

# Tropical Timber Market Report

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

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## Top story

### **Vietnam bans imports of Chinese plywood**

On 12 November, 2019 the Vietnamese Minister of Industry and Trade signed and announced Circular No. 22/2019/TT-BCT on 'Temporary Suspension of border-gate transfer business and temporary import of plywood (HS 44.12) into Vietnam for re-export to US'.

This Circular took effect 27 December, 2019 and expires 31 December, 2024.

See page 17

## Central and West Africa

### Traders anticipate post Spring Festival boost in Chinese demand

At the beginning of the 2020 trading year producers report some slight adjustments in FOB prices for iroko and padouk logs. For the other species there are no reports of price movements.

Analysts say that while there are some early signs of increased buyer interest in China it is unlikely there will be any significant movement in demand in the Chinese market as the country prepares for the Spring Festival running from 25 January to 4 February.

### Weakening home market demand hits Indian veneer mills in Gabon

There are reports of some Indian companies experiencing difficulties in Gabon's Nkok Special economic Zone. The problems that have surfaced include log availability and the high Zone charges.

In trade circles it is rumoured that several Indian veneer millers are pulling out because of difficulties in securing raw materials, high charges and a weakening in demand for veneer in their home market, India.

### News awaited on new concession regulations in Cameroon

In Cameroon operators are anxiously waiting for news on forest concession and export regulations. Analysts write that there is also concern amongst operators on the process for bidding for concession rights and on the log export quota system.

### Gabonese authorities investigating concession allocations

The Minister of Forests has apparently required all concession holders to provide details of the concessions under management and detail correspondence on how and when the concessions were granted. This move is apparently in response to suggestions that some concessions were inappropriately approved. The current investigation will also cover community forests, a massive undertaking, say analysts.

It has been reported that Rougier has begun transporting some kevazingo logs to domestic sawmillers. Current regulations say that only kevazingo finished products can be exported but there is as yet no capacity for significant downstream export production in Gabon.

Buyers in China are anxious to secure supplies of kevazingo and are asking that they be allowed to import sawn slabs for processing in China but this is not permitted under the current regulations. Chinese buyers of kevazingo have been focusing on Equatorial Guinea where log exports are permitted and okoume and tali logs are available.

### Reports of transport problems in Gabon

Transport issues and delayed fuel deliveries are seriously affecting mills operating far from the coastal developed areas in Gabon. Operators in the Lastourville area in east-central Gabon who rely on the Trans-Gabon Railway and highway N3 to transport production and bring in fuel and spares are experiencing problems as there have been regular derailments and the highway is frequently washed out.

It is reported that some operators are undertaking road repairs as the weather has improved and are being compensated through tax reductions.

### CFA Franc to be phased out

In December 2019 Ivorian President Alassane Ouattara and Emmanuel Macron held a joint press conference in Abidjan to announce that the CFA franc would be replaced by the Eco from the middle of 2020.

The CFA franc is pegged to the euro. With the exchange rate remaining unchanged for the time being Eco banknotes will be issued in such a way that they will gradually replace the CFA franc which is currently being used in eight west African countries and six countries in central Africa.

Eco banknotes of the same denomination as the CFA will be in circulation. The new currency will be adopted progressively by African states as and when they fulfil the convergence criteria.

### 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	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	320↓	320	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	355	285
Movingui	210	210	-
Niove	160	160	-
Okan	200	200	-
Padouk	275↓	260	230
Sapele	280	200	250
Sipo/Utile	280	280	250
Tali	300	300	-

### 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	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	350
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### January to October export performance

Ghana exported a total of 266,015cu.m of wood products in the first 10 months of 2019 earning euro 129.85 million. Export volumes and values in the first 10 months of 2019 fell by 4% and 18% respectively when compared to the same period in 2018.

### First 10 months exports

	2018 Jan-Oct	2019 Jan-Oct	% Change
Sawnwood (AD)	172,130	153,357	-11
Sawnwood (KD)	37,735	39,534	5
Plywood (regional)	18,857	18,622	-1
Billet	25,072	20,674	-18
Sliced Veneer	8,574	16,103	88
Mouldings	6,410	7,785	22
Rotary Veneer	5,062	5,394	7
Kindling	1,183	1,708	44
Plywood	987	1,431	45
Boules (AD)	957	844	-12
Boules (KD)	61	277	-23.68
Sliced Veneer	214	189	-11.68
OWP* (4)	818	286	-65
Total	277846	266015	-4

Data source: TIDD, Ghana

The export of five products, air and kiln dry sawnwood, plywood to regional markets, billet and sliced veneer accounted for over 90% of the total export volume for the period.

Products that saw significant increases included kiln dried boules, sliced veneer plywood and kindling. However, the overall average unit price for export product in the first 10 months of 2019 dropped to euro 488/cu.m from euro 570/cu.m in 2018.

Asia continued as the major market for country's wood product with a 69% growth in 2019, compared in 2018 but the pace of growth in Asian markets has slowed. This was followed by Europe which recorded a 15% year on year increase. Regional African markets continued to perform well. The leading species that went into the production of export products were teak, wawa, ceiba, eucalyptus and mahogany.

### Economic growth forecast at almost 7% in 2020

The World Bank is projecting an economic growth of 6.8% for Ghana in t 2020 according to its January 2020 Global Economic Prospects report. This is lower than the 7.5% forecast by the International Monetary Fund for the same year. The Bank's report, however, said growth will fall to 5.2% and 4.6% in 2021 and 2022, respectively.

See:

<https://www.worldbank.org/en/news/feature/2020/01/08/january-2020-global-economic-prospects-slow-growth-policy-challenges>

### Business outlook positive say Ghana's business leaders

In its annual survey of Ghana's Chief Executive Officers the Oxford Business Group reports that most CEOs are highly positive about the country's prospects and that this positive view was driven by the likely opportunities when the Africa Continental Free Trade Area (AfCFTA) whose headquarters is in Ghana, becomes operational.

The Oxford Business Group said most respondents described their expectations of local business conditions as positive or very positive and most were of the view that business transparency in the country was good relative to the West Africa region.

### Forest landscape restoration target exceeded

As part of its forest landscape restoration plan Ghana planted a total of 26,865 ha. exceeding its annual target of 25,000 ha. In a statement to the press, the Chief Executive of the Commission, Kwadwo Owusu Afriyie, said this was the first time since the annual target has been exceeded.

Mr, Afriyie said the high level of planting was in part due to the programme for the Youth in Afforestation and Reforestation project. The species planted included teak, cedrela, gmelina, ofram, emire, mahogany and rosewood,

**Boule export prices**

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	586-
Niangon Kiln dry	622-

**Export rotary veneer prices**

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	360↓	440
Chenchen	540	628
Ogea	521	590
Essa	540	644↓
Ofram	350	435

**Export sliced veneer**

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	897↑
Avodire	667
Chenchen	836↓
Mahogany	899
Makore	1,627↓
Odum	1,437

**Export plywood prices**

Plywood, FOB	Euro per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	324↑	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	400	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>	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	417	424↓
Edinam (mixed redwood)	520	651↑
Emeri	465	591↑
African mahogany (Ivorenensis)	930	1004↑
Makore	740	766↓
Niangon	620	660
Odum	649	934↓
Sapele	720	818↓
Wawa 1C & Select	420	445↓

**Malaysia****Costs beginning to outweigh benefits of fair participation**

Speaking after the December Malaysian Furniture & Furnishing Fair 2019, furniture manufacturers reported that 2019 was a tough year for sales especially in the domestic market where the reintroduction of the sales and service tax at a higher rate than the previous tax was one of the factors behind the weaker domestic demand.

A Malaysian company executive said fierce competition weighed on sales which called for strong efforts to maintain market share, even at the cost of discounted prices and higher promotional costs. While there is strong interest in participating in fairs to raise brand awareness,

in the face of weak demand the costs are beginning to outweigh the benefits. One manufacturer commented that the company previously participated in some 40 fairs but will now cut back.

For more see:

<https://www.theedgemarkets.com/article/2019-tough-year-local-sales-2020-likely-be-better>

**Sarawak association warns of consequences of minimum wage hike**

The Sarawak Timber Association (STA) has issued a press release on the recent decision to raise the minimum wage.

The press release, which can be found at: [http://sta.org.my/images/staweb/Press\\_Release/2019/Press%20Release%2031122019.pdf](http://sta.org.my/images/staweb/Press_Release/2019/Press%20Release%2031122019.pdf) says the following:

*“The recent increase in the minimum wage from RM1,100 to RM1,200 for 57 major cities and towns throughout Malaysia from January 1, 2020 onwards is a major concern, including for the plantation, forestry and timber industries. This comes as the minimum wage increases rapidly over the last three years from RM920 to RM1,200.*

*The general pushback against this hike, as claimed by some employers, is the lack of a corresponding increase in labour productivity. Also, the current weak international economy is making it hard to absorb additional production costs.*

*STA is deeply concerned about the latest decision by the Government in raising minimum wages (MW) to RM1,200 in fifty-seven (57) major cities and towns effective from 1 January 2020. STA continues to support the Government's efforts and policies in spurring sustainable and equitable economic growth. Nevertheless, STA is taken aback by the seemingly hasty and ambiguous pattern of setting the MW.*

*In less than sixteen (16) months, the MW was revised from RM1,000 for Peninsular Malaysia and RM920 for Sabah & Sarawak to become RM1,100 nationwide effective 1 January 2019, which was then again raised to the recent RM1,200 effective 1 January 2020. Relevant stakeholders, specifically employers and employees, have been since thrown in a state of confusion and unease due to the constant revisions of the MW by the Government. STA is in the opinion that such move without considering the current lethargic global economic condition and the capacity of employers to continuously absorb rising operation costs will indefinitely take its toll on the already hard-hit industry.*

*The upward review of MW will inevitably lead to cost increase in timber and timber products. For example, plywood which is one of the main export products of Sarawak, is currently seeing a cost increase of about RM18 per cubic metre. Sarawak is already losing its market shares to more competitive nations like Indonesia, Viet Nam and other ASEAN countries, who are able to offer their products at cheaper prices.*

*Even before the MW increase to RM1,200, our plywood production cost has skyrocketed over the last few years due to increase in costs for raw materials and labour. Log cost has escalated by at least 22% since 2017 because of increase in Hill Timber Premium from RM0.80/m3 to RM5.00/m3 (hill timber species), Timber Premium (Rehabilitation & Development) from RM0.60/m3 to RM5.00/m3 ; glue cost has increased by 12%, and administrative & distribution costs increased by 59% due to significant reduction in production volume.*

*For our plywood export to Japan, it has dropped by 32% over the corresponding period of January to November 2018 and 2019.”*

#### **Plans for bamboo industry development cluster**

The Primary Industries Minister has announced that a bamboo industry development cluster development will be established this year in the Taman Industri Perabot Lahat, in Ulu Kinta, Perak.

The Minister pointed out that, currently, the contribution of the bamboo industry to the Malaysian economy was low with exports of bamboo products earning just RM9.9 million in 2019. She pointed out that the global bamboo market is worth around US\$65 billion a year. The minister said that bamboo plantations will be encouraged and supported especially in Sabah which has vast areas of suitable land.

#### **News in Brief**

A Japanese company is interested in investing in the pellet wood industry in the Tanjong Manis timber industrial area in Sarawak. This was expressed by Makoto Yokoshi, who led a business delegation to visit the Minister of International Trade and Industry, Industrial Terminal and Entrepreneur Development.

<https://www.theborneopost.com/2019/12/14/japanese-firm-eyes-investment-in-pellet-wood-industry-in-tanjong-manis/>

The Sarawak State government has increased the premium on swamp timber species effective 1 January. The Director of Forests disclosed that the premium for swamp timber species had not been reviewed for over three decades.

<https://www.theborneopost.com/2020/01/04/swamp-timber-premium-increases-three-to-six-folds/>

The Chief Minister of Sarawak has set a target of RM10 bil. in exports of timber products by 2030. Of the target, he wanted RM6 billion to come from the export of furniture. He revealed that total earning from the export of timber products from Sarawak in 2018 was RM5.4 bil. Of the total, the export of furniture was only worth RM43 million.

