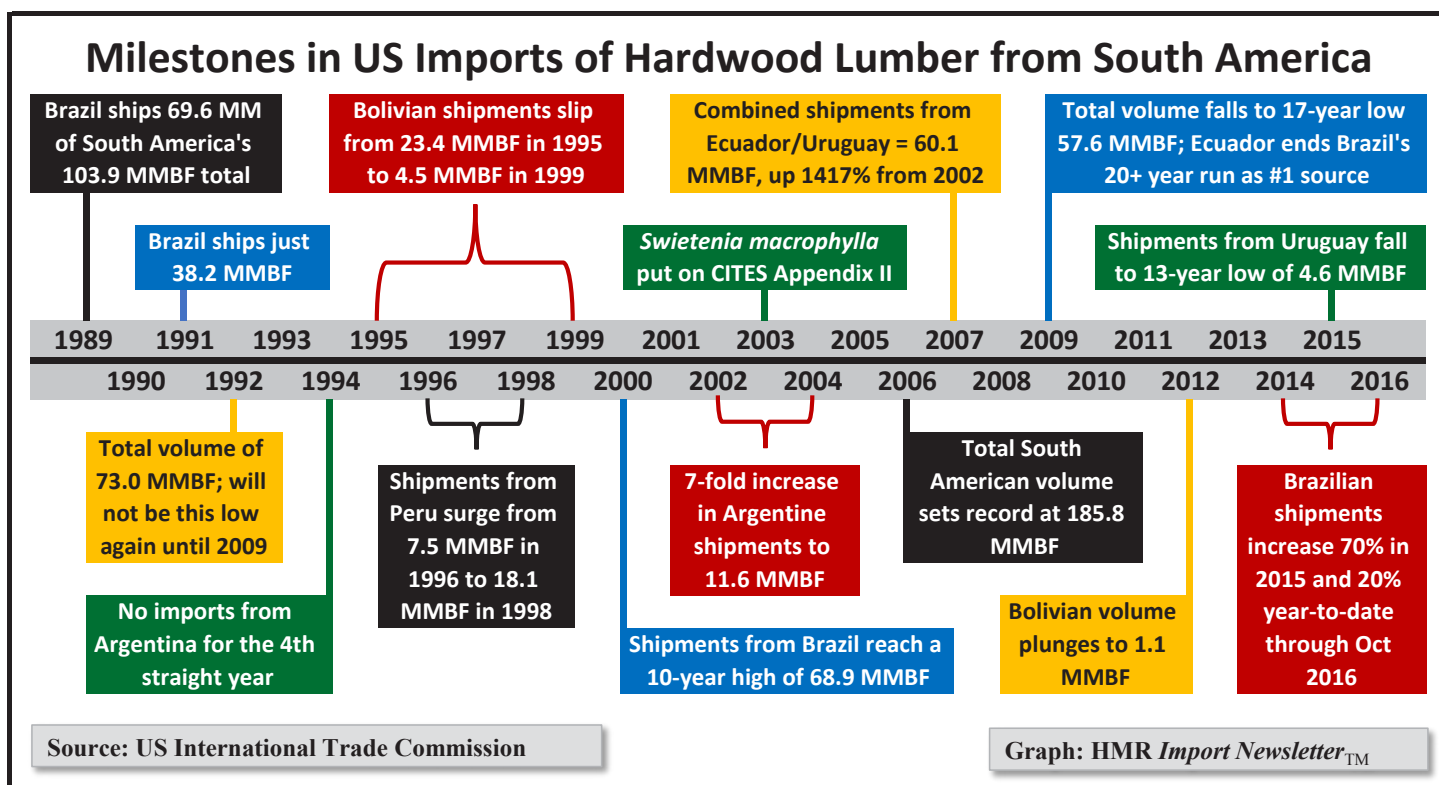
Contacts in the East report modest improvement in Spanish Cedar demand. More of the inquiries being placed are turning into orders compared to past months, some for prompt shipment and some for early 2017 delivery. The bump in demand has helped stabilize prices; after two consecutive months of declines, reported prices are in line with the listings and ranges.

Jatoba is attracting limited interest from North American distribution yards and secondary manufacturers. Demand from the residential flooring industry is rather weak, and stair producers that use the species have plenty of stock.

sonality. Multiple reductions in previous months have the published Cumaru figures in order.

