

Tropical Timber Market Report

Volume 24 Number 18, 16th – 30th September 2020



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.

Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	4
Myanmar	6
India	6
Vietnam	8
Brazil	9
Peru	11
Japan	12
China	16
Europe	18
North America	23
Currencies and Abbreviations	25
Ocean Freight Index	25
Price Indices	26

Headlines

	Page
Chinese company in Gabon considers stockyard in Europe	2
Ghana timber companies seek tax relief	3
MIFF Furniverse - first virtual furniture exhibition for Malaysia	4
All timber production halted in Myanmar	6
IBAMA launches improved tracking system	10
Russian plywood squeezing out Indonesian suppliers in EU	20
Builder sentiment in US soars but timber prices of concern	23

Top story

Surge in January and February sawnwood exports lifts Peru's 1st half earnings

The exporters association in Peru has reported a more than 5% first half year on year rise in the value of sawnwood exports due mainly to firmer demand from China.

In January sawnwood exports increased around 75% year on year and in February they were more than double the value of February 2019 exports. However, in the following three months there were declines of 20% in March, 63% in April and 68% in May. There was a modest recovery in June,

See page 11

Central and West Africa

Rains disrupting production in CAR

Although it should now be drier weather in the CAR heavy rain continues to disrupt harvesting and transportation of export products. Companies are becoming concerned as log stocks are accumulating in the forest and stocks of sawnwood are building up because of delays in transport to the port in Cameroon

Cameroon has not been spared the continual rain which, along with corona control measures, is hampering business operations. However, many of the mills are slowly ramping up production but face a log shortage.

Chinese mills in the region are trying to penetrate markets in Europe for sawnwood as demand in China is slow. Instead of milling the popular species for the Chinese market they have switched some production to milling padouk, azobe and other species for the European markets.

Chinese company in Gabon considers stockyard in Europe

Some producers in Gabon have expressed concern that, as the European winter approaches, the usual decline in orders will leave them with higher than normal stocks. One of the major Chinese mills in Gabon is apparently considering opening a sawnwood stockyard in Europe.

Only 'Made in Gabon' furniture for institutions

The disposal of kevazingo stocks remains a challenge but may change as the Forestry Minister has indicated he would aim to create thousands of new job opportunities in the wood products sector. To achieve this the emphasis will be on added value manufacturing.

Apparently the Government is studying the impact of requiring all government institutions to purchase only 'Made in Gabon' furniture. Meetings will be held with local companies importing furniture, much of which is from Malaysia to discuss import restrictions.

On top of the impact of the pandemic on businesses Customs and Finance officers are on strike which has slowed container clearance to about 40 a day. In the words of the correspondent, "a new catastrophe at the wrong moment".

Fortunately the strike in the Ministry of Forestry ended after 4 months when it was agreed the Ministry would pay the premiums due since 2014. The problem is there is a shortage of funds to pay and the industry is bracing for extra controls and penalties to raise cash.

The Ministry of Forestry had planned a tender sale of around 4,000 cubic metres of seized logs but it had to be postponed as some essential staff were not present which has raised suspicions in the private sector.

Congo quota system failing in face of weak demand for sawnwood

News from the Congo says the economy is in bad shape and that finance provided by the World Bank was quickly exhausted. The export quota system is a handicap at present as mills are only operating at around 50% of capacity such that they cannot produce enough sawnwood to earn the log export quota. The reduction in milling has also resulted in many workers being laid off.

August log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	220
Moabi	350	350	275
Movingui	180↓	180↓	-
Niove	160	160	-
Okan	200	200	-
Padouk	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	-

August 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

Timber companies seek tax relief

The chairman of the Forest Industries Association of Ghana says the industry has been suffering from the impact of Covid-19 on demand in international, especially Asian markets. He pointed out that companies have been doing their best to maintain their workforce even in the face of drastically reduced earnings.

The Association has called on the government consider support as the tax burden at this time is overwhelming many companies and has called on the Ghana Revenue Authority to offer tax relief and has asked the Forestry Commission to suspend levies on the industry.

See: <https://www.myjoyonline.com/news/national/wood-processing-industry-calls-for-tax-relief-to-cushion-sector-against-impact-of-covid-19/>

Ayem Forest Products gets cash injection

The Government has provided GH¢6.5 million (around US\$1 million) to Ayem Forest Products Limited (AFP) to revive its operations which were shut down in 2016 due to financial and operational challenges.

