

# 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

### EU imports of tropical wood products up 7% in 2019

The value of EU imports of tropical wood products increased 7% to 4.16 billion euro in 2019. This follows a 2% increase in import value in 2018. The share of tropical timber in the total value of EU wood product imports increased from 19.7% in 2018 to 20.3% in 2019, rebounding to the level seen two years earlier.

The increase in 2019 was driven mainly by wooden furniture imports with smaller gains in imports of tropical sawnwood. There were declines in imports of tropical panels/veneers, flooring and logs.

See page 23

## Central and West Africa

### Concession renegotiations underway in Cameroon

The procedure to renegotiate concession agreements is underway in Cameroon. It has been reported that some Chinese operators are either delaying the renegotiation or are giving up their concessions. This, it is rumoured, is related to demand prospects in China where the new coronavirus is affecting the economy. Others in Cameroon suggest the problem is also related to the species mix in some concessions which do not match the demand in China.

As some concessions are being handed back this is giving an advantage to other operators, especially the long established major companies. Analysts point out that Chinese mills in Cameroon will now be buying more logs on the open market to keep mills running.

Operators in Cameroon say the weather is still disrupting harvesting and mill operations even though it is supposed to be the end of the short dry-season which, anyway, was not dry for much of the time.

### Exports from Equatorial Guinee gain advantage

The problems of transporting and shipping logs in neighbouring countries has given operators in Equatorial Guinee an advantage, especially for shipments of timbers such as kevazingo and tali for the Chinese and Vietnamese markets.

Equatorial Guinee also markets okoume but the quality is not as good as some other sources in the region according to end-users.

### Reports of kevazingo furniture exports from Gabon

Industrialists in Gabon say the Minister of Forests is working hard to bring some discipline to the industry as well as within his administration but this is proving to be a tough task.

Reports are suggesting some kevazingo logs belonging to a major operator which have been in stock for a long time will be transported to a mill in the Special Economic Zone. Special authority for this transportation has been granted as, currently, kevazingo logs cannot be either harvested or transported.

It is reported that these logs will have an electronic tag so they can be tracked by GPS during transportation. The first trial shipment is, reportedly, of around 500 cu.m, according to local sources. If this trial is satisfactory there may be scope for it to be extended to other operators having logs for transport. Industry sources say this is a good first step to normalise trade so they can rebuild their capital base.

It has been reported that some companies have started exporting kevazingo furniture to China and shipments are monitored by Customs.

The good news is that work has started to repair the main road from Libreville to the north and to the south just in time before heavy rains return. Tarmac has not yet been laid but this will be done later in the year. While the roads are being repaired work is still needed on the railway tracks, the base of which has been weakened by rain causing derailments.

### 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	300	235
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	270	250	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	320
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

### Hosting AfCFTA could see Ghana attracting more investment

The Ghana government has launched seven Technical Working Groups (TWGs) to formulate strategies for implementation of the African Continental Free Trade Area (AfCFTA) which becomes operational this year. The TWGs are expected to design national action programmes for boosting intra-African trade.

The Minister for Trade and Industry, John Alan Kyerematen who inaugurated the TWGs, explained their work will involve areas such as trade policy alignment, facilitation of trade, enhanced production capacity, trade-related infrastructure and availability of trade finance and information.

The AfCFTA has four components the Framework Agreement; Protocol on Goods; Protocol on Services and Protocol on Disputes Settlement the initiative is expected to provide all African countries that ratified the agreement enhanced market access across the region.

Currently, Ghana's intra-African exports account for around 34% of total exports, mainly manufactured products, which include plywood and other wood products. Being the host for AfCFTA secretariat could result in Ghana becoming an even more attractive investment destination.

In related news, Michael Luguje, Director General of the Ghana Ports and Harbours Authority (GPHA), has said major investments have been made which are expected to improve operations at both the Tema and Takoradi Ports. He said the investments made will ensure Ghana's Port capacity and operations become an incentive for AfCFTA. Ghana has two main seaports which also serve as transshipment ports to the sub region.

**Support to develop products to international standards**  
Dr. Afua Asabea Asare, Chief Executive Officer of the Ghana Export Promotion Authority (GEPA) has appealed to local manufacturers to register with their local offices to take advantage of the support that GEPA can offer.

Local industries registered with the authority can be provided with training, certification and advice on packaging for example which would raise the competitiveness of Ghana products in international markets.

### ATI launches operations in Ghana

A press release from the African Trade Insurance Agency (ATI) has announced that the Government of Ghana is now a full member of the African Trade Insurance Agency (ATI) with shareholding valued at US\$17.6 million with support from the German government.

The press release explains that ATI plans to support Ghana in several key areas of its economy.

Specifically, the institution can support Ghanaian banks by providing access to credit insurance that will act as much needed collateral.

This will, in turn, allow local banks to be able to lend more to local corporates and ultimately help generate more jobs in the economy while also strengthening the competitiveness of local banks and boosting private sector growth.

The government also stands to benefit from ATI's entrance into markets. ATI can also support Ghana's drive to increase trade with other African countries and internationally in a number of ways.

Membership of ATI will help mitigate Ghana's investment risks thereby unlocking additional investments as well as lowering its borrowing costs. Now that Ghana is a full member, ATI expects to review and potentially insure the current set of projects valued at US\$1.2 Bil..

In Ghana, ATI is hosted by The Ministry of Finance. The Ministry is co-hosting a series of launch activities aimed at informing the private sector and government agencies on the benefits of using ATI's guarantee and insurance instruments.

For more see: <http://www.ati-aca.org/blog/ati-launches-operations-in-ghana-presence-expected-to-boost-industrialization-and-debt-sustainability-efforts/>

### Boule export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	540
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	354	440
Chenchen	540	628
Ogea	521	590
Essa	586	644
Ofram	350	435

### Export sliced veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	854
Avodire	667
Chenchen	7826
Mahogany	1018
Makore	947
Odum	1,437

### Export plywood prices

Plywood, FOB	Euro per m <sup>3</sup>		
BB/CC	Ceiba	Ofram	Asanfina
4mm	320	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 FAS 25-100mm x 150mm up x 2.4m up	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfinia	465	564
Ceiba	404	600
Dahoma	413-	424
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorenensis)	930	962
Makore	740	766
Niangon	620	666
Odum	649	832
Sapele	720	878
Wawa 1C & Select	420	459

### Malaysia

#### MIFF Rescheduled

The Malaysian International Furniture Fair (MIFF) 2020 has been rescheduled from 6-9 March to 30 June to 3 July at the Malaysia International Trade and Exhibition Centre.

Informa Markets, the organiser of MIFF 2020, said this decision was taken with regret after careful consideration and close consultations with stakeholders. The problem is that the risks from the current virus outbreak cannot be accurately assessed and some countries have issued travel advisories and companies are restricting travel of their executives.

A one month delay will have little impact on retailers who tend to prepare for the new season with orders placed during the fair but if there are further postponements retailers struggle to secure new designs for the coming season. The greatest challenge now is the uncertainty.

MIFF is the biggest furniture trade show in Southeast Asia. In 2019, the show drew over 600 Malaysian and foreign exhibitors and more than 20,000 visitors including over 6,000 international buyers.

For more information, visit [www.miff.com.my](http://www.miff.com.my) or email [info@miff.com.my](mailto:info@miff.com.my)

#### Government ready to support sectors hit by economic downturn

Dr. Ong Kian Ming, Deputy International Trade and Industry Minister has indicated that a government economic stimulus package has been prepared to support businesses affected by the economic down turn brought on by the new coronavirus outbreak. The tourism, retail and aviation sectors are being severely affected.

He said expressed optimism that businesses could expect a rebound in the second half of the year and suggested efforts should be made now so as to be prepared to attract more overseas investment.

The National Institute Occupational Safety and Health (NIOSH) has reacted to the rumours that as many as 100,000 people could lose their jobs if the virus outbreak continues throughout the year.

Alice Lau Kiong Yieng, NIOSH chairperson said the government will not allow the spread of the virus in Malaysia to get out of control.

#### Tough time for plywood manufacturers in Malaysia

Malaysian plywood manufacturers have lost market share in Japan, their key export market, due to stiff competition from Indonesian suppliers and the sharp increase in local production of plywood from domestic softwood resources.

Statistics from the Sarawak Timber Industry Development Corp. (STIDC) reveal that Sarawak plywood export volumes fell to about 1.12 million cubic metres, worth RM2.26 bil (FOB), in 2019 from 1.43 million cubic metres (RM3.03 bil) in 2018 and 1.74 million cubic metres (RM3.27 bil) in 2017.

Despite the drop in sales, in 2019 Japan was the top buyer of Sarawak plywood absorbing 733,051 cubic metres (RM1.59 bil) or more than 70% of the state's total plywood exports.

Sarawak log export volumes dropped to 1.29 million cubic metres worth RM722.2mil in 2019 against 1.42 million cubic metres valued at RM773 mil in 2018.

#### Sabah to have Tropical Forestry University faculty

Universiti Malaysia Sabah (UMS) is re-establishing Tropical Forestry as a separate faculty to prioritise the importance of this sector according to UMS Vice Chancellor, Datuk Prof. Dr. Taufiq Yap Yun Hin.

There was once an International Tropical Forestry School but it was merged with other schools under the Faculty of Science and Natural Resources. It is reported that the faculty will become operational in September this year.

### Indonesia

#### IFEX postponed

Dyandra Promosindo of the Indonesian Furniture and Craft Industry Association (HIMKI) has advised that the Indonesia International Furniture Expo (IFEX) 2020 that was scheduled to be held 12-15 March 2020 at the JIExpo, Kemayoran, Jakarta has been postponed.

#### Verified legal timber exports continue to grow

Tri Nugroho, Director of the Multi-stakeholder Forestry Programme Phase 4 (MFP4) has said exports from Indonesia have moved in line with global market trends for verified legal wood products and that Indonesia's verified legal timber exports continues to grow with the biggest markets being China, Japan, the United States and the European Union.

China accounted for almost 30% of Indonesia's exports of wood products in 2019 followed by Japan (12%), the United States (11%), the European Union (9%). Other significant markets were South Korea, Malaysia, Australia and Vietnam.

China's new laws on buying, processing and transporting illegal wood products should give a boost to Indonesia's exporters said Tri. He believes there is an opportunity for Indonesian furniture makers to secure greater market share in those countries looking for verified legal wood products, he said the main competition in international markets for wooden furniture comes from Vietnam and China.

In related news, Iwan Wibisono, Programme Manager for the MFP4 said Indonesia's timber legality verification system (SVLK) is playing an important role in ensuring that harvesting is well managed and sustainable.

*The UK's Department for International Development (DFID) appointed Palladium, in collaboration with agencies within the Indonesian government to deliver the fourth phase of the Multistakeholder Forestry Programme in Indonesia (MFP4). MFP4 supports Indonesia to achieve its objectives regarding sustainable timber and community forestry.*

For more see:

<https://www.antaranews.com/berita/1290130/mfp4-svlk-bisa-berkontribusi-dalam-pengurangan-deforestasi>

### Logistics and business travel disrupted by coronavirus outbreak

Gunawan Salim, Executive Officer for Marketing and International Relations in the Indonesian Wood Panel Association (Apkindo), has reported that logistics and executive business travel are being disrupted by the coronavirus outbreak and this will inevitably lead to lower production, sales and exports this year.

Gunawan also took the opportunity to remind the government that exporters are waiting for a decision on the requested reduction in veneer export tariffs from 15% to 5% percent. If the export tariffs are reduced Gunawan believes that businesses can boost exports reversing a down trend that has been observed over the past two years.

See:

<https://ekonomi.bisnis.com/read/20200211/12/1199818/ekspor-kayu-olahan-terancam-virus-corona>

### ISWA Chairman on improving competitiveness

The Indonesia Sawmill and Woodworking Association (ISWA) Chairman, Soewarni, has said he doubts the performance of exporters will improve this year because of the weak global demand and because exporters see little opportunity to raise prices or increase market share. The other issue mentioned was that production costs continue to rise.

Looking at prospects for 2020 Soewarni anticipates that the performance of the industry will be about the same as in 2019. The biggest problem is uncertainty and this is affecting all industries in most countries, said Soewarni.

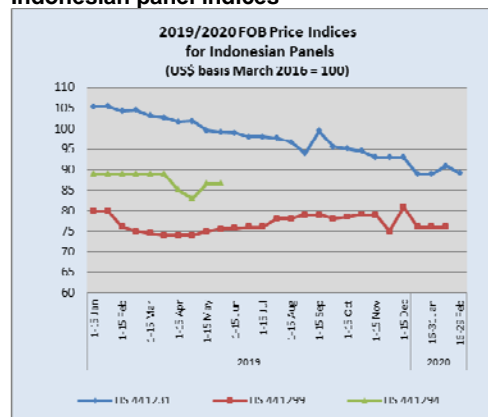
The value of Indonesian wood product exports last year was below target at around US\$1.85 billion. Foreign investment in the wood industry fell sharply from US\$275 million in 2018 to just US\$95 million in 2019.

