

# Tropical Timber Market Report

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## Top Story

### **ASEAN mutual recognition for timber legality**

Delegates from Indonesia, Thailand, Vietnam, Myanmar, Cambodia, Brunei and Malaysia recently met to discuss a regional mechanism for mutual recognition of timber legality.

The meeting agreed on a five year timeline for implementation.

**See page 4**

### **News from ITTO**

A Forest Products Industry International Forum

‘Together Towards Global Green Supply Chains’

Save the dates: 22-25 October 2019, Shanghai

See:

[https://www.itto.int/events/international\\_forum\\_together\\_towards\\_global\\_green\\_supply\\_chains/](https://www.itto.int/events/international_forum_together_towards_global_green_supply_chains/)

ITTO/IMM seeking to recruit correspondents in Vietnam and Congo

See:

<http://www.flegtimm.eu/index.php/newsletter/imm-project-news/164-itto-imm-aseeking-correspondents-in-vietnam-and-congo>

## Central and West Africa

### Cameroon mills scale back production – bad weather and slowing demand

Operations in Cameroon are now affected by heavy rains and some mills have had to reduce production which, as it happens, comes at a time when international demand is much quieter than usual. With the European holiday season in full swing producers are adjusting production and shipping arrangements for September deliveries.

### Investigation of padauk shipment to EU impacts prices

In early July Belgian Customs blocked the release of a shipment of padouk sawnwood dispatched from Gabon. The Belgian authorities were warned that there was a risk that the importer of this shipment could not satisfy the EUTR and are currently assessing whether the Belgian importer satisfied the due diligence requirements of the EUTR.

This investigation and the fact that over the past months there have been large shipments of padauk to the EU, has had an impact on padauk sawnwood prices which fell to around euro 700-750 per cu.m from recent highs of over euro 1,100 per cu.m

### Put an end to bad practices – a mammoth task for Gabon’s Forestry minister

The new Forestry Minister faces an uphill task as he begins to deliver on the Presidents charge to “put an end to bad practices in the forestry sector and corruption in the administration”. The issue of Kevazingo stocks remains unresolved.

Producers of okoume logs for the Indian and Chinese mills in the special economic zone are facing calls for reduced prices because, say analysts, veneer stock levels in SEZ mills have risen due to over production in dull market conditions.

Okoume peeler log prices have dropped from around CFA 110,000 per cu.m to CFA90,000 per cu.m over the past month. There are reports that prices being offered by one major miller are as low as CFA45,000 per cubic metre.

Analysts write that logging companies in Gabon are stepping up efforts to market a wider range of species, especially redwoods, but report little interest for this in China and India.

## Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N’Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	280-	280-	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	350	350	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	300-	280↓	230↓
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	370	370	-

## Sawnwood export prices

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

## Ghana

### Export performance reflects global reality

In the first 5-months of this year Ghana’s wood product exports totalled 128,842 cu.m., down around 11% from the same period in 2018.

The Ghana Timber Industry Development Division (TIDD) of the Forestry Commission reported exports of 16 product categories which earned the country euro 66.05 million as against the euro 86.32 million in the same period in 2018.

### Comparative export volumes January-May

Product	Volume (cu.m)		
	Jan-May.	Jan-May.	Y-O-Y
	2018	2019	% Change
Sawnwood (AD)	92,351	79,465	-13.95
Sawnwood (KD)	17,380	17,636	1.47
Plywood (regional markets)	9,271	10,113	9.08
Billets	14,541	11,423	-21.44
Sliced Veneer	4,358	3,213	-26.27
Mouldings	2,923	3,214	9.96
Rotary Veneer	2,122	1,638	-22.81
Others	1,354	2,140	58.05
<b>Total</b>	<b>144,300</b>	<b>128,842</b>	<b>-10.71</b>

Data source: TIDD

Air-dried sawnwood (62%), kiln-dried sawnwood (12%), billets (10%) and plywood shipped overland to neighbouring countries (6.4%) were the leading export products accounting for over 90% of the total export volume. The balance was made up of some 9 other products.

The production of the main export products were manufactured from mainly teak, wawa, ceiba, papao/apa and denya.

### Comparative export revenue for January-May

Product	Value (Eur '000)		
	Jan-May	Jan-May	Y-O-Y
	2018	2019	% Change
Saw n w ood (AD)	56,937	41,031	-27.94
Saw n w ood (KD)	11,004	10,398	-5.51
Plyw ood (regioanal market)	3,453	3,405	-1.39
Billets	5,722	4,190	-26.77
Sliced Veneer	4,959	3,158	-36.32
Mouldings	1,907	2,219	16.36
Rotary Veneer	808	811	0.37
other	1,528	835	-45.35
<b>Total</b>	<b>86,318</b>	<b>66,047</b>	<b>-23.48</b>

Data source: TIDD

The average unit price of products shipped for the period ranged from US\$208/cu.m (kindling) to US\$1,256/cu.m (sliced veneer). The overall average unit price in the first 5 month period of 2019 dropped to US\$513/cu.m from US\$598/cu.m in 2018.

The main export markets in the period reviewed remained Asia (93,170 cu.m), Europe (16,671 cu.m), Africa (13,382 cu.m), America (3,827 cu.m) and Middle East (1,807 cu.m).

### Major first half 2019 markets

Major Markets	Volume shipped Jan-May 2019 000's cu.m	Year on year change %
Asia	93.2	-3.25
Europe	16.7	2.03
Africa	13.4	2.15
America	3.8	-0.52
Middle East	1.8	-0.41
<b>Total</b>	<b>128.9</b>	<b>11%</b>

Data source: TIDD

### Diversifying markets beyond ECOWAS

Exports to regional markets expanded just over 2% as new markets outside the traditional ECOWAS countries were accessed. As Ghana will host the headquarters of the African Continental Free Trade Agreement (AfCFTA) which becomes operational in 2020, the country could achieve greater promotion of its wood products into the single harmonised market.

### Ghana International Trade Commission to help protect local firms

Ghana's President has assured local firms the government will protect domestic enterprises from unfair competition. This will be achieved through the establishment of the Ghana International Trade Commission (GITC) which will invite complaints from industries and recommend appropriate government responses.

The President urged local companies to support the government's vision for a new Ghana anchored on industrialisation.

### AGI sees risks in lowering import 'bench mark' values

The Association of Ghana Industries (AGI) has raised concerns in a recent press release on the government decision to drastically cut the 'bench mark' values for a wide range of imports.

The 'bench mark' value is government assigned values used to establish a baseline value for imported items. The use of the 'bench mark' was used as a means to assign a reasonable value to an imported item as in the past importers tended to adjust import invoices.

The AGI asks what will become of local manufacturing with an inflow of finished imports attracting much lower import duties. The AGI notes some of these imported products already enjoy significant export subsidies/rebates in the country of origin. The AGI fears this will be a disincentive for local investment in manufacturing.

See:

[https://www.agighana.org/uploaded\\_files/document/5407e3fc2d0a810a92e01d364f26c995.pdf](https://www.agighana.org/uploaded_files/document/5407e3fc2d0a810a92e01d364f26c995.pdf)

### Investment in Ghana is the best option – says VP

During the recent Canada-Ghana Economic Summit in Vancouver, Ghana's Vice President, Dr. Mahamudu Bawumia, encouraged Canadian investors to consider Ghana as the best investment destination on the African continent.

He pointed to Ghana's political stability, security and regulatory environment and its large domestic market.

Dr. Bawumia reminded potential investors that Ghana hosts the headquarters of several multinational companies serving the ECOWAS region of over 350 million people and will host the African Continental Free Trade Agreement (AfCFTA) giving the country a major role in West Africa's commercial, trade and investment future.

#### Boule Export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	534↓
Niangon Kiln dry	670

#### Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	349-↓	445
Chenchen	431	630
Ogea	508	590
Essa	614↑	733
Ofram	350	435

#### Export Sliced Veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	728↓
Avodire	721
Chenchen	1,543↑
Mahogany	1,731↑
Makore	855↓
Odum	2,797↑

#### Export Plywood Prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	312↓	640	641
6mm	412	535	604
9mm	400	446	560
12mm	510	463	480
15mm	450	338	430
18mm	450	441	383

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

#### Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	465↓	564
Ceiba	405	487
Dahoma	477↑	484↓
Edinam (mixed redwood)	520	724↑
Emeri	532↓	560↓
African mahogany (Ivorenensis)	930	1,008
Makore	740	810
Niangon	620	633↓
Odum	649↓	865↓
Sapele	700	838↓
Wawa 1C & Select	420	466↑

## Malaysia

#### An opportunity to bring down regional shipping costs

Trading between Brunei, Indonesia, Malaysia and the Philippines will get a boost following the new shipping service launched by Reefer Express Lines.

The launching of the service was initiated by the East ASEAN Growth Area (BIMPT-EAGA) Business Council through a memorandum of understanding aimed at increasing trade volume within the BIMPT-EAGA region. Analysts say the new service could bring down costs and cut shipping times.

For more see: <https://www.hellenicshippingnews.com/new-liner-shipping-operations-set-to-increase-cross-border-trade-within-bimpt-eaga-region/>

#### ASEAN mutual recognition for timber legality

Delegates from Indonesia, Thailand, Vietnam, Myanmar, Cambodia, Brunei and Malaysia recently met to discuss a regional mechanism for mutual recognition of timber legality definitions.

The objectives of this meeting were:

- to enhance understanding through sharing experiences on developing MRA from other sectors referring to the ASEAN Framework Agreement on Mutual Recognition Arrangements (MRA 1988) and Guidelines on Accreditation and Conformity Assessment;
- to discuss the requirements for MRA development and clearly identify the steps/processes on setting standards and procedures to be followed and how to move the process forward;
- to discuss a stepwise approach and timeline on ASEAN regional mutual recognition arrangement for AMS on timber legality

The meeting agreed on a five year timeline for implementation.

See: <http://www.mtib.gov.my/en/maskayu/category/35-emaskayu-2019>

#### Furniture exports a major contributor to export earnings

Teresa Kok, Malaysia's Minister of Primary Industries, has reported that timber exports in the first 5 months of 2019 rose 2.3% year on year.