This support was provided through the government's 'One District One Factory' initiative. The company produced air and kiln dried sawnwood, rotary and sliced veneers, plywood and mouldings. AFP is one of 68 ailing companies that have received government support to revamp their operations.

The Minister of Trade and Industry, Alan John Kojo Kyerematen, inaugurated the company's newly-constituted Board and said the financial support was in line with the government's commitment to decentralise industrialisation through assisting existing and new companies in rural areas.

Other companies benefitting from the 'One District One Factory' initiative include Kete Krachi Timber Recovery Limited whose operations involve under-water recovery of timber from the Volta Lake.

The Agricultural Development Bank and Ghana EXIM Bank have been at the forefront to financially support factories under the government's flagship One District One Factory (1D1F) initiative.

See: <https://www.peacefmonline.com/pages/business/news/202009/427391.php>

Half year exports yield Euro 4 million

Data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC) showed that the country's timber export shipments for the first half of 2020 totalled 90.456 cubic metres earning Eur44.79 million.

This reflects a year on year 40% decline in volume and a 42% decline in the value of exports. Teak, wawa, ceiba and denya were some of the leading species exported.

First half 2020 exports (cu.m)

	First half 2019	First half 2020	% Change YoY
Sawnwood (AD)	92,309	40,638	-56
Sawnwood (KD)	21,750	18,271	-16
Plywood (Overland)	12,316	10,485	-15
Billets	12,622	6,925	-45
Mouldings	3,968	5,128	29
Sliced Veneer	4,119	3,878	-6
Rotary Veneer	1,900	4,263	124
Others	2,413	868	-64
Total	151,397	90,456	-40

Data source: TIDD

Shipments of sawnwood accounted for 65% (59,000 cu.m) of total wood products exports with the main markets being India, Vietnam, China, Germany and the US. Sawnwood export volumes in the first half of 2019 totalled 114,059 cu.m.

In contrast to the decline in sawnwood exports, veneer exports increased to 8,141 cu.m, well above the 6,019 cu.m exported in the first half of 2019. The top three export markets for veneers were the US, Canada and Spain.

First half 2020 exports (Eur '000s)

	First half 2019	First half 2020	% Change YoY
Sawnwood (AD)	47,152	18,865	-60
Sawnwood (KD)	13,003	10,627	-18
Plywood (Overland)	4,166	3,465	-17
Billets	4,598	2,469	-46
Mouldings	2,745	3,681	34
Sliced Veneer	3,895	3,468	-11
Rotary Veneer	918	1,798	96
Others	971	414	-57
Total	77,448	44,787	-42

Data source: TIDD

The weak demand in international markets affected first half year export volumes and resulted in a decline in average export prices which dropped from Eur531/cu.m in 2019 to Eur495/cu.m in 2020.

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	530↓
Niangon Kiln dry	619

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	325-	440
Chenchen	540	631
Ogea	443	590
Essa	543	605↓
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	762↓
Avodire	745↑
Chenchen	812↓
Mahogany	543↓
Makore	844↑
Odum	667↓

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	334↑	580	641
6mm	412	535	604
9mm	377	446	560
12mm	516	476	480
15mm	450	338	430
18mm	450	441	383

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

Export sawnwood prices

Ghana sawnwood, FOB 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	436	467↑
Edinam (mixed redwood)	520	583
Emeri	465	590↓
African mahogany (Ivorenensis)	930	997↑
Makore	740	840↑
Niangon	620	656↓
Odum	649	1,012↑
Sapele	720	800↓
Wawa 1C & Select	426	436↓

Malaysia**Covid 19 Update**

As of 25 September Malaysia reported a total of 19,576 cases and 133 deaths. A total of 9,666 cases have recovered. Masks, social distancing and hand hygiene are now considered part of daily life.

Second half recovery forecast

The Asian Development Bank (ADB) has maintained its forecast of 6.6% 2021 GDP for Malaysia but downgraded 2020 growth to -5% from -4% saying "the economy will continue to be dragged down by the adverse effects of the pandemic on consumption, exports and investment".