[https://cm.sarawak.gov.my/modules/web/pages.php?mod=news&sub=news\\_view&menu\\_id=&sub\\_id=&nid=3752&m=12&y=2019](https://cm.sarawak.gov.my/modules/web/pages.php?mod=news&sub=news_view&menu_id=&sub_id=&nid=3752&m=12&y=2019)

Malaysia-China bilateral trade would hit another record high in 2019, as it had already posted US\$111bil. in the first 11 months of the year, according to Chinese Ambassador to Malaysia Bai Tian.

In 2018, bilateral trade between the two countries totalled US\$108.66 bil.

See: <https://www.thestar.com.my/business/business-news/2020/01/07/malaysia-china-trade-to-hit-new-high-in-2019-envoy-says>

## **Indonesia**

#### **Building opportunities for community/private sector investments**

The Ministry of Environment and Forestry (KLHK) plans to strengthen investment and production in the forestry sector in support of Indonesia's National Medium-Term Development Plan (RPJMN) for 2020-2024. The 2020-2024 RPJMN, the macro development plan is targeting an investment level increase of around 8 percent.

Secretary General of the KLHK, Bambang Hendroyono, explained that one of the KLHK's contribution to increased investment will be through social forestry. Communities have been given legal access to manage forest land for non-timber commodities and abandoned forest lands can be managed productively. Bambang hopes that by simplifying regulations and bureaucracy in the private sector joint investments will develop.

#### **SMEs can boost exports due to 'empty' US market says association**

Regina Kindangen, the Deputy Chairman for Small and Medium Industries in the Indonesian Furniture and Crafts Industry Association (HIMKI) is optimistic that association members will be able to take advantages of market opportunities in the United States where they have some competitive edge on rivals.

To support the SMEs to progress and develop, Kindangen said that HIMKI has an annual trade exhibition for furniture, craft, and homedecor in Jakarta which attracts many overseas buyers.

#### **Encouraging plantation forestry**

The KLHK encourages industrial plantation to increase national the production volumes. The government intends to prioritise commercial tree plantations as the raw material for industry. Acting Director General of KLHK's Sustainable Production Forest Management, Bambang Hendroyono, said that while the natural forest will continue as a source of timber the emphasis on plantations is to protect the natural forest where exploitation has now been restricted.

In recent years the contribution of production forests to the Indonesian economy has fallen. It is reported that in 2019, the non-tax State Revenue from the production forest sector dropped to 2.73 trillion rupiah from 2.86 trillion in 2018.

In addition, investment in the production forest sector has also been falling said Bambang. In 2018 investment reached 155.71 trillion rupiah but in 2019 it dropped to 128.14 trillion rupiah.



Bambang said the ministry wants the private sector to invest in plantations across the country. A major concern of government is that the supply chain for wood products should be made more efficient and costs reduced and a number of supporting policies are also being prepared.

In 2020-2024 the KLHK will focus on increasing investment, productivity, added value and competitiveness of production forests.

In related news, the Chairman of the Indonesian Forestry Community Communication Forum (FKMPI), Indroyono Soesilo, pointed out that plantation forests have increased significantly. In 2018, planting totalled 196,000 hectares while in 2019 this jumped to 297,000 ha.

#### Chinese enterprises deterred by investment climate

Over 50 Chinese wood processing companies are said to be considering relocating some of their production capacity to Indonesia. The Chairman of the Indonesian Forestry Community Communication Forum said investors from 53 companies had visited Indonesia and met with business associations and the government. However, the Chinese companies have not yet made a decision to relocate citing the unattractive investment climate.

There was still an opportunity to attract these investors as the government had just issued a new policy that will facilitate investment.

See: <https://www.republika.co.id/berita/q3miow370/asosiasi-53-industri-olahan-kayu-cina-lirik-indonesia>

#### Indonesia International Furniture Expo (IFEX) 2020

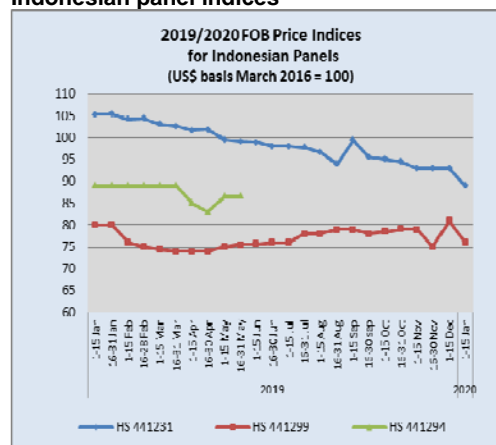
The Indonesia International Furniture Expo (IFEX) that has been successful in introducing and promoting Indonesian quality furniture to the global audience will be held 12-15 March 2020.

The furniture industry is still regarded as important for the Indonesian economy as it supports a huge labour force. Data from the Ministry of Industry shows an increase in furniture exports in 2019 to US\$1.69 billion. On average, the industry is experiencing a growth of 4% annually.

To realise further growth, the country's furniture industry needs continuous innovations in terms of design, technology, marketing and the after-sales service to ensure a high level of customer satisfaction.

See: <https://markets.businessinsider.com/news/stocks/indonesia-international-furniture-expo-ifex-2020-pursuing-the-opportunity-to-increase-indonesian-furniture-competitiveness-and-export-value-1028800235>

#### Indonesian panel indices



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

#### Myanmar

##### More harvests from mature teak plantations

The Myanmar Timber Enterprise (MTE) harvesting plan for 2019-20 provides for the production of about 5,000 tons of teak and 28,5000 tons of other hardwoods. Some 3,000 tons of teak will come from the Shah State with most of the balance from the Sagaing Region, Chin State and Magwe Division. In addition, teak will be harvested from mature plantations (30 years and above).

It is understood that the mature teak plantations are considered 'natural forest' as the quality of the timber is considered equal to that from the natural forest. Myanmar is believed to have exported about 80,000 tons of timber to as many as forty countries in fiscal 2018-19 with teak accounting for around 35% of the total.

According to Ministry of Commerce, earnings from the forestry sector in fiscal 2018-19 were about US\$175 million.

To maintain business activity at the same level as in previous years, exporters need to be trading around 60,000 tons of teak annually. On the current harvest levels it is clear the industry will face a shortage of teak logs in the coming years. Myanmar has a problem with deforestation and the switch to harvesting mature plantations will help ease the pressure on the natural forest.

Forestry Minister, Own Win, recently attended a ceremony marking 100 years of plantation forest in the Bago Mountain Range. An area of 268 acres produced 7,356 teak trees out of which there were 5,665 trees with girths above 4ft., according to MTE data.

##### Logging ban – but communities depend on the forest for their livelihood

The Minister of Natural Resources and Environmental Conservation has been quoted as saying during the quarterly meeting of the Ministry that an indirect effect of the logging ban has been a rise in illegal harvesting since over 80% of the population depend on the forest for their livelihood.

How to address domestic timber consumption needs is one of the main issues as Myanmar addresses forestry sector reforms. The Minister said that as long as there is a logging ban there will be so-called 'illegal logging' (by rural communities to support their lives) and he said the legal export of logs can support the state income.

This remark by the Minister is interpreted by analysts that Myanmar will continue harvesting to meet domestic requirements and to support exports but that the volumes will be strictly controlled.

#### Logging ban has impacted domestic availability of sawnwood

In an article published by a local journal by a retired general manager of the Myanmar Timber Enterprise (MTE) says that in the ten years from fiscal 2006-07 37,758 tons of teak and 1,714,780 tons of other hardwood sawnwood was milled.

Of this it was estimated that around 52% of the teak and 32% of the other hardwoods were for domestic consumption. Analysts note that the logging ban has seriously impacted the domestic availability of sawnwood the distribution of which, before the ban, was undertaken by the MTE.

#### Management of natural resources for peace building report

Forest Trends has published a report "Natural resource governance reform and the peace process in Myanmar," billed as a baseline study for efforts to promote equitable and accountable management of natural resources for peacebuilding.

The report calls for natural resources to be governed by subnational and local government officials may help meet ethnic political demands and steer the country towards a federalist structure.

See: <https://www.forest-trends.org/publications/natural-resource-governance-reform-and-the-peace-process-in-myanmar/>

#### ADB project to fight rural poverty

The Asian Development Bank (ADB) has approved a US\$195 million financing package for a project that will develop climate-resilient and market-oriented infrastructure and livelihoods in 2,942 villages in Myanmar's Ayeyarwady, Chin, Sagaing and Tanintharyi regions. This will help reduce rural poverty and strengthen the villages' climate and disaster resilience, benefiting around 1.8 million people, according to a statement.

See: <https://www.adb.org/sites/default/files/publication/156173/adbi-wp318.pdf>

#### Disclosure of owners of companies in extractive sectors

The Office of the President has issued a notification that requires the disclosure of owners of companies involved in the extractive sector. This is to support Myanmar's efforts to become accredited to the Extractive Industries Transparency Initiative (EITI).

The notification will result in greater transparency on the 158 companies and 5 state-owned enterprises operating in Myanmar's natural resource sector.

See: <https://www.mmtimes.com/news/knowing-who-owns-extractive-companies-will-help-myanmar-thrive.html>

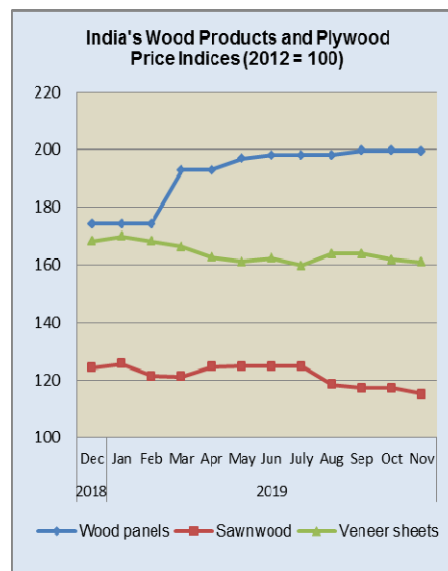
#### December teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	54.7	3,502
SG-5	125.4	3,007
SG-6	224.5	2,523
SG-7	1,052.10	1,832

#### India

#### Lower prices for sawnwood and veneer pushes down price indices

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for November 2019 rose slightly to 122.3 from 122.2 for the previous month. The index for the group 'Manufactures of Wood and of Products of Wood and Cork' declined to 133.7 from 134.4 for the previous month due to lower prices of sawnwood and veneer sheets.



Data source: Ministry of Commerce and Industry, India

The annual rate of inflation based on monthly WPI in November 2019 stood at 0.58% compared to 4.47% in November 2018.

The press release from the Ministry of Commerce and Industry can be found at: [https://eaindustry.nic.in/pdf\\_files/cmonthly.pdf](https://eaindustry.nic.in/pdf_files/cmonthly.pdf)

#### **Plywood association comes out against trade deal**

At the 3rd Regional Comprehensive Economic Partnership (RCEP) summit held in Bangkok in November 2019 India opted out fearing a surge of imports into India, particularly from China. Some in India held the view that there would also have a negative impact on farming communities and small-scale industries.

More recently the Punjab Plywood Manufacturers Association (PPMA), one of the largest associations in the country, has urged the government to keep plywood and allied products out of any agreement on trade. PPMA chairperson, Ashok Juneja, has said “if trading of products like plywood and allied items is allowed under RCEP, it will be disastrous for the plywood industry”.

See: <http://timesofindia.indiatimes.com>

#### **Growing interest in red oak says AHEC**

The American Hardwood Export Council has released data showing that total exports of US hardwood lumber to India reached a value of US\$1.822 million for a volume of around 3,200 cubic metres during the first three quarters of 2019, with red oak sawnwood accounting for nearly a 25% of all exports to India. The total value of American hardwood lumber and veneer exports top USD 5.272 million in the first three quarters of 2019.

As the leading international trade association for the American hardwood industry, the American Hardwood Export Council (AHEC) has closely observed the Indian market’s growing acceptance of hardwood, especially American red oak.

India is known as an importer of logs primarily but changes in the market structure and regulations has encouraged a growing interest in sawnwood imports. India’s imports of US hardwood logs for the first nine months of 2019 fell by around 50%.