Malaysia is one of top ten global furniture exporters and in the first five months of 2019 the furniture industry contributed 36% to Malaysia's total timber-related exports, up almost 13% year on year. She remarked that Malaysian manufacturers need to be alert as non-wood products are a threat in some of the traditional wood product markets.

See: <https://www.thesundaily.my/business/malaysia-s-timber-exports-hit-rm9-1b-in-first-five-months-of-2019-CD1151848>

## Malaysian Wood Expo

The Malaysian Timber Council (MTC) and the publisher of the magazine Panels and Furniture are jointly organizing the Malaysian Wood Expo (MWE 2019) scheduled to be held 19 to 21 November 2019 at the Putra World Trade Centre in Kuala Lumpur.

MWE 2019 is expected to attract the finest international wood-based manufacturers, exporters as well as woodworking machinery suppliers and buyers.

See: <http://www.malaysianwoodexpo.com.my/>

## Plywood prices

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

CP (3'x 6')	US\$ 510 – 530 C&F
UCP (3'x 6')	US\$ 610 – 630 C&F
Middle East	US\$ 430 FOB
South Korea	
(9mm and up)	US\$ 435 C&F
Taiwan P.o.C.	
(9mm and up)	US\$ 410 FOB
Hong Kong	US\$ 445 FOB

There were no exports of FB (11.5 mm) in June.

## Indonesia

### Industry optimistic exports can be boosted

There is growing optimism that the value of wood product exports (excluding pulp and paper) could reach US\$3.09 billion by 2025. Soewarni, Chairman of the Indonesian Sawmill and Woodworking Association (ISWA), said this would be possible if the supply of logs can be verified legal and if global demand picks up.

Bambang Supijanto, Chairman of the Indonesian Wood Panel Association (Apkindo), projected the value of wood based panel exports in 2025 could be as high as US\$2.47 billion from a volume of around 4 million cubic metres.

On the issue of log supply, Secretary General of the Ministry of Environment and Forestry (KLHK), Bambang Hendroyono, believes future log sources will develop as community plantation forests and industrial plantations expand. To encourage this expansion, Bambang said efforts would be made to help community forestry licenses holders build small-scale wood processing facilities as this would encourage further investment in plantations.

In the first six months of 2019, the value of processed wood product exports was US\$5.58 billion, down almost 6% year on year.

Wooden furniture export were US\$695.2 million down slightly year on year, panel exports were valued at US\$1.05 billion, down a massive 16% year on year mainly because of weak demand in Japan. Paper exports earned US\$1.93 down slightly from a year earlier but, in contrast, pulp exports rose around 2% and veneer exports, at US\$48.50 million, were down 9% year on year.

In commenting on the export figures, the Chairman of the Association of Indonesian Forest Concessionaires (APHI), Indroyono Soesilo, said that the trade war between China and the United States was one of the causes of declining demand for processed wood.

In related news, Purwadi Soeprihanto, Executive Director of the Association of Indonesian Forest Concessionaires (APHI), said the market for mouldings from Indonesia could rise to US\$1.17 billion as Indonesia has the potential to produce 1.7 million cu.m of mouldings, 200,000 cu.m from natural forests raw material and 1.5 million cu.m from plantations.

See: <https://industri.kontan.co.id/news/cuma-mencapai-us-558-miliar-ekspor-kayu-olahan-turun-563-di-semester-i-2019>

### Raw material exports – short term solution to address trade deficit

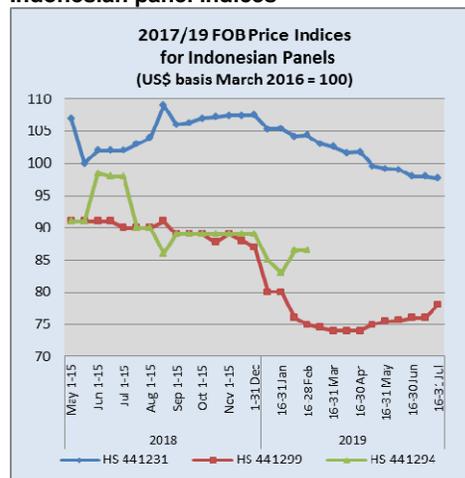
Indroyono Soesilo, Chairman of APHI, proposed that the short-term solution to lower Indonesia's trade deficit would be to optimise harvesting and trade in natural resources, notably timber raw materials which he said are 100% local content and do not require imports of capital goods. Plantation owners in Indonesia have long been seeking permission to export plantation logs.

At the same time, Indroyono pointed out that there are opportunities to export wood pellets to Japan and South Korea.

In support of this suggestion, Purwadi Soeprihanto, the APHI Executive Director, said that international demand for wood pellets is huge. In South Korea, the demand for wood pellets is supported by government policies that will provide tax incentives if the industry uses renewable energy from biomass.

See: <https://ekonomi.bisnis.com/read/20190710/99/1122389/tren-energi-terbarukan-buka-peluang-ekspor-pelet-kayu-ke-jepang-dan-korsel>

### Indonesian panel indices



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

## Myanmar

### Exports face uncertain future in EU market

According to the Ministry of Trade, exports of wood products declined around 13% between October to June of 2018-19. From October 2017 to June 2018 export earnings totalled US\$147.456 million while they were US\$128.637 million between October 2018 and June 2019. According to analysts, exporters are facing growing uncertainty especially with respect to exports to the EU.

According to a report by the Extractive Industries Transparency Initiative (EITI) Myanmar report the Sagaing Region was the top teak producer in the two years of 2014-15 and 2015-16 accounting for 46% of national teak production. In second place was Shan State which contributed a further 27%.

### FDI company to produce yachts

Shinkwang Marine Company, a new foreign venture in Myanmar, has been given approval to build yachts in the country. It is common for teak to be used for interior trim in yachts.

Analysts writes “ although details of the type of yachts that will be built is not yet known this may be a first step to bring boat building for export to Myanmar”.

### Stalled Dawei special economic zone project to be discussed at international gathering

The governments of Myanmar, Japan and Thailand will be meeting over the troubled Dawei special economic zone (SEZ) project that has stalled since 2013 for lack of funding. It has been reported that the aim is to establish a Joint Cooperation Committee and to try and attract investment from Japan.

This SEZ is 20 Km north of Dawei, the capital of Tanintharyi Region on Myanmar’s southeast coast bordering Thailand. Discussion on whether Myanmar needs to develop a deep-sea port, and if so where, has been going on for years. If completed, the Dawei project will boost the economy of Dawei and the surrounding area as investment in infrastructure and power supplies will be required.

### Log Tender Prices for June 2019

#### Teak logs

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	120.0	3,847
SG-5	252.6	2,903
SG-6	277.4	2,519
SG-7	1,350.0	2,186

## Other hardwood logs

Species	Quality	H.ton	US\$ Average/H. ton
Kanyin	1st	1,334.7	735
Kanyin	2nd	8,338.7	584
Pyinkado	2nd	694.1	694
In	2nd	604.7	335

## India

### Modest rise in wood product price indices

The official Wholesale Price Index for ‘All Commodities’ (Base: 2011-12=100) for June 2019 rose to 121.5 from 121.2 for the previous month.



Data source: Ministry of Commerce and Industry, India

The June index for the group 'Manufactures of Wood and of Products of Wood and Cork' rose to 134.6 from 134.3 (provisional) from the previous month due to higher price for wooden boxes and crates wood panels however, prices for veneer sheets declined.

The annual rate of inflation based on monthly WPI in June stood at 2.02% compared to 5.68% in June in the previous year.

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

### A first for India – a shipment of pine logs arrives from Uruguay

For the first time a shipment of pine logs from a country other than New Zealand has been unloaded in Kandla Port. Members of the Kandla Timber Association (KTA) were on hand to view the shipment which it is hoped would result in more competition in the pine log market.

Navneet Gajjar, president of KTA, said this first shipment was of 35,000 cubic metres at a price of around US\$145 per cubic metre, some US\$20 per cubic metre lower than pine from other sources. Officials from the Plant Quarantine Station at Kandla said the Uruguayan logs met Indian phytosanitary standards.

For more see:

<https://indianexpress.com/article/cities/ahmedabad/gujarat-first-ever-consignment-of-pinewood-from-uruguay-lands-at-kandla-port-5805776/>

### Credit – when they can get, it is too expensive for real estate developers

Real estate developers have raised alarm over the rapidly rising costs of borrowing which can be as high as 20%. Adding to their concerns are the problems in finding loans even at the high interest rates. This problem stems mainly because the credit ratings of developers have dropped significantly.

The impact of this has been seen in the housing starts data. New housing launches fell by almost 50% in the first quarter (April-June) of the current financial year and home sales were down over 10%. Because of the decline in housing starts India's housing inventory declined by over 12% in the past 12 months.

For the full analysis see: [https://housing.com/news/proptiger-com-real-insight-report/?utm\\_source=internal&utm\\_medium=email&utm\\_campaign=subscribersDigest](https://housing.com/news/proptiger-com-real-insight-report/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest)

### Plantation teak imports

In a slack market along with the ongoing credit squeeze and high GST there is no mood in the industry to take any chances on building up stocks which means that C&F prices for imported plantation teak have stalled.

Serious efforts are being made by importers to ease the advance payment conditions for GST. The only bright note is that the rupee exchange rate is stable against the US dollar.

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454

El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

### Locally sawn hardwood prices

Active competition in the market for imported hardwoods has kept prices in check and this is supported by evenly balanced supply and demand.

Ex-mill prices for imported sawnwood are shown below.

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

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

### Myanmar teak prices

Analysts report that demand for Myanmar teak products appears to have eased in recent weeks which has resulted in a drop in the inflow of imports.

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

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

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

Price range depends mainly on lengths and cross-sections.

### Plywood

The various State Governments have already concluded the issuing licenses and the entire sector is suffering a log shortage such that many mills have cut production. The reduction in GST for the plywood industry is now a matter of urgency, say analysts, if mill closures are to be avoided.

### Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	69.00
6mm	92.00
9mm	115.00
12mm	143.00
15mm	190.00
18mm	201.00

### Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	35.00	50.00
6mm	52.00	66.00
9mm	66.00	81.00
12mm	81.00	95.00
15mm	95.00	115.00
19mm	111.00	132.00
5mm Flexible ply	70.00	

## Vietnam

### Vietnam - anti-dumping investigation on imported MDF

According to the Trade Remedies Authority in the Ministry of Industry and Trade (MoIT) an anti-dumping investigation on MDF imported from Thailand and Malaysia was initiated in October last year.

This investigation was the result of complaints from four Vietnamese MDF manufacturers on behalf of the domestic industry. The technical dossier claimed dumping and damage to local companies.

The Vietnamese firms claimed that the price of imported MDF from Thailand and Malaysia was below production cost by between 18-50% which was damaging the domestic MDF industry.

The Trade Remedies Authority sent questionnaires to local companies and required a reply by mid-July, 2019 and an assessment from the Ministry is awaited. This is the first time Vietnam's timber industry has raised a trade conflict to protect the local industry.

### First half 2019 trade

The Department of Customs has reported Vietnam's exports of wood products in the first 6 months of 2019 were worth US\$4.82 billion, up 16.6% over the same period last year.

Among the top 5 export markets were the US, Japan, China, South Korea and the EU. Exports to China and South Korea declined by 30% and 13% respectively.

For the first 6 months of 2019, wood product imports were valued at US\$1.233 billion, up 15% in comparison to the same period of 2018. Vietnam had a trade value surplus of US\$3.586 billion in wood products in the first 6 months of 2019.

### Opportunities and challenges in the US market

In the first 6 months of 2019 the US continued as Vietnam's top export market for wood products with exports totalling nearly US\$2.25 billion, accounting for 47% of total wood product exports.

Analysts in Vietnam's Ministry of Industry and Trade anticipate total 2019 wood product exports of US\$4 billion to the US. Furthermore, the US is the biggest suppliers of timber raw material utilised by Vietnamese manufacturers.

In the first 6 months of 2019 imports of wood products from the US were worth over US\$160 million, a rise of almost 25% year on year.

It is forecast that the US will become the major supplier of timber raw material for industries in Vietnam because large volumes are available the quality is good and the origin is traceable.

On the downside, there are growing concerns on the risk of US anti-dumping investigations of Vietnamese exports and also the risk that not all timber raw material entering the export supply chain can be verified legal especially from wood processing industries that have recently relocated to Vietnam.

#### **Vietnam in action to implement the VPA/FLEGT**

The Vietnam-EU VPA/FLEGT came into force 1 June, 2019. According to the Vietnam Administration of Forestry, the VPA will lead to greater potential for wood products exports from Vietnam to the EU market. The adoption of the VPA is also expected to contribute to the sustainable development of Vietnam's forests and a strong commitment to eliminate illegal timber from the supply chain.

Vietnam will launch its domestic timber legality assessment system and plans to issue the first FLEGT license in June, 2020. License legislation for the VPA is the next step and it is planned to expand this legal requireto all markets in the future.

See:

<https://www.google.com/amp/amp.tapchicongthuong.vn/bai-viet/hiiep-dinh-thuong-mai-go-giua-viet-nam-va-eu-da-co-hieu-luc-62957.htm>

## **Brazil**

#### **Paraná embraces SINAFLOR regulations**

Paraná State has the highest number of entities registered under the National Control System for Forest Products Origin (SINAFLOR). Out of the 2,049 logging permits granted in Brazil, about 400 have been granted in Paraná since the system started in May 2018.

According to the Environmental Institute of Paraná (Instituto Ambiental do Paraná - IAP) the high rate of adoption of SINAFLOR is the result of training conducted on the usefulness of the system.

The Water and Land Institute has promoted the use of SINAFLOR as it brings many benefits, such as stricter control of the State's forest area, swift document processing and consequently rapid execution of projects.

The purpose of SINAFLOR is to make forest operation authorisations transparent, to eliminate fraud in the issuance of documents and to enable reporting to assist environmental licensing and enforcement procedures across the country.

Out of 7,818 projects registered in SINAFLOR throughout Brazil, 1,549 projects were registered in Paraná. According to IAP this number testifies to the quality of training provided by the Institute and the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) on implementation of the system.

#### **Incentives for the timber sector in Santa Catarina**

After a long period of stagnation domestic demand for wood products has started to expand. Enterprises in Santa Catarina report increased sales and have started to raise production levels. This is in contrast to the national trend where sales and production are not improving.

Santa Catarina has entrepreneurs committed to the development of the sector and the development of the State. There are around 5,500 small, medium and large timber, furniture, pulp and forestry companies which support around 90,000 direct and indirect jobs.

Recently, on the initiative of a State congressman, a channel for direct dialogue between forest enterprises and the Santa Catarina state government was established which will allow the sector to monitor public policies and infrastructure works to ensure the logistics competitiveness and economic development of the forestry sector is maintained.

#### **Agreement between EU and Mercosur will benefit furniture industry**

The Brazilian Association of Furniture Industries (Abimóvel), an entity that represents the furniture sector in Brazil, welcomed the agreement between Mercosur and the European Union as this could help reverse the recent decline in furniture exports to Europe.

The Commodity Trade Statistics Database (COMTRADE) shows that Brazilian furniture exports to the EU were worth just over US\$24 million last year.

According to Abimóvel, the biggest challenge will be the approval of the agreement by the European Parliament and the Mercosur Legislative branch. Abimóvel is following efforts of the Brazilian government to ratify the agreement.

#### **Exports grow in furniture cluster**

Exports by the 300 companies in the Bento Gonçalves furniture cluster in the state of Rio Grande do Sul increased by over 8% in the first half of 2019 compared to the same period of the previous year.

According to the Ministry of Economy, Foreign Trade Secretariat (SECEX), local companies exported US\$21 million between January and June 2019.

The pace of export growth from the Bento Gonçalves region was higher than from the State and the country as a whole where growth was 1.1% and 1.4%, respectively.

The main markets in the first half of 2019 were Uruguay, the United States, Puerto Rico, Colombia, Mexico, India, Bolivia, France, the Dominican Republic and Middle Eastern countries.

Currently, Uruguay is the main export market for the Bento Gonçalves furniture cluster followed by the United States. In the first half 2019 exports to the US grew almost 250% while exports to Uruguay fell slightly.

#### Domestic Log Prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	201
Jatoba	113
Massaranduba	108
Muiracatiara	107
Angelim Vermelho	106
Mixed redwood and white woods	89

Source: STCP Data Bank

#### Domestic Sawwood Prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	816
Jatoba	430
Massaranduba	404
Muiracatiara	379
Angelim Vermelho	362
Mixed red and white	238
Eucalyptus (AD)	189
Pine (AD)	137
Pine (KD)	160

Source: STCP Data Bank

#### Domestic Plywood Prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	525
10mm WBP	416
15mm WBP	341
4mm MR	405
10mm MR	291
15mm MR	267

Prices do not include taxes. Source: STCP Data Bank

#### Prices For Other Panel Products

	US\$ per m <sup>3</sup>
Domestic ex-mill Prices	
15mm MDParticleboard	214
15mm MDF	250

Source: STCP Data Bank

#### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,426
Jatoba	867
Massaranduba	843
Muiracatiara	850
Pine (KD)	190

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

Source: STCP Data Bank

#### Export Plywood Prices

	US\$ per m <sup>3</sup>
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	299
12mm C/CC (WBP)	283
15mm C/CC (WBP)	263
18mm C/CC (WBP)	260

Source: STCP Data Bank

#### Export Prices For Added Value Products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua Ports	
Decking Boards Ipê	2,809
Jatoba	1,436

Source: STCP Data Bank

## Peru

#### US blocks timber shipment from Peru

A press release from the office of the US Trade Representative (USTR) has directed the United States Customs and Border Protection (CBP) to block future timber imports from a specific Peruvian exporter because of suspected illegally harvested timber was entering the company's supply chain.

This is the second time that the USTR has taken such action under the United States – Peru Trade Promotion Agreement's (PTPA) Annex on Forest Sector Governance.

The USTR order was made after the timber verification process conducted by the Government of Peru revealed that a shipment from the company in question was not harvested in compliance with Peru's laws and regulations.

See: <https://www.pressreleasepoint.com/ustr-announces-enforcement-action-block-illegal-timber-imports-peru>

#### Export Sawwood Prices

	US\$ per m <sup>3</sup>
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	604-641

Peru Sawnwood, FOB Callao Port (cont.)	US\$ per m <sup>3</sup>
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	951-978
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	542-561
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Asian market	551-591

#### Domestic Sawwood Prices

	US\$ per m <sup>3</sup>
Peru sawnwood, domestic	
Mahogany	-
Virola	258-274
Spanish Cedar	333-352
Marupa (simarouba)	221-232

### Export Veneer Prices

Veneer FOB Callao port	US\$ per m <sup>3</sup>
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 <sup>3</sup>
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

### Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m <sup>3</sup>
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 <sup>3</sup>
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 <sup>3</sup>
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S	
Swedish market	9799-1098
Asian market	1085-1119
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
2x13x75cm, Asian market	756-822

## Japan

### Consumption tax likely to go ahead as planned

The Japanese economy is less likely to dip into recession when the consumption tax is increased in October say analysts after assessing recent retail sales and the pace of housing sales, neither of which are showing signs of pre-tax rise panic buying.

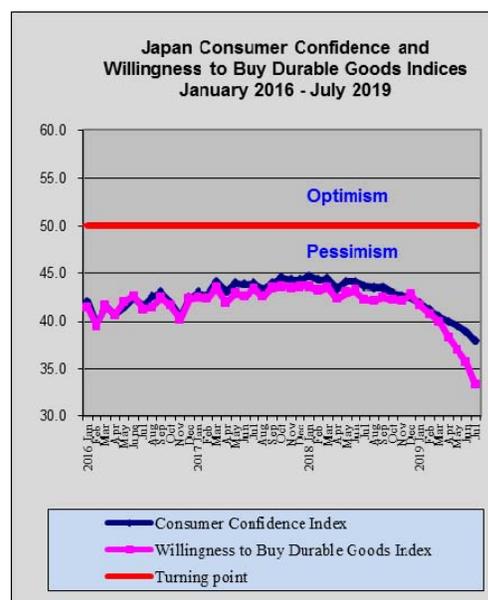
In an effort to avoid any shock to the economy the Japanese government plans a range of measures to offset any negative effects of the tax hike on household spending including tax breaks on car purchases and homes and rebates for those making cashless payments. The planned 2% rise in tax will not apply to most food stuff.