Measures to contain the spread of the virus such as restricting travel and business activity weigh on household spending. Malaysia's GDP contracted by 8.3 per cent year-on-year in the first half of 2020.

The beginnings of a recovery could emerge in the second half of 2020 as some restrictions are being progressively eased which could release some pent-up demand.

In a press release Bank Negara Malaysia (Central Bank) says economic activity continues to recover from the downturn in April this year. The latest high frequency indicators show that labour market conditions, household spending and trade activity have continued to improve.

However, the pace of recovery will be uneven across sectors, with economic activity in some industries remaining below pre-pandemic levels and a slower improvement in the labour market.

See: https://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=5110&lang=en

MIFF Furniverse - first virtual exhibition for Malaysia

The Malaysian International Furniture Fair (MIFF) has concluded its first-ever virtual exhibition, 'MIFF Furniverse' which was held throughout August 2020.

A press release from the organisers, Informa Markets, says the e-exhibition consisted of three geo-targeted live market events catering for different time zones and regions, Asia Pacific market (11 – 13 August 2020), North and South American market (18 – 20 August 2020) followed by Europe, Middle East and South Africa (26 – 28 August 2020).

'MIFF Furniverse' attracted 922 visits by buyers from 84 countries and regions. The virtual event also brought new buyers (+30%). Over 2,400 business leads have been generated and exhibitors expect US\$1.16 mil in sales as a result of the event.

See: <https://2021.miff.com.my/misc/pressreleases/2020-09-25.pdf>

Furniture exporters benefit from 'work from home' trend in overseas countries

Malaysian furniture exporters are benefitting from an increase in orders as US buyers adjust to the China /US trade dispute and because of a change in work style in the US and other countries.

As infection rates are not yet under control many companies in the US and in other export markets have adopted 'Work from Home' policies and some companies have provided workers with a cash hand-out to purchase home office furniture.

The US government has included cash handouts as part of the US\$2 trillion stimulus which has encouraged consumer spending on home furnishing.

One downside for furniture manufacturers in Malaysia is the current weakening of the US dollar against the ringgit. In late September the ringgit had strengthened around 7% to 4.14 against the dollar, compared with 4.45 on March 23.

Boosting exports to Japan

The Chargé d'affaires of the Indonesian Embassy in Tokyo, Tri Purnajaya, said Indonesia has the opportunity to increase exports of wood products to Japan because Indonesian products have a good reputation in Japan.

To expand export sales the Chargé d'affaires said that the Indonesian Embassy in Tokyo is ready to help increase processed wood products export especially plywood.

He pointed out that exports of Indonesian wood products to Japan in 2019 were worth around US\$1.55 billion which he estimated was around 8% of all Japan's wood product imports.

However, the pandemic has disrupted trade and poses a huge challenges. In the first half of 2020 Indonesia's wood product exports to Japan fell around 4%.

Nevertheless, Tri Purnajaya is optimistic because demand for wood products in Japan is still high and as the economy recovers so will consumption.

A representative of the Indonesian Wood Panel Association (Apkindo), Handjaja, said Indonesia is a major global plywood exporter. Plywood exports were worth US\$1.7 billion in 2019. He further said Indonesian plywood meets the required quality standards in Japan and is verified legal under the SVLK.

See: <https://republika.co.id/berita/ggi4fn349/ekspor-produk-kayu-olahan-masih-punya-ruang-ditingkatkan>

Removing obstacles in the furniture sector

The government, through the Representative Council of Indonesia (Dewan Perwakilan Rakyat Republik Indonesia, DPR), is committed to removing obstacles faced by the furniture makers in securing legal wood raw materials.

In a press statement Deputy Chairman of the DPR, Rachmat Gobel, said "Commitment to complete work must be the main key for all parties with their respective main duties and functions. Thus, the investment that comes in must be effective and produce results, not an investment that in the long term is detrimental to Indonesia".

He continued, saying he had learned of the problems in a dialogue with furniture and crafts manufacturers who pointed out that the export potential of the national furniture and handicraft sector could rise to US\$5 billion over the next five years provided the timber raw materials were available.

Furniture industry representatives asked for the elimination of a number of export regulations that suppress their potential to maximize added value.