Tropical hardwood importers and resellers are seeing decent activity in Meranti, Padauk, and Purpleheart. Nogal (Peruvian Walnut) is moving well for those that have been able to source it. Conversely, Sipo business has reportedly weakened.

Reports about European Beech demand depend entirely on region. Western distribution yards have good order files, particularly from cabinet manufacturers. Distribution oper-



Since very little Jatoba has entered North America in 2016, domestic inventories have adjusted lower; markets are not oversaturated with supply. Prices are reported at the listings and within the ranges.

A sizeable percentage of Ipé lumber imported to North America is used in the manufacture of decking, sales of which are seasonally slow at present. Experienced contacts say demand is fairly normal for this time of year. Ipé prices are steady in somewhat limited trading.

Markets for Cumaru are quite slow, according to most survey respondents. This is partly a function of season, as this species is also widely used in decking. However, underlying demand appears to be slipping irrespective of sea-

ations in almost every other area give less enthusiastic reports, and a few describe business as poor. North American markets for Baltic/Russian/Chinese Birch lumber are showing little, if any, growth. Softening prices for North American Yellow Birch remain a disincentive for end-users to use imported stock. European White Oak importers continue to enjoy relatively good business, with the biggest volumes reportedly going to high-end flooring manufacturers.

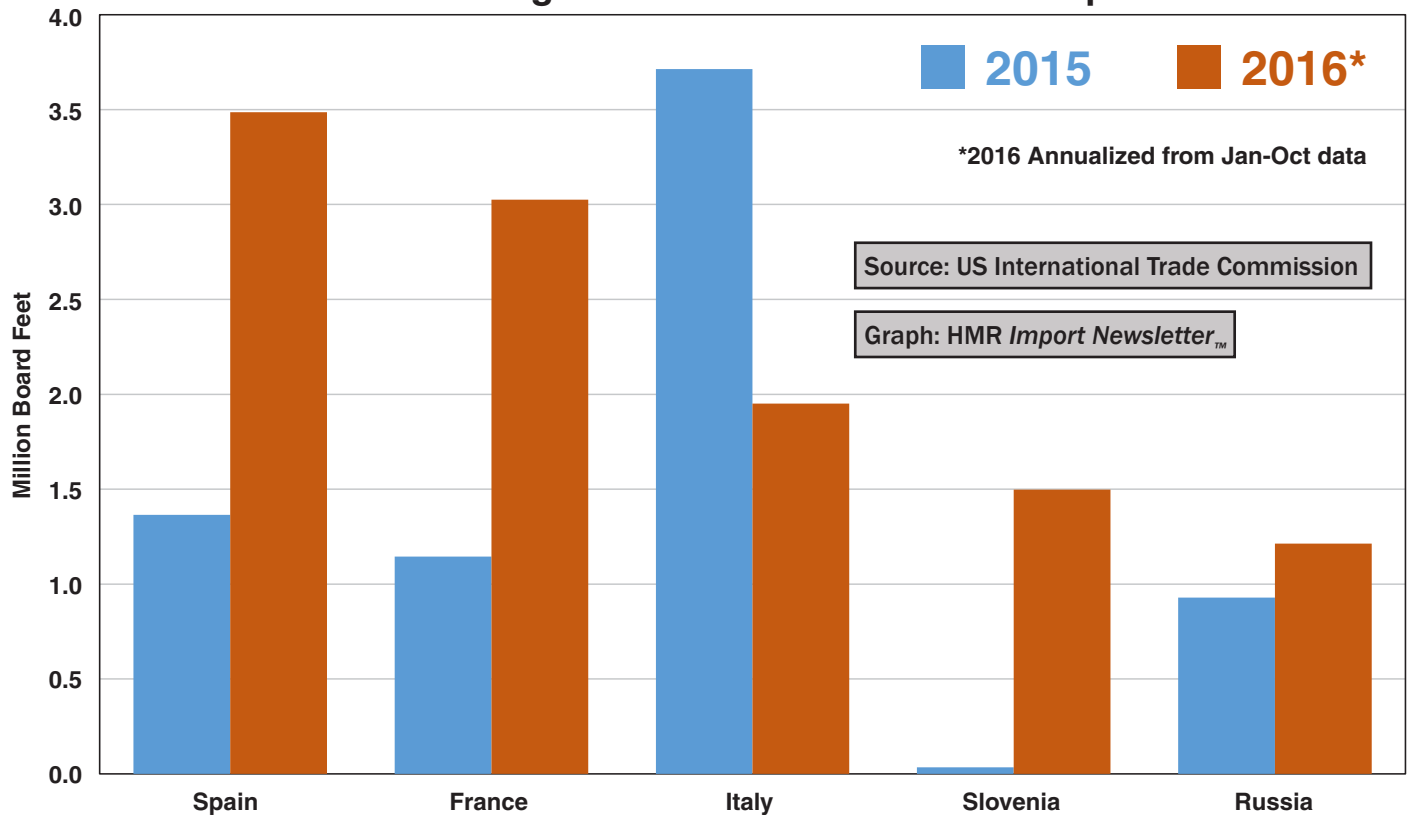
### Forestry Corruption

A December 9 report by the International Criminal Police Organization (INTERPOL) puts the cost of corruption in the global forestry sector at an estimated US\$29 billion per

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## Trends in US Imports of Hardwood Lumber from Leading Non-German Sources in Europe



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## Market Commentary cont'd

year. Bribery, extortion, abuse of office, illegal logging, and cronyism are among the practices INTERPOL cites in the report.

This corruption is damaging to law abiding companies, including the vast majority of North American producers, importers, end-users, and distributors of hardwood lumber and secondary hardwood products. By increasing the supply of ill-gotten products, it can depress both demand and prices for legally and legitimately derived products. It also harms the industry's reputation.

At the risk of stating the obvious, North American companies that import, resell, or consume imported hardwoods (that have not already done so) should implement risk mitigation strategies to avoid any entanglements with companies practicing corruption, whatever their place in the supply chain. This is easily said, though not so easily done. The International Wood Products Association ([www.iwpawood.org](http://www.iwpawood.org)) can provide helpful resources in this area.

### Trade Data

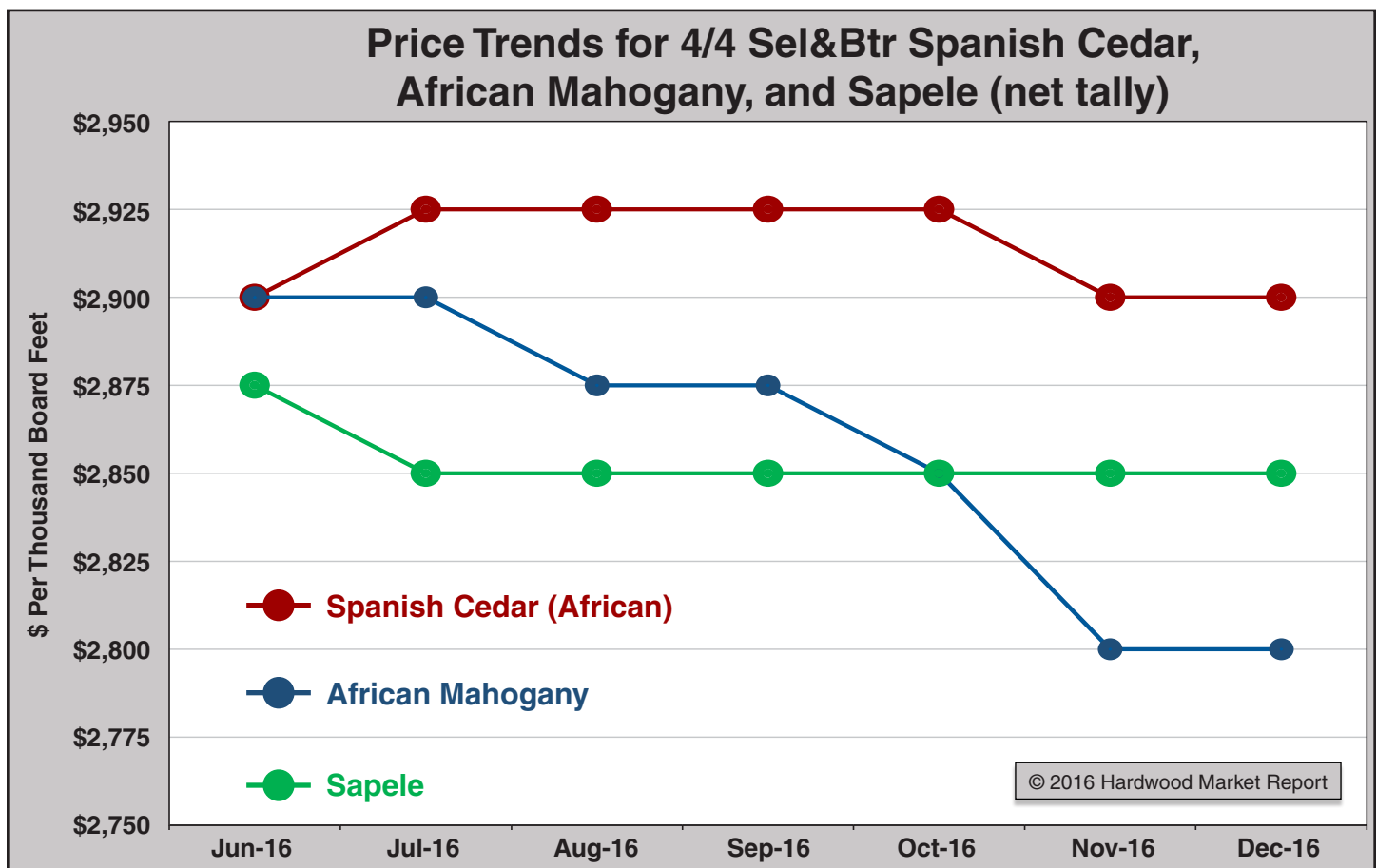
In October 2016, US imports of hardwood lumber from