Soewarni recommended action to improve competitiveness of the timber sector in international markets, the first being the elimination of VAT on round logs, second, a simplification of local and export regulations and thirdly, lowering the cost of credit.

See:

<https://ekonomi.bisnis.com/read/20200212/257/1200232/tekanan-kinerja-ekspor-indutri-kayu-masih-berlanjut>

### Indonesian panel indices



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

## Myanmar

### Myanmar India MOU on preventing illegal timber trade

Myanmar's President, U Win Myint, recently visited India and along with Prime Minister Modi witnessed the signing the 10 Memorandum of Understandings which cover cooperation in prevention of illegal trade in timber, protecting wildlife, development programmes in Rakhine State, cooperation in medical research, telecommunications, petroleum product development, prevention of people trafficking and infrastructure rehabilitation. India is a major market for Myanmar teak products.

See: <https://www.globalnewlightofmyanmar.com/president-u-win-myint-witnesses-signing-10-mous-on-second-day-of-visit-in-india/>

### Timber smugglers jailed

The Myanmar Times has quoted a Forestry Department official as saying a 10 year jail sentence has been handed down to nine people convicted of attempted timber smuggling. Court details say the group were found guilty of trying to smuggle teak and processed wood products from the Myanmar International Port in Ahlone township in 2017.

A search following the initial seizure at the port uncovered a large volume of illegal timber in several containers stored in a compound in Mingaladon township, Yangon. The search was extended and illegally harvested padauk/tamalan, teak and kokko were discovered.

See: <https://www.mmmtimes.com/news/court-jails-9-people-timber-smuggling.html>



### FDI surging ahead

According to the Directorate of Investment and Company Administration (DICA) up to mid February in the 2019-2020 fiscal year, the Myanmar Investment Commission (MIC) approved foreign investments worth almost US\$2 billion. During the same period, the total FDI including the extension of investments worth US\$617 million amounted to US\$2.6 billion.

Greater investments are expected from Hong Kong, Singapore and Thailand this year according to U Aung Naing Oo, Permanent Secretary, Ministry of Investments and Foreign Economic Relations.

Manufacturing businesses account for most of the investment in the Thilawa Special Economic Zone followed by trading and logistics.

See: <https://elevenmyanmar.com/news/total-fdi-hits-2693-billion-usd> and <https://www.dica.gov.mm/en/media-releases>

**Correction/Clarification:** In relation to the report from our Myanmar correspondent on the cessation of VPA negotiations with the EU and related activities of Myanmar's Multi-stakeholder Group (MSG) which appeared in MIS Vol. 24, No. 2 16-31 January 2020 and specifically the statement that "...the MSG has to act unaided to formulate a roadmap to strengthen forest governance and law enforcement", the MIS correspondent in Myanmar has clarified that in fact the MSG has been invited by the EU to identify priority activities that could potentially be supported through the FAO-EU FLEGT Programme in 2020-21. The MIS has subsequently learned from EU representatives (who, along with the FAO-EU FLEGT Programme were not consulted for the original report) that "the European Union has supported Myanmar in implementing strategic FLEGT priorities through the FLEGT Facility and the FAO-EU FLEGT Programme and will continue to do so in the future" and that Myanmar has applied for funding from the FAO-EU FLEGT Programme for further multi-stakeholder meetings to prepare a work programme for activities that could be funded by the Programme from 2020-2021 and build capacity to submit quality project proposals. EU representatives also noted in relation to the statement in the original report "there is no official announcement, from either Myanmar or the EU to confirm suspension of support for VPA negotiations" that VPA negotiations between the EU and Myanmar never took place. Thus, a "suspension of support for VPA negotiations" by the EU is impossible to announce. The official position of the EU as regards VPA negotiations with Myanmar is reflected on the webpage of the Delegation of the EU to Myanmar: "Myanmar does not yet meet the conditions necessary for negotiating a Voluntary Partnership Agreement."

We regret any misunderstanding caused by the original report.

### January teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	20.57	5,125
SG-4	61.72	3,745
SG-5	154.48	3,083
SG-6	191.55	2,655
SG-7	771.82	2,086

### India

#### Indiawood held as scheduled

The 11th Indiawood fair organised by NürnbergMesse, has just ended at the International Exhibition Centre in Bangalore, Bengaluru, India.

The organisers write "Indiawood boasts the presence of woodworking machinery, woodworking equipment and tools, parts and accessories, fittings and fixtures, raw materials and other products. It is an international trade fair that has been presenting eminent exhibitors and professionals who are excellent in their field. The event also provides benefits to both visitors and exhibitors and promises quality time and memorable experience. Around 875 exhibitors are expected with 13 country pavilions. The number of visitors expected is 75,000 making it India's biggest fair for wood based industries".

#### Corona virus affecting supply chain

India relies on China for veneers, plywood, fibreboard and particleboard raw materials for manufacturing but supply chains have been disrupted by virus control measures and this is impacting production and trade by Indian companies. Many factories in India have stopped operation or are running at reduced capacity for lack of raw materials. Analysts write "the uncertainty of the situation is making it all the worse".

#### Veneer mills in Gabon's SEZ facing weak demand in Indian market

Weak demand in India for face veneers, along with the availability of alternatives from South East Asian countries, is reportedly affecting the operations of companies in the Special Economic Zone in Gabon.

Some operators in the Zone are attempting to secure special tax exemptions to overcome what, it is hoped, is a temporary problem.

Another issue mentioned by traders familiar with the SEZ operations is an reported limit on working hours. It has been reported, but not independently confirmed, that working hours are limited to 8 hours per day for five days per week which is a challenge for companies wishing to boost output.

### Tax incentives for housing sector

Prime Minister Narendra Modi recently spoke at a CREDAI conference and said the government was actively encouraging construction of homes under the 'Housing for All by 2022' initiative. The Prime Minister highlighted the steps taken by to boost the real estate sector.

He said the new Real Estate (Regulation and Development) Act (RERA) and the *benami* property legislation are helping bring order and trust to the building sector. This, he said, is reflected in the advance in the ease of doing business and in efficient construction permit approvals.

On tax incentives for the housing sector in the budget, the Prime Minister said that these would benefit both the developers and home buyers. The move to exempt people earning up to Rs. five lakhs (just under US\$5,000) from payment of income tax could benefit the housing sector.

### Plantation teak prices

Plantation teak prices remain in the range indicated below and the rather quiet demand does not offer an opportunity for importers to raise selling prices. Importers are carefully watch for any disruption of supplies as a result of the coronavirus but, as yet, do not report any change in contract delivery dates.

The rupee has weakened slightly against the dollar (US\$1 = 72 Rupee) which is a disincentive for C&F price increases.

	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 remain as reported in mid february.

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

The general improvement in the Indian banking sector and money market is said to be continuing. This, along with government support for the real estate sector, should result in a rise in demand for quality teak products from Myanmar.

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

Traders report that there are signs that demand is slowly improving. Rates are steady and continue as here under.

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

Prices reported previously remain and are as shown below. Plywood manufacturers have gained some relief from falling face veneers prices and from an unexpected drop in chemical and resin costs.

#### 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

### Wood and wood product exports – January 2020

Because of the long Tet holiday in January wood and wood product (W&WP) export earnings in the first month of 2020 was reported at US\$835 million, 25% less than in the previous month and 15.3% less against January 2019.

Of the total, exports of WP earned US\$608 million (73% of total W&WP exports) but this was 28% less than in December and 18% less than in January 2019.

In January 2020 W&WP exports by FDI enterprises totaled US\$333 million, down 22% year on year. W&WP production and trade is expected to be impacted by the new coronavirus, especially trade with China this threatens the export earning target.

### W&WP export destinations

In January 2020 W&WP exports to all main markets dropped compared to January 2019. W&WP export to the US were down 9%; Japan down 23% and South Korea by 32%.

#### Markets worth over US\$1 mil. in January 2020

	Exports 1/1/2020	Change % 2019-20
US	431,531,356	-9
China	101,629,154	9
Japan	89,793,261	-22
South Korea	58,617,085	-32
UK	22,232,249	-38
Canada	16,311,321	-9
Germany	12,985,295	-28
France	12,201,720	-25
Australia	9,885,619	-40
Netherlands	7,923,429	-32
Taiwan P.o.C	6,788,161	-14
Malaysia	4,124,827	-27
Belgium	3,875,509	-10
Poland	3,838,158	17
Denmark	3,535,875	-15
Sweden	3,274,777	-25
Spain	3,240,370	-13
Thailand	3,240,370	-29
Italy	2,797,040	-37
India	2,441,038	-30
Saudi Arabia	1,793,819	-37
Laos	1,788,260	*
New Zealand	1,730,098	-14
UAE	1,551,936	-64
Cambodia	1,496,999	151
Mexico	1,341,315	-16
Chile	1,271,829	*
Singapore	1,201,446	-63
Russia	1,039,099	2

Data source: General Department of Customs, Vietnam  
(\* no export in 2019 or not recorded)



### January W&WP imports

W&WP imports into Vietnam during the first month of 2020 dropped to the lowest level in 3 years to just US\$169 million.

### Imports by FDI enterprises

In January 2020 W&WP imports into Vietnam by FDI enterprises amounted to US\$53 million, 22% down year on year. FDI imports accounted for around a third of total W&WP imports.

China and Laos were the only two suppliers from which imports of W&WP rose in January, all other suppliers saw a decline in the value of their exports to Vietnam. US W&WP exports to Vietnam dropped by 25%; Malaysia by 40% and France by 34%.

### Top W&WP suppliers to Vietnam, January 2020

	Imports 1/1/2020	Change % 2019-20
China	54,109,406	15
US	23,767,061	-25
Laos	8,677,505	7
Malaysia	4,956,057	-40
France	4,684,907	-34
Thailand	4,500,733	-53
Brazil	3,923,734	-49
Chile	3,724,863	-67
New Zealand	2,692,379	-53
Australia	2,681,456	351
Russia	2,511,756	70
Germany	2,069,455	-57
Indonesia	1,524,497	-24
South Korea	1,188,719	17
Italy	1,080,878	-42

Data source: General Department of Customs, Vietnam

### Vietnam's forest protection fund

According to the Board of Directors, in 2019 the Vietnam Forest Protection and Development Fund (FPDF) collected VND2,800 billion (over US\$120 million) through payment for forest-ecosystem services (PFES). This is an innovative financing mechanism to support sustainable forest management in Vietnam.

Funds are made available to rural inhabitants and farmers who are contracted to protect 6.3 million ha of forest (43% of the total forested area of Vietnam). Fees are also collected from hydropower plants, water supply companies and eco-tourism service providers. Beginning this year the PFES will be extended to include industrial facilities using water.

See: <http://vnff.vn/tin-tuc/tin-trung-uong/2020/2/hoi-dong-quan-ly-guy-bao-ve-va-phan-trien-rung-viet-nam-hop-phen-lan-1/2020>

## Brazil

### Draft bill - mandatory use of plantation wood

A draft Bill, 6187/19, under consideration by the Brazilian Chamber of Deputies, if passed, would require forest plantation owners to allocate at least 5% of production to industries that are not part of the pulp and paper sector. This legislation would apply to companies with planted forest areas greater than 5,000 hectares.

The Bill proponents claim that around 30% of timber used for civil construction and by other end-users is sourced from natural forests and they claim that a large part of this timber comes from illegal sources and in some cases harvesting is carried out in an unsustainable manner causing severe damage to the environment. The argument put forward in support of the Bill is that reducing demand for wood from natural forests by using plantation wood is a way to combat uncontrolled exploitation.

The proposal will be assessed by the commissions for Agriculture, Livestock, Supply and Rural Development; Economic Development, Industry, Commerce and Services; Environment and Sustainable Development; and Constitution, Justice and Citizenship.

### Domestic furniture sales rise in December 2019

It has been reported that domestic retail sales of furniture in December 2019 rose 14% compared to December 2018. There has been a steady improvement in retail furniture sales. October 2019 sales were up 3.5% year on year, in November the comparable figure was 7.4%.

The Brazilian furniture retail market expanded over 10% in the fourth quarter of 2019, the highest rise since the third quarter of 2017.

In São Paulo, which accounts for almost 30% of furniture consumption in Brazil, there was an increase in retail sales of almost 16% year on year. This positive trend in domestic sales is said to reflect the improved economy and manufacturers are hopeful that the positive trend extends across the country because 2019 retail sales in the State of Pernambuco dropped 8% and there was an almost 4% decline in Ceará.

However, another important market where a recovery is yet to be seen is Rio de Janeiro where 2019 sales were down almost 2%. Out of the 12 states surveyed by the Brazilian Institute of Geography and Statistics, only four states recorded negative retail furniture sales growth.

### Export update

In January 2020, the Brazilian exports of wood-based products (except pulp and paper) declined 8.6% in value compared to January 2019, from US\$226.0 million to US\$206.5 million.

The value of pine sawnwood exports dropped around 15% from January 2019 (US\$43.9 million) and January 2020 (US\$37.5 million).

In terms of volume, exports fell 1.6% over the same period, from 211,100 cu.m to 207,700 cu.m.

