

Tropical Timber Market Report

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Top story

Impact of 'new NAFTA'

On 1 July 2020 the new agreement between the US, Mexico and Canada (USMCA) came into force replacing the North American Free Trade Agreement (NAFTA).

The Brazilian Business Coalition (Coalizão Empresarial Brasileira-CEB) has published a report on the possible impact for Brazil of the new agreement.

According to the CEB, the USMCA signatories accounted for 17% of Brazilian exports and 21% of Brazilian imports in 2019.

See page 9

Central and West Africa

Exports driven down by pandemic

The rapid spread of the coronavirus has adversely affected West Africa's export markets, imports, foreign investment, tourism and remittances. Furthermore, the disruption in commodity markets, travel and tourism and country-level lockdowns have slowed economic activity.

The impact of pandemic control measures has hit West African timber producers across the region, coming at a time when demand in the traditional markets, especially in Europe, were already under pressure from lower consumption.

EU imports of tropical sawnwood declined sharply from West Africa in the first four months of 2020; down 22% from Cameroon to 84,500 cu.m, 28% from Gabon to 34,500 cu.m, 19% from Congo to 15,700 cu.m, 37% from Côte d'Ivoire to 7,600 cu.m, 16% from Ghana to 6,100 cu.m and 46% from DRC to 1,900 cu.m.

US imports from Cameroon in the first 5 months of this year were down 33%, Ghana down 6% but imports from Ivory Coast were up slightly. Imports of sapelli fell 18%, African mahogany fell 51% and padauk was down over 70%. China's imports of both logs and sawnwood also dipped in the first quarter of the year.

Economic outlook 2020

Prior to the pandemic the West African economies were poised to expand this year but, according to the West Africa Economic Outlook 2020 - Coping with the COVID-19 Pandemic report, this is unlikely even though the full socioeconomic impact of the COVID-19 pandemic may not be known for some time.

However, the report says "early assessment suggests that the prospect for initial growth projection is now evidently remote. Thus, under a conservative baseline scenario, the regional economy is now projected to contract by 2% in 2020, far below the projected growth rate prior to the pandemic.

Growth in the region will be affected by a combination of declines in commodity prices, low financial flows, reduced tourism earnings and heightened volatility in financial markets. "

See: <https://www.afdb.org/en/documents/west-africa-economic-outlook-2020-coping-covid-19-pandemic>

Shipping company halts timber shipments

Compagnie Maritime d'Affrètement Compagnie Générale Maritime (CMA CGM), the fourth largest shipping company, said that it had done its own investigations as a result of reports of illegal timber being exported in containers it carried from The Gambia. As a result, the company decided to stop loading timber shipments from the country until further notice.

The BBC (UK) quotes Guilhem Isaac Georges, Director of Sustainability for CMA CGM as saying, "there was probably some protected rosewood inside their shipments from Gambia to China".

The BBC also reports the company has announced that it would establish blacklist of shippers involved in the illegal trade of protected and endangered species.

See: <https://www.bbc.com/news/world-africa-53325743>

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	300	280	225
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	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
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	320
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

Restocking African tree species

The Institute of Nature and Environmental Conservation (INEC), a non-governmental organization, in collaboration with the Ghana Forestry Commission, has launched a trial project to restock an area in the Asenanyo Forest Reserve with *afromosia* (*Pericopsis elata*).

The project, which also involves the Forestry Research Institute of Ghana (FORIG) and Kwame Nkrumah University of Science and Technology (KNUST), would help prevent the extinction of species at risk. Funding for this project comes from the Swiss based Fondation Franklinia.

Ghana's Ports highly ranked

Recent renovations and expansion of Ghana's ports have brought them to the forefront of the maritime transport and supply chain in the West African sub-region. Port operations have been upgraded with technology which has improved efficiency and lowered costs.

The Ghana Revenue Authority (GRA) and the Ghana Ports and Harbours Authority (GPHA), supported by an IT and technology firm, streamlined operations to position the ports to meet growing traffic.

According to a Bank of Ghana report the total number of containers handled by Tema and Takoradi rose by over 12% year-on-year in the first quarter of 2020 despite the disruption from restrictions to control the corona virus.

In related news, the GPHA has commissioned consultants to develop plans for the construction of a new port at Keta in the Volta Region.

See: <https://www.bog.gov.gh/wp-content/uploads/2020/06/Real-Sector-Developments-May-2020-1.pdf>

Start of AfCFTA postponed

The operationalisation of the African Continental Free Trade Agreement (AfCFTA), initially planned 1 July this year, has been postponed due to the current global crisis which has disrupted economic activities and forced the closure of borders and other restrictions. The AfCFTA agreement aims to progressively reduce and eventually eliminate customs duties and non-tariff barriers on goods and allow free provision of services.

The AfCFTA secretariat is located in Ghana where the government is reviewing policies so as to become more self-sufficient through supporting domestic investment in import substitution industries.

In related news, the Ghana Export Promotion Authority (GEPA) is aiming for US\$10 billion in export earnings from non-traditional exports (NTEs) by 2028 and has a National Export Development Strategy programme geared specifically to take advantage of opportunities from AfCFTA.

Exports of NTEs earned around US\$2 billion annually over the past decade. The aim of the GEPA is to diversify the country's exports.

See: <https://www.bbc.com/news/world-africa-53325743>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	579
Niangon Kiln dry	619

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300	440
Chenchen	540	631
Ogea	443	590
Essa	543	596
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	659
Avodire	667
Chenchen	1,250
Mahogany	1,016
Makore	794
Odum	700

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	323	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	476	480
15mm	450	352	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 cu.m	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	413	430
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (<i>Ivorenensis</i>)	930	1,028
Makore	740	840
Niangon	620	740
Odum	649	1,066
Sapele	720	878
Wawa 1C & Select	420	436

Malaysia

Recovery phase 1 to run to the end of August

The implementation of three stages of Movement Control Orders (MCO) helped contain the pace of infection spread. Now the third MCO has ended the government announced a new Recovery MCO (RMCO) that started 10 June and will be assessed at the end of August.

Under the RMCO many restrictions which were enforced during the previous stages have been lifted but everyone is still required to abide by the 'standard operating procedures' from the previous MCO.

Interest rate cut – an all-time low

Business sentiment remains weak even though most businesses have resumed work and the services and retail sectors have seen a marked improvement but now many businesses face the problem of how to service loans taken during the lockdown. The central bank has cut interest rates to an all-time-low in an effort to support companies as they begin hiring again and to encourage consumer spending.

Additional strategy to boost tree plantations

The Sarawak State Forest Department (FD) has adopted a new strategy to boost reforestation by engaging small companies and the involvement of Native Customary Rights (NCR) landowners. The aim is to ensure that by the end of the 12th Malaysian Plan (2022), better progress can be made through cooperation communities and in developing the land under their care.

The FD has reported that 63% of the land in Sarawak is covered with forests. Sarawak has about 1.6 million hectares of NCR land but much has been cleared for oil palm plantations.

PEFC plywood exports to Japan

A Sarawak based company is benefitting from demand for certified plywood in the Japanese market and is successfully marketing its PEFC plywood.

The company has focused on increasing PEFC certified coated concrete panel (CCP) plywood production given the growing demand in Japan.

See: <https://www.thestar.com.my/business/business-news/2020/07/06/ta-ann-rides-on-higher-demand-from-japan-market-for-pefc-certified-plywood-products>

No Fair? so go online to develop markets

A online platform (MIFF Furniverse) will be launched in August by the company behind the Malaysian International Furniture Fair. The aim is to connect manufacturers with buyers from around the world.

MIFF Furniverse will launch three separate live market events for the Asia Pacific market, the North and South America market and the Europe, Middle East and Africa market.

See: <https://www.furnituretoday.com/buying-groups/malaysia-furniture-show-organizer-launches-online-market-events-in-august/>

Indonesia

Association calls for more efforts to expand exports to the EU

Chairman of the Association of Indonesian Forest Concessionaires (APHI), Indroyono Soesilo, has called for more efforts by the Indonesian embassies in Europe to identify market opportunities for wood products.

He pointed out that the European Union is the fourth largest export destination for Indonesian forest products after China, Japan and the United States. In 2019, Indonesian forest product exports to the European Union earned more than US\$1 billion.

Indroyono said the pandemic had dented exports of Indonesian forest products to Europe. In the first 5 months of 2020 there was a 17% year on year decline in the value of exports.

The Indonesian Ambassador for Belgium, Luxembourg and the European Union, Yuri Thamrin, reported that demand for forest product in the EU member states is over US\$150 billion annually but Indonesia's share of the market is very low. Yuri suggested it would help if Indonesia had warehousing facilities for Indonesian wood products at one of the main ports to raise efficiency and lower the logistics costs.

See:

<https://industri.kontan.co.id/news/wah-potensi-ekspor-produk-kehutanan-ke-uni-eropa-capai-us-152-miliar-per-tahun>

In related news, Indroyono said APhi is optimistic about the market penetration in some countries such as South Korea where exports in 2019 topped reached US\$700 million. Even during the first 5 months of this year exports continued to rise. He suggested that South Korea should consider adjusting import tariffs to encourage more imports from Indonesia.

Association - Indonesia yet to become a global player in furniture market

Setyo Wisnu Broto, Secretary General of the Indonesian Light Wood Association (ILWA) in Sukoharjo, Central Java considers that Indonesia has a long way to go before it can take its place as a force in the global wood and furniture business.

See: <https://republika.co.id/berita/qd3yst349/ilwa-indonesia-tertinggal-dalam-bisnis-kayu-dan-mebel-dunia>

While proudly reporting export revenue this, in the past, has not been presented alongside the global value of furniture exports. If it had, he said, it would show Indonesia lags far behind other countries.

He expressed concern that the furniture sector suffers because the government issues regulations that are not pro-business and counterproductive.

In addition, the timber and furniture industries have failed to modernize processing and management skills. He also pointed out that the banking sector is not well informed of the potential for furniture exports which is behind its reluctance to support the industry with competitive loans.

Reduce dependence on imports

The Ministry of industry is looking for way to boost the role of domestic small and medium enterprises in supplying inputs for larger companies in order to reduce reliance on imported goods.

Gati Wibawaningsih, Director General of Small and Medium Enterprises in the ministry said they have initiated a programme to help a group of SMEs with brand registration, packaging advice as well as with information on National Industrial Standards (SNI).

This programme is part of the government’s efforts to increase the role of small businesses which contributed over nearly 60% to the country’s economy. The ministry has set itself a target of slashing Indonesia’s raw material imports by up to 35% by 2022.

<https://www.thejakartapost.com/news/2020/07/01/ministry-wants-to-increase-smes-role-in-big-business-supply-chains.html>

1 million mandays of job opportunities created

The government continues to expand the Forest and Land Rehabilitation (RHL) programme which generates over 1 million mandays of day work opportunities in Java. The Minister of Environment and Forestry (LHK), Siti Nurbaya Bakar, asked the staff to increase the activities under the programme.

Multi-business model for forestry

The Secretary General of the Ministry of Forestry, who is also the Acting Director of the Ministry of Environment and Forestry’s Sustainable Production Forest Management (PHPL) activities, said that the utilisation of the production forest area needs to be optimised. The focus should be on the total resource not only wood products and should involve utilisation of as non-wood forest products and environmental services.