See: <https://ekonomi.bisnis.com/read/20200916/9/1292542/dpr-dorong-penyelesaian-hambatan-usaha-di-industri-mebel>

Indonesia strong in South Korean Plywood Market

Indonesian plywood gained a firm market share in the South Korean market during the first half of this year. Apart from Indonesia and Vietnam the South Korean plywood market is also important for Chinese plywood producers.

Recent reports show South Korean plywood imports reached US\$391 million in the first half of which US\$133 million was from Indonesia followed by Vietnam with US\$127 million.

Vietnam producers attracted an anti-dumping investigation by South Korean authorities. In a final decision after a nine-month investigation, South Korean regulatory authorities issued anti-dumping duties of up to 10.65 percent for 5 years on certain Vietnamese plywood producers.

The decision to impose anti-dumping duties on Vietnamese plywood requires approval from the Minister of Strategy and Finance by the end of this year.

See:

<https://ekonomi.bisnis.com/read/20200918/12/1293534/geser-vietnam-indonesia-kuasai-pasar-kayu-lapis-korsel-segini-nilainya>

UK market confident on Indonesia's wood products

The Indonesian SVLK legality verification system and FLEGT licensing makes Indonesia a low risk source of tropical timber in the UK.

Between November 2016 to September 2020, Indonesia reported 27,500 documents for 730,000 certified timber shipments worth US\$1 billion exported to the UK according to the Charge d'Affaires Embassy of the Republic of Indonesia (KBRI) London, Adam M. Tugio.

Adam said FLEGT is an important hallmark for retailers in the UK as it ensures transparency. Today, more British consumers are adopting ethical purchasing and demand proof of legality for the wood products they purchase along with assurances that the products purchased have not resulted in deforestation.

Adam explained that British consumers appear willing to buy certified sustainable products at a premium price. This change in behavior has given importers hope that the British government can provide incentives for the use of sustainable wood by the UK timber industry.

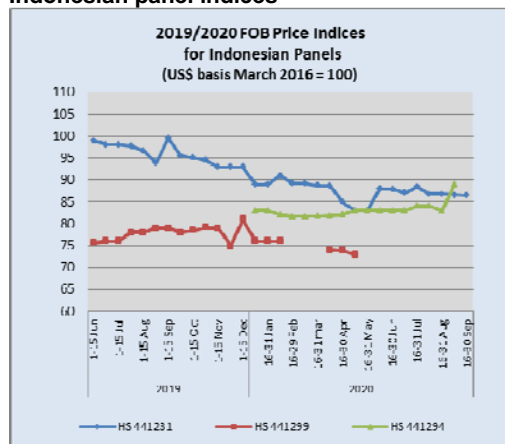
See:

<https://ekonomi.bisnis.com/read/20200924/257/1296105/pasar-inggris-makin-percaya-produk-kayu-lestari-indonesia>

In related news, Deputy Minister of Environment and Forestry, Alue Dohong, in his remarks on a webinar 'UK Market Update for FLEGT Timber Product: Indonesia's Timber as Sustainable Partner for UK Market' held on 23 September said that the SVLK won the trust of international buyers because Indonesian wood products come from legal sources.

In the webinar, Lord Goldsmith, UK Minister of State for Pacific and the Environment, said that the commitment to, and legality standards of Indonesian wood products makes it easier for UK importers and consumers and that he appreciates the cooperation between Indonesia and the UK over the past two decades in developing strong compliance standards for sustainable wood.

Indonesian panel indices



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

Myanmar

All timber production ceased

An explosive second wave of Covid-19 infections has shocked the country. Cases have now topped 10,000 with 226 confirmed deaths. The Ministry of Health and Sports (MOHS) imposed strict 'stay-at-home' restrictions for Yangon from 24 September.

Only businesses involved in banking and financial services, petrol stations, food and cold storage, pharmaceuticals, purified water distribution and production of daily personal items have been exempted from the order. As a result, all wood processing industries in the area covered by the lockdown have ceased production.

It is difficult to assess the impact on the industry and exports. The current lockdown will be reconsidered in early October. If the lockdown is extended for a month the impact on the manufacturing sector and wood processors may be severe.

The ban on foreign visitors and domestic travel has been extended to the end of October. The ban on domestic travel will disrupt preparations for the general election due in a few weeks. While economic growth has not been listed as one of the top three priorities in the ruling party's manifesto, politicians are paying more attention to the private sector ahead of the upcoming November elections.