The volume of tropical sawnwood exports fell 30% in January 2020, from 41,500 cu.m in January 2019 to 29,000 cu.m in January 2020. The value of tropical sawnwood exports fell 28% from US\$17.7 million to US\$12.7 million over the same period.

The downtrend continued with pine plywood exports which dropped 31% January 2020 in comparison with January 2019, from US\$38.4 million to US\$26.5 million. In volume terms exports fell 11% over the same period, from 136,400 cu.m to 121,200 cu.m.

As for tropical plywood, exports also dropped. There was a 50% decline in the volume and a 54% drop in the value of exports from 10,600 cu.m (US\$ 3.9 million) in January 2019 to 5,300 cu.m (US\$ 1.8 million) in January 2020.

The only increase report for January 2020 was in exports of wooden furniture, the value of which increased from US\$29.8 million in January 2019 to US\$30.0 million in January 2020.

#### **ABIMCI - use of tropical timber resources hampered by regulations and bureaucracy**

The Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) recently commented on the current international market situation at an event to celebrate the 50th anniversary of ABPM (the Brazilian Wood Preservers Association).

The spokesperson for ABIMCI reminded the group that Brazil has almost 500 million ha. of forest area but only 1.62% of this is forest plantations, a sector that provides 93% of the raw material for processing for export and the domestic market. He claimed that the use of tropical timber resources is hampered by excessive regulation and bureaucratic obstacles. He also pointed out that the timber sector accounts for almost 20% of total exports and it comprises more than 182,000 companies that employ around 600,000 employees.

The presentation continued saying few segments of the Brazilian economy achieved an increase in production last year and that the increase in exports was because domestic demand was flat, the exchange rate was favorable for exports and mergers and acquisitions in the forest sector influenced production market dynamics.

#### **Anti-dumping investigation of wooden frames involves Brazilian makers**

The Wooden Frame Committee of ABIMCI recently met to assess the current situation in the wooden frame market. The main agenda item for the meeting was the recently filed petition by North American companies for investigation of dumping of Brazilian and Chinese products. Due to the unprecedented nature of this issue ABIMCI has been working intensively to structure the defense of the Brazilian product and in the process has collaborated with member companies that manufacture the product in question.

The first defense in the legal process before the United States government has already started and a legal advisor has been appointed to represent the case. Representatives of ABIMCI member companies participated in the first public hearing in Washington.

#### **Domestic log prices**

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipê	197↓
Jatoba	105↓
Massaranduba	100↓
Muiracatiara	104↓
Angelim Vermelho	98↓
Mixed redwood and white woods	84↓

Source: STCP Data Bank

#### **Domestic sawnwood prices**

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	828↓
Jatoba	434↓
Massaranduba	413↓
Muiracatiara	379↓
Angelim Vermelho	366↓
Mixed red and white	241↓
Eucalyptus (AD)	186↓
Pine (AD)	125↓
Pine (KD)	152↓

Source: STCP Data Bank

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

	US\$ per m <sup>3</sup>
Parica	
4mm WBP	509↓
10mm WBP	405↓
15mm WBP	339↓
4mm MR.	394↓
10mm MR.	288↓
15mm MR.	264↓

Prices do not include taxes. Source: STCP Data Bank

#### **Prices for other panel products**

	US\$ per m <sup>3</sup>
<i>Domestic ex-mill prices</i>	
15mm MDParticleboard	197↓
15mm MDF	237↓

Source: STCP Data Bank

#### **Export sawnwood prices**

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,446
Jatoba	863
Massaranduba	841
Muiracatiara	858
Pine (KD)	170

Source: STCP Data Bank

#### **Export plywood prices**

	US\$ per m <sup>3</sup>
Pine plywood EU market, FOB	
9mm C/CC (WBP)	256
12mm C/CC (WBP)	244
15mm C/CC (WBP)	228
18mm C/CC (WBP)	222

Source: STCP Data Bank

#### **Export prices for added value products**

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua ports	
Decking Boards Ipê	2,933
Jatoba	1,450

Source: STCP Data Bank

### Timber exports between January and November 2019

According to information provided by the Association of Exporters (ADEX), between January to November 2019, Peruvian timber exports reached US\$113.7 million FOB compared to US\$112.8 over the same period in 2018.

Of the US\$113.7 million exported China continued as the main market with a 40% share. However exports to China dropped almost 4% in the period reviewed.

Mexico was the second largest export market with an 11% share and here exports rose over 5% year on year. France and the US each accounted for a roughly 9% share of exports and there was a rise of 24% in exports to France but a 17% decline in exports to the US.

Sawnwood exports between January and November 2019 earned US\$23.8 million FOB up 11% year on year.

The main markets for Peruvian sawnwood were the Dominican Republic with a 34% share, up 22% year on year. The second largest market for sawnwood was Mexico which absorbed 28% of all sawnwood exports. In the same 11 months of 2019 China was the third ranked market for sawnwood with a 19% share.

### Forestry zoning in San Martín applauded

The Executive Director of the National Forest and Wildlife Service (Serfor), Alberto Gonzales-Zúñiga Guzmán, recently outlined the achievements of San Martín in its forest zoning exercise and applauded the efforts made in the region.

The Director said this achievement opens the way for the Ministry of Agriculture, through the Serfor, to support the government of San Martín in strengthening forest management and developing strategies to promote sustainable use of forest resources.

### Tenders for forest concessions

Serfor has announced that in April it plans to call public tenders for forest concessions for timber and non-timber purposes over 15 million hectares, mostly located in regions of the Amazon.

Guzmán said that the total concession area comprises, in part, the eight million hectares previously allocated but taken back by the State.

He explained that of the millions of ha. granted 19 years ago, only two million ha. are being utilised and these are mainly located in Madre de Dios. Most of the other concession had either been abandoned or the concession holder failed to pay the harvesting fee or did not properly manage the forests which led to deforestation.

He added that, for this tender, taking into account the lessons learned in the last 19 years, only people or organisations that have proven technical, economic and financial solvency will be invited to bid for concessions.

Guzmán has further reported that there are four investment funds, two from the United States and two from Europe that are interested in participating in future concession tenders. One is for the exploitation of timber resources and another three in the conservation of forests with purposes of accessing the carbon bond market.

### Strengthen capacity of the timber industry in Ucayali

The National System of Multi-annual Programming and Investment Management (Invierte.pe), recently approved an initiative called "Replacement of machinery of the sharpening plant of the Center for Productive Innovation and Technology Transfer (CITE) Forestry Pucallpa". This will make available around US\$2.5 mil. to the timber sector.

With the aim of achieving technology transfer, CITEforestal will fund the replacement of some wood working equipment in Ucayali.

Through this investment CITEforestal will help modernise its tool sharpening workshop with cutting-edge technology. The investment will allow the acquisition of equipment and machinery so that blades and tools are correctly sharpened to produce accurately cut wood products. The process of design and approval of this investment has had technical assistance from the USAID Pro-Forests Project.

### Methodologies to detect forest degradation

Within the framework of the international cooperation project between Japan and Peru, the Japan Forest and Forest Products Research Institute and Serfor have identified reliable and low-cost methodologies to estimate and map deforestation, forest degradation and afforestation.

These methodologies detect the change in forest use from the determination of the variation of carbon stocks. With this information control measures can be determined and implemented in the face of possible threats of degradation and deforestation. In addition, forest areas can be identified and changes mapped.

The international cooperation project called "Development of practical methods for monitoring changes due to deforestation, degradation and afforestation under various natural and social environments in Peru" was implemented in the forests of Cusco for five years.

### 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 Grade 2, Mexican market	534-599 492-509
Cumaru 4" thick, 6'-11' length KD Central American market Asian market	973-987 1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market Dominican Republic	552-573 671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

#### Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	269-280
Spanish Cedar	342-355
Marupa (simarouba)	233-242

#### 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>
Cabreva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S	
Swedish market	986-1119↑
Asian market	1089-1119
Cumaru 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

#### Economy likely to contract in 2020

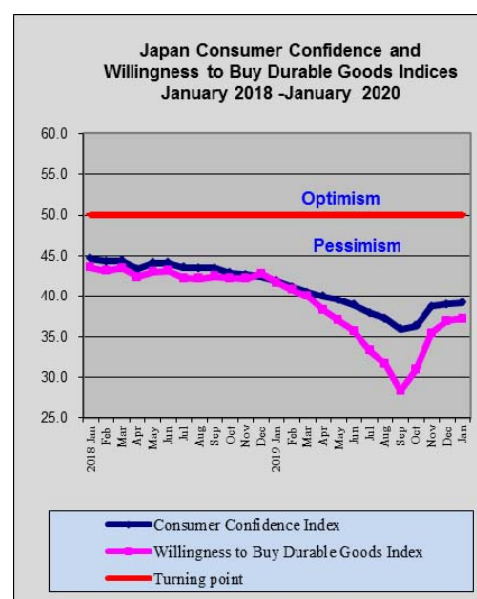
The Japanese economy shrank 1.6% in the fourth quarter of 2019 according to a report from the Cabinet Office. The decline from the third quarter was the largest drop since 2014. The sudden weakness in growth has been blamed on the rise in consumption tax in October from 8% to 10% and the impact of unseasonal and deadly typhoons.

Consumer spending, which underpins the Japanese economy, has shown almost no expansion since the 2014 increase in consumption tax and this is related to the steady decline in nominal wage growth.

If a negative impact on Japan's growth from the corona virus outbreak is factored in it is possible that Japan's economy will contract this year. The has epidemic forced many Japanese manufacturers in China to suspend operations in Chinese cities affected by the virus which has disrupted the supply of components needed by Japanese companies. The domestic press has quoted analysts as saying a recession now looks almost inevitable.

The government has moved to boost the economy through a massive stimulus package but if the spread of the coronavirus is not contained a recovery could be delayed. The year has not started well for Japan with exports dropping and tourist arrival plummeting. In the year of the 2020 Tokyo Olympics there are serious challenges ahead.

The local media has reported that the government and the Bank of Japan (BoJ) are ready to act if the fallout from the coronavirus outbreak on the economy broadens.



Data source: Cabinet Office, Japan

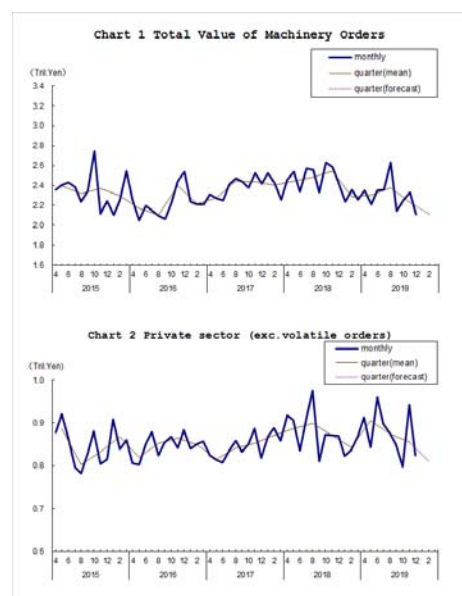
#### Sharp drop in machinery orders

Cabinet Office data has shown Japan's core private-sector machinery orders fell at the fastest pace since 2018 and orders posted their largest drop in 15 months in December with a 12.5% decline from the previous month.

The fall in orders, seen as a leading indicator of capital spending, followed an 18.0 percent jump in November, the biggest increase since in April 2005, boosted by one-off orders for railway stock. The 12.5% fall marked the sharpest decline since September 2018 when they dropped 17%.



On a quarterly basis, core orders fell 2.1% in the October-December period, with the Cabinet Office projecting a 5.2% decline in the quarter to March.



Source: <https://www.esri.cao.go.jp/en/stat/juchu/1912juche.html>

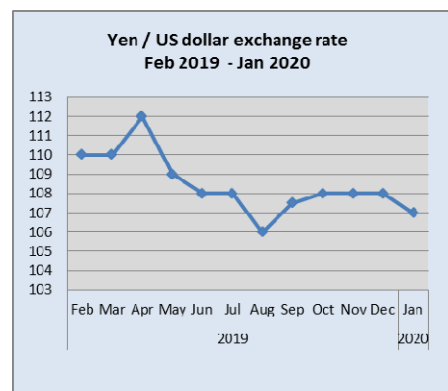
### Yen 'safe-haven' status in question

Takeshi Minami, Chief Economist at the Norinchukin Research Institute, has been quoted as saying the yen may lose its status as a "safe-haven". Other analysts say a virus epidemic in Japan would likely undermine confidence in the economy and spur yen selling.

In the aftermath of the 2008/9 global financial crisis overseas funds poured into Japanese yen and this trend has been observed several times when risks to the global economy are perceived as serious.

In a reversal of this trend, in the current coronavirus crisis money has not moved to the yen and, in fact, over the past two weeks the yen has weakened against the US dollar.