See: [www.americanhardwood.org](http://www.americanhardwood.org)

#### **Plantation teak prices**

C&F prices for teak landed at Indian ports continue within the same range as shown in December 2019 reflecting the stable rupee/US dollar exchange rate which remains at around Rs.71 to 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

Prices have been maintained as reported previously. Domestic market demand and import volumes remain well balanced say traders.

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

Much of the teak imported from Myanmar is used in India for the manufacturing of entrance doors for private homes and, as such, teak imports from Myanmar mirror activity in the Indian housing market.

On prospects in the housing market analysts write “conditions in the money market are improving and loans and credit facilities are being slowly being granted by banks. Also, the Central government is actively helping boost the reality market which, along with easing interest rates, should lead to firmer teak imports”.

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

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

Prices remain unchanged. The AHEC website referred to above specifically mentions Indian interest in red oak saying “There has never been a better time to buy American red oak.

That’s partly because it’s in plentiful supply and partly because it’s eminently affordable, with the price differential versus European oak as wide as it’s ever been.

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 price increases

Container freight rates continue to rise but plywood manufacturers have maintained the price increased prices reported in December 2019.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	101.00
9mm	126.00
12mm	157.00
15mm	206.00
18mm	211.00

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	39.00	55.00
6mm	57.00	72.50
9mm	72.50	89.00
12mm	89.00	105.00
15mm	105.00	126.00
19mm	121.50	141.00
5mm Flexible ply	77.00	

## Vietnam

### **Forest product exports now one of three commodities with earnings over US\$10 billion**

At a meeting with the Vietnam Timber and Forest Product Association and wood associations of Ho Chi Minh City, Binh Duong, Dong Nai and Binh Dinh Provinces on 9 January the Minister of Agriculture, Nguyen Xuan Cuong, said that having achieved exports of over US\$11 billion in 2019, an increase of 18% compared to 2018 he expects the industry to achieve US\$20 billion in export earnings by 2025.

Forest product exports are now one of three commodities in Vietnam with annual earnings over \$10 billion.

To achieve the 2025 export target the Minister noted that it will be necessary to adopt the latest technologies, revamp institutions and policies, build the value chains and develop new market opportunities and new technology. The most important thing he said, is to ensure that the are dedicated and well trained engineers and administrators.

See : <https://sggpnews.org.vn/business/forestry-industry-aims-at-exports-of-20-billion-by-2025-85200.html>

### **2019 – services sector the biggest employer**

The Vietnamese formal workforce topped 55.8 million in 2019, an increase of 417,100 compared to 2018 according to the General Statistics Office (GSO). Of the total, 19 million or around 35% were working in the agro-forestry-fishery sector, 16.1 million in the industrial and construction sector (290%); and 19.6 million in the service sector (36%).

The GSO Director General, Nguyễn Bích Lâm, said the labour issue had seen positive developments last year with the service sector just overtaking the agro-forestry-fishery sector as the largest employer. The average pay of workers increased 2.2% last year says the GSO.

Young workers aged 15-24 years accounted for most of the unemployed at 44.4% which is a major challenge for the government. To address this the government is actively encouraging new enterprises and there were 138,100 new enterprises established last year an increase of 5.2 per cent compared to 2018.

See: <https://vietnamnews.vn/economy/570623/viet-nam-sees-positive-labour-growth-in-2019.html>

### **South Korea leads in investment**

The Foreign Investment Agency (FIA) under the Ministry of Planning and Investment has reported that foreign investment pledges to Vietnam exceeded US\$38 billion in 2019 marking a 10-year high and representing a year-on-year increase of over 7%.

The FIA reports more than 3,500 new projects received investment licenses during in 2019, up 27% from 2018.

Among the 125 countries and territories investing in Vietnam last year, South Korea remained the leading source of FDI with US\$7.92 billion or 21% the total. Hong Kong was next with almost 8 billion. Singapore ranked third with US\$4.5 billion, followed by Japan and China.

Investment from Hong Kong and mainland China increased in 2019 mainly due to the impact of the US/China trade dispute. FDI from China increased 1.65-fold and from Hong Kong 2.4-fold, year-on-year. In 2019, the foreign enterprise sector earned US\$181 billion from exports.

See: <https://vietnamnews.vn/economy/570419/viet-nams-fdi-capital-hits-10-year-record-in-2019.html>

## Brazil

### **Prospects for the domestic furniture sector in 2020**

The furniture sector has performed poorly in the domestic market over the past five years because of economic stagnation and manufacturers in the municipality of Linhares, Espírito Santo, one of the main furniture production centres in the country, have suffered. But in 2019 sales stabilised and, towards the end of 2019, there was a modest expansion of sales in the domestic market.

Analysts write that prospects for 2020 will improve if the reforms announced by the federal government, especially the tax reforms, are enacted. Despite experiencing a period of instability over the last few years furniture entrepreneurs have strived to innovate and invest in technology to raise productivity.

The regional association has maintained its policy of strengthening partnerships with public and private institutions in order to further develop the furniture sector.

### **Bringing innovation and sustainability to Amazon producers**

The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) has launched a project in the Amazon to raise productivity in the agricultural and timber sectors.

The project, with the support of the German government, will be implemented from 2020 to 2024 in five states of the Amazon region: Amazonas, Mato Grosso, Pará, Rondônia and Tocantins. MAPA will manage and monitor the project and the Inter-American Institute for Cooperation on Agriculture (IICA) will act as the financial agent.

Some planned outcomes include alignment of production with international agreements, traceability of supply chains, opening new markets (internal and external) and development of innovation.

For more see: <https://portal.datagro.com/en/207280>

### Exports of Tropical Plywood and Veneer in 2019

Exports volume of tropical plywood in 2019 totalled 89,120 cubic metres, an increase of over 45% compared to 2018. However, the monthly average of around 7,400 cu.m is very low compared to the past decades and minute compared to the potential of the Brazilian tropical forest.

The top 5 markets for tropical plywood in 2019 were the US, Ireland, the United Kingdom, Mexico and Canada which together accounted for over 80% of all exports of these products.

It has been difficult to expand markets for tropical veneer says the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) because of raw material supply issues. However, despite this problem there was a significant growth in export volumes in 2019, with shipment of 25,848 cubic metres, a good recovery compared to previous years.

The top 5 markets for Brazilian veneers in 2019 were South Korea, the US, Malaysia, the Philippines and China which together accounted for almost 70% of veneer exports.

### Timber production in international market in 2019

According to ABIMCI production of the main timber products has been steadily expanding, driven mainly by the rising production potential of the forests and export demand.

Sawnwood, pallets, veneer sheets, plywood, wood frames, doors and other components are some of the main products produced for the domestic and export markets. Some processed products such as furniture parts/frames for the export market, especially in the US are competing directly with the same product from Chile and China.”

Representatives of ABIMCI said in 2020 the international wood products market will continue to experience some market unpredictability as the US/China trade dispute will linger on creating uncertainties and changes in the supply chain for wood products in several countries.

The consumption of wood products is gaining importance globally and there is a high expectation that as technical standards for wood frame construction are developed there will be major opportunities in the construction sector.

### Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	200
Jatoba	108
Massaranduba	102
Muiracatiara	106
Angelim Vermelho	102
Mixed redwood and white woods	87

Source: STCP Data Bank

### Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	813
Jatoba	436
Massaranduba	418
Muiracatiara	382
Angelim Vermelho	370
Mixed red and white	244
Eucalyptus (AD)	187
Pine (AD)	128
Pine (KD)	155

Source: STCP Data Bank

### Domestic plywood prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	519
10mm WBP	409
15mm WBP	343
4mm MR.	407
10mm MR.	292
15mm MR.	268

Prices do not include taxes. Source: STCP Data Bank

### Prices for other panel products

Domestic ex-mill prices	US\$ per m <sup>3</sup>
15mm MDP/Particleboard	203
15mm MDF	243

Source: STCP Data Bank

### Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipê	1,446
Jatoba	868
Massaranduba	843
Muiracatiara	861
Pine (KD)	171

Source: STCP Data Bank

### Export plywood prices

Pine plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	266
12mm C/CC (WBP)	252
15mm C/CC (WBP)	235
18mm C/CC (WBP)	230

Source: STCP Data Bank

### Export prices for added value products

FOB Belem/Paranagua ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,860
Jatoba	1,457

Source: STCP Data Bank

## Peru

### Millions of hectares of natural forest exposed to encroachment

Erik Fischer, president of ADEX, the exporters association of Peru has said there are millions of hectares of natural production forest that are unutilised and exposed to encroachment and destruction.

According to Fischer, "95% of deforestation in Peru is due to a change in land use for subsistence agriculture, illegal mining and illegal cultivation of coca leaf". Fischer strongly recommended that the government implement clear policies for the sustainable development of forests as the only means to prevent informal and illegal activities.

He considered it essential to fully value the immense potential of the forests in the country and boost private investment in timber and non-timber production in order to generate employment opportunities in remote areas.

#### Domestic construction sector set to grow

The expansion of public investment this year will bring a boost for the construction sector which, according to the Institute of Business Development and Economics (IEDEP) of the Lima Chamber of Commerce (CCL), could expand by over 6% this year.

In the first half of 2019 Peru's construction sector expanded by over 5%. The IEDEP indicated that it is optimistic on growth prospects as mortgage lending has been rising.

Information of the Superintendent of Banking and Insurance shows that up to August 2019 loans granted by financial institutions expanded almost 10% compared to a year earlier. A healthy and expanding construction output contributes greatly to the development of markets for wood products.

#### New law extends tax benefits to forestry sector

An Emergency Decree, approved 28 December 2019 by the Council of Ministers extends the validity of the Agricultural Promotion Law until 2031 and incorporates the forest and aquaculture sectors.

One of the benefits that will be retained is the lower payment of tax now extended to the forestry and aquaculture sectors, explained the Minister of Development and Agricultural Infrastructure and Irrigation, Jorge Montenegro. The Minister said the aim is to boost investment in both sectors which will lead to higher exports.

#### San Martín and Loreto progress forest zoning

San Martín was the first region to complete its technical studies for its forest zoning exercise and has now submitted its conclusions to the National Forest and Wildlife Service (SERFOR) within the Ministry of Agriculture and Irrigation which is responsible for verifying the compliance with the provisions for the zoning process.

The San Martín report has been reviewed favourably by SERFOR and has been forwarded to the Ministry of Environment which is responsible for issuing any ministerial resolution formalising the approval of the forest zoning exercise.

For its part, the Loreto completed the first stage of the zoning process and this has earned a favourable response from SERFOR but has not yet received notification from the ministry. Meanwhile, in Loreto modules II and III of the zoning process are advancing.

It should be noted that forest zoning is the planning tool that provides information on the forest and wildlife resources. The forest zoning exercise is carried out by regional governments with technical assistance from SERFOR throughout the process. To-date, 19 regional governments are undertaking forest zoning.

#### Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per m <sup>3</sup>
Pumaquiro 25-50mm AD Mexican market	637-651
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	973-987▲
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	547-568
Dominican Republic	671-681
Marupa 1", 6-11 length KD Asian market	551-591

#### Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	269-280
Spanish Cedar	342-355
Marupa (simarouba)	238-239

#### 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	487-511▲
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

#### Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per m <sup>3</sup>
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

### 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
Cumarú KD, S4S	Swedish market 979-1098
	Asian market 1089-1119
Cumarú decking, AD, S4S E4S, US market	1199-1235
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
	2x13x75cm, Asian market 756-822

## Japan

### Growth prospects depend on impact of stimulus package

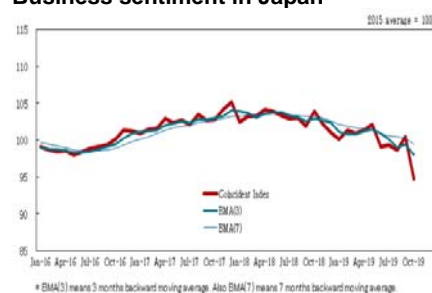
Despite the governments almost US\$250 billion stimulus package analysts warn the economy is expected to grow only modestly in 2020 as the rise in the consumption tax and risks in the global economy are likely to undermine sentiment and investment.

Japan's Center for Economic Research has forecast growth at less than 0.5% in fiscal 2020. This was determined after consulting 35 private-sector economists. At 0.5% this would be the second-lowest growth rate in six years.