In this regard the Ministry recently issued a innovative policy of through Regulation P.01/2020 covering ‘Procedures for Application, Assignment and Implementation of the Multi-business Model of Forestry for Forest Concession Holders in Production Forests’.

This, said Bambang, is the first step in development of a multi-business model for forestry and integrates the utilisation of wood products with non-timber wood products from agroforestry or silvo-pastoral activities.

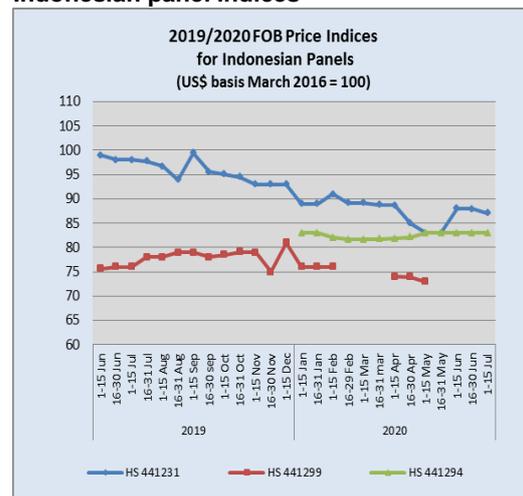
<https://www.beritasatu.com/nasional/653261-klhk-optimalkan-pengusahaan-hutan-untuk-atasi-krisis-pangan>

Norway announces first payment for reduced deforestation in Indonesia

The Norwegian government has approved the first results-based payment to Indonesia for reduced emissions from deforestation and reduced forest degradation in the country covering the period 2016-17. This is the first time Norway has paid Indonesia’s for achieving results in emission reductions according to the domestic press.

The first payment from Norway for Indonesia’s success in reducing deforestation and forest degradation went through an international standard verification process carried out by an independent third party appointed by Norway.

Indonesian panel indices



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

Myanmar

Resumption of MTE tenders sales eagerly awaited

The Myanma Timber Enterprise (MTE) will resume tender sales on 27 July. Sales have been suspended for four consecutive months from March. However, there has been no announcement by MTE as yet. Some of the local mills are now running low on log stocks and there are reports of resale of logs from earlier tenders.

Bago Region Minister acts on illegal logging

The Regional Minister of Forestry (Bago Region) has stated there has been an increase in illegal logging in the Bago Yoma Range where the 10-year logging ban has been in place since 2016-17. The Bago Yoma Range has more than a million hectares of rich natural forest land. In response the Minister proposed activating an existing regulation which restricts entry into the forest.

In related news, the Forest Department recently seized a container packed with undocumented padauk. The contents of the container were declared as non-wood products in an attempt to avoid submitting the required documents verifying the shipment was legal.

According to the current regulations exporters are obliged to present documentation showing the raw material for the wood products being shipped was purchased from the MTE. This is a prerequisite to securing the official export permit.

Covid-19 Relief Fund

The government has announced that around 70% of the initial Covid-19 Relief Fund to support the economy has been distributed to SMEs, mostly in the garment manufacturing, hotel and tourism sectors since April this year.

In addition the government has provided loans totalling Kyats 101 billion to over 3,000 businesses impacted by the pandemic. The Government set aside funds amounting to 5% of GDP for its Covid-19 Economic Relief Plan.

Deferral of interest payments offered by EU member states

In a letter sent to the Union Minister of Planning, Finance and Industry U Soe Win, EU member states Austria, Finland, France, Germany, the Netherlands and Poland announced the deferral of interest and capital payments representing US\$ 98 million [134.5 billion MMK] or approximately 20% of Myanmar's overall scheduled debt service for that period.

"Today's announcement from Team Europe is part of our coordinated global response to the COVID-19 crisis," said EU Ambassador Kristian Schmidt, who signed the letter together with the ambassadors from the six EU Member States.

EU member states have granted Myanmar debt relief in the past. Austria, Finland, France, Germany, the Netherlands and Poland are currently the only EU countries to which payment are due this year.

See: https://eeas.europa.eu/delegations/myanmar-burma/81921/eu-announces-usd-98-million-1345-billion-mmk-debt-suspension-myanmar_en

Overseas worker remittances are huge

According to the Central Bank of Myanmar, remittance from Myanmar migrant workers exceeded US\$1 billion for the period April 2019 to March 2020.

Remittance from Malaysia were the highest at US\$258 million from 578,000 Myanmar citizens working there followed by Singapore US\$170 million, US\$11 million from workers in Thailand with the balance from workers in a host of other countries.

India

June exports held up well in June

The Indian Minister of Commerce and Industry has reported that the value of India's exports in June is forecast to be only around 10-12% lower than in the same period last year. This is in contrast to the 60% decline in April export values.

The minister emphasised that the focus of the government is on sustainable growth and partnership with the private sector.

Rural demand recovers, a good first step

Favorable monsoon weather which boosted harvests plus government support for rural communities has resulted in a modest recovery of demand in rural areas. Trends in some so-called 'high-frequency' indicators such as sales of tractors and fertilisers suggest many rural communities are recovering faster than the urban areas.

The government pumped almost US\$20 billion into the rural economy after March through various welfare programmes and state-sponsored buying of crops, according to a report by CitiBank.

The Center for Monitoring Indian Economy says the rural unemployment rate has fallen from a peak of 26% in the first week of May to around 7.3% in the week ending 21 June, almost back to pre-lockdown levels. Unemployment in the major cities is still above pre-lockdown levels.

See:

<https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2020-06-16%2010:02:45&msec=733>

Importing logs and sawnwood into India

The Directorate of Plant Protection, Quarantine and Storage (DPPQS) under the Ministry of Agriculture, Cooperation and Farmers Welfare (MOA) regulates the import of logs into India.

Species that are listed under VI and VII of the Plant Quarantine (PQ) order 2003 may be imported into India provided the requirements in these schedules and also the general import requirements listed under Section 9 (Requirement of Import of Wood and Timber), Chapter II (General conditions for import) of the PQ order are followed.

Under the current Plant Quarantine Order 2003, updated as of 18 December 2018, the import of wood and wood products requires fumigation/heat treatment/kiln dried to be noted on the phytosanitary certificate issued in the supplier country.

According to the PQ Order timber/wood with or without bark shall be fumigated prior to export with methyl bromide (MBR) at 48 g/cu.m for 24 hours at 21 degrees Celsius or above, or an equivalent thereof, or any other treatment approved by the Plant Protection Adviser, Government of India.

The treatment method shall be noted on the Phytosanitary Certificate issued by the supplier country.

Imports of sawnwood are also regulated by the DPPQS, Ministry of Agriculture, Cooperation and Farmers Welfare.

Shipment of sawn or sized wood with or without bark must be either fumigated with methyl bromide at 48 g/cu.m for 24 hours at 21 degrees Celsius or above, or an equivalent thereof, or kiln dried at 56°C for 30 minutes (core temperature of wood) or heat treated at 56°C for 30 minutes (core temperature of wood) prior to shipment. The treatment shall be noted on the Phytosanitary Certificate issued at the supplier country.

The Indian domestic timber sector has proposed phasing out the requirement for methyl bromide fumigation as it is toxic and classified as a class 1 ozone depleting substance. Alternative treatments are said to be under consideration.

Promoting bamboo and sandalwood plantations

The Khadi and Village Industries Commission (KVIC) is exploring the potential for investment in sandalwood and bamboo plantations.

A sandalwood tree matures in 10 to 15 years and can be sold for Rs10-12 lakh. A variety of bamboo, *Bambusa Tulda*, used for making Agarbatti (incense) sticks could provide a regular income says the Commission. Consideration is being given to planting sandalwood and bamboo on vacant land.

See: <https://www.deccanherald.com/national/west/kvic-promotes-bamboo-sandalwood-plantation-854020.html>

Plantation teak

Traders report some plantation teak shipments have started to arrive and are being transported to end-users. At present there are no reported changes in the price range for logs. C&F rates for Indian ports from various other sources continue within the same range as given earlier.

Locally sawn hardwood prices

As most of the sawnwood markets are yet to reopen there has not been any change in prices.

Pre-pandemic prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,800-2,000
Kapur	2,000-2,200
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	800-850
Whitewood	800-850

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

Myanmar teak prices

For the time being trade in imported Myanmar teak has stopped.

Pre-pandemic prices

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

Production at most manufacturing units has not resumed and sales are virtually non-existent.

Pre-pandemic prices

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

Price range depends mainly on lengths and cross-sections.

Plywood

Plywood production and sales of plywood have resumed in many places as India adopts its 'Phase-1 of Mission Begin'. Where production has resumed, sales are reported to be about 40% of pre-pandemic levels. While demand has started to rise analysts report the biggest problem facing manufactures is finding workers.

As raw material costs are starting to rise manufacturers are talking about a possible 5- 7% price increase but, under the current weak market conditions, have decided to wait.

Pre-pandemic prices - 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

Pre-pandemic prices -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

Woodchip prices crash – weak demand in Japan blamed

Woodchip producers in many provinces of Vietnam are suffering from rapidly declining prices. Last year the average price of woodchips exported from Vietnam was around US\$128/BDT while in the first half of 2020 this had dropped to between US\$116 – 120/BDT.

The main reasons for the slump in price are said to be weak demand in the Japanese market as the pulp and paper industry in Japan has cut production due to lower falling domestic demand and the actions of Chinese importers who have grasped the opportunity to force down prices.

Japan and China together account for around 90% of woodchip exports from Vietnam.

In response, some Vietnamese enterprises are restructuring their business to produce wood-based panels (laminated boards/MDF) or furniture making. Last year Vietnam exported about 13 million BDT of woodchips and earned US\$1.7 billion.

See: <https://zingnews.vn/dam-go-e-am-chat-cao-nhu-nui-post1086257.html>

Foreign investors pump millions into plywood sector

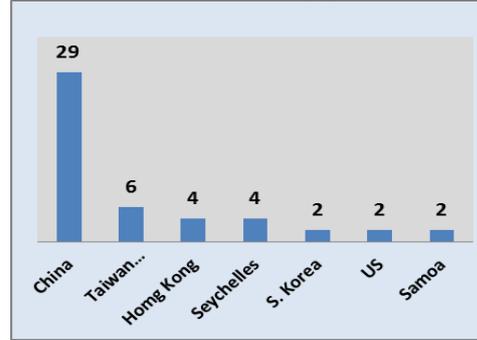
According to the General Department of Foreign Investment in the years between 2015 and the first half of 2020 Vietnam approved investment from 11 countries in 53 plywood projects worth US\$243 million.

Capital invested through FDI in plywood mills (US\$ mil.)



Data source: see below

Source of investments in plywood mills



Data source: see below

Data source: VIFOREST, FOREST TREND, HAWA, BIFA, FPA Binh Dinh, DOWA: Vietnam’s plywood industry - Current status and countermeasures to mitigate risks and strengthen sustainable development

In 2019 Vietnam exported 2.03 million cubic metres of plywood and earned US\$685.4 million equivalent to 7% of all wood and wood product exports. In spite of the pandemic, in the first six months of this year Vietnam has exported 0.90 million cubic metres of plywood earning US\$287 million, an increase of 14% year on year.

Plantation target steadily achieving

During the first 6 months of 2020, Vietnam planted 106,300 ha. of commercial tree plantations which was around 48% of the plantation target for the year. The total re-afforested area planned for 2020 is 220,000 ha.