See: <https://english.kyodonews.net/news/2020/02/0cd8ce9104b2-focus-japans-yen-may-lose-status-as-safe-haven-asset-amid-virus-spread.html>

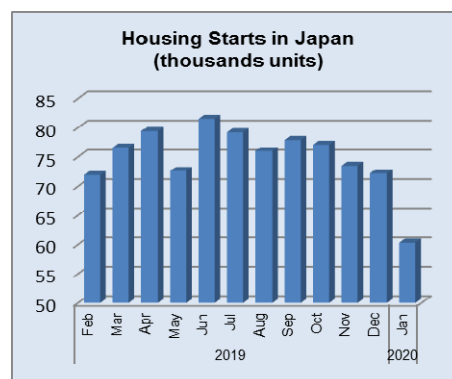


### Housing starts at record low

Data from the Ministry of Land, Infrastructure, Transport and Tourism shows January 2020 housing starts at 60,340 where down over 10% year on year. The January decline follows on from steady declines that began in October 2019.

Housing starts at 60,340 were the lowest since the current data set was compiled by the ministry and this was despite a rather mild winter in many parts of the country. Ministry data is also showing

New orders for homes received by the main contractors dropped 17% year on year in January cancelling out the 19% rise in December.



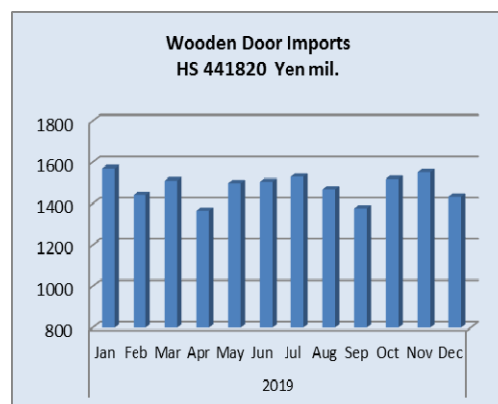
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

### Import update

#### Wooden door imports

Two shippers, China (62%) and the Philippines (23%), accounted for most of Japan's wooden door (HS441820) imports in December repeating their performance in previous months. When imports from Indonesia and Malaysia are included then these four shippers provided over 90% of Japan's December wooden door imports.

Year on year December wooden door imports were flat as was month on month imports. However, compared to the value of 2018 imports there was a 3% increase recorded in 2019.



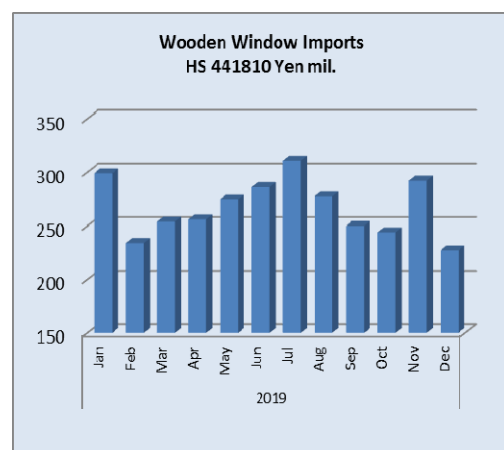
Data source: Ministry of Finance, Japan



### Wooden window imports

Apart from the surge in wooden window (HS441810) imports in November 2019 there was a steady decline in the value of imports from mid year which closely mirrors the trend in housing starts (see above).

As in previous months, December 2019 imports of wooden windows were dominated by shipments from China (51%) and the Philippines and the US (around 20% each). Year on year the value of Japan's wooden window imports were down 21% and December imports were down by around the same amount compared to November 2019.



Data source: Ministry of Finance, Japan

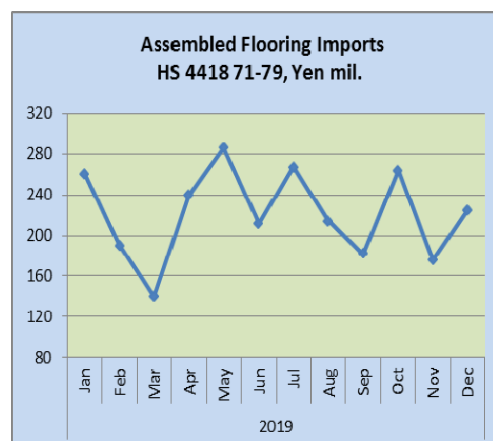
### Assembled wooden flooring imports

As in previous months three categories of assembled flooring dominate Japan's imports, HS441873, 75 and 79. HS441875 accounted for over 75% of December imports with most originating in China (51%) followed by Malaysia (21%) and Indonesia (17%).

HS441879 was the second largest category of imported assembled flooring at 15% of total December imports. The top three suppliers of this category were Thailand (32%), Indonesia (24%) and China (22%).

Just 8% of December assembled flooring imports were of HS441873 with China being the main shipper (55%) followed by Italy (25%) and Thailand (18%).

Year on year wooden flooring imports (HS441871-79) in December 2019 were up 8% and compared to a month earlier there was a 27% increase in the value of imports of assembled wooden flooring (HS4417/73/75/79). 2019 imports of assembled wooden flooring dropped 8% compared to the value of 2018 imports.



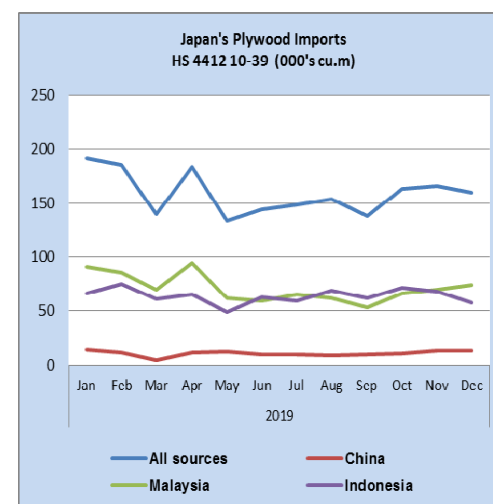
Data source: Ministry of Finance, Japan

### Plywood imports

Year on year, December 2019 imports of plywood (HS441210/31/33/34/39) were unchanged but month on month there was an 8% decline in the volume of imports.

Around 90% of December plywood imports were of HS441231 followed by HS441234 (5%) HS441233 (3%) and HS441239 (2%).

The volume of plywood imports from Malaysia in 2019 dropped 18% compared to 2018 and there was a 13% decline in imports from Indonesia and a 13% decline in imports from China over the same period.



Data source: Ministry of Finance, Japan

### Main sources of Japan's plywood imports (000's cu.m)

		China	Malaysia	Indonesia
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8
	Jul	9.8	65.1	59
	Aug	12.1	61.8	68.9
	Sep	10	53	62
	Oct	10.6	66.3	72
	Nov	13.1	69.5	68.1
	Dec	13	74.4	57.4

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>

### Housing starts in 2019

Total starts in 2019 are 905,123 units, 4% less than 2018. The starts decreased for three consecutive years. Owner's units and units built for sale increased but rental units decreased by 54,000 units. This is the lowest in five years since 2014.

Owner's units increased in the first half of the year because of rush-in orders before the consumption tax increase. Woodbased units decreased by 3% or about 16,000 units with 523,319 units.

Housing starts in 2013 recorded 980,000 units before the consumption tax increased from 5% to 8%. In 2014 and 2015, the starts decreased down to about 900,000 units then by extreme low housing loan mortgage rate, the starts recovered to 960,000 units in 2016 and 2017. Since 2018, by over built of rental units, total starts have started declining.

In particular, rental units increased to about 420,000 in 2016 and 2017 then in 2018, they decreased by about 23,000 units and by 54,000 units in 2019. In these two years, about 77,000 units decreased. Rental units in 2019 are 342,289, 13.7% less, 13.7% less. This is the first time in seven years that rental units are below 350,000 units.

Owner's units are 288,738, 1.9% or 5,503 units more, the first increase in three years but the starts compared to the same month a year earlier, first seven months are higher then five months from August to December are lower than the same month a year earlier.

Units built for sale are 267,696, 4.9% or 12,433 units more, which is five straight years increase. This is the first time in five years that the starts exceeded 260,000 units. Especially detached units built for sale increased for four straight years with 147,526, 3.6% or 5,129 units more. This is the second highest record next to 1996's 147,944. Condominiums are 117,803, 6.6% or 7,293 units more and they have held level of over 110,000 units for six straight years.

2x4 units are 109,625, 6.3% or 7,363 units less. This is three consecutive year's decline and is the first time in seven years that they did not reach 110,000 units since 2012. Decrease of rental units impacted 2x4 starts.

Looking at December starts, start of all types of owners' unit, rental unit and unit built for sale are lower than the same month last year. Total starts of 72,174 units in December are the lowest in eight years since 2011.

Wood based units of 42,822, 8.6% less than December 2018 and this is six straight months decline. This is also lowest month in eleven years. Decline of owner's units and rental units are serious. Rental units in December are 27,611, 10.3% or 3,177 units less. In nine months from April to December, degree of drop is 15.5%, much larger than 13.7% for total twelve months.

Owner's units are 22,294, 8.7% or 2,121 units less, five straight months decline and degree of drop is getting larger month after month and large house builders comment there is no sign of recovery.

### Russian log export

Regarding log export from the Far East Russia, the Russian government announced companies' name, which can have preferential duty on log export. Quota by this preferential duty is 4,000,000 cbms on whitewood, larch and fir. In 2020, RFPG will have about 60% quota but preferential duty rate is raised to 13% from 6.5%.

On log export from the Far East, export duty is reduced for companies, which have certain percentage of export of processed products like lumber, veneer and wood chip in total sales. For 2020, requested processed percentage is raised to 30%, 5 points more than 2019.

Top ranking RFPG's quota volume is 2,300,000 cbms then Terneiles with 779,000 cbms, Rinbunan Hijau (RH) with 761,000 cbms. RFPG's volume is reduced by 8.3% but its share is about 60% in total. Terneiles is up by about 22% and RH is up by 40%.

Even with preferential duty with quota, 13% duty is heavy so quota given companies will not be able to increase log export easily. Standard log export duty rate in 2019 was 40% then in 2020, it is 60% and 2011 will be 80%.

Due to high export duty, log export from Russia continues declining and in 2019, total log export for Japan from Russia including the Far East would be less than 100,000 cbms so Russia's policy to export processed products has steadily progressing.

Russian softwood log import to Japan for the first eleven months was 95,541 cbms, 19.7% less than the same period of 2018. In particular, larch log import from the Russian Far East decreased much with about 62,398 cbms, 35.5% less. Larch has been mainly used by the Japanese plywood mills but by higher log export duty, the demand is shifting to Russian made veneer.

### Survey on use of wood biomass energy

The Forestry Agency announced survey on use of biomass energy in 2018 in December 25, 2019. Main fuel for power generation of wood chip and pellet increased but fire wood for heating did not increase.

Raw materials of wood chip of imported wood chip and sawmill and plywood residue increased but building scrap wood did not increase and slight increase of unused fiber in the woods. Majority of energy is consumed for power generation or in-house use. As FIT system based power generation facilities increase, use of biomass fuel climbs.

By type of fuel, increase of wood pellet is conspicuous. Wood pellet production in 2018 was about 130,000 ton, 3.8% more than 2017 but imported pellet climbed to about 1,060,000 ton, 109.2% more and imported fuel will increase further in coming years.

Total number of power generator by wood based fuel was 290 in 2018, 26 more than 2017. 135 are for outside sales of electricity based on FIT system, 27 more. Co-generation facilities are 109, nine less. Steam turbines are 231, eight more and takes 80% share and gasifications are 44, 18 more.

### Plywood

Production and shipment of domestic manufactured plywood continue brisk but movement of imported South Sea hardwood plywood remains stagnant. Movement of domestic plywood in wholesale channels has started slowing a bit but that of direct deals to precutting plants continues firm.

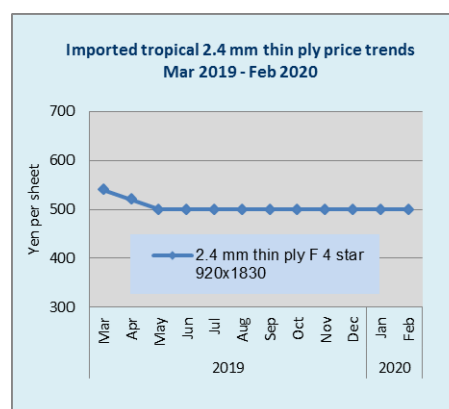
At this time of last year, the market confused by shortage of trucks so the deliveries delayed until late February but there is no such problem this year.