Growth in the Japanese economy is very sensitive to exports and analysts point to falling exports for the past 12 consecutive months and how it is unlikely that the global economy will revive to spur Japan's short-term economic prospects.

Several commentators in Japan are speculating that the Bank of Japan (BoJ) could revise up its economic forecast for the new fiscal year beginning in April, anticipating a boost from the government's stimulus package. Such a rise would allow the BoJ to maintain its current policy.

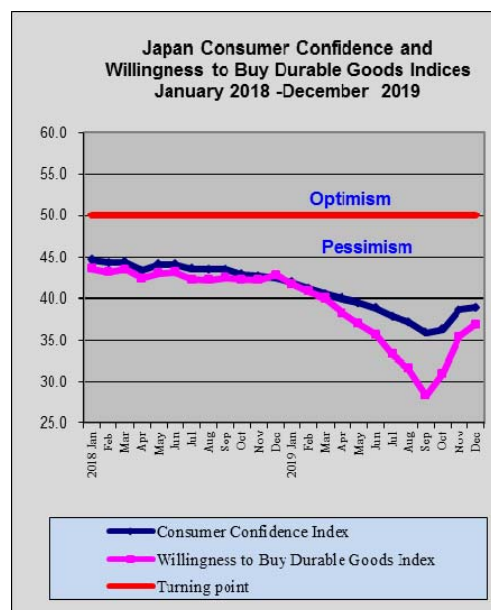
### Business sentiment in Japan



Source: <https://www.esri.cao.go.jp/en/stat/di/di-e.html>

### Consumers reeling from tax hike

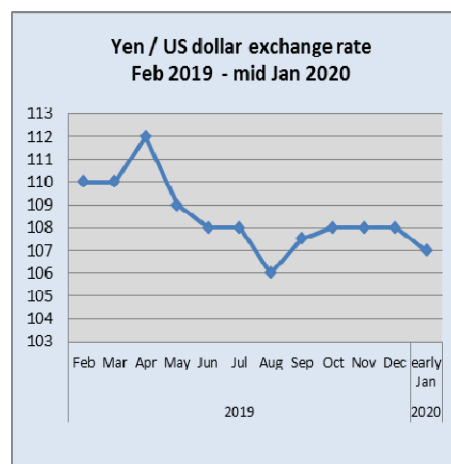
While there has been a recent rise in consumer confidence the fourth quarter 2019 paints a different picture as confidence dipped to a five year low. A recent BoJ survey says consumers cut back on eating-out and shopping immediately after the consumption tax increase signaling that the prospects for the economy are, at best, fragile.



Data source: Cabinet Office, Japan

### Yen plunges on Middle East tensions – quickly recovers

The Japanese stock market plunged and the yen/dollar exchange rate surged in early January as tension in the Middle East prompted investors to seek the 'safe-haven' yen. The dollar briefly dropped to a three-month low immediately after the Iran incident but within 5 days had recovered bringing the yen back to 108 to the dollar.



### Disappointing November housing starts

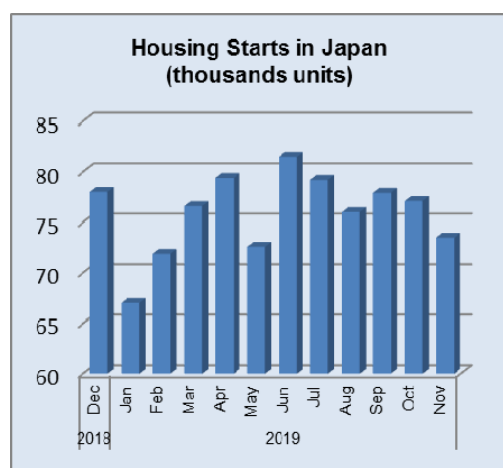
November housing starts were down almost 5% from the previous month and down over 12% year on year. The decline in November was the third consecutive drop in starts some of the decline can be attributed to the severe storms Japan experienced in the autumn of 2019.

### 'Mass timber' for concept housing development

At a recent event in the US Toyota and its partner BIG-Bjarke Ingels Group announced plans for a new concept, high-tech "Woven City" to be constructed on a site at the foothills of Mount Fuji.



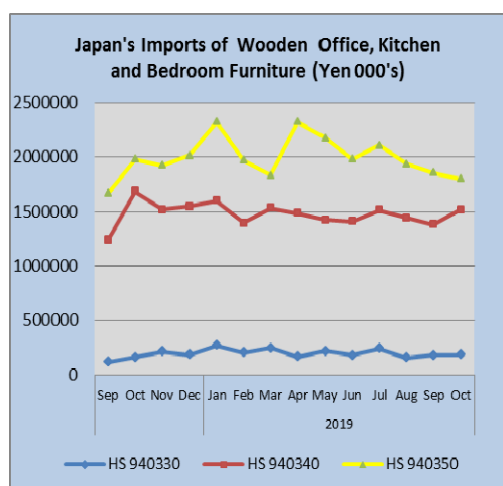
This, say the companies involved, will be a solar and geothermal powered green city. The buildings will be built using mass timber construction.



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

## Import update

### Furniture imports



Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

Year on year, Japan's October 2019 wooden office furniture (HS940330) imports were up 17% building on the rise seen in September. Imports from China, the main supplier, were up almost 20% in October, imports from Italy, a regular supplier of office furniture to Japan, almost doubled. In contrast, imports from Poland, also a major supplier of wooden office furniture to Japan almost halved.

The top three suppliers in October, China, Italy and Poland accounted for around 75% of all wooden office furniture imports. China alone accounted for 65% of October imports.

### Office furniture imports

	Imports Oct. 2019 Unit, 000's Yen
S. Korea	876
China	122,959
Taiwan P.o.C	3,692
Hong Kong	-
Vietnam	654
Thailand	766
Singapore	418
Malaysia	1,663
Indonesia	4,334
Cambodia	1,153
India	-
Denmark	745
UK	2,235
Netherlands	-
France	-
Germany	5,608
Portugal	6,167
Spain	-
Italy	12,083
Poland	6,600
Turkey	5,032
Lithuania	841
Slovakia	311
Canada	495
USA	4,335
Mexico	1,855
Australia	6,000
Total	188,822

Data source: Ministry of Finance, Japan

### Kitchen furniture imports (HS 940340)

The value of Japan's wooden kitchen furniture (HS 940340) imports in October reversed the decline witnessed in the previous two months. Despite the turn-around in October, year on year imports of wooden kitchen furniture were down 10%.

The main suppliers of wooden kitchen furniture in October were, as in previous months, the Philippines, Vietnam and China. October shipments from the Philippines were up 10% month on month with Vietnam seeing an 8% rise month on month and China recording a rise of over 60%.

As in previous months Germany and Italy feature in the top 20 suppliers of wooden kitchen furniture but between them have only around 2% of total October shipments into Japan.

#### Kitchen furniture imports

	Imports Oct. 2019 Unit, 000's Yen
China	143,322
Taiwan P.o.C	4,069
Vietnam	590,410
Thailand	41,892
Malaysia	3,120
Philippines	682,819
Indonesia	5,396
Cambodia	-
India	-
Denmark	916
UK	355
Netherlands	1,125
France	960
Germany	16,667
Spain	-
Italy	16,574
Finland	-
Romania	1,285
Slovenia	324
Czech. Rep.	-
Canada	-
USA	4,259
USA	2,765
<b>Total</b>	<b>1,516,258</b>

Data source: Ministry of Finance, Japan

#### Bedroom furniture imports (HS 940350)

Year on year, the value of Japan's October 2019 wooden bedroom furniture imports were down 9% and while shippers in China maintained their dominance of imports of wooden bedroom furniture (58% in October) there was no increase in the value of imports over the previous month.

The other significant suppliers are Vietnam, which held a 30% share of October imports, Thailand, 4% and Malaysia 3%. October shipments from Vietnam were down 14% in October, shipments from Thailand dropped 18% in October while shipments from Malaysia rose sharply.

#### Bedroom furniture imports

	Imports Oct. 2019 Unit, 000's Yen
S. Korea	7,099
China	1,056,009
Taiwan P.o.C	2,217
Hong Kong	-
Vietnam	551,226
Thailand	69,476
Malaysia	59,807
Philippines	-
Indonesia	13,418
India	-
Pakistan	-
Sweden	2,159
Denmark	462
UK	271
Netherlands	-
Belgium	-
France	-
Germany	765
Spain	-
Italy	5,511
Finland	-
Poland	28,588
Austria	-
Hungary	-
Greece	-
Romania	-
Turkey	-
Estonia	-
Latvia	-
Lithuania	-
Bosnia Herzegovina	-
Slovakia	-
USA	3,515
<b>Total</b>	<b>1,800,523</b>

Data source: Ministry of Finance, Japan

### **Trade news from the Japan Lumber Reports (JLR)**

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

For the JLR report please see:

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

### **Revision of Forestry Partnership Act**

The Forestry Agency is making up revised Forest Partnership Act for submitting to next year's ordinary session of the Diet.

Objective is to activate and widen activities of the Forest Partnership when demand of domestic logs is rapidly increasing so by allowing of merger of the partnerships and transfer of business to promote log sales and maintenance of the forestland.

In fiscal year 2017, total amount of business by the partnerships was 272 billion yen in which log production and sales were 100 billion yen and forest maintenance was 160 billion yen. Target after ten years is total business of 315 billion yen in which log sales of 120 billion yen and forest maintenance of 160 billion yen.

Business expansion of the forest partnership has been done by merger of the partnerships. After the revision is officially authorized, local partnership remains and tying up only business with other partnerships becomes possible. In the concrete, business of one partnership can be transferred to other partnership totally or partially. Also business is split and be transferred. Agricultural co-operatives are authorized to transfer of business and merger or become stock company as means of rearrangement of the system.

Also to strengthen management base by activating board of directors, distinction of sex and age class should be considered to encourage female and successors' generation become directors. Also at least one director should be able to manage sales. Present law stipulates new additional director has to be in the same generation with others but this rule is changed.

Forestry owners' association is co-operative system by the forestry partnership act and forest owners are official member. There are 621 associations in Japan and number of the association is 1.51 million. Forestland by the owners is 1,640,000 hectares, 70% of privately owned forestland.

The businesses are forest maintenance of thinning, clearing of underbrush and replantation then log harvest and sales of logs. Production and sales by each unit has been steadily growing but there are 319 associations, which produces less than 5,000 cbms a year and 21 associations, which logs sales are less than 50,000 cbms. In short, there are many small scale associations.

In viewing such reality, revision of the law is considered to activate and increase the activities by tying up with each other when demand for logs is increasing with larger sawmills and start-up of biomass power generation plants all over Japan. However, there are comments among members that revision of the law does not guarantee expansion of business unless there is financial assistance. Manpower shortage is another obstacle.

### **Sumitomo Forestry's overseas housing business**

Sumitomo Forestry (Tokyo) announced that total housing sales in North America and Australia exceed 10,000 units in current term ending December 2019. Overseas housing business started in 2003 in Seattle, Washington, U.S.A. then in China in 2004 and in Australia in 2009.

In current term, total sales in the U.S.A. are 7,920 units, 12.0% more than last term and 2,300 units (13.0% more) in Australia making total of 10,220, 5.2% more. It started working with Henry group in the U.S.A. in 2010 then bought out five more house builders in the U.S. A. and subsidized them to form consolidation group.

It now has developed the business in ten states of Washington, Texas, California, Arizona, Virginia, North Carolina, South Carolina, Pennsylvania, Utah, West Virginia plus Washington, D.C.

Besides traditional 2x4 units built for sale, it has started building town house for multi-family, which is easier to buy. One of subsidiaries, Crescent Community builds multi-family apartment and commercial buildings and Mark III properties is engaged in development of property for housing so business is diversifying now.

In Australia, standard of housing loan examination tightened so the housing market is cooling down. In Asia, it started development of detached unit and condominium in Indonesia and Thailand but this would not contribute business profit since large project like this would take more than four years from planning to sales.

### **Plywood**

Demand for domestic softwood plywood is robust and the supply is getting tight in some areas because of shortage of trucks. Imported plywood market lacks vigorousness with weak demand. The supplying plywood mills in Malaysian and Indonesia have kept pushing the export prices and some items in Japan are short and the prices are gradually climbing but not fast enough to catch up fast pace of suppliers' price hike.