Some observers note that the Japanese economy is more vulnerable now than it was when the tax was raised before and that already households are very pessimistic (see

falling consumer sentiment data) so the possible impact on spending, especially for durable goods such as furniture, should not be underestimated. Household purchases of durable goods have fallen to the lowest level since April 2014 when the tax rate went up last time.

### Would more leisure time boost spending by young workers?

In an economic assessment earlier this year the Japanese government reported that the economy was in one of the longest periods of expansion for almost 70 years being driven by new job creation and rising wages, however, a recently released review makes no mention of this focusing on the uncertainties in international economic policies, in particular the US/China trade conflict and Britain's exit from the European Union.



Data source: Cabinet Office, Japan

With respect to the consumption tax rise, which is almost certain to go ahead in October this year, the review says there is a danger that household spending, a pillar of the Japanese economy, could falter even further.

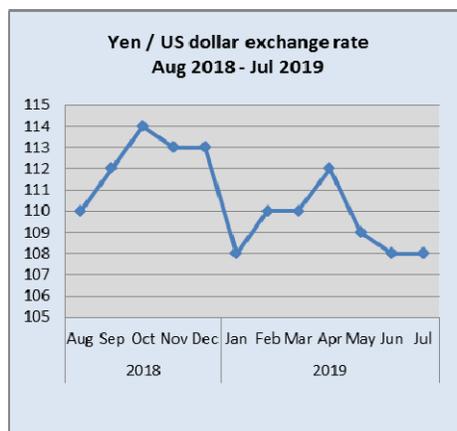
The review notes that spending by younger workers remains especially weak and that efforts should be made to reduce long working hours to create more leisure time which could encourage spending.

### Exports impacted by slow-down in China

Data from Japan's Ministry of Finance is showing that June exports were down almost 7% year on year, the seventh monthly decline. Exports to China, Japan's biggest trading partner, fell just over 10% in June the fourth consecutive monthly year on year decline.

Falling exports, along with falling factory output, is undermining capital expenditure. Policymakers are pinning their hopes on a rise in domestic consumption but, against the backdrop of a looming tax hike, this seems optimistic.

Officials from the Bank of Japan have reiterated that they remain ready to expand monetary easing if the economy falters. The impact of such easing would be a weakening of the yen from its current 108 exchange rate against the dollar. Just 4 months ago the yen was 112 to the dollar. Any weakening of the yen would be a boost to exports.



### Good use for abandoned homes

It is probably not widely known but the poverty rate among single mothers in Japan is the highest of all 34 OECD countries. A local non-profit organisation ‘Little Ones’ is helping to address the poverty and discrimination faced by single mothers and at the same time help address the problem of abandoned houses in Japan.

The approach by the NPO is simple, it acquires an abandoned house, undertakes renovation and offers it to single mothers who face considerable discrimination when it comes to finding rented accommodation.

Since 2013, ‘Little Ones’ has housed more than 200 single mothers using this approach, turning problematic abandoned houses into much-needed homes for a vulnerable group of women and children.

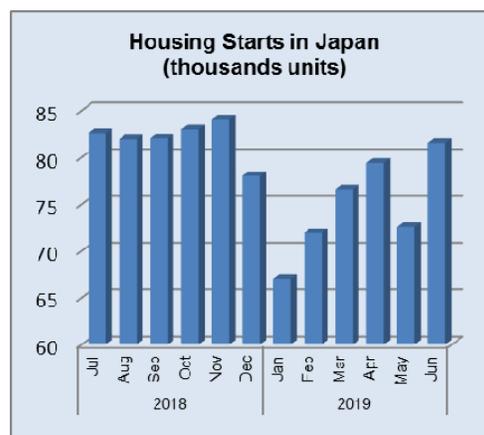
The NPO has gained international recognition for its work and was awarded top honours at the World Habitat Awards.

For more see:

<https://translate.google.com/translate?hl=en&sl=ja&u=https://www.npolittleones.com/&prev=search>

and

<https://www.world-habitat.org/world-habitat-awards/winners-and-finalists/affordable-safe-housing-single-mothers/>



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

### Import update

#### Introducing the Japan Furniture Association (JFA)

Although Japan is regarded as being an economic and technological power and a country with rich traditions and culture, it is little known that it is also one of the top furniture producers in the world with an annual shipment value of yen 1,400 billion generated by approximately 10,000 furniture manufacturers.

In recent years, Japanese furniture has begun to appear in international furniture trade shows, such as those in Milan and Cologne. The JFA writes “Japanese furniture is a reflection of Japan's distinctive culture and environment the designs are fresh and stylish and offer the chance for customers to create new living styles.

The Japan Furniture Association (JFA) pursues a wide range of activities aimed at promoting exports of Japanese furniture including surveys of overseas market trends and coordination between Japanese furniture manufacturers and foreign sources of raw materials.

To balance its furniture import promotion activities, the Association continues to study and propose export promotion measures for the domestic industry”.

SEE: [http://www.jfa-kagu.jp/en\\_export.html](http://www.jfa-kagu.jp/en_export.html)

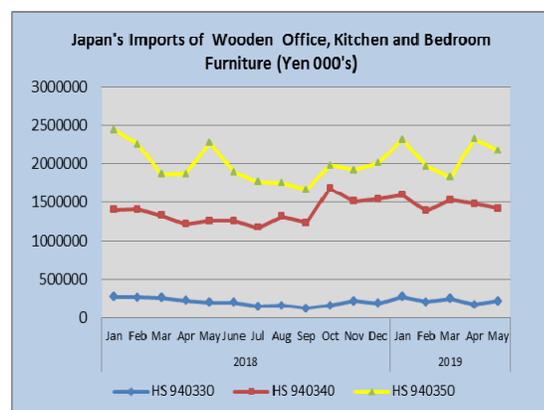
#### Opportunities for EU companies in the Japanese furniture market

A recent report from the EU-Japan business centre focusses on the Japanese furniture and home fashion market, including key industry players, current market trends and future direction of the market.

The report offers a critical discussion of distribution channels on the Japanese market ideas on new ways to rethink strategy and market entry into the Japanese furniture and interior market.

See: <https://www.eubusinessinjapan.eu/sites/default/files/2018-04-the-japanese-furniture-and-home-fashion-market-glisby-eubij.pdf>

## Furniture imports



Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

Year on year, the value of May imports of wooden office furniture rose 10% after the 25% decline in April and month on month May imports rose over 30% compared to the previous month.

### Office furniture imports

	Imports May 2019 Unit, 000's Yen
S. Korea	-
China	159736
Taiwan P.o.C	2056
Hong Kong	-
Vietnam	-
Thailand	-
Malaysia	2311
Indonesia	3862
India	-
Denmark	670
UK	2190
Netherlands	-
France	-
Germany	4606
Portugal	19081
Spain	-
Italy	9021
Poland	14378
Turkey	-
Lithuania	1007
Slovakia	1127
Canada	813
USA	1215
Mexico	-
Tanzania	-
<b>Total</b>	<b>222073</b>

Data source: Ministry of Finance, Japan

The value of May shipments from China jumped 30% and China accounted for over 70% of all wooden office furniture imports to Japan in May. Exporters in Portugal re-enter the Japanese market saw a sharp rise in shipments. Portugal accounted for 8.5% of Japan's wooden office furniture imports in May. The other major supplier in May was Poland which contributed a further 6% to total import values.

### Kitchen furniture imports (HS 940340)

Year on year the value of May imports of wooden kitchen furniture rose 13% adding to the over 20% rise seen in April, however, 2019 May imports were barely different from the previous month.

Shippers in Vietnam and the Philippines maintain their grip on the Japanese market for imported wooden kitchen furniture and in May Vietnam edged out the Philippines accounting for 42% of the value of imports compared to the 39% share captured by shippers in the Philippines.

Exporters in China consistently command third place in the ranking of Japan's imports of wooden kitchen furniture suppliers and in May accounted for almost 10% of imports. The top three shippers consistently account for around 80% of the value of Japan's wooden kitchen furniture imports.

### Kitchen furniture imports

	Imports May 2019 Unit, 000's Yen
China	129807
Taiwan P.o.C	-
Vietnam	597351
Thailand	34900
Malaysia	17451
Philippines	555006
Indonesia	9108
Cambodia	-
India	-
Denmark	-
UK	-
Netherlands	-
France	737
Germany	54069
Spain	-
Italy	4879
Finland	-
Romania	2512
Czech. Rep.	-
Canada	5958
USA	9648
<b>Total</b>	<b>1421426</b>

Data source: Ministry of Finance, Japan

### Bedroom furniture imports (HS 940350)

While it appeared the steady decline in wooden bedroom furniture imports had been arrested in April when there was a slight rise imports in May slipped back into negative territory dropping 4% year on year and by 6% month on month.

### Bedroom furniture imports

	Imports May 2019 Unit, 000's Yen
S. Korea	-
China	1233281
Taiwan P.o.C	6419
Hong Kong	-
Vietnam	721502
Thailand	74543
Malaysia	68181
Philippines	207
Indonesia	19525
India	-
Sweden	667
Denmark	1053
Netherlands	-
Belgium	-
France	296
Germany	372
Spain	225
Italy	7429
Finland	-
Poland	37007
Austria	-
Hungary	919
Romania	1514
Estonia	-
Latvia	2133
Lithuania	232
Bosnia Herzogovena	393
Slovakia	273
USA	801
Brazil	247
Morocco	-
Total	2177219

Data source: Ministry of Finance, Japan

China and Vietnam accounted for 90% of Japan's wooden bedroom furniture in May. Shipments from China were about the same as in April but May shipments from Vietnam dropped almost 20%. Of the balance 20% of imports Thailand, Malaysia and Poland accounted for about 3% each of May imports to 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>

### Forestry white paper

The government disclosed 2018 forestry white paper in June. In chapter 1 special edition of theme of manpower. It is critical issue to secure enough man power for forest industry. In last December and January this year, questionnaires are sent to young students and trainees and received 378 responses.