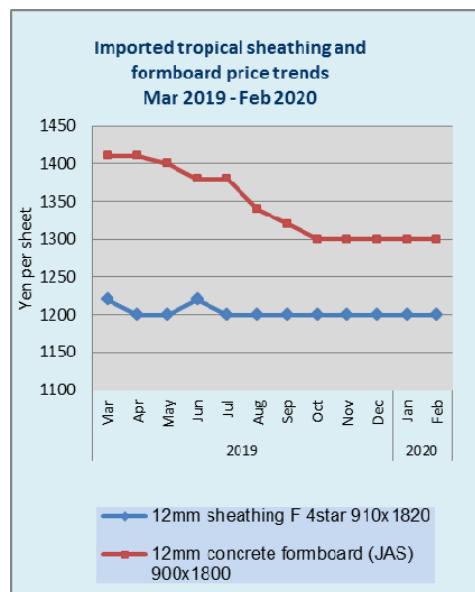
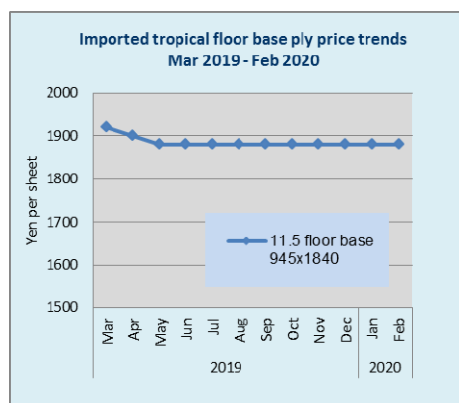
In late December and early January, availability of trucks was hard so some deliveries delayed and plywood mills struggle to manage shipment with very low inventories. There is no strong momentum of the demand generally in the market but precutting plants' demand continues strong and there is no request for postponement of deliveries yet.

Orders for month of February to plywood manufacturers are normal. The manufacturers are anxious to build up the inventory as they have been as low as 0.4 month.

Movement of imported plywood continues sluggish. Movement of concrete forming and structural panel, which were rather firm until late last year, is now slowing. Some short items are fulfilled by late December arrivals but overall inventory continues low.

Facing book closing of March end, the importers are hard to place new orders now so procurement after April's real start of future supply.





## Review of 2019

European lumber and laminated lumber Japan market of European lumber and laminated lumber maintained rather active vigorousness following 2018 so that the prices stayed up high then after April, the demand has started weakening and the prices gradually declined.

The supply side was bearish and the export prices had been skidding little by little and the export prices dropped down to breakeven point of supplying mills.

All the other markets were also in slump so there was no chance to recover both on volume and prices for the suppliers. Market prices of domestic product of whitewood laminated post at the beginning of the year were 1,890 yen per piece delivered and with firm demand, further advance was expected and price increase was necessary because cost of lamina was high at 38,000 yen per cbm FOB truck port yard, which was too high for the manufacturers of laminated post then the prices climbed to 1,900 yen by March.

However, the market turned weak after purchase of precutting plants slowed down.

At the same time, European made laminated post prices dropped so the prices of domestic product started sliding with weak future arrivals of European products.

The same pattern was on redwood laminated beam. At the beginning of the year, the prices of domestic made beam were over 60,000 yen per cbm delivered then around June, the prices dipped below 60,000 yen to 59,000 yen.

Normally June should be firm period as summer demand season is coming but the inventory of precutting plants of redwood beam was heavy so even when the precutting business improved, the prices of redwood beam did not change so the prices remained weak despite active movement. For the third quarter, major suppliers settled with about Euro 400 per cbm C&F but smaller suppliers gave priority to move the volume so that they accepted lower prices.

Profitability of European suppliers critically deteriorated at this stage but export prices of the suppliers did not improve because demand of all the other markets were weak and Japan was only stable market so the supply centered Japan, which resulted in drop of export prices.

Export prices of whitewood KD stud in the first half of the year stayed record high. Euro 365 per cbm C&F was proposed for March and April shipment. Fortunately the yen's exchange rate to the Euro gradually shifted favorably to the buyers so the high prices were accepted as yen's cost did not exceed 50,000 yen plus per cbm FOB port yard despite higher Euro prices.

The market turned when supply and demand balance collapsed in July by increased supply so the market prices were below 50,000 yen in late August and 47,000-48,000 yen were the main range in fall. Major supplier skipped September shipment to restore the market to no avail so the export prices dropped down to Euro 340 for November and December shipment. It may take another quarter before the balance recovers.

After firmness of Japan market changed, supply reduction has started among European suppliers particularly Scandinavian suppliers so volume of the proposal for the first quarter seems to be less than normal quarter. Once operation of laminated mills and precutting plants in Japan gets busy, there is a good chance that the export prices would rebound.

## Outlook for 2020

There are many comments on tightening supply from Europe. This is totally different from 2019 when the supply pressure for Japan market was strong, which resulted in poor profitability of the European manufacturers. The supply has already been declining from the first quarter 2020.

The key factor is beetle damage of whitewood mainly in the Central Europe. It has started damaging since middle of 2018 and degree of damage seems to worsen in 2020.

The European administration offices are demanding forest products companies to remove damaged whitewood trees immediately but there is no easy solution. Felled trees cannot be left in the woods and logs must be disposed as either logs or processed products so timber owners are forced to sell at low prices.

However, Japan remains as one of the most stable markets for the European suppliers so major suppliers plan to export the same amount of products as 2019 but because of shortage of log supply, many manufacturers will be forced to scale down the production in 2020. Some manufacturers see 20-30% reduction of production in 2020 so supply reduction may spread gradually.

If harvest and disposal of damaged logs have priority, supply of sound logs is likely to drop probably in the second quarter this year. Log shortage results in production drop of lamina, which influences production of laminated lumber.

Stud supply is the same and oversupply like 2019 is unlikely in 2020. The first quarter negotiations on structural laminated lumber and lamina were done in December 2019 but by uncertain future of the market, purchase was made for immediate future without any long range view of possible supply shortage in the second half. In Europe, demand of large scale wood building with CLT is growing recently and there are new CLT manufacturing plants starting up this year.

If lamina manufacturing plants give priority to manufacture CLT materials, supply of traditional laminated lumber and lamina may be reduced because CLT is growing market and the market is in Europe, which is advantageous in transportation cost.

With beetle damage problem and expansion of CLT market in Europe, Japan needs to pay higher prices to secure enough volume for the demand in Japan. In the first quarter 2020, the export prices of whitewood laminated post are about Euro 400 per cbm C&F and redwood laminated beam are about Euro 400-410.

Imported cost in the yen is 52,000-53,000 yen per cbm FOB truck port yard on both whitewood and redwood with exchange rate of 121-122 yen per Euro. Lamina inventories held by the manufacturers in Japan are now down to proper level but the market prices of finished products are finally bottoming out. To improve manufacturers' profitability, sales prices need to be higher than present level of 1,800 yen per piece delivered on whitewood laminated post and 54,000-55,000 yen per cbm delivered on redwood beam.

Over supply of whitewood KD stud has not been solved yet so that the prices have not bottomed out yet. The export prices shot up to record high Euro 350-360 per cbm C&F in 2019 then they are down to Euro 330-340 now. Some suppliers have been reducing the supply intentionally to restore the market but there are still heavy inventory of 3meter stud.

The market prices declined in the second half of 2019 and present prices are 47,000 yen per cbm FOB truck port yard but purchase by precutting plants continues inactive. After EPA took effect, import duty is reduced step by step but it has very little impact because the prices dropped much more than reduction of the duty.

## **Review of 2019**

### **North American lumber**

For the North American lumber business in Japan, 2019 was year of hardship. Export prices of the North American lumber peaked in 2018 and they had kept sliding. In Japan market, before lower cost products arrived, the market prices skidded first so that the importers and wholesalers suffered loss on their inventories.

The largest hemlock lumber supplying company went onto strike since July 2019, which continues now, and the supply of hemlock lumber drastically dropped. On SPF lumber, the supply got shaky because of closure and shutdown of lumber mills by log supply shortage and depressed North American lumber market.

For 2x4 lumber users in Japan, drop of export prices contributed to improvement of profitability but generally the movement was dull. Among North American lumber, item of the largest drop of export prices was SPF lumber. Prices of SPF J grade 2x4-8 peaked in the third quarter 2018 at \$700 per MBM C&F. They dropped down to \$490-500 in the third quarter 2019, 30% drop from the peak. Arrived yen cost was 57,000 yen per cbm FOB port yard at peak time then they were down to about 40,000 yen now.

At peak time, the demand of North American 2x4 lumber shifted to European and domestic cedar lumber because of high cost but before such demand was firmed in the market, North American 2x4 regained the market by dropped export prices.

However, drop of North American lumber market squeezed profitability of North American sawmills and since last July, closure of sawmills or temporary shutdown continued successively. Canadian sawmills export large amount of lumber to the U.S. market.

Since 2017, over 20% countervailing and anti-dumping duty is imposed on Canadian softwood lumber to the U.S.A. When the market prices skyrocketed in 2018, the mills made money even with high duty but after the market prices plunged, high duty becomes burden in 2019. Also log supply became tight after clean-up of mountain pine beetle damaged timber. By this, the annual allowable cut in B.C. has kept shrinking so the log prices have kept climbing, which is another reason of sawmills' closure.

Despite sizable production reduction by major suppliers, the fourth quarter export prices rebounded in small degree and settled at \$500-510 on J grade 2x4-8 as the buyers saw that as long as the North American market is depressed,



supply for Japan would not decrease. Large premium of J grade compared to the North American lumber market prices is another reason of stable supply.

Export prices of KD Douglas fir lumber peaked in the third quarter 2019 and have been declining. Compared to the peak prices in third quarter 2018, the fourth quarter 2019's prices of \$1,080-1,089 per MBM C&F were about 10% or \$127-142 down. The arrived cost dropped down to 54,000-55,000 yen per cbm FOB truck port yard, 8,000 yen down from the peak time.

Market prices of hemlock lumber were the same as Douglas fir until the third quarter but the supply changed largely. Inventories of hemlock lumber swelled largely since fall of 2018 so the largest supplier stopped the production for four weeks during March and April 2019. After the inventories dropped, the largest supplier's mill went onto strike so the supply abruptly stopped.

#### **Outlook for 2020**

The most concern is strike of Western Forest Products in B.C., which is the largest hemlock lumber supplier for Japan market. The strike started in last July so it is more than six months. Hemlock lumber prices are lower than Douglas fir so it was supposed to grab market share of Douglas fir lumber but without any supply, the market share would decline sharply.

On SPF lumber, demand in Japan in 2020 would be less because of drop of rental unit construction. 2x4 is heavily used for apartment construction, which would keep declining this year. The supply side has problem of mill closures and log supply shortage. Arrivals of 2x4 lumber for the first ten months last year was 891,843 cbms, 21.5% less than 2018. The marketers see that as long as there is enough premium on J grade, the supply should have no problem this year.

## **China**

#### **New Forest Law to crack down on illegal timber**

The new forest law will become effective on 1 July 2020. Article 65 of the newly revised Forest Law clearly states that a timber processing enterprise shall establish an entry and storage account for raw materials and products. No unit or individual may purchase, process or transport trees of illicit origin, knowing that they have been cut or cut indiscriminately.

This provision provides a more clear legal basis to crack down on illegal timber purchasing, processing and transportation and also provides a clearer legal guide for timber processing enterprises to fulfill their duty of due diligence on timber legality.

See:

<http://www.forestry.gov.cn/xdly/5201/20200214/101450070278948.html>

#### **Domestic timber wholesale markets resume business**

It has been reported that timber from South America and Southeast Asia recently arrived in Guangzhou and Dongguan Ports and has been off-loaded. The domestic timber wholesale markets have started work after the lull due to the virus risk. The trade media (Wood365) has reported that small volumes of timber have been delivered to the wholesale markets after passing virus epidemic prevention and control measures.

However, traders report activity at the markets is very quiet and sales have not returned to normal as many manufacturers have not resumed production despite the arrivals of timber raw materials. Analysts say they do not expect a recovery of trading until the end of March.

See:

[https://www.wood365.cn/Industry/IndustryInfo\\_263969.html](https://www.wood365.cn/Industry/IndustryInfo_263969.html)

#### **Enterprises resume production in China**

Preventative measures including restricted access, body temperature checks and disinfection of public areas have undertaken. Large gatherings are avoided and workers have been advised to wash their hands frequently and wear a mask when away from home. Some businesses, especially foreign-funded enterprises resumed operations in China while strengthening epidemic prevention and control measures.

It has been also reported that some wood products enterprises have resumed production .

See:

<http://www.chinadaily.com.cn/a/202002/24/WS5e5360c8a310128217279cf4.html>

#### **Reduced particleboard production in Guangdong**

It has been reported that the production of wood-based panels in Guangdong Province fell in 2019 with production of particleboard dropping around 10%. The main reason for the decline is said to be because some large scale enterprises have stopped operations.

Several fibreboard enterprises in the Guangdong Shaoguan Forest Region have ceased production. It has been reported that Guangdong Hanhong Wood Industry Co., Ltd which has two German fibreboard lines with an annual capacity of 240, 000 cubic metres has cut production due to weak demand.

See:

[http://www.yuzhuwood.com/news/details\\_ff808081700dd84201703c4862f3088c.htm](http://www.yuzhuwood.com/news/details_ff808081700dd84201703c4862f3088c.htm)

#### **Measures to support the economy**

It has been reported that the State Council decided to waive the tolls on toll roads throughout the country until the virus epidemic is brought under control. Other measures being arranged are reductions in corporate social insurance and an extended period for paying housing provident fund.

These measures are aimed at ensuring continued agriculture production and to secure stable employment.