Support for workers

Officials in the Yangon Region Government are discussing plans to provide financial assistance to workers who cannot get to work because of the travel ban.

Workers who have made Social Security Board (SSB) contributions will receive 40% of their wages as financial assistance and assistance will be provided to those who have not contributed to the SSB.

See: <https://www.mmtimes.com/news/myanmar-govt-distribute-cash-workers-without-social-security.html>

Border trade suspended

Myanmar's official border trade with China has completely ceased as China has closed the Ruili crossing. Ruili is the main border town adjacent to Muse in Myanmar. Muse sees the busiest border trade with China which averaged around 4.57 billion kyats (US\$3.5 million) per day before the pandemic.

Ruili, in China's Yunnan Province, is under lockdown and all residents are to be tested for COVID-19 after two allegedly illegal immigrants from Myanmar tested positive.

Reports say about 400 trucks with goods from Myanmar are stranded in Muse and around 100 trucks are stuck in Jiegao between the border and Ruili so traders are searching for warehouses to temporarily store the goods.

South Korea seeks to boost trade to support a recovery

Myanmar and South Korea have agreed to enhance trade, investment and energy cooperation to help ease the COVID-19 downturn. During an online meeting of the bilateral Joint Commission for Trade and Industrial Cooperation it was agreed that economic ties be expanded and infrastructure projects should proceed.

August teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	17.00	3,465
SG-5	222.0	3,053
SG-6	85.0	3,284
SG-7	898.0	2,194

India

Sound agro-forestry plan but little progress

Agro-forestry practices are gaining popularity in the country as the mix of commercial trees and crops generates early sources of income some of which can be used for tree crop maintenance.

Agro-forestry is being promoted to supply commercial timbers such as sandalwood, agarwood and red sanders mixed with other hardwoods such as teak, laurel (*Terminalia tomentosa*), haldu (*Adina cordifolia*), kalam (*Mitragyna parviflora*), rosewood (*Dalbergia latifolia*), sissoo (*D.sissoo*) and other local species.

Interest is growing in the so-called ‘five storey’ agro-forestry comprising native hardwood trees, exotics between the hardwoods, Fruit trees, vegetables and climbers and underground spices.

In related news, at the 10th Sustainability Summit organised by the Confederation of Indian Industry (CII), Union Environment Minister, Prakash Javadekar, explained the Central government’s decision to reforest degraded forests through public-private partnership (PPP) mode.

The National Agro-forestry policy 2014, which emphasises farm forestry and agro forestry, has not resulted in much progress on ground. Commentators in India say there is a need to scale-up already-developed agro-forestry models using indigenous species for ecological sustainability and economic expansion as over the past 10 years timber imports have jumped to more than US\$5 billion because domestic timber resources are limited and demand has surged.

For more see: <http://www.risiinfo.com>

Government urged to boost investment

The United Nations Conference on Trade and Development (UNCTAD) has forecast an almost 6% decline in India’s GDP for 2020 and is urging the government to continue measures to boost investment and consumer spending.

The UNCTAD report ‘From Global Pandemic To Prosperity for All: Avoiding Another Lost Decade’ says “In the case of India, the baseline scenario is a sharp recession in 2020 as strict lockdown measures to stem the virus’s spread brought many productive activities to a halt across the country,”.

See: <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=570>

Plantation teak

Indian importers have commented that freight rates have become more volatile as there is shortage of containers. They anticipate this situation will prevail for some time.

Under the present circumstances it is difficult to give a clear picture of C&F prices for imported teak.

Pre-pandemic prices

Plantation teak C&F prices (as of end February 2020)

	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 milled sawnwood

There has been a modest rise in demand for hardwoods mainly in the smaller cities in rural areas. The timber markets in the main cities are still affected by the corona control measures and the recent rise in infections has disrupted the economic recovery.

The prices below do not, as yet, reflect the increased freight rates.

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

As tender prices for logs in Myanmar have been rising Indian importers are anticipating exporters will be asking for higher prices when shipments of teak to India resume.

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

A modest revival in demand was seen recently but the pace of improvement has been very slow such that any further rise in demand will be dependent on business conditions stabilising.