Desired jobs are 30.9% of forest and forestry and 9.8% of wood industry. The most important factor in selecting job is job satisfaction (74.5%), wage and bonus (69.2%) and working hours and vacation (62.2%).

For the question what was the largest issue when acquiring the job, the most concern is condition of treatment or working condition.

For the first time in the White Paper, this issue contains income of forest workers to show that the working condition, particularly wage is the largest concern. Others are trend of number of forest workers and what type of workers are the most demanded. In other chapter, the most recent issue of wood product export like cedar fence for the U.S. market and use of wood for non-residential buildings.

On wood biomass materials, cellulose nanofiber is now largely used. For energy use of biomass, consumption of fuel wood is increasing and utilization of left-over fiber in the wood increased to 19% in 2016 from 9% in 2014.

### Demand projection meeting

The Forestry Agency held the first wood demand projection meeting for fiscal year 2019 on June 25. Housing starts forecast by 13 private think tanks are 912,000 units in average, about 40,000 units less than 2018. The last forecast in March was 920,000 so 8,000 units less in six months.

Wood products demand during July and December this year would be less than the same period of last year. Demand of imported products like lumber, plywood, logs and laminated lumber would be all less than the same period of last year.

Meantime, the supply of domestic logs and softwood plywood would be up so some items may be over supplied. Think tanks commented that reaction of consumption tax increase in October this year to 10% would be much smaller than the increase of last time from 5% to 8%.

Supply of domestic logs for lumber in the third quarter would be 5.8% more than last year but the particular demand for 2x4 lumber, which was active last year, would be less this year.

Supply of domestic softwood logs would increase by 11.5% for the third quarter because new plywood mills start up and increase by 4% in the fourth quarter but the demand for softwood plywood would peak in the third quarter and decline in the fourth quarter.

North American logs and lumber for the second half of this year are available with much lower prices this year but with uncertain future demand with withdrawal of one large Douglas fir lumber mill, both demand and supply would remain low like last year or lower.

Import of North American lumber would be 1,896 M cbms, 8.2% less than 2018. Both imported and domestic structural laminated lumber and European lumber would be the same as last year or less. Russian log import would largely decrease due to export duty increase and total arrival is estimated about only 91,000 cbms, 28.3% less than 2018 while lumber import would be the same as last year despite high prices.

On radiate pine logs and lumber, demand for crating has been sluggish because of trade war between China and the U.S.A. Domestic log export for the first four months of this year was 13.4% more than 2018 and lumber export was also up by 10.5%.

**Forestand purchases by foreign capital**

The Ministry of Agriculture, Forestry and Fisheries disclosed result of the investigation on forestland purchase by foreign capitals in 2018. Total purchase was thirty of 373 hectares. In this three cases of purchase of 260 hectares by the American capital with purpose of solar power generation. The purchase of the same purpose is reported in 2017 for 90 hectares. The investigation has been done since 2006 and trend is gradual increase year after year. Between 2006 and 2018, total purchase is 223 cases with 2,076 hectares.

The investigation is made through each prefectures based on purchase report required by the Forestry law. Purchasers are nonresident foreign corporation or private.

By the area of the purchase, Hokkaido is the top with 178 cases of 1,577 hectares. Others are well known resort areas like Hakone and Karuizawa with the purpose of building summer house or investment. There are only three cases with large purchase over 100 hectares.

In 2009, some corporation registered at British Virgin Island purchased 292 hectares in Hokkaido for the purpose of grazing field then 163 hectares were purchased by Hong Kong corporation for the purpose of development or investment in 2013.

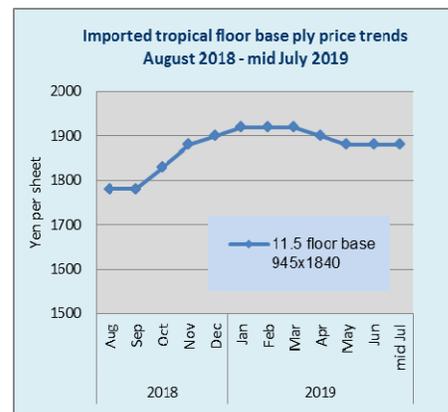
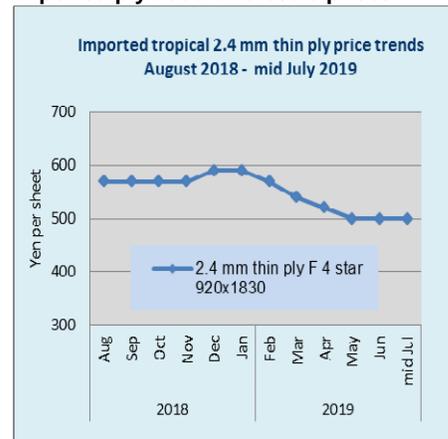
There is another one with 125 hectares for the purpose of developing summer house property.

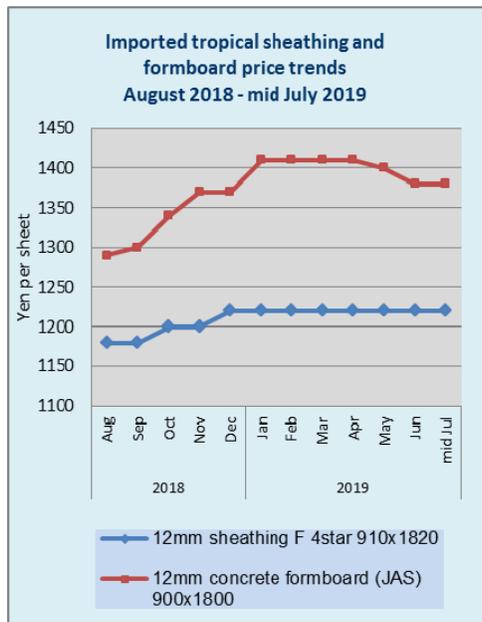
In 2018, 118 hectares and 140 hectares in Hyogo prefecture were purchased by the American corporation for the purpose of building solar power generation facility. This is new with different purpose. Total of forestland purchase by the foreign capitals is 6,787 hectares, which is 0.03% of total forestland of 25 million hectares in Japan.

**Plywood**

There is different move between domestic and imported plywood market. Movement of domestic softwood plywood is getting active as precutting plants get busy with more orders while imported plywood market continues weak with slow demand despite bottoming mood.

**Imported plywood wholesale prices**





Orders for precutting plants are increasing and trading firms say that plywood orders have been increasing month after month and some plywood manufacturers have full orders for month of July.

Because of shortage of trucks, deliveries after 20th of every month are delaying. Almost all the domestic plywood manufacturers carry less than two weeks' inventory despite full production. They are not able to increase the production because of man power shortage, which stops overtime and week end operation. Particularly thick panel supply is tight.

Major plywood manufacturers in Eastern Japan are asking higher prices to cover higher cost of logs and trucking. Market of imported plywood in Tokyo region lacks vividness. June has more working days than May and weather was favorable but demand of concrete forming panels is slow with less number of concrete condominiums.

The inventories continue declining and there are some short items but the importers are not able to make future purchase by sluggish movement in Japan and higher export prices. The suppliers in Malaysia and Indonesia are stuck with high cost and are not willing to make sales with lower sales prices. The importers are attempting to increase the sales prices in Japan so there are no more extreme low offers.

### Trucking industry

It has been last five years that shortage of truck drivers became serious problem for wood products industry and it is getting serious year after year. Number of registered truck operators is 62,200 in 2016. According to the Japan Truck Association, labor environment of truck drivers continues severe. For large truck drivers, annual working hours are 2,580 and for smaller truck drivers, it is 2,568 hours in 2018.

Average working hours of all the industry are 2,144 so large truck drivers work 456 hours a year more than other industry while annual income of large truck drivers is 4,570,000 yen and of smaller trucks is 4,170,000 yen, which are lower than average of other industry of 4,970,000 yen.

Number of people engaged in truck transportation in 2018 is 1,930,000 in 2018 but 41.5% is over 50 years old while drivers under 40 years old are 26.9%. Under these circumstances, trucking industry is trying to improve working condition.

It is important to make working hours less and to increase wage to attract younger people so the government is assisting by changing laws.

In the past, time for cargo loading and unloading or waiting was a part of trucking cost but these make working hours longer so now these are charged on top of trucking cost.

Wood industry is facing difficulty of securing enough trucks with higher cost. Large laminated lumber manufacturers are charged 15-20 % higher cost for trucking. Local manufacturers need to transport lumber to large consuming market like Tokyo, which force drivers longer working hours so it may become necessary to have costly relay point.

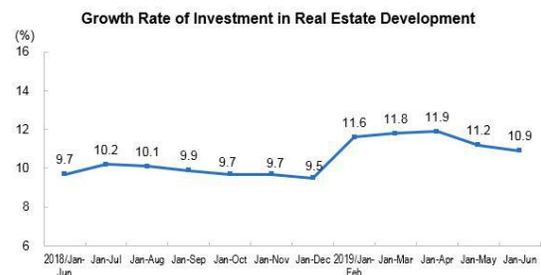
## China

### Developers scaling back land purchases

The pace of growth in the mainland housing market slowed in the first six months of this year largely because builders have found it harder to access credit as the government has put in place measures to try and bring down debt levels in the sector.

The tight credit environment and slower buyer interest have meant Chinese property developers are having a tough time. The People's Court Daily, a state-owned publication has reported that over 270 building companies have filed for bankruptcy, 50% more than in the first half of 2018.

The National Bureau of Statistics has reported investment in real estate development in the first six months of 2019 rose by 10.9% reflecting a year on year decline.



Source: National Bureau of Statistics, China

Between January and June this year land area purchased by developers was down by close to 30% year-on-year.

See:

[http://www.stats.gov.cn/english/PressRelease/201907/t20190719\\_1677190.html](http://www.stats.gov.cn/english/PressRelease/201907/t20190719_1677190.html)

#### Trade with 'Belt and Road' countries outpaces others

The growth in China's foreign trade remained stable in the first half of 2019 and the total foreign trade value reached RMB14.67 trillion, up 3.9 % year-on-year.