In order to mitigate the impact of the epidemic on enterprises during the time plants are closed medium, small and mini-sized enterprises in all provinces except Hubei will be exempted from corporate tax, unemployment and employment injury insurances and housing provident fund payments up until June 2020. Different measures are proposed for large enterprises.

See:

[http://www.mot.gov.cn/guowuyuanxinxi/202002/t20200217\\_3333808.html](http://www.mot.gov.cn/guowuyuanxinxi/202002/t20200217_3333808.html)

### Big rise in logistics costs

Wood365 has reported that the China Logistics and Purchasing Federation (CLPF) found that 85% of enterprises report the epidemic is having a huge impact on their operations and some risk bankruptcy. Many enterprises considered starting operations after the 10 February deadline but most did not resume work.

Transport and freight rates have started to rise apparently the result of the current epidemic. In a survey the CLPF found 70% of companies thought transport costs would increase by more than 10%, but around 40% said they would rise by more than 20%. Some even suggested a 30% rise.

See: [https://www.sohu.com/a/374505303\\_737510](https://www.sohu.com/a/374505303_737510)

### Lanzhou City – the logistics centre for Russian timber

It has been reported that Russian timber will be distributed to all parts of the country after arriving via the China-Europe express railway terminal in Lanzhou City, Gansu Province. This, say analysts, will promote the wood processing industry and strengthen the supply chain for imported timber the Western Region.

The Lanzhou New Industrial Zone is a major logistics centre for Russian timber and it is anticipated the Zone will attract investment in processing thus establishing a new industrial cluster.

### Imported C&F price data series

In an effort to provide more transparency on imported timber prices in China a data set is provided below showing average prices for some key timbers imported.

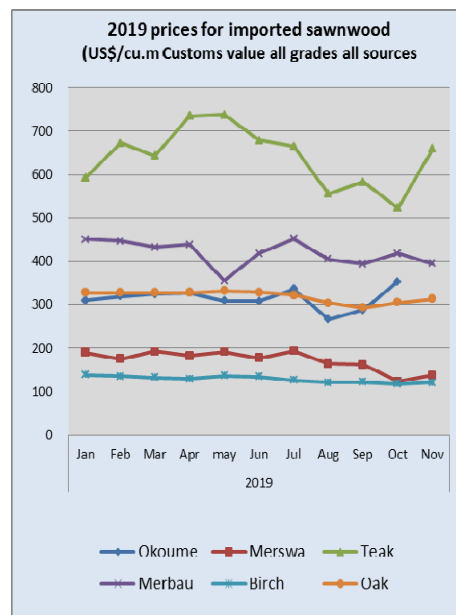
It should be noted that these average C&F prices are derived from the import volumes and values as reported by China's Customs.

*We apologise for not being able to up-date the average prices, China Customs is operating with a skeleton staff due to the virus outbreak.*

### Average imported log prices US\$/cu.m

	2019 Oct	2019 Nov
Okoume	353	
Merswa	124	137
Teak	523	659
Merbau	418	395
Birch	118	122
Oak	305	313

Data source: China Customs. Customs value all grades, all sources

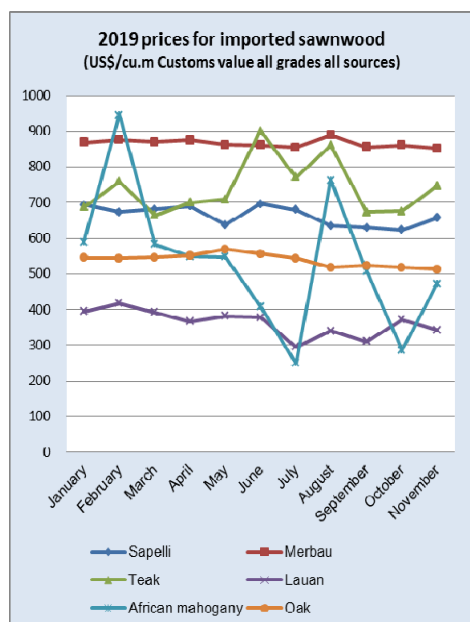


Data source: China Customs. Customs value all grades, all sources

### Average imported sawnwood prices US\$/cu.m

	2019 Oct	2019 Nov
Sapelli	624	657
Merbau	861	852
Teak	766	746
Lauan	372	343
African mahogany	286	472
Oak	519	513

Data source: China Customs. Customs value all grades, all sources

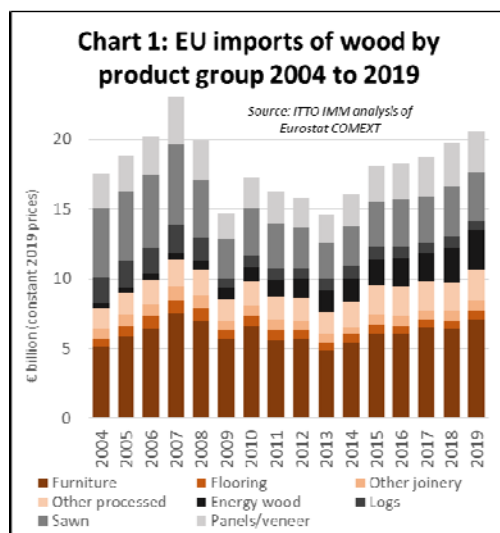


Data source: China Customs. Customs value all grades, all sources

## Europe

### Recovery in EU wood imports continues in 2019

The total value of EU28 imports of wood products was 20.51 billion euro in 2019, 4% more than in 2018. This followed an increase of 5% to 19.7 billion euro in 2018. In 2019 EU28 import value was at the highest level since 2008 just before the global financial crises (Chart 1).



The rise in imports into the EU occurred despite unfavorable exchange rates and weakening economic growth during 2019, particularly in the second half of the year. According to the EU Winter 2020 Economic Forecast published on 13 February, GDP growth in the EU27 (i.e. excluding the UK) slipped to 1.5% in 2019, down from 2.1% in 2018. A further slight fall to 1.4% is projected for 2020.

The slowing economy fed through into a 4% decline in the value of the euro against the U.S. dollar last year following an 8% fall the previous year. The British pound dipped to an all-time low against the US dollar and other top currencies in the middle of 2019 as concerns mounted over Brexit, although it did rally to some extent towards the end year.

On the other hand, EU currencies remained reasonably strong relative to currencies in several key Eastern European supply countries, including Ukraine, Russia, and Turkey. These exchange rate fluctuations generally favored EU imports from Eastern Europe and acted as a drag on imports from North America and Asia.

### Slow economic growth expected to continue in the EU

Looking to the future, the EU's Winter Forecast suggests that the "external environment remains challenging" but that "continued employment creation, robust wage growth, and a supportive policy mix should help the European economy maintain a path of moderate growth". In a positive note for the timber sector, the Forecast also suggested that "private consumption and investment, particularly in the construction sector, will continue to fuel economic growth".

It was also noted that "the European economy could benefit from more expansionary and growth-friendly fiscal policies and enjoy positive spillovers from more benign financing conditions in some euro area Member States".

However, the Forecast also suggests that "overall the balance of risks continues to remain tilted to the downside. The 'Phase One' trade deal between the US and China has helped to reduce downside risks to some extent, but the high degree of uncertainty surrounding US trade policy remains a barrier to a more widespread recovery in business sentiment."

The outbreak of the '2019-nCoV' coronavirus, with its implications for public health, economic activity and trade, especially in China, is identified in the Forecast as a new downside risk. "The baseline assumption is that the outbreak peaks in the first quarter, with relatively limited global spillovers. The longer it lasts, however, the higher the likelihood of knock-on effects on economic sentiment and global financing conditions".

On Brexit, the Forecast notes that "While there is now clarity on trading relations between the EU and the United Kingdom during the transition period, there remains considerable uncertainty over the future partnership with the UK".

As a forward-looking report, the EU Winter 2020 Forecast excludes the UK which ceased to be an EU member on 31<sup>st</sup> January 2020 (although the UK is still subject to EU regulations until the end of the transition period on 31<sup>st</sup> December 2020).

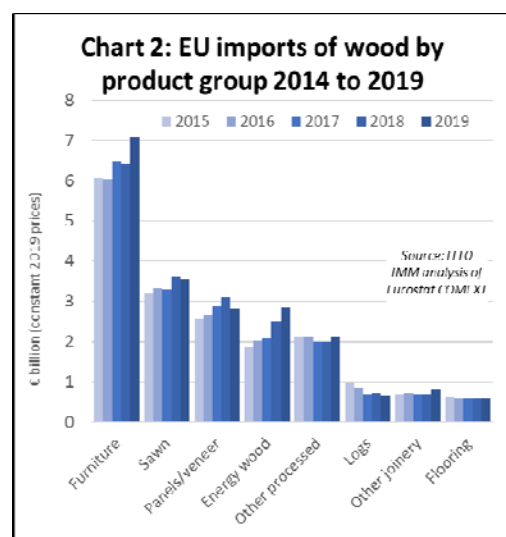
For data on the UK, it is now necessary to look to the UK Office of National Statistics (ONS), which reports that the UK economy saw no growth in the final three months of 2019, as manufacturing contracted for the third quarter in a row and the service sector slowed around the time of the election. The ONS figures showed the UK economy grew by 1.4% in 2019, marginally higher than the 1.3% rate in 2018.

More positively, ONS data shows that the UK economy expanded 0.3% in December compared with the previous month, better than expectations. This, combined with recent sentiment indicators, suggests the UK economy has picked up since the general election on 12<sup>th</sup> December.

### EU wood furniture imports rise 10% in 2019

Considering individual products (Chart 2), the value of EU imports of wood furniture increased by 10% to 7.07 billion euro in 2019 after a 1% fall in 2018. After flat lining in 2018, imports from China, the EU's largest external furniture supplier, increased throughout 2019.

Imports from Turkey, the second largest external supplier, also made some gains, but not as large as those made by several tropical suppliers including Indonesia, Vietnam, Malaysia and India. Furniture imports from Bosnia were weakening throughout the year, but imports from Serbia were rising.



EU imports of sawn wood declined 2% to 3.57 billion euro in 2019, losing some of the gains made the previous year when imports increased 10%. After a strong first quarter, sawn wood imports slowed dramatically from April 2019 onwards.

During this period, the pace of sawn wood imports fell rapidly from all four of the leading suppliers, Russia, Belarus, Ukraine, and the United States. Of tropical sawn wood suppliers, imports from Cameroon and Brazil increased, partly offset by a continuing fall in imports from Malaysia.

EU imports of panels (mainly plywood) decreased 9% to 2.83 billion euro in 2019, wiping out the 8% gain made the previous year and the first fall in imports of this commodity for 6 years. Imports from Russia and Belarus, which experienced particularly dramatic growth in previous years, slowed throughout 2019.

Imports from China finished the year 2019 up on the previous year but were weakening in the second half of 2019. Imports from nearly all the other main suppliers – including Brazil, Ukraine, Chile and the US – were weakening during 2019. Indonesia fared better than most, a strong rise in plywood imports from the country in the first half offsetting a slow down towards the end of the year.

The long-term rise in EU imports of energy wood continued in 2019 with annual import value rising 13% to 2.84 billion euro building on 20% growth the previous year. There was another sharp increase in EU imports of energy wood from the United States in 2019 (now dominated by pellets), to reach nearly 1.3 billion euro, with most destined for the UK. Imports of energy wood also increased sharply from Russia, to nearly 0.5 billion euro, and Belarus, mainly destined for continental EU. Imports were stable from Canada and Ukraine.

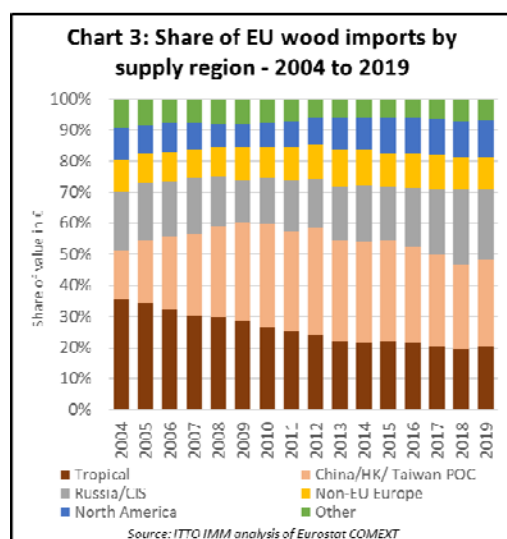
EU imports of logs declined 9% to 660 million euro in 2019, after rising 3% the previous year. The downturn was due partly to a slowdown in imports from Russia in the second half of 2019, while all EU imports of logs from Belarus ceased in 2019 after tightening of log export controls in the country.

After rising 3% in 2018, EU imports of wood flooring made another 3% gain to 610 million euro in 2019. Flooring imports from China, by far the largest external supplier accounting for around two thirds of the total, continued to rise strongly in the first half of 2019 but began to lose ground in the second half of the year, while imports from Ukraine continued to make gains throughout 2019. Imports from Switzerland, Malaysia and Indonesia were sliding throughout the year.