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

Millers say that a rise in demand has allowed them to lift production slightly and that sales are improving. Domestic producers want to raise prices as production costs have risen but with prices for imported panels falling they have no opportunity to raise prices for panels.

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

Vietnam top exporter of veneer and plywood

The US Globaltrade magazine has republished a story from an Indexbox market forecast illustrating that, in value terms, the largest hardwood veneer and plywood suppliers to the US in 2019 were first Vietnam, China and Canada with a combined 45% share of total imports. Other suppliers were Indonesia, Russia, Cambodia, Malaysia, Spain, Brazil, Ecuador, Italy and Uruguay, which together accounted for a further 43%.

See: <https://www.globaltrademag.com/the-american-hardwood-veneer-and-plywood-market-vietnam-replaces-china-as-top-foreign-supplier/> and <https://www.indexbox.io/store/us-hardwood-veneer-and-plywood-market-analysis-and-forecast-to-2020/>

Export/import update

In spite of the pandemic by mid-2020 Vietnam's wood and wood product (W&WP) export earnings topped US\$7.9 bil., a year-on-year growth of 11%. Wood product exports reached US\$5.9 bil., with a year-on-year growth of 16%, while the export of NTFPs amounted to US\$391 mil., 22% up.

In total, on 15 September 2020 exports of W&WP plus NTFPs were valued at US\$8.249 billion, an increase of 12% against the same period of 2019. With this impressive growth rate in 2020 total W&WP exports (plus NTFPs) are expected to be over US\$12 billion keeping Vietnam amongst the top 5 global wood product exporters.

In contrast, W&WP imports into Vietnam up to September were reported at US\$1.7 billion, a year-on-year decline of 7%.

W&WP imports and exports as of September (US\$ billion)

	As of Sept 2019	As of Sept 2020	% Change
Export			
W&WP	7.051	7.856	11%
WP	5.052	5.88	16%
NTFPs	0.321	0.391	22%
Import			
W&WP	1.775	1.648	-7%

Data Source: General Department of Customs, Vietnam

EU welcomes VNTLAS

In a September 2020 press release, Giorgio Aliberti, Ambassador of the European Union to Vietnam commented on the completion of the Government Decree on the Vietnam's Timber Legality Assurance System (VNTLAS) which aims at implementing the annex with the same title of the EU – Vietnam Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT).

The press release continues saying "Ambassador Aliberti trusts in Vietnam's continued commitment to the VPA, which entered into force last June and active pursuit of the VPA's objective to manage all types of forests sustainably and provide a legal framework aimed at ensuring the legality of the production of timber and timber products, irrespective of whether the timber originates from within or outside of Vietnam.

The preparation of the VNTLAS decree provided for consultation with VPA stakeholders, including the VPA multi-stakeholder core group in 2019 and the EU is grateful for the opportunities for dialogue, which continued during and beyond the VPA Joint Implementation Committee meeting in June 2020.

The VNTLAS decree addresses important elements of the VPA related to the import and export of timber and timber products. It also provides the basis for an Organisation Classification System, albeit one specific to enterprises engaged in processing and exporting timber and thus lacking some core elements foreseen in the VPA.

Such a system covering importer and domestic producer organisations alike is foreseen in the VPA as a tool to facilitate legality assurance throughout the supply chain in Viet Nam and is a core element of the VPA."

The press release continues, "The EU looks forward to seeing how Vietnam will in future extend the scope to address legality, not only at the point of import and export, but importantly for operators involved in harvesting, trading and processing of domestic as well as imported timber and for products destined to all markets"

For the full press release see:

https://eeas.europa.eu/delegations/vietnam/85283/node/85283_en

Brazil

Real strengthens against the US dollar

Brazilian inflation measured by the Consumer Price Index (IPCA) stood at 0.24% in August 2020, the highest value for the month since August 2016 (0.44%). The average commercial exchange rate ended August 2020 at BRL5.46/US compared to the average in July 2020 (BRL5.28/USD).

However, the Brazilian real moved to a one-month high in late September due to signs of a steady economic recovery in the country and due to a weaker US dollar. The real rose almost 1% to 5.246 to the dollar after data showed private sector economic activity rose in August at its fastest pace in seven years.