Customs data showed that exports expanded 6.1 % while import rose 1.4 %. China saw its trade surplus widen by 41.6 % year-on-year to RMB1.23 trillion during the first half of 2019.

The value of trade between China and the EU, ASEAN and Japan rose in the first half to RMB2.3 trillion, however, the value of trade between China and the US fell 9% to RMB1.75 trillion year on year. China's trade with countries participating in the 'Belt and Road Initiative' outpaced of expansion in other areas rising 9.7% year on year.

It has been reported that China intends to further lower overall import tariff levels, refine export tax rebate policies and speed up the tax rebate process.

For its part, China Customs plans steps to further simplify customs clearance procedures, support cross-border e-commerce, share effective reform practices in free trade zones and promote diversification of export markets.

#### Revised standard for laminated floors

The standard for laminated floors has recently been revised by the Wood Industry Research Institute in the Chinese Academy of Forestry and will be implemented as soon as possible.

The revisions mainly deal with the terms and definitions, classification, requirements, inspection methods and inspection rules. Quality requirements for the non-flat impregnated paper laminated wood flooring have been added and the quality requirements for flat impregnated paper laminated wood floor have been modified.

The performance indices such as the expansion rate of water-absorption, locking strength and formaldehyde emission, have been upgraded.

The implementation of the new standard for laminated floors is intended to promote safe, exquisite and durable impregnated paper laminated wooden floor in China domestic market and improve the image and reputation of the products in international markets.

See:

[http://www.yuzhuwood.com/news/details\\_ff8080816c0314a8016c2be271aa17a4.htm](http://www.yuzhuwood.com/news/details_ff8080816c0314a8016c2be271aa17a4.htm)

#### Dachang county - the largest redwood producer in North China

It has been reported that Dachang county has become the largest redwood products production base in northern China. There are 134 redwood registered enterprises, 800 private traders and 40,000 employees in the sector in Dacheng county of Hebei province. The annual output value is in the region of RMB8 billion accounting for more than 85 % of market share in North China.

See:

[http://www.yuzhuwood.com/news/details\\_ff8080816b9289d3016bf34761d01cc2.htm](http://www.yuzhuwood.com/news/details_ff8080816b9289d3016bf34761d01cc2.htm)

#### Reduced panel production causes prices to rise

In order to improve air quality and the environment producers of woodbased panels in many cities in Shandong province will be closed or required to undertake refurbished to new environmental standards.

The number of enterprises stopping production is rising mainly because production costs have risen because the government has strengthened environmental standards and is applying these vigorously. The impact on production costs of rising raw material costs is also a factor.

As mills close analysts write that it is expected that prices for panels will rise and some shortages are likely in the short-term.

See:

[https://www.wood365.cn/Industry/IndustryInfo\\_261656.html](https://www.wood365.cn/Industry/IndustryInfo_261656.html)

#### Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	Yuan/Cu.m
Merbau	dia. 100 cm+	4000-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-

Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
<b>yuan per tonne</b>		
Cocobolo	All grades	40-70000

#### Sawnwood

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

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

#### Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

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

## Europe

### Brexit bites, but EU hardwood buoyed by new marketing moves

While uncertainty surrounding Brexit may be casting a shadow over the UK market the wider EU hardwood sector reports generally steady, in some cases strong, trading in to date including in tropical timber. This is despite some slowdown in economic activity and increased downside concerns about the medium-term outlook.

Businesses report some issues with supply, but overall consumption is said to be holding up, while hardwood prices are steady to firm.

There have been interesting developments in hardwood promotion. New moves in marketing and communication have come from the Sustainable Tropical Timber Coalition (STTC), the International Tropical Timber Technical Association (ATIBT), the American Hardwood Export Council (AHEC), FSC and the UK Timber Trade Federation (TTF).

The EU FLEGT Independent Market Monitor (IMM) has also continued its series of EU trade consultations on FLEGT, with the latest taking place in Antwerp and the next scheduled for Barcelona.

According to the summer 2019 economic overview from the European Directorate General for Economic and Financial Affairs (ECFin), growth in the euro area in first four months exceeded expectations. This was attributed to resilience in domestic demand, UK stockpiling ahead of the originally anticipated Brexit date at the end of March, a mild winter underpinning consumption and recovery in automotive sales.

At the same time, ECFin identified some negative market factors. EU export activity remained subdued, which it attributed to international trade tensions, notably between the US and China, undermining confidence in an already weakening global economy.

Prospects for the rest of the year, it said, depended on the resilience of the service sector, given that manufacturing has entered a 'soft patch', continued growth in central and eastern Europe and the extent this can offset industrial slowdown in Germany and Italy, and the impact of still rising wages on inflation.

The labour market remains a 'bright spot' but, said ECFin, it was threatened by the protracted weakness in manufacturing and external demand.

In the second quarter, it predicted the 'positive' impulse experienced in the first would unwind as the 'global manufacturing cycle has yet to bottom out', while the outlook for trade and investment continued to be 'clouded by protectionism and uncertainty'.

Weakness in manufacturing and external demand could also dampen jobs growth. Overall, ECFin forecast EU economic growth for 2019 at 1.4%, against 1.9% in 2018, with the predicted rebound later in the year now likely to be weaker.

Continued slowdown in the Chinese economy remained a downside concern, and the prospect of a 'no-deal' Brexit was described as a 'major source of risk'. That said, however underpinned by some strong fundamentals, such as low interest rates, low unemployment and inflation forecasts revised down to 1.3% for each of the next two years, EU growth is predicted to firm once more in 2020 to 1.6%.

#### **EU construction market a mixed picture**

According to latest Eurostat figures, building construction contracted by 0.2% in May over April 2019, while civil engineering output was down 0.5%. Sharpest decreases in construction output were reported in Romania, down 7.6%, Finland 3.1% and Sweden 2.9%. Best performance was in Slovenia, with output up 4.1%, France 1.9% and the Netherlands 1.4%.

However, overall construction was still ahead year on year, with the May figure for the euro area 2% up on the same month in 2018 and 2.5% for the EU 28. Strongest improvements were reported from Hungary, with annual output 26.2% up, followed by Romania, up 23.8% and Slovenia 11.1%. The biggest output falls were in Finland, down 1.6% and Belgium 1.5%.

According to trade media coverage, the EU timber seems so far to be broadly benefiting from the continuing robust domestic consumption reported by ECFin, and as yet largely unaffected by the more cautious economic forecasts.

One leading continental Europe-based international hardwood trader told the UK magazine Timber Trades Journal that it had experienced a robust first half, with business underpinned by construction sector consumption. It was also heading into the second six months 'in a good position' and, underlining its confidence in the market longer term, had significantly expanded warehousing.

Quoted in the same publication, French hardwood suppliers said that they were investing in production and storage capacity to meet anticipated demand.

In the latest European Timber Trade Federation Newsletter, Germany's timber trade federation GD Holz said that the country's timber sector generally had a strong first four months of the year, despite the country's wider economic deceleration reported by ECFin, notably in manufacturing. German timber sales were up 6.4%, with planed goods and garden products performing especially well, ahead 13% and 18% respectively on 2018.

With German construction forecast to grow 8.5% this year, GD Holz expressed confidence in the timber sector's prospects for the second half. Interestingly, it also detected increasing market awareness of timber's climate change and wider environmental benefits, which it said had potential to boost demand further.

Belgian trade federation Fedustria reported a dip in business confidence in 2019 to the ETTF Newsletter, but this followed 3.6% growth in turnover to €3.135 billion in 2018 and two years of significant capital investment, which hit a record €156 million in 2017. The key Belgian furniture sector, meanwhile, reported an 18% rise in capital spending last year to €6 million.

The UK is the main exception in the 'broadly stable and satisfactory' European timber market, as one importer described it. It is more downbeat and reports its outlook worsening as the year has progressed. Importers say customers are ordering on an increasingly just-in-time basis, with forward and speculative buying 'virtually non-existent'.

Companies attribute difficult trading conditions almost uniformly to UK-EU Brexit negotiations and the related domestic political upheaval and uncertainty.

As one leading importer told the UK TTI: "UK market fundamentals are still reasonably strong; jobs growth is continuing, average earnings are forecast to rise 3.6% this year and inflation is steady at 2%," he said. "But businesses and consumers just aren't buying, and it has to be due to Brexit. The evidence is across the market place. UK retail sales saw their sharpest fall in May for a decade.

The Construction Products Association has also downgraded its 2019 forecast for building output growth to just 0.4%. Especially concerning for hardwood sector are bleak prospects in retail construction, forecast to contract 10% this year and next."

UK hardwood companies said it was also difficult to know how best to prepare for the UK leaving the EU, given continued lack of clarity on their future trading relationship. Some importers had increased stocks ahead of the original target date for Brexit of March 29 against potential customs and port bottlenecks.

They were reported subsequently left with surplus stocks, which efforts to sell since are said to have contributed to price cutting. Now companies are more cautious about hedging tactics.

“The hardwood import trade is also generally less well equipped than say the softwood sector to build up its stock position,” said an importer. “You need the timber availability, somewhere to keep it and the funds to buy it. As generally small to medium sized businesses, and with our longer lead times, it’s less of an option for us on all three counts.”

UK companies are concerned too about the operation of the EUTR and FLEGT regulations post Brexit. Both are being adopted into UK law, but UK importers will have to undertake due diligence on all purchases from the EU and, it seems, validate FLEGT licences on EU imports. The anticipated increase in administrative cost and time is reported already to be persuading smaller businesses that import intermittently to buy instead via larger UK-based importers and agents.

Importers in the rest of the EU have also voiced concerns over their UK business after Brexit and reported that the related market uncertainty was already proving disruptive for them too.

“Our UK hardwood trade has become very competitive, with construction projects put on hold and some companies offering timber at low rates, particularly African,” said one company. “And we’re still unclear on some key issues, such as whether UK customers after Brexit will become ‘operators’ under the EUTR, even if the timber is EUTR compliant when arriving in mainland Europe.”

Highlighting EU-wide concerns, Fedustria reported that it took part in a Federation of Belgian Business mission to London to discuss Brexit trade impacts. It also ran a special seminar for members on prospective changes in customs processing for UK-Belgian trade and the possible impacts on VAT.