EU imports of 'other' joinery products (i.e. excluding flooring and mainly comprising doors and laminated wood for window frames and kitchen tops) increased 12% to 800 million euro in 2019, after flat lining the previous two years. There was particularly strong growth in imports of this commodity group from Indonesia, building on gains made in the previous year, while imports from China and Malaysia also made ground.

### Recovery in EU imports from China

The total value of EU imports from China increased 6% from 5.34 billion euro in 2018 to 5.71 billion euro in 2019, mainly due to a partial recovery in imports of Chinese furniture, and to a lesser extent joinery products and plywood. After falling between 2015 and 2018, China's share in total EU imports of timber products recovered from 27.1% in 2018 to 27.8% last year (Chart 3).



After several years of rapid growth, EU imports of wood products from CIS countries increased only 1% in 2019, rising from 4.71 billion euro in 2018 to 4.74 billion euro last year.

The share of CIS countries in total EU imports declined from 23.9% in 2018 to 23.1% in 2019. The growth in imports from Russia, Ukraine and Belarus all began to slow last year. The slowing trend was apparent in imports of sawnwood, plywood and logs from the CIS region. However, EU imports of CIS energy wood and furniture products continued to rise in 2019.

EU imports from non-EU European countries remained flat, at 2.08 billion euro, in 2019 and share of imports from these countries also remained level at just over 10%. While imports from Bosnia and Herzegovina, Norway and Switzerland slowed last year, imports from Serbia and North Macedonia were rising.

EU imports from North America increased 4.3% from 2.30 billion euro in 2018 to 2.4 billion euro in 2019. The region's share of total EU imports remained flat at 11.7% during this period. Rising imports of pellets, and to a lesser extent barrels, offset declining imports of sawnwood, furniture, and veneers from North America.

The vast majority of EU imports from North America are now from the United States and only small proportion from Canada.

#### EU imports of tropical wood products up 7% in 2019

The total value of EU imports of tropical timber products (including direct imports and imports via third countries such as China) increased 7% to 4.16 billion euro in 2019. This follows a 2% increase in import value in 2018.

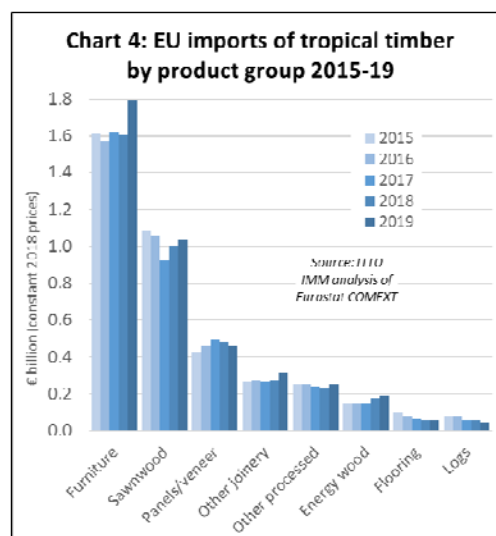
The share of tropical timber in the total value of EU wood product imports increased from 19.7% in 2018 to 20.3% in 2019, rebounding to the level of two years earlier.

Considering the long-term trend, after falling continuously from 36% in 2006 to 22% in 2013, the share of tropical countries in EU imports stabilized in the range 20-22% during the six years between 2014 and 2019

The increase in the total value of EU wood product imports from the tropics in 2019 was driven mainly by wood furniture with other smaller gains in imports of tropical sawnwood, 'other' (i.e. non-flooring) joinery, other processed wood products, and energy wood. These gains offset a decline in imports of tropical panels/veneers, flooring and logs (Chart 4).

In 2019, there was a 10% increase in EU imports of wood furniture from tropical countries, from 825 million euros to 904 million euros. Imports of tropical sawnwood increased 3% during the year, from 1,006 million euros to 1,040 million euros, building on the recovery of the previous year.

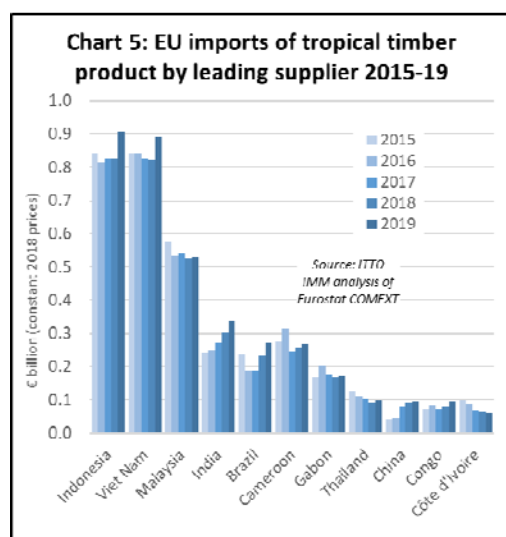
There was also a sharp 16% increase in EU imports of 'other' joinery products from tropical countries in 2019, from 273 million euros to 316 million euros, with good growth in imports of tropical doors and laminates. Imports of energy wood, mainly charcoal, also increased, by 8% from 177 million euros to 191 million euros. However, EU imports of tropical logs, panels/veneers, and flooring were either flat or declining in 2019.



The value of EU imports from the two leading tropical suppliers, Indonesia and Vietnam, increased sharply in 2019, both benefitting from a significant increase in shipments of wood furniture.

Imports from Indonesia increased 10% from 825 million euros in 2018 to 904 million euros in 2019. Imports from Vietnam increased 8% from 822 million euros to 890 million euros during the same period.



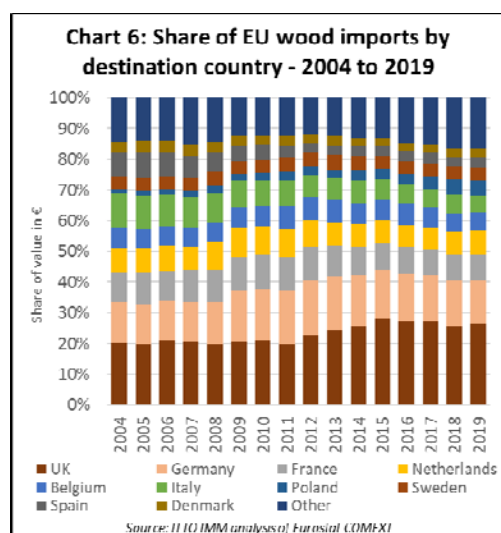


During 2019, there were also significant gains in EU imports from India (by 12% to 339 million euro, mainly furniture), Brazil (by 16% to 271 million euro, mainly hardwood sawnwood and decking), Cameroon (by 5% to 268 million euro, mainly sawnwood), and Congo (by 17% to 93 million euros, mainly sawnwood).

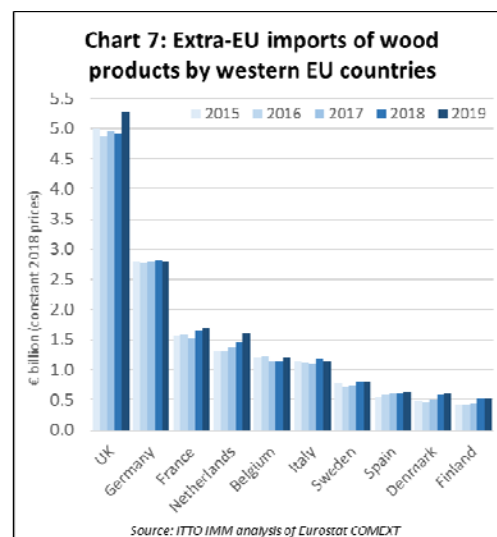
However, imports from Malaysia fell slightly, by 1% to 531 million euros last year, with gains by Malaysian furniture offset by a sharp fall in EU imports of Malaysian sawnwood. EU imports from Côte d'Ivoire also continued to decline in 2019, losing another 9% to only 61 million euros.

#### One quarter of EU wood imports destined for the UK in 2019

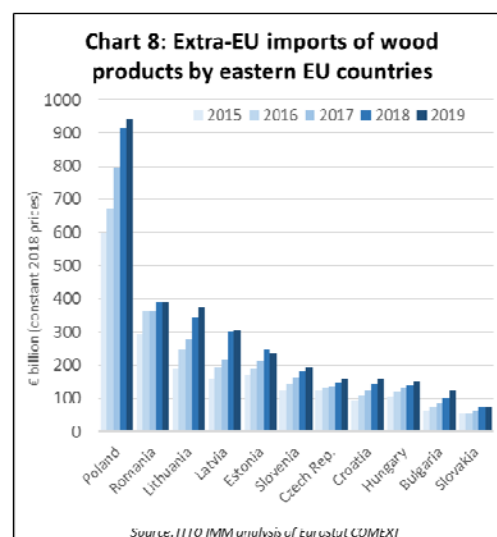
In 2019, the UK was by far the largest importer of wood products into the EU from outside the bloc, highlighting the impact of Brexit on the EU's position in the global wood products trade. The UK's share of total EU imports of timber products from outside the region increased from 24.9% in 2018 to 25.7% in 2019, reversing a slight downward trend of the previous year. (Chart 6).



UK imports from outside the EU increased by 7% from 4.92 billion euro to 5.3 billion euro in 2019. The UK was a significant recipient of rising EU imports of wood furniture from China and Vietnam and pellets from the United States in 2019. The Netherlands was the only other Western European country to experience significant growth in imports of wood products from outside the EU last year, experiencing a significant rise in imports of wood furniture from China and Indonesia (Chart 7).



Meanwhile several Eastern EU countries continued to record quite large and consistent gains in imports from non-EU countries last year. Significant increases were recorded in Poland, Lithuania, Latvia, Slovenia, Czech Republic, Croatia, Hungary, Bulgaria, and Slovakia in 2019. However, imports into Romania and Estonia slowed in 2019 after making gains the previous year (Chart 8).

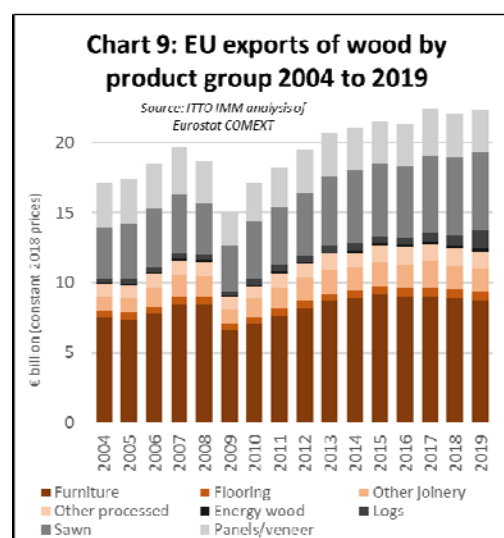


The continuing strength of Eastern European imports is a reflection both of their proximity to large external suppliers in Russia, Ukraine and Belarus, relatively higher rates of economic growth and construction sector growth in Eastern Europe, and the establishment of new wood processing and manufacturing capacity in the region.

### Slow growth in EU wood product exports in 2019

In 2019, the EU exported wood products with a total value of 22.3 billion euro, a 1% increase compared to 2018 (22.1 billion euro) but below 2017 (22.4 billion euro) when exports were at record levels (Chart 9).

Although EU exports of wood furniture, sawnwood, panels, and 'other' joinery products, this was offset by a rise in exports of energy wood, flooring, other processed products and, particularly notable, a sharp increase in log exports, much of it comprising softwood and destined for China.



The combined effect of last year's large rise in EU imports, balanced by a more moderate growth in EU exports, was to reduce the EU's trade surplus in timber products with the rest of the world from 2.37 billion euro in 2018 to 1.81 billion euro last year. Longer term, the EU's trade surplus in wood products has now fallen by 70% since 2013 (when it stood at over 6 billion euro) as growth in EU imports has outpaced exports.

## North America

### Trillion trees legislation introduced

On 12 February US Representative Bruce Westerman, an Arkansas engineer and forester by profession, introduced H.R. 5859, the Trillion Trees Act, which aims to bring about the planting of 1 trillion trees globally by 2050 and incentivise the use of wood products as carbon sequestration devices.

The legislation includes provisions that would leverage US aid dollars to incentivise reforestation and a afforestation and establish an International Forest Foundation to "support international goals to increase global carbon sequestration through the promotion of healthy forests and responsible forest management."

The prospects of this proposal becoming law are uncertain.

To move forward it must first be considered by several committees of jurisdiction in the US House of Representatives, including the Committees on Agriculture, Foreign Affairs, Natural Resources, and Ways and Means.

See:

<https://www.iwpawood.org/general/custom.asp?page=ENews20200213>

### Home permits soar but new builds dip

Construction of new homes slipped 3.6% in January but permits rose to a nearly 13-year high in a sign that builders plan to pick up the pace in the spring. New housing starts slipped as expected last month after a surprising surge at the end of 2019.

Housing starts fell to an annual pace of 1.57 million, the US Commerce Department said. Permits to build new homes climbed 9.2% to an annual clip of 1.55 million, marking the highest level since March 2007. Both starts and permits are sharply higher compared to one year ago, reflecting a rebound in the housing market tied to tumbling interest rates. For December, housing starts were revised up to a 1.63 million rate from 1.61 million.