non-Canadian sources declined 12% from September to a nine-month low of 14.5 million board feet (MMBF), according to data from the US International Trade Commission (ITC). Temperate and tropical shipments slid 16% and 8%, respectively, in October compared to September.

Imports of tropical hardwood lumber totaled 8.0 MMBF in October, which was 14% below October 2015 volume. Total year-to-date 2016 volume of 82.8 MMBF lagged last year by 14%. September and October were the highest months for Balsa receipts in more than four years, and the annualized pace of 2016 receipts was at a six-year high of 24.3 MMBF through October. The only other two tropical species registering gains on the year were Andiroba/Padauk (+162%) and Iroko (+5%). Genuine Mahogany had been in that category for much of the year, but September and October shipments were significantly lower this year than last, dropping year-to-date volume 2% behind the 2015 pace.

Imports of most other tropical species were lower this October than in both the prior month and October 2015, in-

[continue](#)



## Market Commentary cont'd

cluding Sapele, Keruing, African Mahogany, Teak, and Jatoba. Total year-to-date imports of these species were down 34%, 11%, 30%, 16%, and 39% through October, respectively. Meanwhile, jumps in October over October receipts of Ipé (+72%) and Spanish Cedar (+21%) narrowed those respective year-to-date deficits to 2% and 7%.

Just 6.5 MMBF of temperate hardwood lumber entered the US from non-Canadian sources in October 2016. Year-to-date temperate volume of 142.1 MMBF trailed 2015 by 26%. This is due to a 33% drop in "Other Temperate" shipments, a miscellaneous category that lumps together all species without Harmonized Tariff Schedule (HTS) codes. The five leading species with HTS codes registered year-to-date gains, including Beech (+9%), White Oak (+28%), and Baltic/Russian/Chinese Birch (+7%).


Seven of the 10 largest non-Canadian hardwood lumber suppliers to the US shipped lower volumes this October than last. This is in sharp contrast to September, when 7 of the 10 largest suppliers shipped higher volumes than the previous September. Brazil, Germany, Cameroon, India, and Malaysia all registered year-over-year gains in September followed by declines in October. However, China

trended in the opposite direction, with volume down 11% in September but up 37% in October.

Imports were higher during the first 10 months of 2016 than during the same period in 2015 from every major non-Canadian source region except Latin America. Shipments climbed 79% from Asia to 52.7 MMBF, 4% from Africa to 42.1 MMBF, 14% from Europe to 38.6 MMBF, and 43% from Oceania to 4.3 MMBF. However, a 52% decline in Latin American imports to 87.2 MMBF dropped total worldwide volume 22% behind last year's pace to 224.9 MMBF.

**"Imports of most other tropical species were lower this October than in both the prior month and October 2015 ..."**

The Latin American and worldwide numbers change dramatically with Bolivia removed from the equation, showing respective increases of 23% to 85.1 MMBF, and 27% to 222.8 MMBF. Bolivian shipments in 2015 appear to include erroneous spikes in data for certain months that inflate volume for the year and, by comparison, make 2016 appear as if business is contracting. Hardwood Market Report will not make artificial adjustments to suspect data, though will inform readers and ask trade officials to investigate.

Please see page 2 for detailed tables on US hardwood lumber imports by species and country. 

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