On a more positive note, the UK and Indonesia have underlined their continued mutual commitment to their trade in FLEGT licensed timber post Brexit as part of wider business and development cooperation. This included development of a UK-Indonesian [FLEGT] Partnership Agreement to succeed the EU FLEGT VPA in any new bilateral relationship.

#### **EU imports of tropical sawn hardwood up 14%**

Latest Eurostat figures for EU tropical timber imports analysed by the ITTO and IMM bear out businesses’ reports of a firm start to trading in 2019.

Total EU tropical sawn wood imports for January to May were ahead 13.9% on the 2018 figure at 405,000 tonnes. The biggest volume rise from January to May came in Belgium, with a sharp jump in imports from Brazil taking its total to 134,000 tonnes.

French imports rose 14.6% to 50,000 tonnes and Spanish 26.1% to 35,000 tonnes. Probably due to increased forward buying ahead of the originally anticipated Brexit date of March 29, UK imports moved ahead 18.1% to 25,000 tonnes.

According to the Eurostat figures, Portuguese tropical sawn imports for the January to May period were up 72.5% at 17,000 tonnes and Denmark’s increased 16% to 11,000 tonnes, while Ireland’s more than doubled to 6,500 tonnes.

Interestingly Greek tropical sawn imports increased 77% to 4200 tonnes. This was in line with reports from the country’s timber trade federation, the HTCA, that its industry was starting to see the first glimmers of recovery from recession, buoyed by an upturn in tourism leading to more hotel building and refurbishment, and inward property investment encouraged by the government’s so-called ‘golden visa’ programme.

Netherlands’ imports were down 7% to 77,000 tonnes, while Italy’s decreased 6.4% to 29,000 tonnes and Germany’s 4.1% to 11,000 tonnes.

Leading tropical sawn timber exporters to the EU in the first five months were Brazil, which overtook Cameroon as the biggest supplier with respective totals of 132,000 and 115,000 tonnes marking increases of 43.1% and 18.2%, followed by Gabon, which saw its EU exports grow 10.9% to 49,000 tonnes, and Malaysia, which experienced a 29% fall to 36,000 tonnes.

Question have been raised over the rise in EU imports of Brazilian tropical sawn timber in the first five months of 2019, which included a 29% increase to the Netherlands to 41,760 tonnes, a 116% jump in sales to Belgium to 25,702 tonnes, plus a 46% increase in imports by France to 21,031 tonnes, a 9% rise to Spain to 19,741 tonnes and 103% rise to Portugal to 8,433 tonnes.

A major importer in Belgium, said that the rise in Belgian imports could be due to other European operators bringing Brazilian sawn hardwood into Antwerp for forward shipment to other EU countries, notably Germany and the UK. Exchange rate trends could be another driver, the Brazilian real having weakened 36% against the euro between February 2017 and the end of 2018 and stabilised at the lower level this year.

The downturn in imports from Malaysia was attributed by one importer in part to lower availability of PEFC-certified timber resulting from a ‘standards clampdown’ by the certification organisation.

EU imports from the Congo rose 42% in the first five months, with a 95% increase in Belgium, to 11,428 tonnes, a 25% rise in the UK to 4,780 tonnes and 29% and 10% increases in France and the Netherlands to 3,120 and 1,491 tonnes respectively.

The big increases in imports from Cameroon came in Spain, up 94% at 11,573 tonnes, the Netherlands, up 137% at 9,671 tonnes, the UK up 20% at 7,581 tonnes, Ireland up 147% at 6,222 tonnes, and Portugal rising 98% to 3,934 tonnes. Belgian imports were up 1% at 48,198 tonnes, while Italian fell 8% to 12,092 tonnes and French 11% to 11,524 tonnes.

The rise in EU imports from Gabon in the first 5 months of 2019 was accounted for by a 25% increase in Belgian purchasing to 35,727 tonnes, while Italian imports fell 23% to 6,179 tonnes and French 10% to 3,887 tonnes.

EU imports from Ghana increased by 13.6% to 7,000 tonnes despite 4%, 8% and 21% falls in sales to Germany, Belgium and the UK respectively.

The more positive noises coming out of Ghana regarding implementation of its FLEGT VPA and the prospect of starting FLEGT licensing were greeted with some scepticism in the EU import sector. However, some traders said if it did become the second country to reach licensing stage it could increase the momentum of the wider FLEGT VPA initiative and potentially strengthen exports of Ghanaian teak furniture and components to the EU.

#### **Efforts to strengthen hardwood marketing in the EU**

Among tropical timber marketing moves in the EU, further details have been given of the collaboration between the STTC and the ATIBT's Fair & Precious (F&P) branding campaign to achieve their mutual aim of increasing tropical market share taken by certified timber.

The two organisations announced plans to work together earlier this year, and have now issued their first joint newsletter and are working on website links, potentially including a common landing page with the mission statement laying out their shared tropical timber objectives; "Together the STTC and F&P are dedicated to ensuring continued availability of this diverse, versatile material, the future of the tropical forest and the biodiversity and livelihoods it supports". The STTC also announced that its annual tropical timber market report will be co-branded with Fair & Precious.

Nienke Sleurink of STTC founder and funder, IDH – the Sustainable Trade Initiative said the roles of the organisations were complementary. "Combining their capabilities, the STTC's provision of technical information and data and F&P's communication skills and tools will create a strong resource for verified sustainable tropical timber in the marketplace."

ATIBT Managing Director Benoît Jobbé-Duval said F&P would take STTC tools and information to a wider audience and use its data in support of its campaign. They would also jointly step up social media use.

The STTC has also announced that is coordinating its annual conference this year with the International Hardwood Conference, holding it on November 20, the day before the IHC in the same venue in Berlin.

Under the headline 'Exploring Pathways to verified sustainable tropical timber', its focus will be growing EU market share for verified sustainable material and ensuring European supplies are legal.

It will also address how verified sustainable forest management in tropical countries can build on local and regional initiatives, including the EU FLEGT initiative and its Voluntary Partnership Agreements with suppliers and Verified Sourcing Area programmes.

There have also been moves to coordinate tropical timber procurement strategies with wider initiatives to sustainable 'deforestation' free EU supply chains for other tropical forest commodities, including soya, palm oil, cocoa, rubber and beef.

France's trade association Le Commerce du Bois has announced its appointment to the committee of the French National Strategy to Combat Deforestation (SNDI). Its goal is to persuade stakeholders, including producer countries, timber and other commodity importers, investors and consumers to adapt forest management and consumption behaviour on 'forest risk' goods, with a target of deforestation-free supply chains by 2030.

FLEGT is the focus of the UK TTF's new pan-European communication initiative funded by the Department for International Development under its Forest Governance, Markets and Climate programme.

The TTF has already backed a construction project, incorporating FLEGT-licensed yellow balau from Indonesia as part of the London Festival of Architecture. Comprising a pavilion designed by young architects, the goal was to highlight the design and performance potential of building in wood, but also the value of sourcing timber from legally assured, sustainable sources. This paved the way for the TTF's wider European promotional programme, which will also be product-centred.

"The TTF is keen to raise the profile of FLEGT and a key aspect of our communications project will be to develop design and build installations, working with EU partners and VPA supplier countries," said David Hopkins. The project, he added, would also include the development of FLEGT communications toolkits and education workshops in VPA supplier countries.

#### **US hardwood exports to China slow – AHEC ramping up promotion in the EU**

Meanwhile the EU timber market is also seeing a step up in communication and promotion from the US hardwood sector.

AHEC's multi-faceted red oak European marketing programme it acknowledges is in part driven by tariffs on Chinese imports of US hardwoods resulting from trade tensions between the two countries and the subsequent need to develop other export outlets.

But it is also motivated by the international industry's need to make more sustainable use of the hardwood resource and the 'timber the forest offers' with red oak being the most prolific in of all US hardwoods.

The campaign includes the Legacy Project, teaming designer makers with leading UK cultural influencers to develop red oak furniture to the latter's specification. The end results will be exhibited in the Victoria & Albert Museum during the London Design Festival in September.

AHEC has also unveiled the new edition of the Seneca Creek Report, 'Assessment of Lawful Harvesting and Sustainability of US Hardwood Exports'. Exhaustively peer reviewed, this concludes that there is negligible risk of illegal timber entering US hardwood chains.

The current campaign focuses more on sustainability than the original 2008 edition, underlining that the lack of traction gained in the US by certification is due to technical issues, notably enormous fragmentation of forest ownership, rather than any sustainability deficit. The data, it maintains, underlines that the US hardwood sector is sustainable and the lack of inroads from certification is helping drive development of alternative tools to prove it.

## North America

### **IWPA calls for quick action on US-Mexico-Canada trade agreement**

International Wood Products Association CEO Cindy Squires issued the following statement calling on the US Congress to pass the US-Mexico-Canada trade agreement:

"It is time for Congress to move forward with passage of the US-Mexico-Canada trade agreement. USMCA will improve market access and provide critical certainty for businesses in every segment of the North American international wood products value chain.

The agreement includes strong support for sustainable forest management and notes that forest products, when sourced from sustainably managed forests, contribute to global environmental solutions including sustainable development, conservation and sustainable use of resources, and green growth. USMCA is a true win-win for the environment and industry alike."

### **Housing starts fell in June**

US new-home construction fell in June for a second month as a decline in apartment building outweighed a pickup in single-family projects.

Residential starts declined 0.9% to a 1.25 million annualised rate, the slowest in three months, according to figures from the US Department of Housing and Urban Development. Permits, a proxy for future construction, dropped 6.1% to a 1.22 million rate, also reflecting a slump in applications to build multifamily units.

Two of four US regions posted an increase in housing starts last month led by a 31% rise in the Northeast and a 27% advance in the Midwest. New construction declined 9% in the South and almost 5% in the West.

At the same time existing-home sales weakened as total sales recorded a small decline after a previous month of gains, according to the National Association of Realtors. While two of the four major US regions recorded minor sales jumps, the other two – the South and the West – experienced greater declines in June.

Total existing-home sales dropped 1.7% from May to a seasonally adjusted annual rate of 5.27 million in June. Sales as a whole are down 2.2% from a year ago (5.39 million in June 2018).