Movement of domestic softwood plywood is active all over Japan. On top of orders from precutting plants, wholesale channels are procuring materials for typhoons' and flood damages in Eastern Japan.

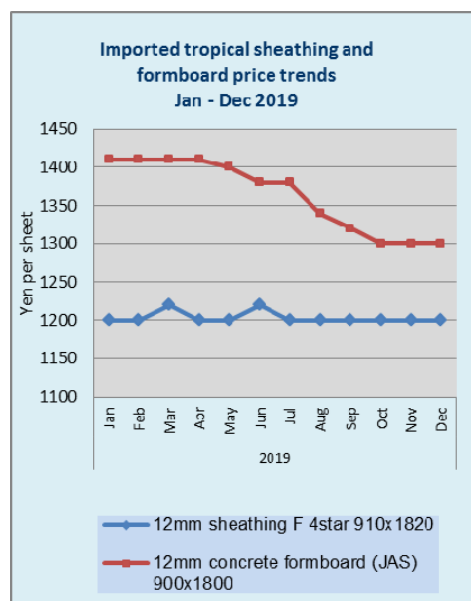
Orders for renovation and non-residential buildings are also active. Domestic plywood manufacturers have been running with full capacity to catch up busy demand and the monthly shipment surpasses production.

With low inventories, some plywood mills started restricting to take orders from new buyers and additional volume even for regular customers.

Truck shortage becomes usual problem in December by year end heavy cargo transportation so delivery delays a week to ten days. Trucking cost is also climbing so the manufacturers may have to pass this onto delivered prices.

On imported plywood, the importers have started increasing the sales prices as the producing plants continue to increase the export prices and reduce the production by log shortage. Therefore, bottom feeling is spreading in the market. The prices of concrete forming panel and structural hardwood plywood are climbing with busy demand for storm rehabilitation works.

Coated concrete forming panel movement is not busy despite dropping inventory because of stagnating demand for construction.



### Domestic logs and lumber

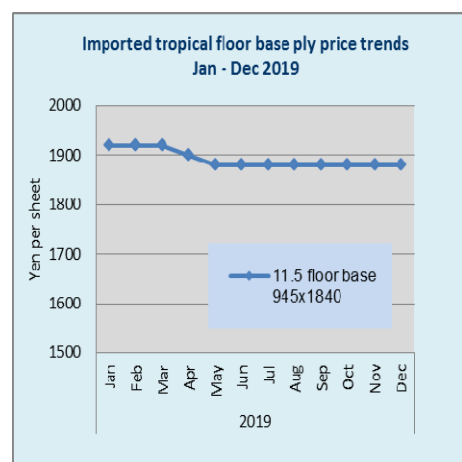
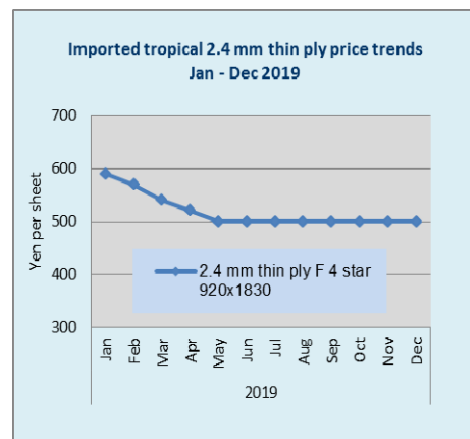
Demand for domestic logs and lumber is steady as precutting operations are peaking. Log supply in Western Japan is ample so that the market is on weak side but in Eastern Japan, log supply is scarce because of recent typhoon and flood so log prices are climbing. Lumber market prices are hard to increase because prices of competing whitewood laminated lumber and Douglas fir lumber are softening so passing high log cost onto lumber sales prices is difficult.

Post cutting cedar log prices soared but after log supply recovered, prices dropped down. Cypress log prices are 2,000-3,000 yen higher than November and sill cutting cypress log prices are 18,000-19,000 yen since cypress lumber is used for repair of inundated houses. In Western Japan, cypress log prices are dropping and sill cutting cypress log prices are now 19,000 yen from 23,000 yen in November.

Lumber movement is firm particularly KD structural lumber for precutting plants and this seems to continue through December. Wholesalers' lumber business dropped down once after the consumption tax increase in last October but it recovered gradually. Particularly in Eastern Japan demand for board, taruki, sill and beam is picking up for repair of flood damaged houses and retaining board, piling and board for restoration works of land slide, collapsed road and rivers.

### Vietnam bans import of Chinese plywood

On the 12th of November 2019 the Vietnamese Minister of Industry and Trade of Vietnam signed and announced Circular No. 22/2019/TT-BCT on Temporary Suspension of border-gate transfer business and temporary import of plywood (HS 44.12) into Vietnam for re-export to US. This Circular takes effect from December 27, 2019 to December 31, 2024.



While export of Chinese plywood for the US is decreasing by trade conflict and Vietnam is taking over such business and export to the US is increasing but there is some concern that some Chinese outfits are exporting Chinese made farm products and industrial products as Vietnamese products and ship out to the US through Vietnam to avoid the increased duties in the US.

Since last June, the Vietnamese government tries to stop such detour trade and tightened rules and penalties on Chinese products, which are destined to the US as Vietnamese products and this new regulation is one of such restrictions.

#### Chinese supplies hemlock lumber

China National Forest Products, Tangshan, Hebei province, China will start supplying KD hemlock genban and green square for Japan market. It imports hemlock logs from B.C., Canada. It has started trail shipment and plans to supply 2,000 cbms a month. It plans to expand the volume to 4,000 cbms a month.

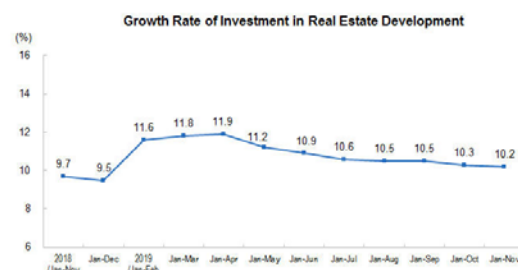
This company is engaged in importing and marketing logs and lumber and also in lumber manufacturing. It also manages forestland and develops wood processing complex. The mill has five band saws, edger, molder and planer and has capacity of producing 5,000 cbms a month. Dryers have 3,500 cbms capacity. Hemlock is dried for two weeks with 65-70 degrees so 7,000 cbms can be dried in a month. It uses North American species of hemlock, Douglas fir, red cedar, spruce and Southern pine plus radiata pine from New Zealand.

In the wood processing complex where sawmill is located, there is MDF plant which can take sawmills' residue as raw material. The port has four berths for 50,000 ton ship and has fumigation yard. After the port opened in 2014, total logs unloaded at the port is four million cbms, out of which about 50% is Canadian logs. The mill has been manufacturing concrete forming board but to make value added products, it started supplying hemlock products to Japan. Voyage to Tokyo takes only four days and it will take order by container base.

### China

#### Real estate development in the first eleven months of 2019

Total investment in real estate development in the first eleven months of 2019 showed a rise of 10% year-on-year but there was an overall decline in investment for most of this year. Investment in residential buildings was up by 14.4% but this was at a slower rate than a year earlier.



Source:

[http://www.stats.gov.cn/english/PressRelease/201912/t20191217\\_1718042.html](http://www.stats.gov.cn/english/PressRelease/201912/t20191217_1718042.html)

In the first eleven months of 2019 the land area purchased by the real estate development enterprises was down by 14%.

#### New foreign investment law takes effect

The most recently updated Foreign Investment Law took effect 1 January 2020. This is a comprehensive and fundamental set of legal standards for foreign investment activities with unified provisions for the entry, promotion and protection and management of foreign investment.

The new law has replaced the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-owned Enterprises and the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures passed between 1979 and 1990. The changes were made as the previous laws could not address the emerging challenges in foreign investment, including intellectual property rights.

The new law provides foreign investors with more rights and more convenient registration procedures. Most Chinese cities have rolled out favorable policies to attract foreign investment such as offering low cost or even free space for manufacturing, low taxes for the first year, and/or incentives to attract foreign technology transfer. Analysts expect foreign investment in wood product manufacturing and trade will increase as a result of these changes to the law.

see [http://www.fdi.gov.cn/1800000121\\_39\\_4872\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_39_4872_0_7.html)

<http://www.npc.gov.cn/npc/c30834/201903/121916e4943f416b8b0ea12e0714d683.shtml>

[https://www.guancha.cn/economy/2019\\_03\\_20\\_494381.shtml](https://www.guancha.cn/economy/2019_03_20_494381.shtml)

#### Import tariffs adjusted

According to the Customs Tariff Commission of the State Council, China has adjusted import tariffs for a range of products effective 1 January 2020 to promote high-quality development of trade.

The adjustments will be made to expand imports, to promote the coordinated development of trade and environment and to advance the development of the "Belt and Road" initiative.



To stimulate imports China will implement provisional import tax rates that are lower than the most-favoured-nation (MFN) tariff rates for over 850 commodities.

The country will introduce or reduce the provisional import tax rates on products including frozen pork, frozen avocados and non-frozen orange juice amid efforts to moderately increase the import of daily consumer goods that are relatively scarce in the country or have foreign characteristics to better meet people's needs.

China will apply zero import taxes on pharmaceutical products containing alkaloids for asthma treatment as well as raw materials for the production of new diabetes medicines to reduce medication costs and promote the production of new medicines.

China will also lower the provisional import tax rates for some wood and paper products.

In 2020, China will continue to apply conventional tariff rates on some products originated from 23 countries and regions under the relevant free trade agreements or preferential trade arrangements.

Further tariff reduction will be made according to the free trade agreements China has separately signed with New Zealand, Peru, Costa Rica, Switzerland, Iceland, Singapore, Australia, the Republic of Korea, Georgia, Chile and Pakistan, as well as the Asia-Pacific Trade Agreement.

In 2020, China will continue to apply preferential tariff rates to the goods from the least developed countries that have established diplomatic ties and completed the exchange of Notes on the establishment of diplomatic relations with China.

China will also make adjustments to the applicable countries in line with the United Nation's list of the least developed countries and China's transition period arrangements.

Starting from 1 July, 2020, China will implement the fifth MFN tariff concession on 176 information technology products and accordingly adjust the provisional import tariff rates of some information technology products.

The tariff adjustments will help reduce import costs, advance opening up to a higher level and allow other countries and regions to share in China's development.

See:  
[http://english.www.gov.cn/news/topnews/201912/23/content\\_WS5e001724c6d0bcf8c4c19456.html](http://english.www.gov.cn/news/topnews/201912/23/content_WS5e001724c6d0bcf8c4c19456.html),  
[http://www.gov.cn/xinwen/2019-12/23/content\\_5463213.htm](http://www.gov.cn/xinwen/2019-12/23/content_5463213.htm)  
and [https://www.wood365.cn/Industry/IndustryInfo\\_263478.html](https://www.wood365.cn/Industry/IndustryInfo_263478.html)

### **Forest Law adopted**

A revised Forest Law had been adopted by 13th National session of the Standing Committee of the National People's Congress with aim to better protect forest resources and spur 'green development'. The new law will take effect on 1 July, 2020.

A new chapter "Forest Ownership" has been added to the new Forest Law which stipulates that the ownership and use rights of forest lands, forest and trees shall be registered and certificates shall be issued by the registration authorities. Legitimate rights and interests shall be protected by law and shall not be infringed upon by any organisation or individual.

For the purpose of environmental protection, infrastructure construction and other public interests the law provides for requisition forest land and trees and says the examination and approval procedures shall be handled according to law and fair and reasonable compensation shall be given.

Under the new Forest Law, the management system for forests is defined and the forests are divided into public and commercial forests. Public forests shall be strictly protected and commercial forests shall be operated independently by forest operators according to the law.

With regard to commercial forests it is clearly stipulated that the country encourages the development of commercial forests and that forest owners shall operate such forest of their own according to law and may take necessary measures to improve economic efficiency without damaging the environment.

The new Forestry Law has abolished the timber transport licensing system, improved tree cutting licensing system and optimised the procedures and conditions for the issuance of timber cutting licenses. The law explicitly requires competent forestry authorities to take measures to facilitate the application for cutting licenses.