Suspicious that Chinese components used in ‘Made in Vietnam’ wood products

The United States Department of Commerce has launched an investigation into whether certain hardwood plywood products completed in Vietnam are using components sourced in China.

See: <https://www.federalregister.gov/documents/2020/06/17/2020-13075/certain-hardwood-plywood-products-from-the-peoples-republic-of-china-initiation-of>

The investigation is looking into whether components from China such as assembled cores, multi-ply core panels or individual core veneers are being combined in Vietnam with other components such as face and/or back veneers produced in Vietnam or a third country to circumventing antidumping and countervailing duty orders on plywood from China.

A Notice by the International Trade Administration on 17 June 2020 says: “In response to allegations of circumvention from the Coalition for Fair Trade in Hardwood Plywood (the petitioner), the Department of Commerce (Commerce) is initiating country-wide anti-circumvention inquiries to determine whether certain hardwood plywood products (plywood) completed in Vietnam using plywood components (face veneer, back veneer, and/or either an assembled core or individual core veneers) manufactured in the People's Republic of China (China), or Chinese components (assembled cores, multi-

ply core panels, or individual core veneers) combined in Vietnam with other components (face and/or back veneers) manufactured in Vietnam or third countries, are circumventing the antidumping duty (AD) and countervailing duty (CVD) orders on plywood from China.”

Brazil

Floresta+ Programme encourages preservation of native forests

On 3 July this year the Ministry of the Environment (MMA) adopted the ‘Forest+ Program’ (Programa Floresta+) through an Administrative Ordinance n° 288/20. This ordinance aims to strengthen the preservation of the Brazilian natural forest.

The initial project activities will be carried out in the Legal Amazon covering all nine states in the Amazon basin. Around R\$500 million from the Green Climate Fund will be earmarked for activities that improve, conserve and recover natural forests.

The programme is aimed at supporting individuals, legal entities, community groups and others who conduct environmental service activities in areas of natural vegetation or support natural forest recovery. According to the MMA this is the largest programme of payments for environmental services in the world.

The Administrative Ordinance says that monitoring, surveillance, firefighting, research, tree planting, environmental inventory and agroforestry systems are considered environmental services that bring effective and relevant results for the improvement, conservation and protection of natural vegetation.

The next steps in the ‘Forest+ Program’ involve the definition of methodology, valuation and verification of environmental services, the creation of the National Register of Environmental Services and regulations governing payment for environmental services.

May furniture output reverses much of earlier losses

In May 2020 industrial production of furniture expanded 7% compared to April, reversing two consecutive months of declines (-9% in March and -19% in April). In contrast overall industrial production in May fell over 20%, the second highest drop since records were kept.

The May result, however, was not enough to overcome the accumulated decline in furniture production for the year to-date, which went from -18% to -22% from April to May.

Possible impact of new NAFTA

On 1 July 2020 the new agreement between the US, Mexico and Canada (USMCA) came into force replacing the North American Free Trade Agreement (NAFTA). The Brazilian Business Coalition (Coalizão Empresarial Brasileira - CEB), has published a report on the new agreement.

According to the Coalition, the USMCA signatories account for 17% (US\$225.4 billion) of Brazilian exports and 21% (US\$177.3 billion) of Brazilian imports.

The Coalition underlined some of the possible impacts for Brazil:

- as free trade was maintained, Brazilian companies with operations in Mexico or in the US will not suffer increased costs with any new tariffs;
- rules of origin have become less flexible, reinforcing verification and certification of origin;
- Expanded rules for sanitary and phytosanitary measures based on science;
- and uncertainties regarding the potential of the Brazil-Mexico trade given that the US government said that Mexico is committed to buying US agricultural products to the “maximum possible” extent.

Among the main changes in the agricultural and environmental sectors the CEB report highlights the following:

- maintenance of zero tariffs for agricultural goods;
- reducing export subsidies and increasing transparency in this area
- increasing the effectiveness of customs inspections checking wild flora at ports of entry
- creation of robust and modern mechanisms for public participation and environmental cooperation
- support for sustainable forest management

US, the top export market for Bento Gonçalves furniture cluster

Data from the Special Secretariat for Foreign Trade and International Affairs analysed by the Furniture Industry Association of Bento Gonçalves (Sindmóveis) shows that in the first half of 2020 the furniture cluster of Bento Gonçalves, Brazil's main furniture cluster, saw a 10% decline in exports to US\$19 million.

Exports from Rio Grande do Sul fell by 22% and for all of Brazil the drop was 17% between January and June 2020. However, among exports to the other main markets by the Bento Gonçalves furniture cluster there was growth in exports to Colombia, Peru and the United Kingdom.

According to Sindmóveis, companies operating through e-commerce were the least affected by the pandemic and some earned more than in the same period of last year.

For the domestic and foreign markets furniture sales by the furniture cluster of Bento Gonçalves dropped 9.5% and by 11% for manufacturers in Rio Grande do Sul. Sindmóveis anticipates there will be significant declines reported in the coming months but by the end of the year business should be improving.

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	157
Jatoba	83
Massaranduba	76
Muiracatiara	80
Angelim Vermelho	76
Mixed redwood and white woods	65

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	668
Jatoba	337
Massaranduba	327
Muiracatiara	301
Angelim Vermelho	296
Mixed red and white	192
Eucalyptus (AD)	148
Pine (AD)	99
Pine (KD)	121

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	388
10mm WBP	321
15mm WBP	268
4mm MR.	307
10mm MR.	229
15mm MR.	207

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDParticleboard	151
15mm MDF	188

Source: STCP Data Bank

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1,446
Jatoba	853
Massaranduba	847
Muiracatiara	862
Pine (KD)	168

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	248
12mm C/CC (WBP)	241
15mm C/CC (WBP)	230
18mm C/CC (WBP)	228

Source: STCP Data Bank

Export prices for added value products

		US\$ per cu.m
FOB Belem/Paranagua ports		
Decking Boards	Ipê	2,956
	Jatoba	1,457

Source: STCP Data Bank

Peru

Lockdown lifted

On 16 March Peru implemented a lockdown at a time when there were less than 100 coronavirus cases in the country. Despite the quick action by the government, Peru now has the third-highest number of cases in the Americas, after the US and Brazil.

On 30 June the government revised the lockdown switching to what it calls "Phase 3" of its economic recovery. Now Stores can open with 50% customer capacity, restaurants but not bars can open with 40% customer capacity and hotels and travel agencies are allowed to operate. Before reopening, businesses must present their public health plan to the Peruvian authorities and await approval.

In related news, the president of the Association of Exporters (ADEX), Erik Fischer Llanos, welcomed the decision of the government allowing full resumption of external trade activities as this will help revive the economy.

Export update

The Exporters Association (ADEX) has reported that between January and April, wood product exports were down around 35% to US\$26.5 million FOB. In the same period last year exports were worth US\$41 million.

In the same 4 month period exports of semi-manufactured products accounted for over half of all export but saw a 45% decline year on year.

Sawnwood exports accounted for over 30% of export earnings and surprisingly 2020 earnings were over 20% higher than in 2019. In contrast, export earnings from veneer and plywood dropped over 25%.

Of the US\$26.5 million exported in the first 4 months of this year China continued to be the main market accounting for around 40% of all wood product exports (mainly sawnwood). But, the value of earnings from China in 2020 was down over 20% compared to the same period in 2019.

Mexico was the second largest market at 11% of exports but here the value of exports dropped over 30%. France and the United States are in third and fourth placed markets and in both the decline in export sales was well over 50%.

Deforestation in Peruvian Amazon slowed during lockdown

During the period of mandatory social isolation decreed by the government as a preventive measure to COVID-19 the Ministry of the Environment, quoting the Early Deforestation Alerts (ATD) of the National Forest Conservation Programme, has reported that deforestation in the Amazon forests in the country dropped year on year by almost 30%.

It is reported that in the period from the start of the lockdown up to May, 7,000 hectares of forest loss was identified. The Ucayali region had the greatest loss, says the Ministry

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	561-603
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	273-284
Spanish Cedar	342-355
Marupa (simarouba)	233-242

Export veneer prices

Veneer FOB Callao port	US\$ per cu.m
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 cu.m
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 cu.m
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 cu.m
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 cu.m
Cabreuva/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	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	544-577
2x13x75cm, Asian market	756-822

Japan

Thousands laid-off

The Ministry of Labour has reported that only 32,000 workers, so far, have been fired by their employers due to the impact of the coronavirus pandemic adding that about 232,500 businesses are eligible for subsidies allowing them to keep their workers on the payroll. The Ministry reports having paid out over US\$1.5 billion to companies.

The number of identified infections has been rising in tandem with the increase in the rate of testing. Tokyo has the highest number of cases and this has surged since movement restrictions and restrictions on businesses were eased.

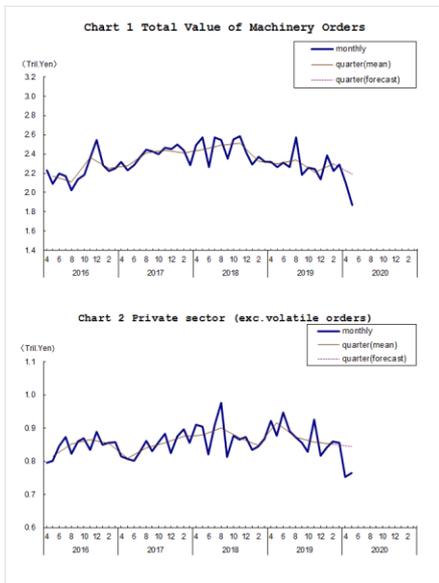
Tokyo's cumulative infections reached 7,927, accounting for nearly a third of the around 22,600 confirmed cases in the country. None of those recently infected were in a serious condition as most are in their 30s or younger.

Pace of decline in machinery orders slows

A survey of the value of machinery orders received by manufacturers operating in Japan reveals there was a more than 10% decline in May from the previous month. But, says the report, private-sector machinery orders, excluding for ships and those from electric power companies, increased slightly in May.

The Chief Economist at Norinchukin Research Institute is reported by the Japan Times as saying "Japan's economy may have hit the bottom in May but capital expenditure likely won't turn for the better, as weak demand and the risk of a second wave of infection discourage manufacturers from boosting non-urgent spending."

See: <https://www.esri.cao.go.jp/en/stat/juchu/2020/2005juchu-e.html>



Source: Cabinet Office, Japan

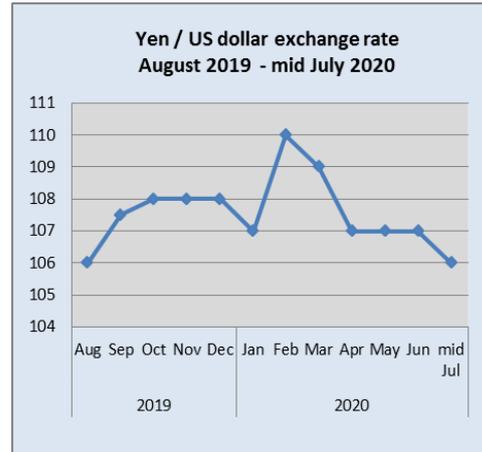
Consumer sentiment clawing back

Cabinet Office data shows that in June, for a second consecutive month, Japan's consumer confidence index rose but still remained well below pre-pandemic levels despite the end of a nationwide state of emergency.