Housing starts decreased for single-family (down 5.9%) but rose for multifamily structures (up 3%). Regionally housing starts varied significantly. Housing starts skyrocketed in the Northeast, rising nearly 32% month over month, including a 3.1% gain for single-family units. The West also saw a 1.2% uptick in housing starts. Meanwhile, housing starts plummeted 26% in the Midwest and 5.4% in the South.

### Canadian January housing starts beat expectations

The pace of Canadian housing starts climbed in January from a month earlier on gains in Ontario and Quebec while starts declined in Western Canada, according to Canada Mortgage and Housing Corp.

January saw a seasonally adjusted annual rate of 213,224 units started, up 8.8% from the 195,892 starts in December. Of those, rural starts were estimated at a seasonally adjusted annual rate of 10,817 units. Gains were concentrated in multifamily buildings such as apartments and condos that saw a 13.2% increase in starts, while single-detached home starts slipped 2.1% to 55,100 units. Construction activity gains reflected regional economic strengths, but analysts noted that weather, particularly mild winter weather in Quebec, may have played an outsized role at this time of year.

Canada's residential sector contracted by 6.0% in 2019, with single family starts falling by 14.9% and multi-family starts expanding by 2.4%. There were ground breakings on several sizable multi-family projects in the second half of the year.

High household debt levels and housing prices in key markets held back demand, and the fact that mortgage interest rates have remained high by recent historical standards throughout 2019 has also contributed to housing's unremarkable performance.

### **Mild winter - Stronger than expected January employment**

An unseasonably mild January helped power the US jobs market to more gains, with nonfarm payrolls rising 225,000 for the month, well above Wall Street estimates.

The unemployment rate ticked higher to 3.6%, but for the positive reasons as the labor force participation rate increased 0.2 percentage points to 63.4%, matching its highest level since June 2013 according to data released by the US Department of Labor.

The weather-sensitive construction industry helped lead the way in job creation, adding 44,000 positions, well above its 2019 average of 12,000.

Manufacturing, which has been in a months-long slump, saw a loss of 12,000 positions, owing almost completely to a drop in manufacturing of motor vehicles and parts.

See: <https://www.bls.gov/news.release/empsit.nr0.htm>

### **Cabinet sales slid in December**

According to a Kitchen Cabinet Manufacturers Association (KCMA) press release US cabinet manufacturers reported a decrease in sales of 1.9% in December compared to the same month in 2018, according to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey. Custom sales saw a decrease of 9.7% and semi-custom decreased 4%. However, stock sales were up 1%.

The monthly numbers tell a similar story. Cabinet sales overall were down 3.1% compared to November 2019 with custom down 11.7%, semi-custom sales down 8%, and stock sales up 2.1% compared to the previous month.

Year-to-date cabinet sales are up just 0.6% when compared to 2018 YTD. Custom sales are down 1.2%, semi-custom sales are down 4.1%, and stock sales are up 4.5%.

See: <https://www.kcma.org/news/press-releases/nov-19-trend-of-business>

### **US manufacturing expanded in January - the first rise since July**

Economic activity in the manufacturing sector grew in January, and the overall economy grew for the 129th consecutive month, say the nation's supply executives in the latest Manufacturing Institute for Supply Management Report On Business.

The ISM's index returned to expansion territory for the first time since July 2019, with many respondents providing positive sentiment for the first time in several months. The ISM New Orders Index showed that new orders grew in January after contracting for five straight months. Of the 18 manufacturing industries reporting, the Wood Products and the Furniture and Related Products industries reported the strongest growth in new orders in January, after indicating sharp declines in December.

### **Consumer sentiment resilient despite virus risk**

US consumer sentiment figures for February came in higher than expected despite the recent outbreak of the coronavirus. The University of Michigan's consumer sentiment index came in at 100.9 for February. Economists polled by Dow Jones expected February consumer sentiment to come in at 99.5.

Consumers' assessment of current economic conditions was virtually unchanged from January while expectations rose slightly. The coronavirus outbreak appeared to not be a major concern for US consumers as just 7% of survey respondents mentioned it "when asked to explain their economic expectations in early February."

See: <http://www.sca.isr.umich.edu/>

### **Concern over rising building material costs**

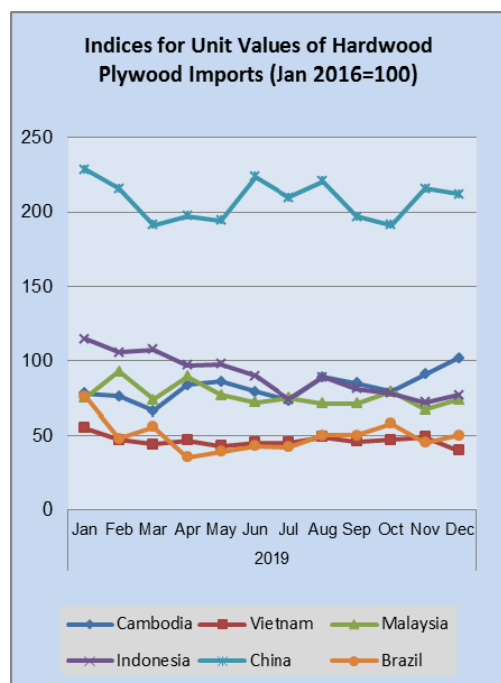
The 2020 Houzz US State of the Industry, which provides an outlook on 2020 and a review of 2019 performance for residential renovation and design businesses, showed that companies across all industry sectors have an optimistic outlook for 2020, but there is also rising concern over higher costs of doing business.

Following widespread increases to the costs of doing business in 2019 (55 to 78 percent), product and material costs are cited as the most significant cost driver by six of seven industry groups (compared to five of seven groups in 2018). A large share of companies link the rising costs to a negative impact of tariffs on businesses in 2019.

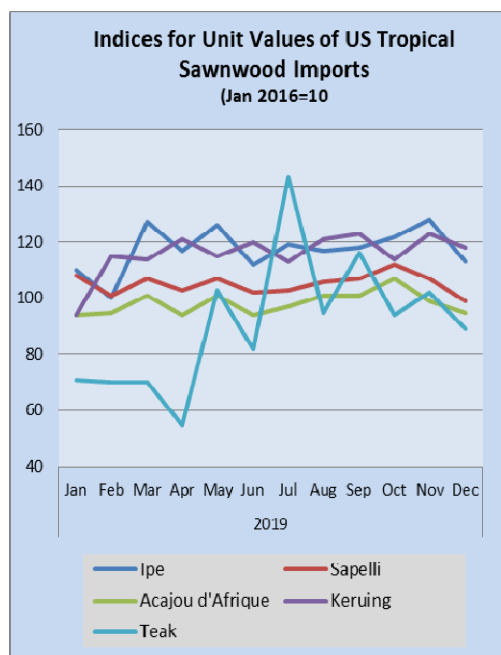
Among the other findings: 1) more than half of residential renovation and design companies predict that 2020 will be a good or very good year; 2) more than a third of general contracting, design-build and building and renovation specialty companies (35% to 38%) and a fifth of architectural and interior design companies (20% each) expect to hire in 2020; and 3) Revenue growth notably slowed in 2019.

While revenue continued to increase in 2019, six out of seven industry groups experienced a notable deceleration in average revenue growth (3.1% to 6.1%) compared with 2018 (5.6% to 8.2%). Building and renovation specialty companies are an exception, reporting average revenue growth on par with 2018 (6.1% in 2019 versus 6.5% in 2018).

For the full '2020 Houzz U.S. State of the Industry' report go to: <https://www.woodworkingnetwork.com/sites/woodworking/files/houzzstateoftheindustry2020.pdf>



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



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**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.**

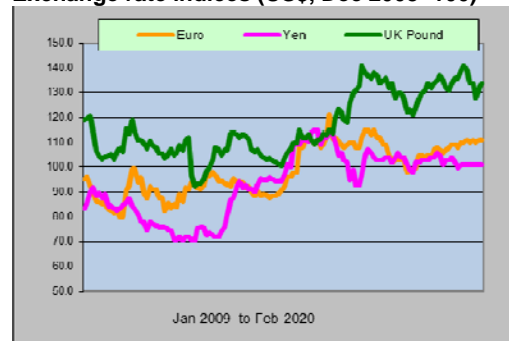
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 26th February 2020

Brazil	Real	4.4864
CFA countries	CFA Franc	598.28
China	Yuan	7.0046
EU	Euro	0.9090
India	Rupee	71.665
Indonesia	Rupiah	14135
Japan	Yen	109.59
Malaysia	Ringgit	4.2105
Peru	New Sol	3.39
UK	Pound	0.776
South Korea	Won	1212.68

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

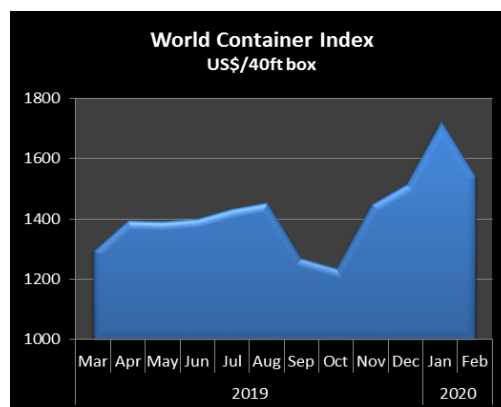


## Abbreviations and Equivalences

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

March 2019 – February 2020

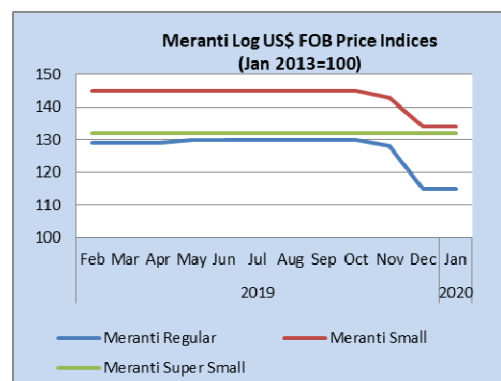


Data source Drewry World Container Index

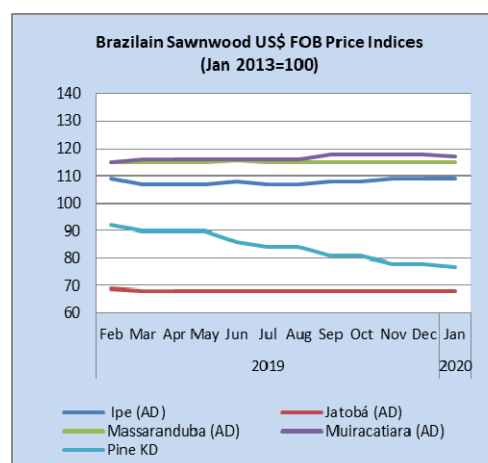
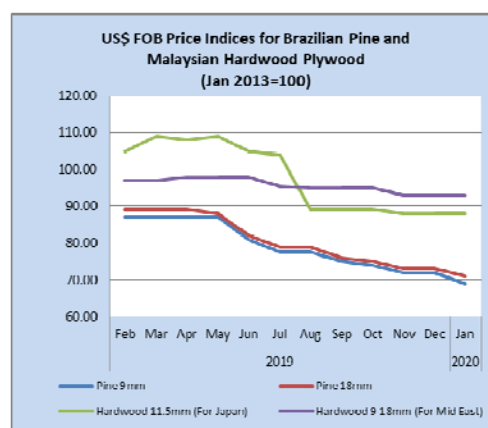
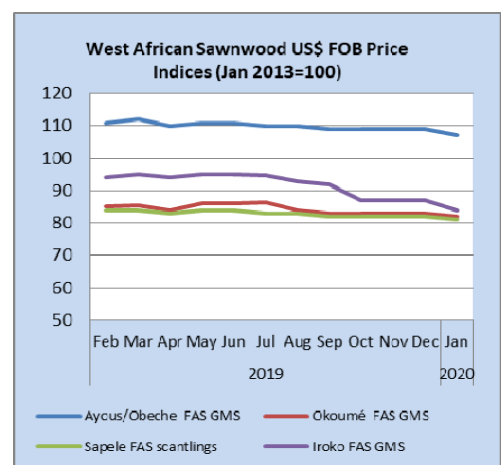
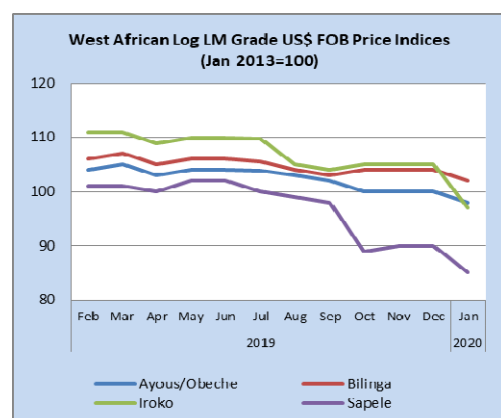


## Price indices for selected products

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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