See:  
[http://www.greentimes.com/green/news/lyyf/fzxw/content/2019-12/30/content\\_444921.htm](http://www.greentimes.com/green/news/lyyf/fzxw/content/2019-12/30/content_444921.htm)

### **Tax reduction for wood-based panel enterprises**

The State Tax Administration has issued a new edition of the guidelines on preferential tax policies to support poverty alleviation. The guidelines point out that taxpayers can enjoy tax preferences if they produce wood-based panels and products made from raw materials such as sawdust, bark and other wood residues.

The amount of tax payable by an enterprise manufacturing wood-based panels and products from sawdust, bark and residues shall be calculated at 90% of enterprise incomes.

See:  
[https://www.wood365.cn/Industry/IndustryInfo\\_263505.html](https://www.wood365.cn/Industry/IndustryInfo_263505.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

### Climate change debate threatens to tip European hardwood market over the edge

Headline figures for sawn hardwood consumption in Europe show that demand has been flat for the last decade. However, these figures obscure major underlying changes in the European market.

This was clear from presentations and discussion during the International Hardwood Conference (IHC) in Berlin during November, an event co-organised by the European Organisation of Sawmill Industries (EOS), the European Timber Trade Federation (ETTF) and German Sawmill and Wood Industries Association (DeSH).

There was a widespread view that new opportunities are emerging, particularly driven by strong political and emerging consumer interest in carbon mitigation and other environmental concerns. However, it also became apparent that other factors are undermining the ability of the hardwood sector to respond to these opportunities.

The European hardwood market has become too narrowly focused on a single species, oak, and there has been insufficient focus on driving demand for and adding value to other species.

Lack of investment in hardwood market development in Europe has contributed to a large proportion of logs being exported, particularly to China, a market which has lately become very volatile.

Supply side problems are also arising as drought and pest infestations in Europe have led to large volumes of low-quality hardwood being placed on the market contributing to falling prices for low grade lumber and by-products such as chips, sawdust and bark.

There is also uncertainty over long term supply security. Lack of consistent and harmonised inventory data across Europe, combined with resource changes due to climate change, have made projections of future supplies less reliable.

In retrospect too, the almost exclusive focus on certification in environmental communication may have been a distraction from pressing environmental imperatives in the hardwood sector that are not addressed in existing certification frameworks.

These imperatives include the need to:

- ensure that consumers buy the full range of hardwood species and grades that the forest can produce sustainably;
- promote efficient processing and use to minimise waste and maximise yield and value;
- provide transparent data on the likely long-term availability of different hardwood species;
- respond effectively to changes in the resource due to climate and other environmental impacts and past management decisions (and failures);

- remove illegal wood from hardwood supply chains while promoting market access for legal operators (both large and small); and
- better demonstrate and exploit the carbon mitigation potential of hardwood products.

### Eastward shift in European hardwood consumption

According to data presented to IHC by Rupert Oliver, Trade Analyst to the FLEGT IMM, the ITTO project supported by the EU, EU-wide sawn hardwood consumption was around 9.98 million m<sup>3</sup> in 2018, 3% more than in 2017. EU sawn hardwood consumption was projected to have fallen back again to around the 2017 level in 2019.

Despite these minor ups and downs, overall sawn hardwood consumption in the EU in the 2017-2019 period remained firmly within the narrow band of 9.5 to 10.5 million m<sup>3</sup> per year prevailing since 2009 and well down on figures closer to 15.0 million m<sup>3</sup> typical before the financial crises.

Underlying these recent trends, said Mr Oliver, was reasonably robust, if unexciting, growth in EU GDP and construction in 2017-2018 and the first half of 2019. However, economic uncertainty contributed to slowing sawn hardwood trade in the second half of 2019.

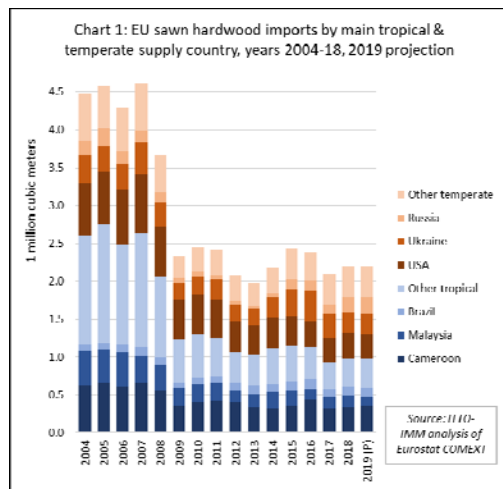
Mr Oliver noted that the latest data from the joinery sector shows that wood generally was holding its own against other materials in doors and window manufacturing, although much of this benefit may have accrued to softwoods rather than hardwoods.

Mr Oliver said that EU wood furniture manufacturers are continuing to maintain their dominance of domestic markets and holding their own against imports. While there is some weakness in EU wood furniture production in western Europe, this is offset by a rise in Eastern Europe.

Mr Oliver's data showed that per capita sawn hardwood consumption in western European countries remains low, typically less than 20 litres per year, and the trend is either flat or sliding downwards.

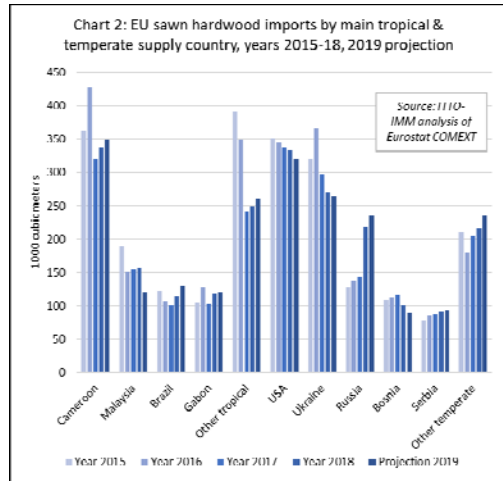
In contrast, per capita sawn hardwood consumption is generally rising in eastern Europe and already exceeds 100 litres per year in the Baltic States and is approaching 60 litres per year in Romania.

Mr. Oliver estimated that EU imports of sawn hardwood from outside the region were around 2.2 million cubic meters in 2019, very similar to the level in 2018, maintaining the gains made compared to 2017, but still down on imports of 2.4 million m<sup>3</sup> in 2015 and 2016, and only half of the level of before the financial crises (Chart 1).



Mr Oliver noted that eastward shift in manufacturing in Europe has been linked to a partial shift towards East European and CIS hardwood suppliers in recent years, with most growth in EU sawn hardwood imports coming from Ukraine and Bosnia in 2016 and 2017, and Russia and Serbia in 2018 and 2019.

According to Mr Oliver, total imports of tropical sawnwood are projected to be 980,000 m<sup>3</sup> in 2019, marginally down from 993,000 m<sup>3</sup> in 2018. Imports from Cameroon and Brazil recovered some ground in 2019, helping to offset a significant fall in imports from Malaysia (Chart 2).

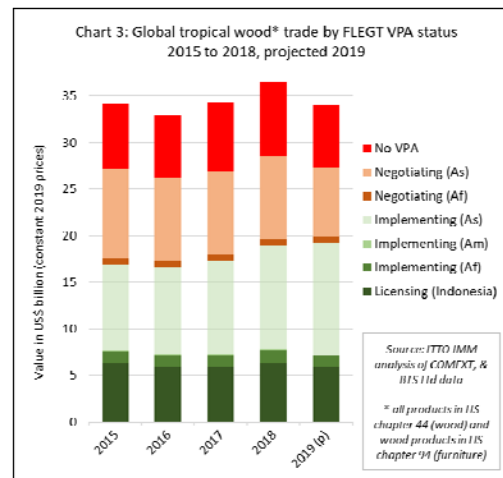


### Expanding scope of TLAS and due diligence regulations in tropical trade

Mr Oliver also commented on the evolving situation in relation to legality verification, due diligence regulations and certification in the international tropical hardwood trade.

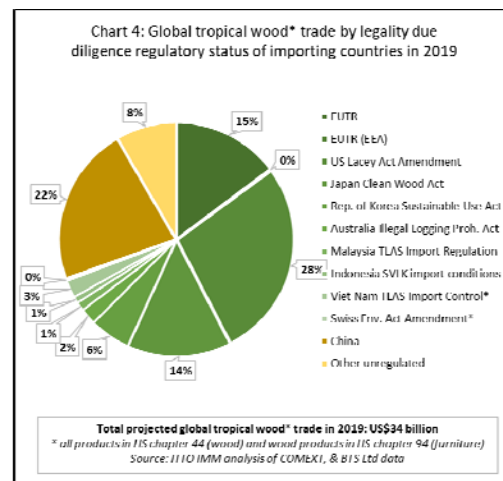
He highlighted the considerable scope of efforts to develop Timber Legality Assurance Systems (TLAS) in tropical countries, a process encouraged by the EU's FLEGT Action Plan.

According to Mr Oliver, tropical countries that are either already issuing FLEGT licences or in the process of implementing a FLEGT licensing system accounted for 57% of global the value of trade in tropical wood and wood furniture products in 2019, up from 52% in 2018 (Chart 3).



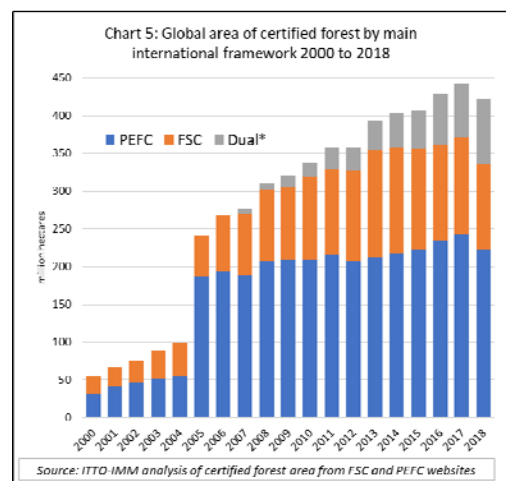
The rising share of FLEGT partner countries in tropical trade last year was driven mainly by a sharp rise in exports by Vietnam, a country which has set an initial objective of establishing a FLEGT licensing system by the end of 2020 (although this plan is acknowledged to be ambitious and time scales and activities are likely to be adjusted with experience).

The work by tropical countries to implement TLAS is mirrored by the wide range of countries that have introduced regulatory measures requiring legality due diligence for timber products in trade. According to Mr Oliver, in 2019 around 70% of the total global value of tropical wood and wood furniture trade is imported by countries implementing such legislation, including the US (28%), EU (15%), Japan (14%), South Korea (6%), and Vietnam (3%) (Chart 4).

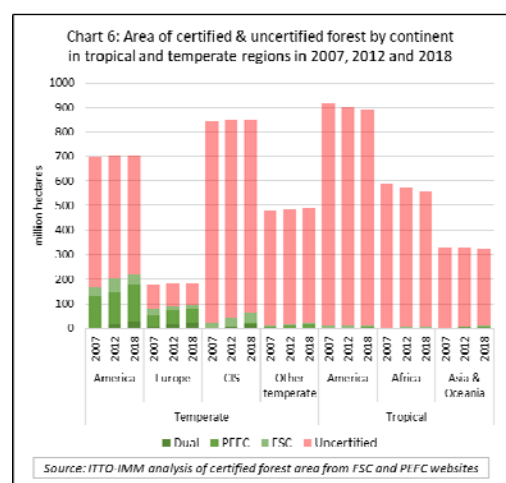


Mr Oliver said the widespread evolution of TLAS in tropical timber supplying countries contrasts with the implementation of forest certification. Analysis of data from FSC and PEFC suggests that the total area of forest certified by these schemes worldwide actually declined for the first time in 2018.

Although FSC and PEFC both reported either stable, or a slight increase in their own certified forest area during the year, this was only because of a rise in the area dual certified to both schemes (Chart 5).



According to Mr Oliver, closer analysis of the data reveals that most new certificates issued in recent years have been for large state-owned and industry managed lands in temperate and boreal regions, particularly in Russia. Tropical countries and small non-industrial operators remain seriously under-represented amongst certified forest areas (Chart 6).