The index of sentiment among households for their economic expectations for the coming six months jumped marking the biggest reversal since the recent survey method was introduced (see below).

The index for willingness to purchase durable goods rose however, it should be remembered that a reading below 50 suggests pessimism.

In Japan, the economic fundamentals are steady and it seems that the yen/dollar exchange rate has more to do with the pandemic impact around the world than the performance of the domestic economy.

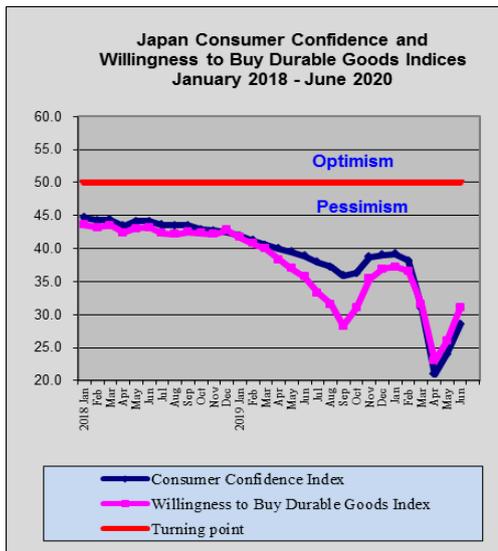


Housing starts forecast to 2030

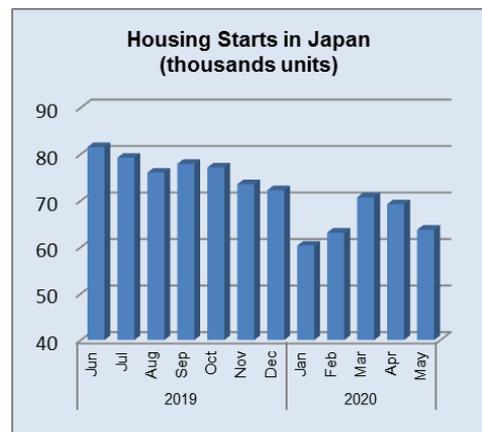
Year on year, May housing starts were down 12% and compared to April starts fell by more than 5%. May marked the second consecutive decline in starts and for the first 5 months of this year housing starts are off by 11% which, given the impact of the pandemic control measures and reduced business activity is better than expected.

However, according to a recent Nomura Research Institute report, there is likely to be a significant drop in new housing starts across Japan by 2030. Housing starts are forecast to drop from 950,000 units in 2018 to 730,000 units in 2025. In 2030, total housing starts are forecast to be only 630,000 units.

If this forecast is correct it will result in marked changes in the structure of the domestic wood products sector as well as in imports.



Data source: Cabinet Office, Japan



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

Yen more susceptible to global trends than domestic economy

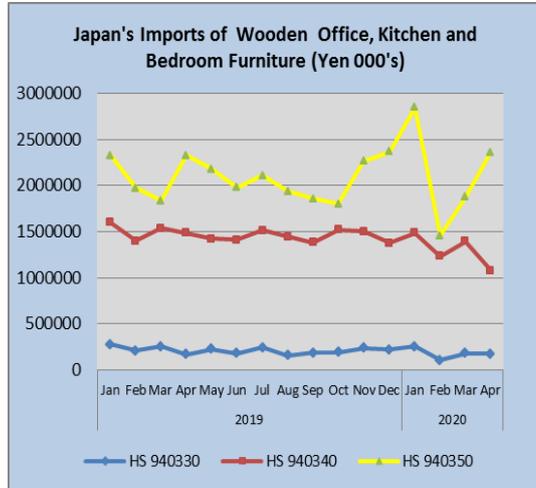
The US dollar remains weak as infections in the US and around the world continue to increase which has raised uncertainty about the prospects for a recovery in trade and investment.

Import update

Furniture imports

Japan's April furniture import data present a mixed picture. Wooden bedroom furniture imports continued the upward trend advancing on the value of March imports, on the other hand wooden kitchen furniture imports dipped.

Since the end of 2019 wooden kitchen furniture imports have been on a downward path.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

The value of April imports of wooden office furniture (HS940330) were around the same level as in March and year on year the value of April imports were little changed. At almost 80% of all April wooden office furniture imports producers in China dominate the trade. The other traditional shippers, Poland and Italy slipped back, with each shipping around 3% of April's imports.

Office furniture imports

	Imports Apr. 2020 Unit, 000's Yen
S. Korea	-
China	138,848
Taiwan P.o.C	756
Vietnam	1,790
Thailand	2,762
Malaysia	-
Indonesia	1,057
UAE	-
Sweden	-
Denmark	-
UK	684
Netherlands	-
Belgium	245
France	1,660
Germany	-

	2,428
Switzerland	-
Portugal	2,655
Italy	4,468
Poland	5,667
Turkey	-
Lithuania	2,736
Slovakia	2,188
Canada	269
USA	3,221
Mexico	-
Australia	2,662
Total	174,096

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

Japan's imports of wooden kitchen furniture slumped in April. Year on year, the value of April imports was down 29% and compared to the value of March imports there was a 22% decline in April.

The most notable change month on month was in the value of shipments of wooden kitchen furniture from China which jumped more than three fold. In April the main shippers were, in order of value rank, Vietnam (49%) the Philippines (23%) and China (17%). China's shipments in March accounted for just 3% of imports.

Kitchen furniture imports (HS 940340)

	Imports Apr. 2020 Unit, 000's Yen
China	183,158
Taiwan P.o.C	1,169
Vietnam	524,951
Thailand	40,039
Malaysia	1,421
Philippines	254,295
Indonesia	22,951
Sweden	-
Denmark	-
UK	2,373
Netherlands	-
Germany	21,512
Spain	-
Italy	18,462
Finland	-
Romania	1,138

Turkey	-
Lithuania	-
Czech Rep.	-
Canada	7,098
USA	-
Total	1,078,567

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The additional rebound in the value of April imports of wooden bedroom furniture (+26%), coming as it did after the almost 30% month on month rise in March only brought April imports level with those in April a year earlier.

Exporters in two countries, China and Vietnam dominated April imports of wooden bedroom furniture (HS940350). Shippers in China accounted for just over half of all arrivals in April followed by Vietnam at 37%. The other main shippers, Thailand, Malaysia and Indonesia together accounted for just 3% of Japan's imports of wooden bedroom furniture.

Bedroom furniture imports (HS 940350)

	Imports Apr. 2020 Unit, 000's Yen
S. Korea	-
China	1,315,044
Taiwan P.o.C	6,492
Vietnam	883,600
Thailand	55,731
Malaysia	38,525
Indonesia	26,970
Sweden	4,164
Denmark	-
UK	-
Netherlands	-
Belgium	-
France	498
Germany	-
Switzerland	-
Italy	7,773
Poland	17,017
Austria	-
Hungary	1,237
Greece	270
Romania	-
Latvia	242
Lithuania	4,552
Bosnia Herzegovina	-
Canada	-
USA	418
Total	2,362,533

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>

Performance of building materials trading firms

For the term ended March 31, performance of four major building materials trading firms and Sumitomo Forestry is disclosed.

Corona virus incident is nothing to do with the performance but imported plywood business did not contribute by slump market in Japan. Consumption tax hike in October last year generated rush-in purchase of building materials and house appliances, which contributed performance.

Four companies are Itochu Kenzai Corporation, SMB Kenzai Co., Ltd., Sojitz Building Materials Corporation. Building materials division of Sumitomo Forestry Co., Ltd does not publicize current profit as the division.

Total sales of five companies maintained 1,200 billion yen but profit decreased. In sales, imported plywood sales decreased by 25.1 billion yen. Generally processed building materials and house appliances were good but plywood and lumber did not have any strength. While imported plywood keeps losing ground, domestic softwood plywood gained strength.

Housing starts for the period were 880,000 units plus, 7.8% less than previous period. This is first time that the starts dropped less than 900,000 units after five years. There are last minutes purchases before consumption tax hike so building materials and some renovation works moved rather actively.

Meantime, imported plywood and some commodity items lost supply and demand balance and became money loser. Itochu Kenzai is the only company registered increased sales and profit. Others had decreased sales and profit. Itochu Kenzai had record high sales and current profit and ordinary profit was fourth highest. Consolidated sales are the top in the past and ordinary profit is second high.

Sumitomo Forestry's sales increased by 9.8 billion yen by sales of building materials but decreased by 16 billion yen by lumber and plywood. Ordinary profit exceeded last term except for profit of transfer of New Zealand plantation business, which is registered as non-operating income.

SMB Kenzai reduced the profit by 37% after loss by business transfer and withdrawal of joint venture in Australia is appropriated as special loss.

Sojitz Kenzai's sales have been over 160 billion yen but the profit has kept falling for three straight terms since 2017. Major factor of sales drop is decrease of imported plywood sales.

Toyo Materia suffered decreased sales and profit. For the first time, sales of domestic plywood exceeded imported plywood. Material sales to subsidiary precutting company decreased after the company quit. For the company, plywood sales had been the top but now it is replaced by building materials sales.

After all, imported plywood business had been core business for all major trading firms but not any more.

Daishin Plywood to quit

Daishin Plywood Co., Ltd. (Niigata prefecture) announced that it will quit manufacturing plywood at the end of March 2021 and dissolve the company. It has been manufacturing South Sea hardwood plywood but availability of logs from South Sea countries gets tougher without any hope of recovery with climbing prices.

This is the largest hardwood plywood manufacturer in Japan. It consumes about 6,300 cbms of logs a month to produce 3,800 cbms of plywood.

Logs are 75-80 % of mersawa from PNG and 20% of meranti from Sarawak, Malaysia.

Products are 1,250 cbms of three layered thin panel and 1,350 cbms of medium thick panel. These take about two third of products and a balance is thick panel. Majority is base panel of decorative plywood so secondary processors are major customers.

It manufactured composite plywood with local cedar but basically it manufactures products secondary processors want, for which import plywood cannot deal with. The annual sales are about five billion yen.

Up until 2018, combination of logs was 50% of Sabah, Malaysia, 20% of Sarawak, Malaysia and 30% of PNG then Sabah government banned log export in 2018 so the combination failed and share of PNG increased. Then PNG government increased log export duty with possible export ban in future.

Log size got smaller so that recovery dropped. There is no other source to replace PNG. Then came corona virus pandemic and future demand of building materials looks gloomy and profitability continues to drop so it finally decided to give up.

The company started in 1957 in Tokyo then moved to Niigata in 1965. Oshika Corporation, adhesive manufacturer, became the owner in 2015.

South Sea log and lumber

Tropical hardwood log supply from PNG and Sarawak, Malaysia has been steady although the volume is very limited.

Log supply in both countries is tight. In PNG, log harvest is decreasing after increase of export duty and dwindling export to China.

In Sarawak, Malaysia log supply has been tight and local plywood mills struggle to secure the necessary volume. In Japan, Daishin Plywood, the largest tropical hardwood plywood manufacturer announced to quit the business in March next year. Tropical hardwood log demand will further drop.

Japan Kenzai markets 100% domestic wood long plywood

Japan Kenzai Co., Ltd. (Tokyo) has started marketing 100% domestic wood long length plywood since May. Thickness is 9 mm and 12 mm. Veneer for 9 mm plywood is pine core with cedar face and back and for 12 mm is all cedar. This is first product of all cedar long length plywood.