See: <https://www.nar.realtor/research-and-statistics/housing-statistics>

### **US job growth above expectations**

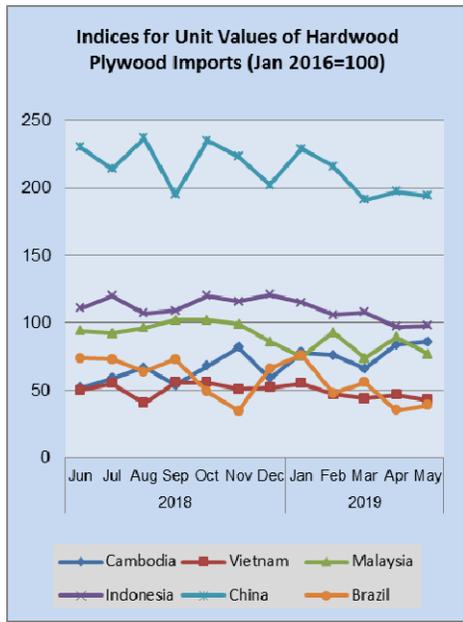
Payroll growth rebounded sharply in June as the US economy added 224,000 jobs, the best gain since January and contrary to concerns raised that both the employment picture and overall growth picture were beginning to weaken.

According to the US department of Labour construction added 21,000 jobs and manufacturing, despite teetering on contraction recently, saw another 17,000 jobs added, above the 8,000 per month average in 2019 and getting closer to the 22,000 a month average of 2018.

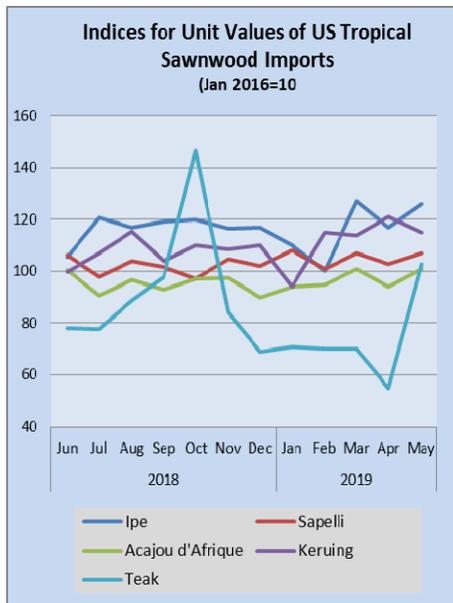
### **Manufacturing growth slows**

In its latest survey the Institute for Supply Management reports economic activity in the US manufacturing sector expanded again in June, but at a slowing rate, as the overall economy grew for the 122nd consecutive month, according to the latest Manufacturing ISM Report on Business. June saw the third straight month of slowing expansion.

Wood Products manufacturers surveyed by ISM reported increased imports in June as well as lower sawnwood prices. However, they reported an overall contraction of business in June along with a decline in new orders, a decrease in employment, low customer inventories and a decline in order backlogs.



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



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

### Canadian housing starts surge

In contrast to trends in the US housing sector Canadian housing starts surged to the highest level in more than a year in June, led by construction of multiple-family dwellings such as condos and row houses.

In another sign of recovery for the Canadian real estate market, builders started work on an annualized 245,657 units last month, a jump of 25% from May, easily topping the median forecast of 208,600 units in a Bloomberg survey. Multiple unit starts rose 31% on the month to 189,200.

Gains were “evenly spread out across the country,” Jocelyn Paquet, an economist at National Bank Financial in Montreal, wrote in a note to clients, adding all 10 provinces registered increases, something that hasn’t happened since 1996.

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

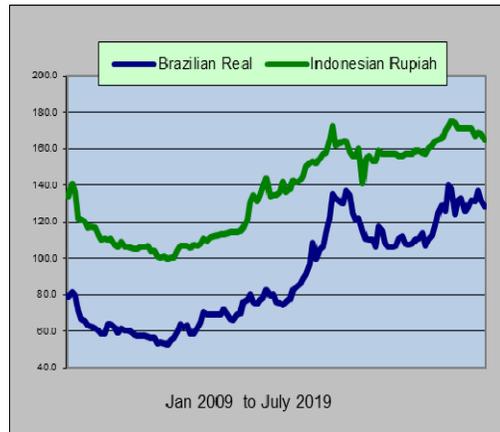
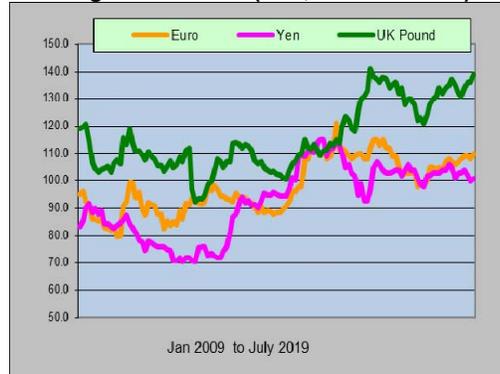
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 25 July 2019

Brazil	Real	3.7776
CFA countries	CFA Franc	584.63
China	Yuan	6.8792
EU	Euro	0.8987
India	Rupee	68.88
Indonesia	Rupiah	14004
Japan	Yen	108.67
Malaysia	Ringgit	4.1190
Peru	New Sol	3.32
UK	Pound	0.8076
South Korea	Won	1184.24

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

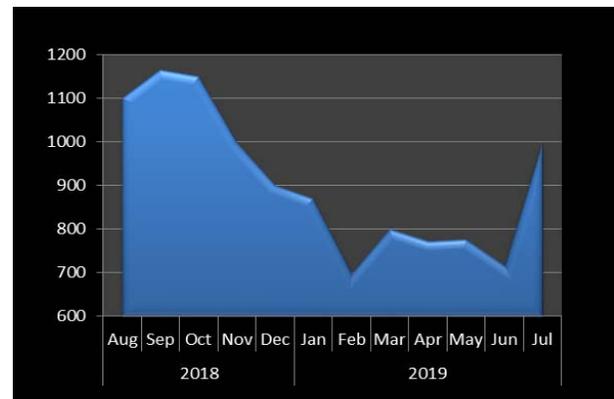


## Abbreviations and Equivalences

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

## Ocean Freight Index

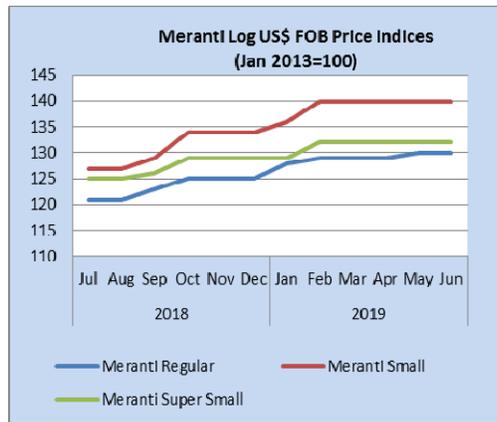
Baltic Supramax Index  
August 2018 – July 2019



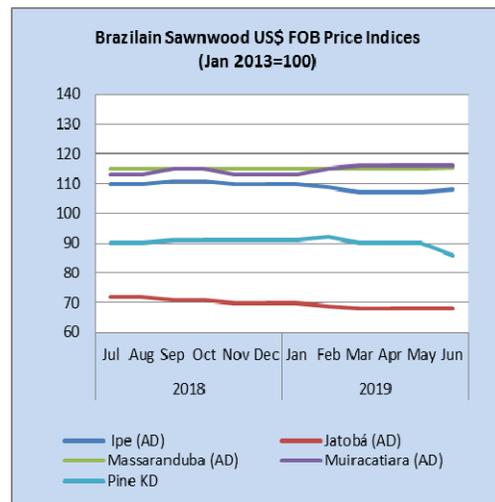
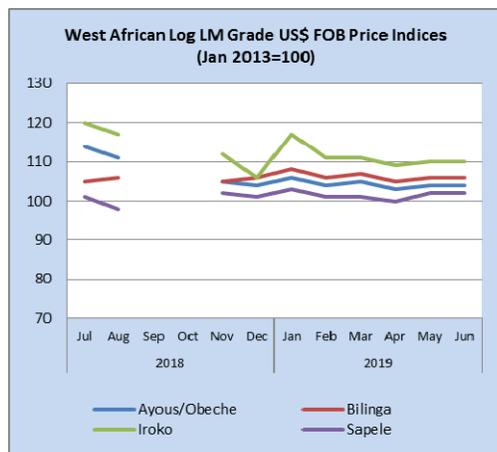
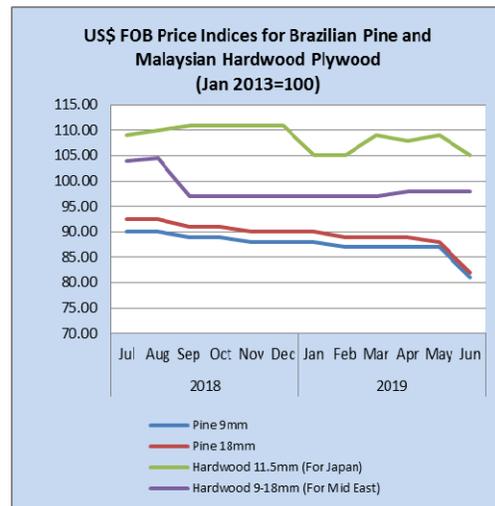
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

**Price indices for selected products**

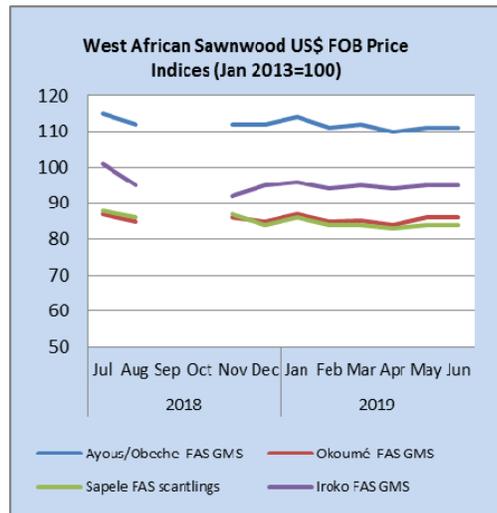
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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