### Certification necessary to overcome market prejudices: a widespread view

While tropical countries are making headway to implement TLAS systems, tropical wood promotion activities in the EU is remains heavily oriented towards certified products.

There is a strong view in parts of the EU timber trade and industry that the market is so prejudiced against tropical timber that nothing short of assurance of full conformance to FSC and/or PEFC certification will overcome this bias (and even this may not be enough for some influential European specifiers and buyers).

Although not said explicitly, this was an underlying narrative behind the presentation to IHC by Mr. Benoît Jobbé-Duval, Managing Director of the International Tropical Timber Technical Association (ATIBT).

Mr. Jobbé-Duval provided an update on two years of progress to implement the Fair & Precious (F&P) “verified sustainable” tropical timber branding campaign in Europe. This campaign, which ATIBT is implementing in cooperation with various agencies including STTC, FAO, European timber associations (including the European TTF and national associations in Belgium, France, Germany, UK, Fedustria), promotes FSC and PEFC certified tropical timber.

The key message of the campaign, and the 10 commitments made by organisations adopting the brand, is that FSC and PEFC certified forest operations directly contribute to the delivery of the UN Sustainable Development Goals in tropical countries.

Mr Jobbé-Duval noted that three separate F&P communication campaigns have been launched targeting 15,000 architects, specifiers, and potential buyers of tropical timber, covering France, UK, Germany, Italy, Spain and the Netherlands. Seventy-seven press articles have been published so far reaching a total audience of 1.2 million.

A new F&P website (<https://www.fair-and-precious.org>) was launched in October 2019, and a series of press trips are planned in certified forest concessions. Social media campaigns are underway through Instagram and Linked In. Seventeen organisations are now F&P partners and the number is gradually rising.

In France, said Mr. Jobbé-Duval, a successful partnership has been formed between F&P and the national railway operator SNCF that now acknowledges the environmental benefits of certified tropical timber and actively promotes its wider use in the French rail sector.

ATIBT has also contributed to efforts, alongside STTC, and the Danish offices of various organisations including WWF and FSC, to rectify an effective ban on all tropical timber in products certified by Nordic Swan, the official ecolabel of the Nordic countries.

The label can be voluntarily applied to products in 60 categories groups, the most relevant for tropical timber being furniture, outdoor furniture and playground fittings, construction and façade panels, and windows and exterior doors.



Mr. Jobbé-Duval said that besides insisting that all timber products bearing the Ecolabel were 70% FSC or PEFC certified, with the remainder FSC controlled wood or from PEFC controlled sources, Nordic Swan has drawn up an 82-strong list of species, dominated by tropical wood, that it would not cover irrespective of whether or not certified.

As well as many lesser-known species, these included many commercial species widely available and sold in Scandinavia and the rest of Europe. Among them are ipé, doussie, jatoba, movingui and okoumé.

Qualifications for being put on the prohibited list were CITES listing, and inclusion on the IUCN red list (categorized as critically endangered (CR)), endangered (EN), vulnerable (VU) and relevant species as Near Threatened (NT).

The decision to ban all these species from use in labelled products takes no account of the fact that species listed in CITES Appendices are not prohibited from exploitation and sustainable use is often the best form of protection.

Mr. Benoît Jobbé-Duval reported that a decision on this policy is still pending by Nordic Swan (the “Forestry Requirements” for the label reported on the Nordic Swan website in mid-January 2020 continue to include over 80 species of mainly tropical timber prohibited from use in labelled products).

#### **Deteriorating market and supply challenges for European hardwood**

The market situation for German hardwoods was described at IHC by Steffen Rathke, Vice President of DeSH who said that both domestic and export market demand deteriorated in the second half of 2019, partly a response to responding to mounting economic uncertainty in Europe and China, the main export market.

Mr. Rathke also highlighted that raw material availability is becoming more challenging in the hardwood sector with pests and drought having an increasing impact. Mills are having to cut back on production of beech because of severe damage to logs during lengthy periods of drought in recent years. Although the freshly harvested beech logs often appear unblemished on the outside, the timber contains a lot of defect and the yield of higher-grade lumber is negligible.

Referring to a previous period when the export market for European beech logs was severely undermined by shipment of a lot of low quality (in this instance storm-thrown) beech, Mr. Rathke said that “it has taken 15 years to get the beech market back in China, but now again we are seeing more of these lower quality being sent to China and we could lose this market again”.

Mr. Rathke also expressed concern about the possibility of a similar fate for oak with a rising incidence of worm holes, which cannot be detected when logs are inspected in the forest, also caused by drier conditions.

“Our trees are under stress”, concluded Mr Rathke, “the industry needs to do more to help forest owners, to bring out the dead wood out, to replant and re-establish the forest resource”.

A similar narrative emerged from a review of the wider market for European hardwoods delivered to IHC by Maria Kiefer-Polz, EOS Vice President for Hardwood. She emphasised the rising impact of drought, pest and disease increasing hardwood forest mortality and leading to rising proportion of logs of lower grade being placed on market and contributing in turn to a significant fall in prices for chips, sawdust and bark, undermining the profitability of hardwood sawmills.

There has also been a decrease in demand and prices for packaging wood in parts of Europe due to a large increase in low grade softwood on the market following a major bark beetle infestation.

Ms. Kiefer-Polz said that the pressure on supply of European oak eased during 2019 in response to cooling demand both in Asia and Europe. Although prices for higher grades of European oak logs had remained reasonably stable, prices for lower quality oak logs were down around 15% during the year. Longer term supply problems are expected with rising oak mortality in the face of drought.

European beech prices were also easing in 2019, with log prices down around 15% due to lower log exports, particularly to China. Demand for beech sawnwood is also slowing in China. French beech sawmills are suffering from falling prices in the context of rising raw material availability and declining export demand. Drought has meant there are now 700,000 m3 of dead beech trees in Eastern France.

European ash log prices have remained high, benefitting for some extent from this species popularity as a cheaper alternative to oak. There has been particularly strong demand for French ash logs in Viet Nam.

However, ash dieback is now hitting the European ash resource hard and led to a rise in production which is expected to be short-lived.

In Romania, according to Ms. Kiefer-Polz, there has been falling export demand in China, North Africa and the Middle East, traditionally the major markets for Romanian sawn hardwood. Romania’s domestic furniture industry is also declining and consuming less hardwood, while Romania’s imports of furniture are rising.

Prices for Romanian sawn hardwood are falling and warehouse stocks were rising in the second half of 2019. Romanian sawn hardwood production is being curtailed and is expected to be down up to 15% overall in 2019.

The whole wood sector in Romania is suffering from lack of access to finance and low levels of investment.

The market situation of European hardwoods is made more challenging by lack of reliable data on the resource and understanding of the changing resource dynamics as the climate changes. This issue was highlighted at IHC in a presentation by Gert-Jan Nabuurs, Professor at the Wageningen University and lead scientist for European forests.

Surprisingly, given the long tradition of systematic forest management in Europe and widespread perception of a stable well-managed resource, Professor Nabuurs commented that “We know very little about hardwood stocks, increment, and diameters [in Europe]. Data gathering needs to improve. EU member states are not sufficiently open with national forest inventory data and inventory methodologies are inconsistent between countries”.

This in turn had contributed to a situation where “the hardwood processing sector is not ready for the challenges coming at us; climate change, matching regional demand-supply, and fragmented ownership. The hardwood sector needs much stronger collaboration between forest owners and industry and much greater investment in forest resources”.

On the changing composition of the European hardwood forest, Professor Nabuurs suggested that “there will be more beech, but even this species is suffering. We hardly know how fast the ash decline is taking place. Overall there are some indications that we are eating up quality [hardwood] stocks”.

#### **US hardwood struggles in face of China trade dispute**

The US hardwood industry is also facing challenges, though for different reasons, according to American Hardwood Export Council (AHEC) Executive Director Mike Snow. From 2009 to 2017, US hardwood exports to China had ‘exploded’. By 2018, one out of every four boards of graded hardwood lumber produced in the United States was destined for China.

However, this left the sector especially vulnerable to the on-going US-China trade dispute. In fact, since the dispute started, American hardwood sales lost in China have exceeded total US hardwood exports to Europe and the rest of Asia put together.

In the first eleven months of 2019, US sawn hardwood exports to China were down 40%, with red oak and ash each falling 38%, and white oak down 45%. China is not a market that can be easily replaced. The loss of export sales has been “absolutely devastating for the industry” said Mr Snow.

Mr Snow noted that US hardwood exports were hit particularly hard by China’s immediate reaction to the trade dispute.

“At the same time as imposing a 10% tariff on US imports, China allowed the RMB to devalue, effectively increasing their cost still further,” said Mr. Snow.

While the only real solution, said Mr. Snow, was resolution of the trade dispute, he added that the US hardwood industry needs also to invest more in domestic market promotion. US domestic consumption of hardwood is driven by industrial applications, such as packaging and pallets, rig mats used in the oil and gas industry, and railroad ties, which collectively account for almost 60% of volume. Although volumes are large in these sectors, profitability is low.

Despite the current challenges for US hardwood in China, caused by the trade dispute, and signs that the wider Chinese economy is slowing, Mr. Snow suggested that this country still offered significant opportunities for the hardwood sector.

“China still has major hardwood growth potential, with development of its western provinces and huge investment in its belt and road programme, in particular, set to increase its consumption still further,” he said. “But at the same time, there’s realisation in the US hardwood sector that it must diversify exports – and grow its domestic market. It can’t afford to put all its eggs in the China basket.”

#### **Major focus on American red oak promotion in Europe**

David Venables, AHEC Europe Director, highlighted that the sharp downturn in US exports of hardwoods to China has important implications for the market development of American hardwoods in Europe. Specifically, it has greatly increased availability of red oak, a species which is largest single component of the US hardwood forest and which previously dominated exports to China.

American exporters now need a new outlet for red oak which traditionally has not been favoured in Europe. Europeans have always tended to favour white oak which closely matches the European oak familiar to European manufacturers.

Mr. Venables observed that in recent years there has been strong demand for European and American white oak while supplies have come under pressure, pushing prices higher. The market has been looking for more options, initially turning to ash as the grain and colour is similar and availability has been high in the short term, due to dieback in Europe and the Emerald Ash Borer outbreak in America.

Red oak provides another option, particularly as prices are currently much lower than for white oak. However, Mr. Venables noted that amongst European importers and manufacturers there has been a negative attitude to red oak with questions raised over its colour, performance and durability.

Mr. Venables said that this view stems largely from lack of knowledge, experience and familiarity with red oak in Europe. However, AHEC has found, through regular contacts with the European design community, that they are often very responsive to red oak's appearance. Those manufacturers that can be persuaded to use red oak have come quickly to appreciate its strong technical characteristics.

AHEC's strategy for red oak aims to supplement, but not replace, the existing demand for white oak in Europe. The main target group is designers, building on their evident interest in the wood, but also involves efforts to educate and inform European manufacturers and importers of the opportunity offered from increased sales and use of red oak.

Testing has also been undertaken to better assess and document the technical performance of red oak, to demonstrate that it is at least as good as other oaks, and to highlight its versatility, especially on finishes. There is also a major focus on red oak's vast resource base, consistent supply, and sustainability.

M.r Venables said that throughout 1919 and 2020 AHEC is engaged in multiple red oak design and building projects across Europe to generate a constant flow of publicity. These are being linked with targeted online and social media campaigns.

Meanwhile, AHEC continues to development work on new hardwood applications in Europe. AHEC has worked with specifiers and designers on hardwood projects, including the world's first cross laminated hardwood building, a cancer care centre near Manchester in the UK built with a core structure of American tulipwood CLT and clad with thermo-treated tulipwood.

Mr. Venables also described the range of tools AHEC has developed to demonstrate and promote US hardwoods' environmental credentials. These include an interactive map showing forest growth and timber harvest, a life cycle analysis (LCA) tool for US hardwood species and the American Hardwood Environmental Profile (AHEP), which details the carbon and wider environmental impacts of hardwood consignments shipped anywhere in the world.

In all these tools, emphasis is placed on providing easy access to data individually tailored for all commercially available American hardwood species. According to Mr. Venables, this helps "avoid too much focus on just a narrow range of hardwood types. Our resource cannot be sustainably managed unless we encourage use of the whole portfolio of species".