Sizes are 910x2,730 mm, 910x3,030 mm and 1,000x3,030 mm for both 9 and 12 mm. Manufacturer is Nisshin group in Tottori prefecture.

Japan Kenzai submit sample to Japan Plywood Inspection Corp. and tested JAS structural bending and cleared the standard.

All domestic cedar structural plywood is now normal for standard 3x6 plywood but for long plywood, imported species like North American Douglas fir and Russian larch are used for face and back in view of strength. Now by selecting cedar veneer severely, all cedar long length plywood is approved. It tries to make 100% cedar 9 mm long panel.

Recovering Japan's log (and lumber) export

Japan's log export for the first four months is 367,411 cbms, 6.8% less than the same period of last year. Lumber export is 46,159 cbms, 6.9% less.

Log export to China in March was down by 47.2% so total decreased. Then export to China recovered in April so total increased by 20%. Also log export to Taiwan and Vietnam increased significantly. Lumber export to China also increased in April. Lumber export to the U.S.A. has been increasing steadily from January. Large drop of log export to China in March is result of corona virus outbreak in China.

Cedar log export to China in January was 10.1% less than 2019, February was 22.6% less. March was 44.9% less then April was 20.5% more. Drop of small diameter logs with top diameter of 15 cm or less was large but small log export recovered in April. Log export to Korea in 2019 decreased but it increased by 16.7% for the first four months then Taiwan was flat last year but it increased by 30% this year. Log export to Vietnam, which is new market, increased by three times of 2019 although the volume is small yet with 6,105 cbms. This is promising market after corona virus problem is over.

As to cedar lumber export, export to China and Philippines, two major market, decreased for the first three months then China increased by 56.8% so total four months is 3.4% more. Philippines continues weak in April.

Lumber export to the U.S.A. has been increasing steadily. January was 44.5% more. February was 20.8% more. March was 29.1% more and April was 48.0% more. There is no impact of corona virus pandemic in the U.S.A. as to cedar lumber market.

China

Intelligent manufacturing adds vitality to furniture industry

China's first Furniture Intelligent Manufacturing Innovation Center has been set up in Longhui Town, Nankang and it aims to become a national base for intelligent manufacturing. The facility applies 5G, blockchain, robotics and augmented reality to production processes for rubberwood furniture.

The application of robotic production and intelligent manufacturing furniture has lowered production costs for some items by as much as 60%.

See: https://news.dayoo.com/china/202006/30/139997_53412360.htm and https://www.sohu.com/a/397131621_120592909

Container freight costs rise

The early July Drewry composite World Container Index fell slightly after reaching a 5-year high of US\$2,023 per 40ft container. This, say analysts, reflected that container ship capacity is still an issue.

The ocean shipping prices Shanghai to Los Angeles and Shanghai to New York recently jumped around 20% to US\$2,650 and US\$3,207 respectively per 40-foot container.

Prices, however, eased into the second half of July but still the average ocean freight price Shanghai to Los Angeles in July this year was almost twice that at the same time last year. If freight rates remain high this will impact the timber trade.

Chengen Plywood secure relief from tariffs

Plywood is a major export product for Linyi, Shandong Province accounting for around 40% of export earnings.

The US Department of Commerce conducted anti-dumping and countervailing subsidies investigation into Chinese hardwood plywood produced by Linyi Chengen Import and Export Co., a member of Linyi Wood Industry Association.

In the final determination of anti-dumping the US applied a high tax rate. Linyi Chengen filed an appeal with the United States International Trade Court in January 2018 and secured a reversal as in June this year the US

Department of Commerce made a final determination for Linyi Chengen of a zero tariff rate. The level of some other taxes was also reduced.

See: http://m.wood365.cn/News/NewsInfo_265809.html?Hisback=/News/NewsInfo_87841.html?Hisback=/News/

Export of biopolymer modified rubberwood

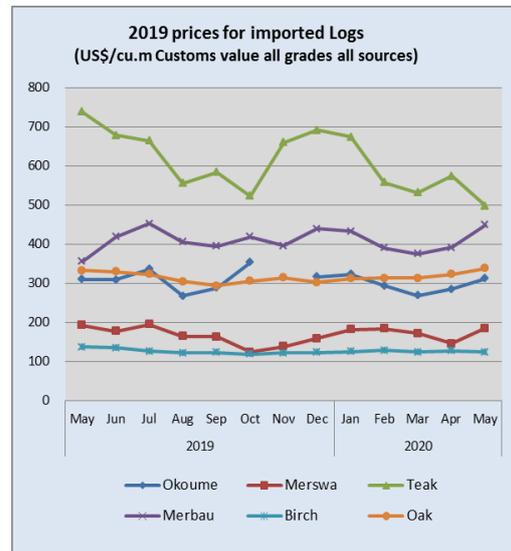
Baoxiang Forest Products Group under the Hainan Natural Rubber Industry Group has negotiated with Japanese customers for a shipment of biopolymer modified rubberwood for outdoor construction.

See: <http://money.hinews.cn/view11.php?xuh=207059>

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

	2020 Apr	2020 May
Okoume	284	312
Merswa	145	184
Teak	574	498
Merbau	391	449
Birch	127	124
Oak	323	338

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

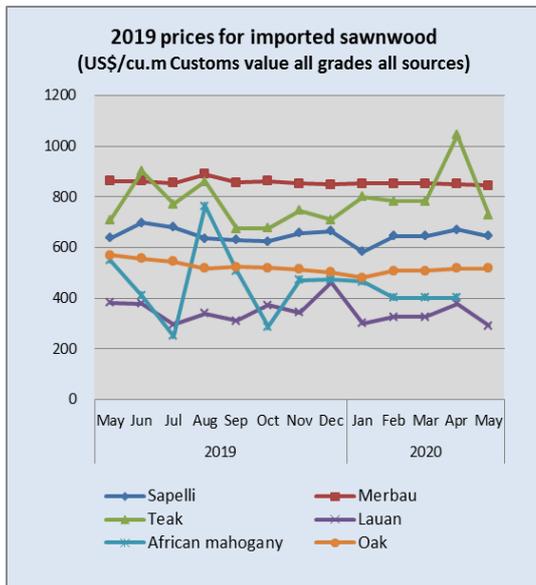


Data source: China Customs. Customs value all grades, all sources

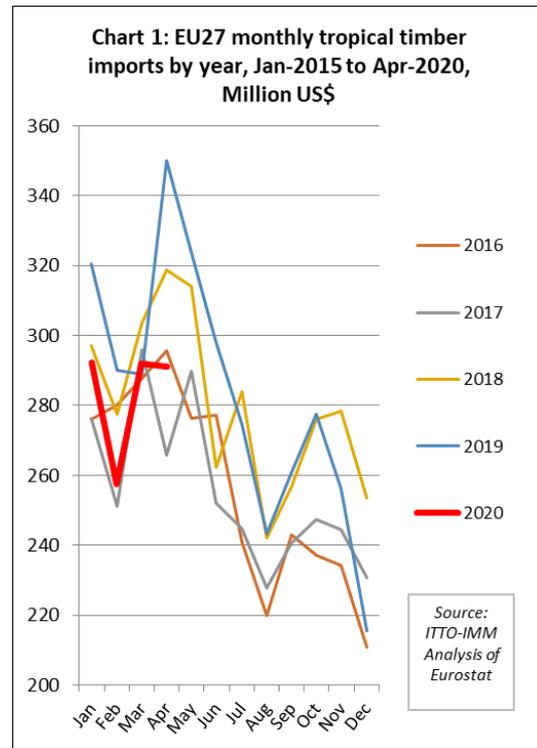
Average imported sawnwood prices US\$/cu.m CIF

	2020 Apr	2020 May
Sapelli	670	645
Merbau	851	845
Teak	1044	729
Lauan	377	291
African mahogany	1046	na
Oak	518	518

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



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



Source: ITTO-IMM Analysis of Eurostat

Europe

No strong COVID-19 signs in EU tropical timber import data

EU27 (i.e. excluding the UK) tropical timber product imports continued to defy expectations of COVID-19 driven collapse in the four months to April this year.

Despite all the large western European countries implementing COVID-19 lockdown measures starting in the second two weeks of March, and mounting supply-side problems in tropical countries, total imports of tropical wood and wood furniture products into the EU in April were little changed compared to the previous month.

Unfortunately, this is not a good news story. The signs are that the EU market for tropical wood products was weakening well before the effects of COVID-19 were even apparent.

The lack of evidence so far of a further downturn in direct response to the COVID-19 outbreak is likely just a reflection of the long lead times in the tropical wood supply chain.

Chart 1, which shows the value of EU27 imports of tropical wood and wood furniture products reported monthly during the last five years, highlights that imports in 2020 were closely mirroring imports in 2016 and 2017 to the end of April.

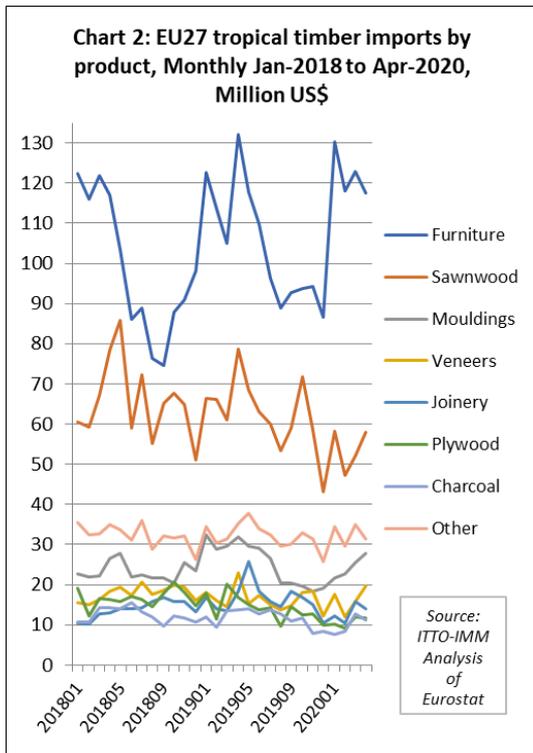
The tropical trade in the EU in both 2016 and 2017 was weak overall and the signs were, before the onset of COVID-19, that 2020 was lining up to be another slow year. Certainly, well down on 2018 and 2019 when there was a short-term revival in trade.

Given widespread reports during April of EU importers struggling to deal with a build-up of stock that could not be shifted as manufacturers, retailers and construction sites went into lockdown, a more significant decline in imports may well be seen in the May and June trade figures.

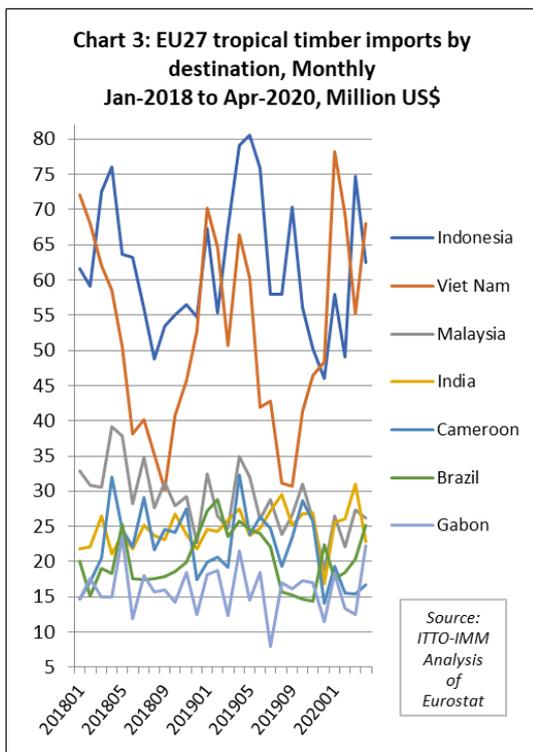
More positively, it should be said that the DIY sector in the EU remained quite buoyant in some countries throughout the lockdown months with many people taking the opportunity to carry out home improvement work.

In other EU countries with less stringent lockdowns, such as the Netherlands and Sweden, commercial construction and some manufacturing activity also continued, at a slower pace but without interruption.

Chart 2 shows that in all tropical wood product groups, there was no significant downturn in EU27 imports in March and April this year. In fact, imports of some product groups, such as sawnwood, mouldings/decking, and veneer, increased during this period compared to the previous two months.



EU imports from tropical countries are typically highly volatile from month to month, and often show no consistent pattern (Chart 3), making it difficult at this stage to assess the likely longer-term effects of COVID-19. However, the contrasting trends in monthly imports from the two largest tropical suppliers to the EU - Indonesia and Vietnam - provide some insights.



EU imports from Indonesia, which are dominated by garden furniture, decking and plywood, tend to be strongest in the spring season.

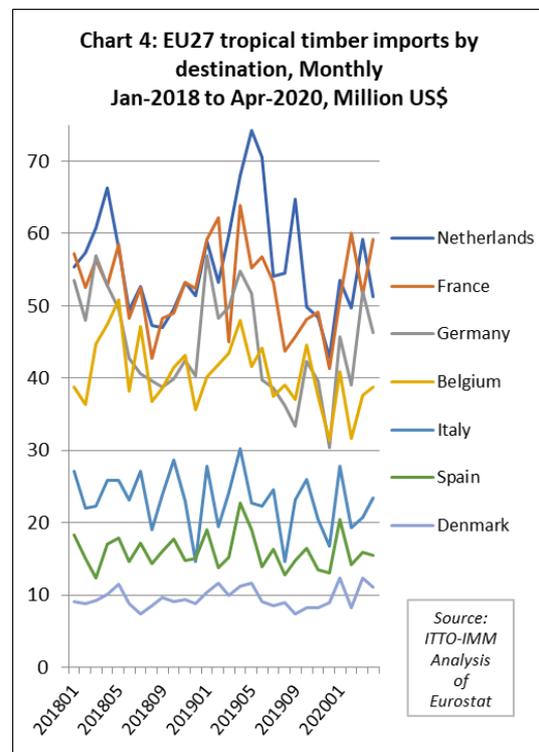
The sharp decline in imports from Indonesia in April this year, at a time when trade is usually rising, does not bode well for the rest of 2020.

In contrast to Indonesia, imports from Vietnam are dominated by interior furniture and tend to be strongest at the turn of the year, in time for the January sales, and to be very slow during the summer and early autumn.

In that sense, Vietnamese suppliers have been more fortunate because the lockdown in EU countries occurred after a large proportion of shipments to the EU in a typical year had already arrived. The import data also shows that quite a lot of shipments from Vietnam continued to arrive in the EU during April.

The full effects of COVID-19 on EU imports from Vietnam will only become truly apparent later this year when the products for next season begin (or fail) to arrive.

Chart 4 shows that there was no unprecedented downturn in imports of tropical wood products into any EU27 country in the month of April this year. In fact, imports were higher in Belgium, France and Italy in April than in the previous month. There was a decline in Germany and the Netherlands, but not inconsistent with previous monthly changes.



EU economy forecast to contract 9% in 2020

It would be wrong to read too much into trade data that only captures the first few weeks of the lockdown period and does not account for the long lead times in the tropical trade. Longer term indices of market health are less reassuring.

The EU's 'Summer 2020 Economic Forecast', published 7 July, suggests that the EU economy will experience a deep recession this year due to the coronavirus pandemic. Because the lifting of lockdown measures is proceeding at a more gradual pace than assumed in the Spring Forecast, the impact on economic activity in 2020 is expected to be more significant than anticipated.

The 'Summer 2020 Economic Forecast' projects that the euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021. The EU economy is forecast to contract by 8.3% in 2020 and grow by 5.8% in 2021.

The Forecast notes that "the impact of the pandemic on economic activity was already considerable in the first quarter of 2020, even though most Member States only began introducing lockdown measures in mid-March. With a far longer period of disruption and lockdown taking place in the second quarter of 2020, economic output is expected to have contracted significantly more than in the first quarter".

The risks to the Forecast are exceptionally high and mainly to the downside. The Forecast assumes that lockdown measures will continue to ease and there will not be a 'second wave' of infections. However, a second wave is possible, particularly as the temperature cools in the Autumn months.

There are also considerable risks that the labour market could suffer more long-term scars than expected and that liquidity difficulties could turn into solvency problems for many companies. There are risks to the stability of financial markets and a danger that Member States may fail to sufficiently coordinate national policy responses.

The Forecast also notes that a "failure to secure an agreement on the future trading relationship between the UK and the EU could also result in lower growth, particularly for the UK. More broadly, protectionist policies and an excessive turning away from global production chains could also negatively affect trade and the global economy".

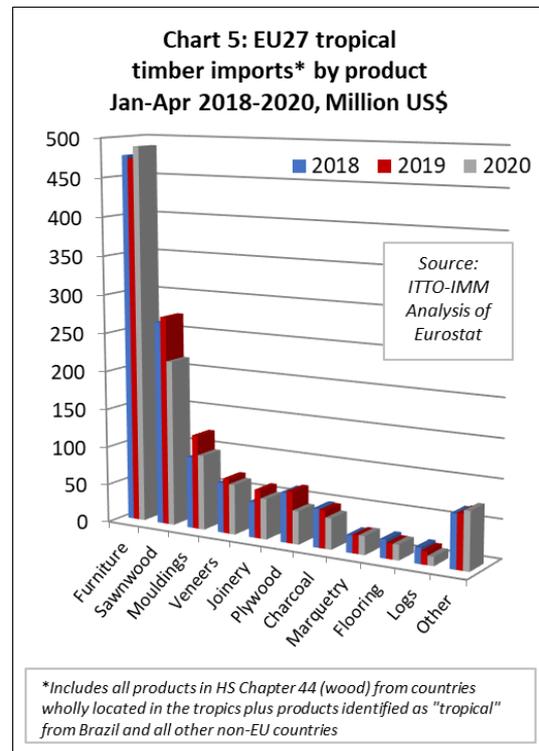
On the upside, the forecast notes that "early data for May and June suggest that the worst may have passed. The recovery is expected to gain traction in the second half of the year, albeit remaining incomplete and uneven across Member States". It suggests "a swifter-than-expected rebound cannot be excluded, particularly if the early availability of a vaccine or the epidemiological situation improves generally to allow a faster lifting of remaining restrictions than assumed".

EU tropical imports already down 9% before COVID-19

Trade data is also less reassuring about future market prospects when cumulative EU imports in the first four months of 2020 are compared to the same period in 2019. Total EU import value of tropical wood and wood furniture products was US\$1.13 billion between January and April this year, 9% less than in 2019.

This again highlights that, even before the effects of COVID-19 are seen in the trade data, there was significant cooling in the EU market for most tropical wood products this year.

Although imports of wood furniture from tropical countries increased 3% to US\$488 million in the four month period, imports of most other tropical commodities declined sharply including sawnwood (down 21% to US\$215 million), mouldings (down 20% to US\$97 million), veneer (down 20% to US\$65 million), joinery (down 16% to US\$52 million), plywood (down 36% to US\$43 million), charcoal (down 18% to US\$24 million), and logs (down 31% to US\$12 million) (Chart 5).

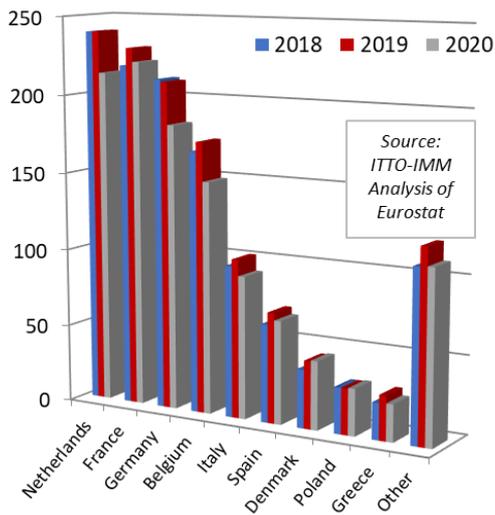


Imports fell into all six of the largest EU destinations for tropical wood and wood furniture products in the first four months of this year.

Imports were down 11% to US\$214 million in the Netherlands, 4% in France to US\$222 million, 13% in Germany to US\$183 million, 14% in Belgium to US\$149 million, 10% in Italy to US\$91 million, and 6% in Spain to US\$66 million.

There was a slight gain of 2% in both Denmark, to US\$44 million) and Poland, to US\$30 million (Chart 6).

Chart 6: EU27 tropical timber imports* by destination Jan-Apr 2018-2020, Million US\$

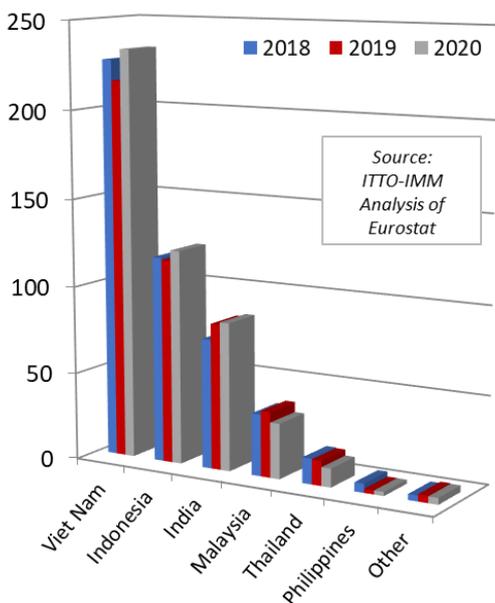


*Includes all products in HS Chapter 44 (wood) from countries wholly located in the tropics plus products identified as "tropical" from Brazil and all other non-EU countries

In the furniture sector, EU imports from all three of the largest tropical supply countries were ahead this year compared to last after the first four months. Imports were up 8% from Vietnam at US\$233 million, 5% from Indonesia at US\$122 million, and up 2% from India at US\$85 million.