Mr. Venables emphasised that "in the hardwood sector, we have one of the world's the most sustainable materials, a fact not yet widely recognised. We need to broaden the discussion away from just certification and to innovate in our communication.

For technical reasons, we can't offer certified volume, so instead we have developed an interactive map, making US forest inventory data accessible to end users and specifiers".

He went on, "we have also reviewed and updated the Seneca Creek study, first commissioned by AHEC in 2008, which demonstrates that American hardwood forests are sustainably managed and that there is a negligible risk, certainly much less than 1%, of any illegal wood entering the US hardwood supply chain. Through our LCA work, we prove to specifiers and our customers that we are supplying not only a technically superior material, but also a carbon store".

## North America

### Phase one trade deal to be signed in January

The United States and China reached a Phase One trade deal that requires structural reforms and other changes to China's economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange, according to the US Trade Representative.

The Phase One agreement also includes a commitment by China that it will make substantial additional purchases of US goods and services in the coming years. The deal is expected to be signed in Washington the week of January 15.

The partial trade deal, which was agreed to on Dec. 12, calls for Beijing to purchase US\$200 billion worth of US products over the next two years, in addition to protecting against intellectual property theft and technology transfer.

In return, the US has agreed to reduce its tariffs on Chinese goods but will still levy duties against US\$380 billion of those products. The United States will be maintaining 25% tariffs on approximately US\$250 billion of Chinese imports including most wood products, along with 7.5% tariffs on approximately US\$120 billion of Chinese imports.

### Federal Reserve Study - Tariffs caused job losses and higher prices

The US strategy to use import tariffs to protect and boost US manufacturers backfired and led to job losses and higher prices, according to a US Federal Reserve study released in late December.

While the tariffs did reduce competition for some industries in the domestic US market, says the study, this was more than offset by the effects of rising input costs and retaliatory tariffs.

The authors of the study conclude that "while the longer-term effects of the tariffs may differ from those that we estimate here, the results indicate that the tariffs, thus far, have not led to increased activity in the US manufacturing sector".

The top ten manufacturing industries hit by foreign retaliatory tariffs were producers of: magnetic and optical media, leather goods, aluminum sheet, iron and steel, motor vehicles, household appliances, sawmills, audio and video equipment, pesticide, and computer equipment.

See:

<https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf>

#### **Allegations of dumping of mouldings from Brazil and China**

The Coalition of American Millwork Producers has filed petitions with the US Department of Commerce and the US International Trade Commission seeking the imposition of antidumping and countervailing duties on wood mouldings and millwork from China and antidumping duties on imports of these items from Brazil.

The petitioners estimate that US\$350 million worth of these products were imported to the US from Brazil in 2019 and US\$215 million worth were also imported from China. The US International Trade Commission is expected to hold its first hearing on this petition in late January.

See:

<https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf>

#### **Imports of sawn tropical hardwood, hardwood plywood, tropical veneers, flooring, mouldings and wooden furniture all down in November 2019**

US imports of sawn tropical hardwood fell by 25% in November. At 16,572 cubic metres for the month, imports were 16% lower than November of 2018. Import volumes are ahead of 2018 by 14% year to date.

Imports from Ecuador were down by nearly 60% in November and are now down 12% year to November. Imports from Brazil, Malaysia and Congo (Brazzaville) also fell in November but remain well ahead of 2018.

Jatoba imports, while rising only 2% in November, remained steady as the highest volume of tropical hardwood imported by the US in 2019. Jatoba imports are up 95% year to date at 46,726 cubic metres through November, which surpassed the amount of balsa (previously the top species by volume) imported by the US in 2018. Balsa imports fell by 60% in November and are down by 12% year to date. Balsa had easily been the top tropical hardwood imported by the US throughout the past decade.

Despite falling in November, imports of sapelli and keruing are up 19% and 36% year to date over 2018.

Imports of hardwood plywood fell by 24% in November after a strong performance in October. Imports, at less than 188,000 cubic metres, were 20% lower than that of November 2018. Year to date imports are 8% behind those of last year. Imports from Russia fell by 16% in November and are now 2% behind 2018 year to date.

Imports from China continue to slide, dropping 35% in November and entering the last month of 2019 down 54% year on year. Imports from Malaysia and Cambodia were both down significantly in November and trail their 2018 year to date totals by nearly one third.

US Imports of tropical hardwood veneer also retreated sharply in November from encouraging October numbers. Imports were down 37% for the month as imports from China also fell by 37%. Imports from Italy, which supplies over one-third of veneer imports to the US, fell by 27%, but are still ahead of 2018 by 5% year to date.

Imports from India were up sharply in November and are ahead by 14% year to date. Imports from Cote d'Ivoire were off by 64% in November and are down by 25% year to date.

US imports of hardwood flooring fell for the third straight month, dropping by 14% in November. The decline places year to date imports 3% behind 2018, after being ahead for most of the year. Imports from China fell 8% in November and are down 65% for the year to date. Imports from Malaysia were up 23% for the month and are ahead by 37% for the year.

Imports of assembled flooring panels also fell by 14% in November and are 2% behind 2018's year to date pace. Imports from China fell 38% and are down 45% year to date. Imports from Vietnam rose 9% in November and are more than doubling 2018 year to date.

US Imports of hardwood moulding fell again in November. Imports were down 12% for the month and trail 2018 numbers by 24% year to date. Imports from Brazil were down by more than 55% in November and are off by more than 50% year to date. Imports from China were also poor, down 33% for the month and 45% year to date. Imports from Malaysia filled some of the need, up 50% for the month and 12% year to date.

Imports of wooden furniture were down 4% in November as imports from China continue to weaken. While down only 3% from October totals, imports of wooden furniture fell to a low in dollars not seen since March 2014.

Imports from China are down 30% year to date. Imports from Canada, Mexico and Indonesia were down for the month, while November imports from India and Malaysia rose slightly.

**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.**

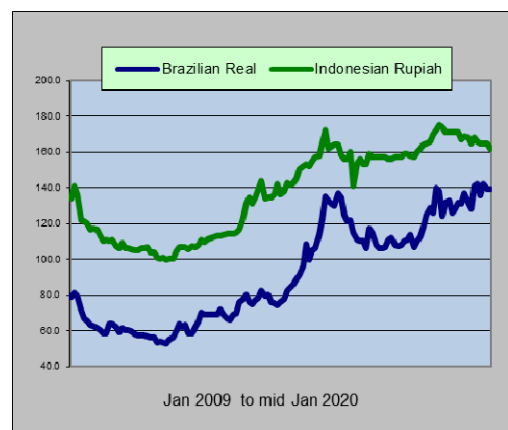
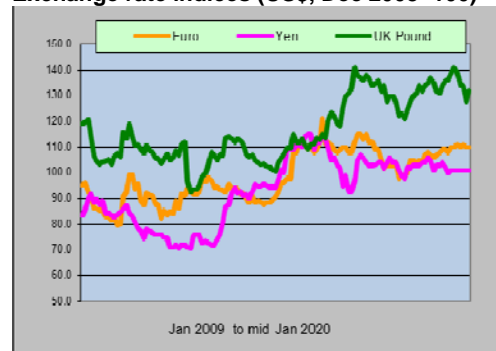
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 10th January 2020

Brazil	Real	4.096
CFA countries	CFA Franc	591.43
China	Yuan	6.9197
EU	Euro	0.8992
India	Rupee	70.945
Indonesia	Rupiah	13763
Japan	Yen	109.46
Malaysia	Ringgit	4.0766
Peru	New Sol	3.32
UK	Pound	0.7655
South Korea	Won	1158.97

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

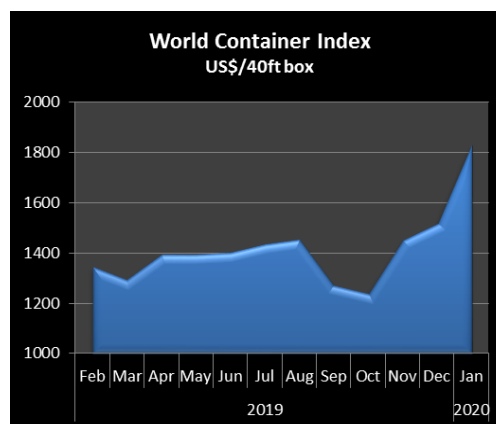


## Abbreviations and Equivalences

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 Container Freight Index

February 2019 – mid January 2020

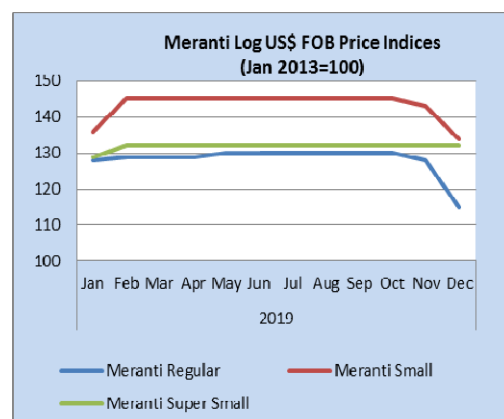


Data source Drewry World Container Index

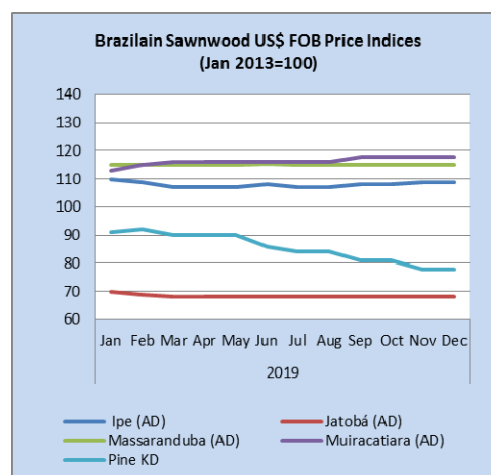
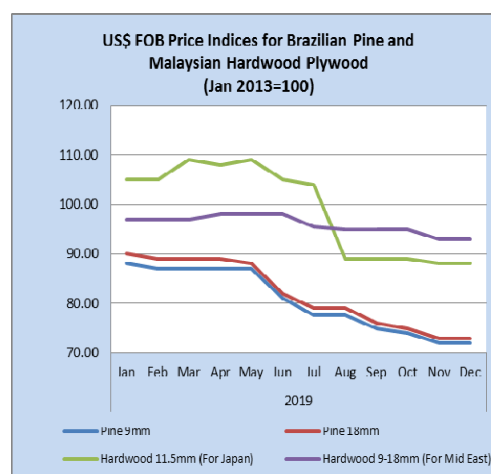


## Price indices for selected products

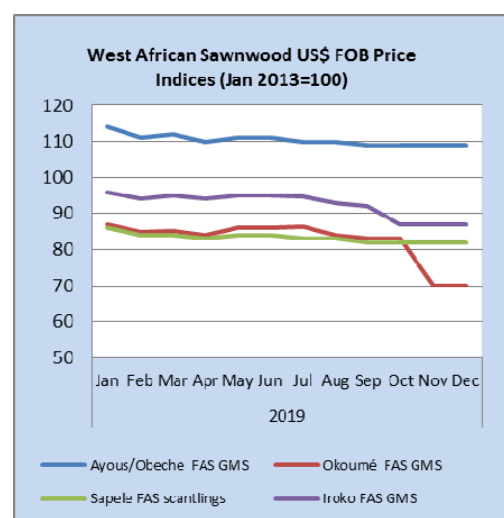
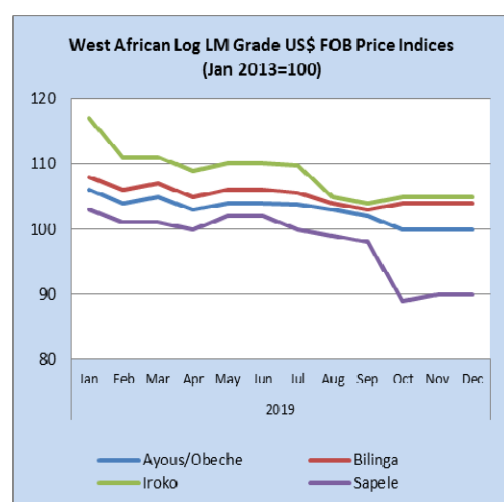
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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