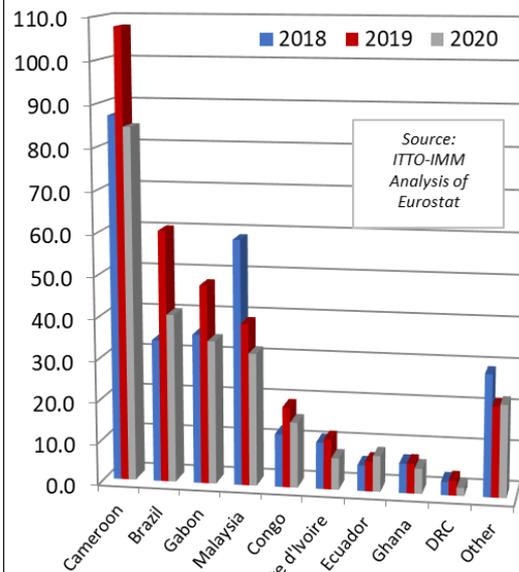
This contrasted with declining imports from smaller suppliers, including Malaysia, down 16% at US\$31 million, Thailand down 24% at US\$11 million, and the Philippines, down 3% at US\$2.3 million (Chart 7).

Chart 7: EU27 imports wood furniture from tropical countries Jan-Apr 2018-2020, US\$ million



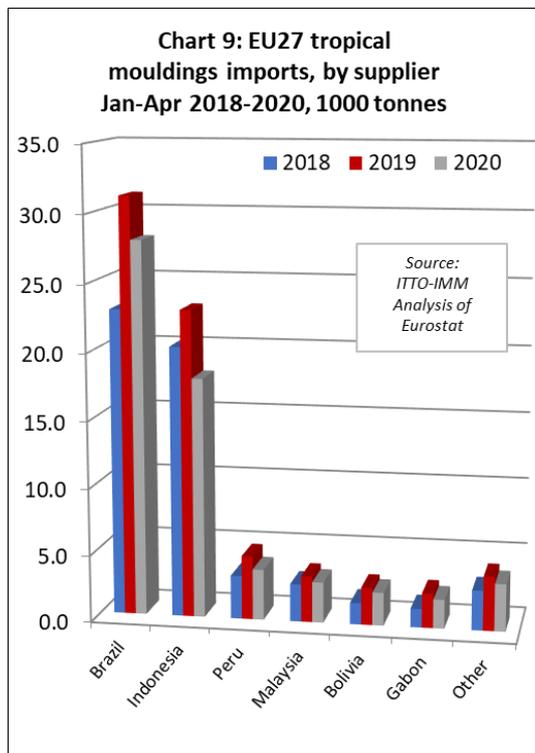
EU imports of tropical sawnwood declined sharply from all major supply countries in the first four months of 2020; down 22% from Cameroon to 84,500 cu.m, 33% from Brazil to 40,500 cu.m, 28% from Gabon to 34,500 cu.m, 18% from Malaysia to 32,000 cu.m, 19% from Congo to 15,700 cu.m, 37% from Côte d'Ivoire to 7,600 cu.m, 16% from Ghana to 6,100 cu.m, and 46% from DRC to 1,900 cu.m. Ecuador was the only country making gains this year, rising 20% to 8,600 cu.m, likely driven by strong demand for balsa for wind turbines (Chart 8).

Chart 8: EU27 tropical sawn wood imports, by supplier Jan-Apr 2018-2020, 1000 m3

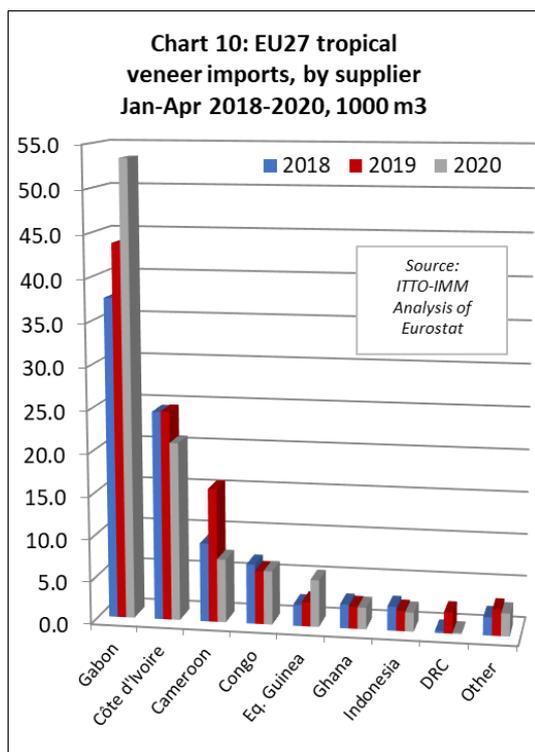


The decline in imports of tropical sawnwood in the first four months of 2020 was mirrored by a similar decline in imports of tropical mouldings/decking.

Imports of this commodity were down 10% from Brazil to 28,000 tonnes, 22% from Indonesia to 17,900 tonnes, 21% from Peru to 3,800 tonnes, 12% from Malaysia to 3,000 tonnes, 12% from Bolivia to 2,500 tonnes, and 17% from Gabon to 2,200 tonnes (Chart 9).



In the veneer sector, imports from Gabon bucked the wider downward trend in EU imports in the first four months of 2020. The EU imported 53,400 cu.m of veneer from Gabon between January and April this year, 22% more than the same period in 2019. Veneer imports also doubled from a small base to 5,500 cu.m from Equatorial Guinea.

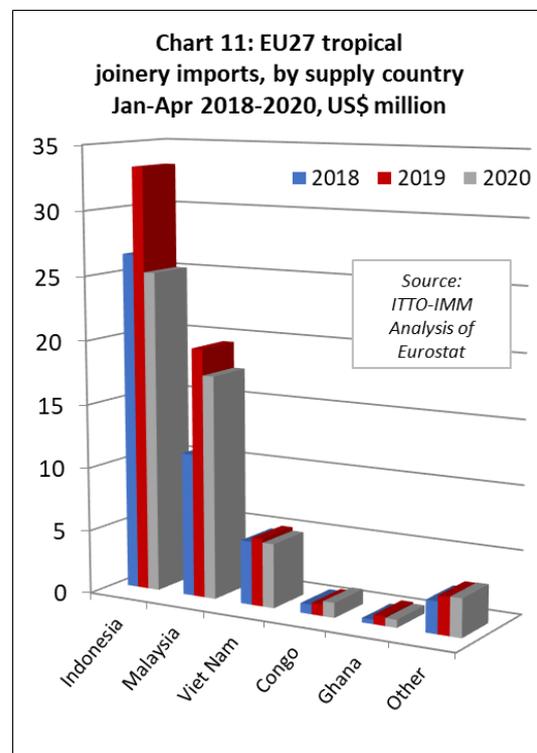


However, imports were down 15% from Côte d'Ivoire at 21,000 cu.m, 53% from Cameroon at 7,500 cu.m, and 7% from Indonesia at 2,250 cu.m.

Imports were stable at 6,300 cu.mcu.m from Congo and 2,500 cu.m from Ghana (Chart 10 above).

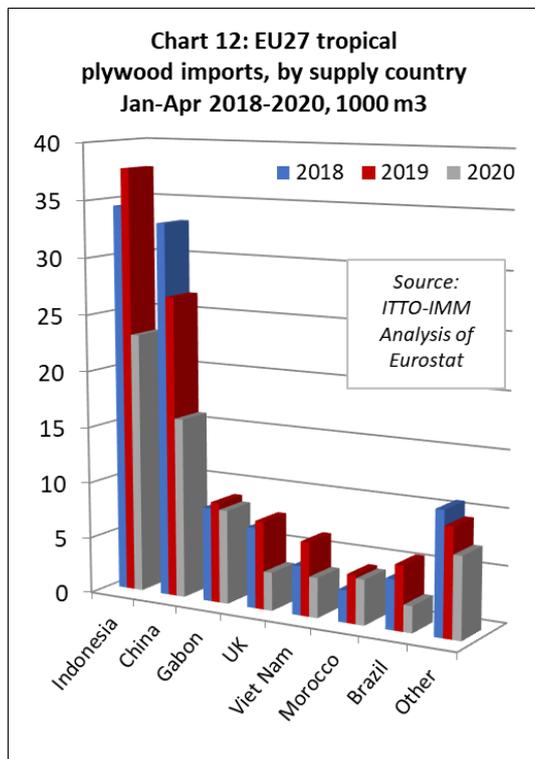
EU imports of joinery products from tropical countries, which mainly comprise laminated window scantlings, kitchen tops and wood doors, declined from all three of the main supply countries in the first four months of 2020.

Imports from Indonesia were down 24% to 25,000 tonnes, 10% from Malaysia to 17,500 tonnes, and 5% from Vietnam to 5,000 tonnes. There was a 30% increase from Congo, to 1,160 tonnes (Chart 11).



EU imports of tropical hardwood faced plywood were also down from all the leading supply countries in the first four months of 2020. Imports fell 39% to 23,100 cu.m from Indonesia, 40% to 16,000 cu.m from China, 7% to 8,400 cu.m from Gabon, 7% to 4,000 cu.m from Morocco and 46% to 3,500 cu.m from Vietnam.

Imports of tropical hardwood faced plywood into the EU27 from the UK, now also an external supplier to the EU, declined 56% to 3,400 cu.m (Chart 12).



North America

Economic activity flat lining

Given the reporting lag for most traditional economic indicators, investors have turned to real-time data to assess the US economy during the COVID-19 pandemic. Economists at Jefferies write in a note to clients that their in-house economic activity index has ‘flat-lined’.

Many of the Southern states are experiencing a significant surge in coronavirus with coronavirus deaths rising in Florida, Texas, and Arizona, even as they continue to trend down nationally.

Regional data show particular economic weakness in virus-hit states, where V-shaped recoveries are changing to a W trend.

See: <https://www.axios.com/coronavirus-surge-economic-recovery-stalls-ea0303a4-81d0-47ed-94e3-def1d3884ec9.html>

Falling timber supply affecting construction sector

A shortage of sawnwood is affecting the construction industry in what is usually its busiest time of the year. All contractors are experiencing the supply crunch which began with the onset of COVID-19.

The pandemic caused a big decline in supply as well as a surprising increase in demand spurred by homeowner renovations. Slower harvesting and production cuts have also played a role.

Many of North America’s biggest sawnwood producers have significantly lowered output during the pandemic while laying off hundreds of employees.

US importers request flexibility on formaldehyde audits

In a 29 June letter, Cindy Squires, Executive Director of the International Wood Products Association, wrote to US Environmental Protection Agency Administrator Andrew Wheeler requesting regulatory relief for Third-Party Certifiers under the TSCA Title VI Composite Wood Program concerning the requirement for on-site inspections during the COVID-19 pandemic.

This request comes after the California Air Resources Board provided guidance on procedures to allow flexibility for TPCs to continue their oversight on established and approved composite wood panel producers when on-site inspections may be impossible due to global travel restrictions.

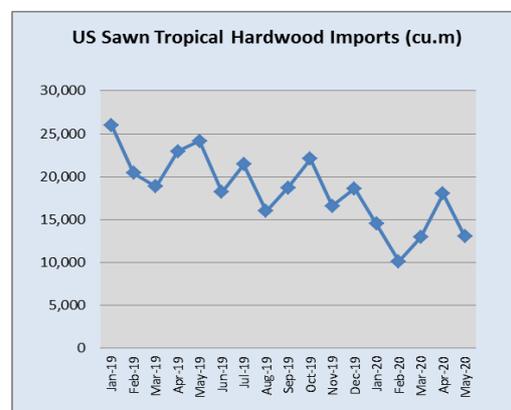
Squires urged EPA take quick action to provide much needed regulatory relief to allow TPCs under the TSCA Title VI Composite Wood Program to conduct remote “on-site” inspections of panel producers during the ongoing COVID-19 pandemic.

See: https://cdn.ymaws.com/www.iwpawood.org/resource/resmgr/ene ws/IWPA_letter_COVID_Relief_for.pdf

Tropical sawnwood imports sharply down

After a promising April, US imports of sawn tropical hardwood fell by 39% in May, back to the level seen in March. At 39,020 cubic metres, the volume of tropical sawn hardwood imports were down more than 45% from the previous May. Year-to-date 2020 imports are down 39%.

Imports from Indonesia were down by 55% in May but remain a 26% head year-to-date. Imports from Brazil fell by 21% and imports from Cameroon were off 35%. Imports from Ecuador bounced back somewhat in May, rising 49%, but still trail 2019 year to date by 73%



Data source: US Census Bureau, Foreign Trade Statistics

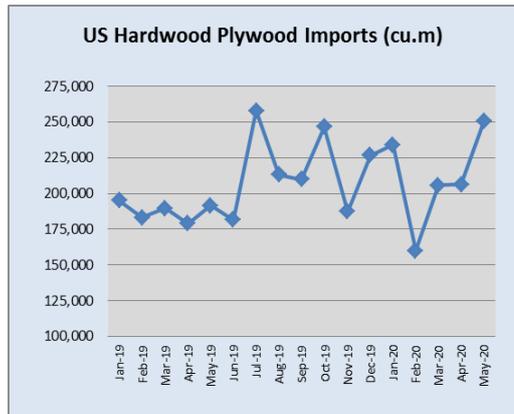
Imports of jatoba, sapelli, virola and ipé all fell sharply in May. Virola is outpacing last year by 7% while imports of jatoba are down 29%, sapelli is down 18%, and ipé is down 30%. Balsa is down a full 73% year-to-date, despite gaining by 56% in May.

Canadian imports of tropical hardwood rose 78% in May but were still nearly 10% lower than that of May 2019. Imports are down 6% year-to-date.

Hardwood plywood imports make gains

US imports of hardwood plywood grew by 21% in May. Imports from Malaysia quadrupled compared to April to record, the highest volume since May of 2010.

Imports from Indonesia were also up sharply and are ahead year-to-date by 47%. Imports from Russia and Vietnam grew slightly in May and are ahead by 32% and 43%, respectively, year-to-date. Total US hardwood plywood imports are up 13% through May.



Data source: US Census Bureau, Foreign Trade Statistics

Veneer imports drop 44%

Imports of tropical hardwood veneer were down sharply in May, falling 44%. After a promising gain in April, US imports now lag behind 2019 year-to-date totals by 33%.

Imports from Italy, China, Ghana and Cote d'Ivoire were all down in April and are all off by more than 40% year-to-date.

Despite falling to its slowest trade month in two years, imports from India are down only 7% year-to-date. The only trade partner doing better this year than last is Cameroon, which is ahead by 128% year-to-date.

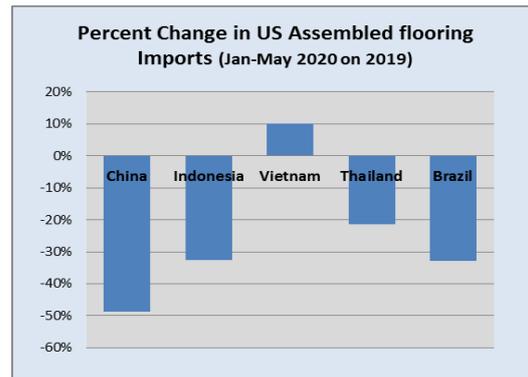
Assembled flooring imports up in May

US imports of hardwood flooring continued to slide, falling by 3% in May. While totals were relatively flat for the month, imports from China and Malaysia gained back some of the market they had lost to Indonesia in recent months.

Imports from China and Malaysia were up 51% and 90% in May, while imports from Indonesia were down by 72%. Still, year-to-date imports from China are down 58% and imports from Malaysia trail by 67%, while imports from Indonesia are up by 13% through May.

Imports of assembled flooring panels grew by 20% in May but were still at a level nearly 30% down from May 2019. While imports from China, Canada, and Vietnam all rose sharply, their standing versus last year varies widely.

Imports from China are barely half that of 2019 year-to-date, imports from Canada are even with last year, and imports from Vietnam are up 10% through May.



Data source: US Census Bureau, Foreign Trade Statistics

Moulding imports from China back to pre-crisis levels

US imports of hardwood moulding held steady in May, falling a mere 2% from the previous month. But, much like flooring, the sources of trade varied much more.

Imports from China rose 52%, the highest level since September last year and slightly above May 2019.

China's gain was offset by sharp declines in imports from Malaysia (down 80%) and Brazil (down 43%). Total moulding imports are down 16% through May and are down this year for all major trading partners.

Residential furniture orders continue steep decline

Residential new furniture orders in April 2020 were down 61% from April 2019 and down 52% from March, according to the latest Smith Leonard Furniture Insights survey of US manufacturers and distributors. As the pandemic hit March orders were down 29% from March 2019.

The April results brought the year to date orders to a decline of 21% after an 8% decline reported through March. Shipments were down 50% from April 2019 and March 2020. The April results pulled year to date shipments down to a 15% decline.

Since shipments were not off as much as orders, it meant that there was some shipping from stock so April stocks dropped 8% from March. Smith Leonard officials expect a significant decline again in the May results but not as severe as in April.

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

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

Dollar Exchange Rates

As of 10th July 2020

Brazil	Real	5.3248
CFA countries	CFA Franc	581.77
China	Yuan	7.0018
EU	Euro	0.8848
India	Rupee	75.1588
Indonesia	Rupiah	14435
Japan	Yen	106.92
Malaysia	Ringgit	4.266
Peru	New Sol	3.51
UK	Pound	0.7923
South Korea	Won	1200.67

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

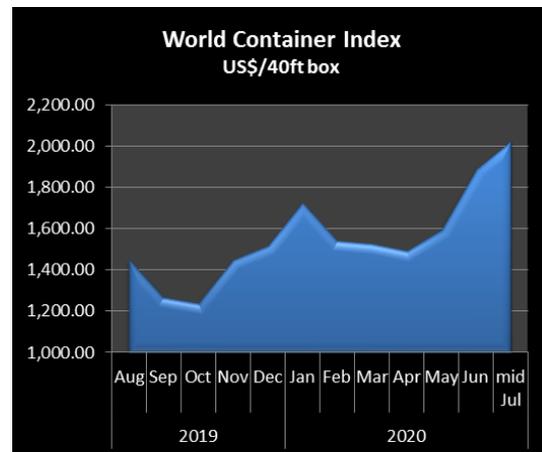


Abbreviations and Equivalences

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

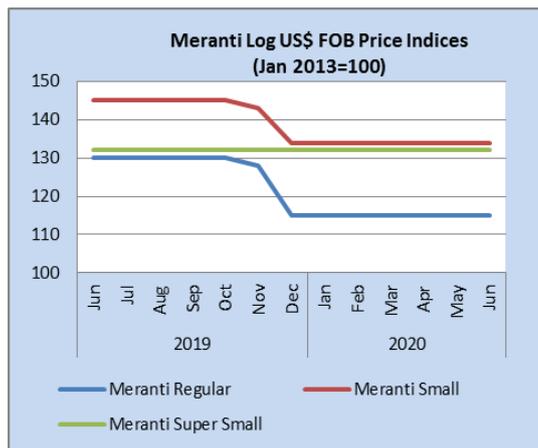
August 2019 – mid July 2020



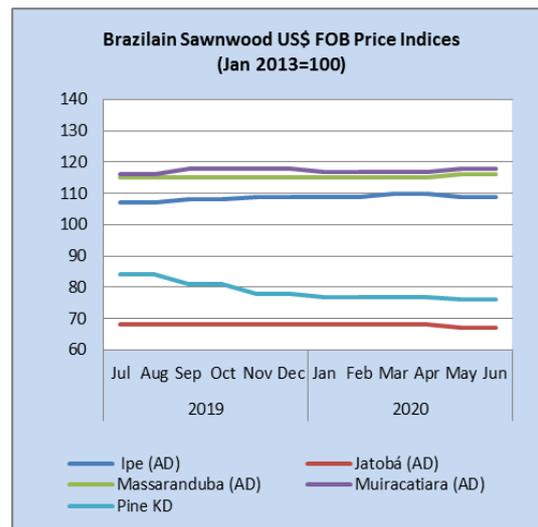
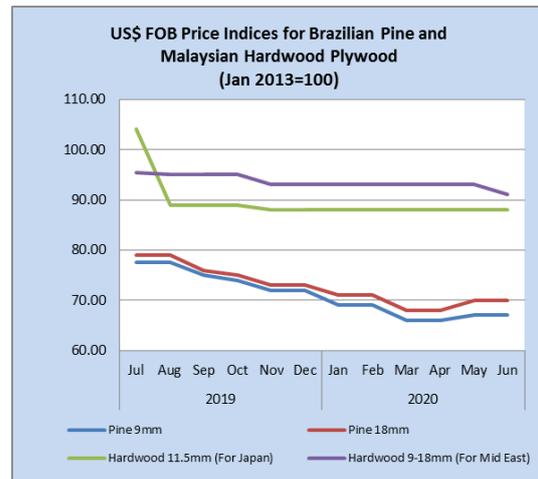
Data source Drewry World Container Index

Price indices for selected products

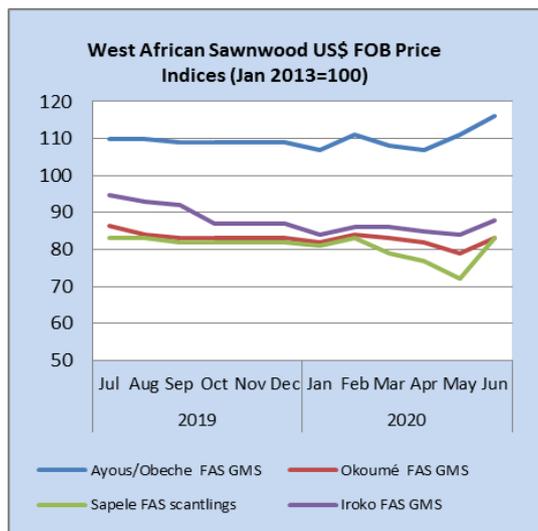
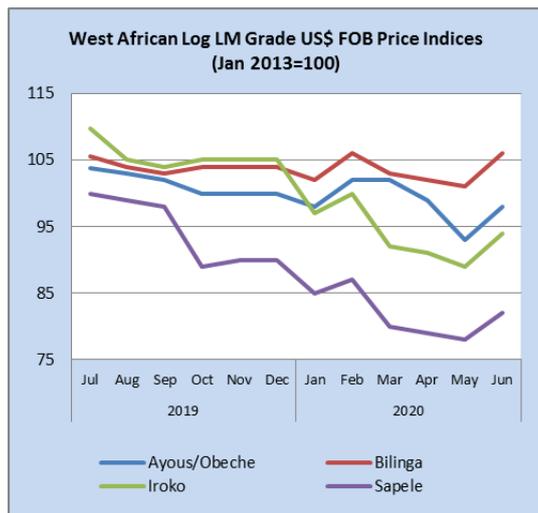
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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