Revenue stream stabilise for furniture cluster

The Bento Gonçalves furniture cluster continues to report improved output. The Furniture Industry Association of Bento Gonçalves (Sindmóveis) has said the accumulated revenue up to July this year was R\$1.1 billion.

The cluster includes about 300 companies in the municipalities of Bento Gonçalves, Monte Belo do Sul, Pinto Bandeira and Santa Tereza. March and April 2020 were the worst months in the history of the furniture industry in the Bento Gonçalves furniture cluster. In contrast furniture companies in Rio Grande do Sul saw a decline in revenues of around 6% year on year over the same period.

As production is increased manufacturers are experiencing delays in the delivery of raw materials and higher costs. In addition to the demand for veneers the furniture industry depends on prompt delivery of furniture hardware, paints and varnishes, coatings, adhesives, paper and packaging.

Furniture industry revenues will probably improve in the coming months but for 2020 are unlikely to match those in 2019. The performance of the furniture sector depends on firmer internal and external demand and the speed of an economic recovery.

IBAMA launches improved tracking system

In September IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources) launched SINAFLOR+ which is an improved version of the former SINAFLOR (National System for the Control of the Origin of Forest Products) created in 2012 to guarantee control in the management of wood, tracking it from its origin.

According to IBAMA, in the old system the linkage between harvested wood and the tree in the forest was made by random sampling. In the new system SINAFLOR+, trees for selective logging are 100% identified by geo-referencing and all products can be traced back to the exact point from which the log was originally harvested. In addition to preventing fraud, the system has an electronic signature and QR code. The new system aims to ensure greater transparency and stricter timber and forest products control.

SINAFLOR+ also has an integrated control panel for the user with tools that go from history (logging permit) to intelligent search, facilitating the management of logging permits and pending issues by the entrepreneur. The system has been tested since August by more than 500 trained users including members of environmental agencies and IBAMA's technicians and inspectors.

See: <http://aquiacontece.com.br/noticia/meio-ambiente/12/09/2020/sinaflor-ibama-lanca-sistema-antifraude-para-combater-o-desmatamento/155903>

Export update

In August this year Brazilian exports of wood-based products (except pulp and paper) increased 25.6% in value compared to August 2019, from US\$233.5 million to US\$293.1 million.

The value of pine sawnwood exports increased 36% between August 2019 (US\$35.0 million) and August 2020 (US\$47.5 million). In volume terms, exports increased 56% over the same period, from 176,400 cu.m to 275,300 cu.m.

In contrast, the volume of tropical sawnwood exports declined 11% , from 41,300 cu.m in August 2019 to 36,600 cu.m in August 2020. The value of exports dropped but only by around 4% from US\$15.3 million to US\$14.7 million over the same period.

Pine plywood exports earnings increased 52% in August 2020 in comparison with August 2019, from US\$39.3 million to US\$59.9 million. There was an increase in the volume of exports but only by 38% over the same period, from 173,900 cu.m to 239,100 cu.m signaling an improvement in unit prices.

Brazil's exports of tropical plywood increased around 2% in August but the value of exports dropped almost 20% from 5,800 cu.m (US\$ 2.6 million) in August 2019 to 5,900 cu.m (US\$ 2.1 million) in August 2020.

On a brighter note Brazil's exports of wooden furniture increased from US\$47.1 million in August 2019 to US\$52.6 million in August 2020, an almost 12% rise.

Rising furniture exports from Rio Grande do Sul

Furniture production in the state of Rio Grande do Sul has started to recover after two difficult months for the sector. Production in July increase over 40% compared to June with the manufacture of 7.1 million pieces according to IEMI - Market Intelligence.

For the Association of Furniture Industries of the State of Rio Grande do Sul (Movergs) the sector's performance is far from ideal for 2020 but, gradually, businesses are recovering.

In July 2020, exports from Rio Grande do Sul state increased 13%, totaling US\$ 13.0 million. In August, exports increased by 23%, totaling US\$16.0 million. The states of Santa Catarina, Rio Grande do Sul and Paraná, together, accounted for 85% of the values exported in August, followed by the state of São Paulo, which ranked 4th.

The United States is the main destination for furniture exports of the state of Rio Grande do sul (22% of exports), followed by Peru (12.3%) and Uruguay (12.2%). Exports to Colombia and Peru in August grew 173% and 137%, respectively compared to the previous month.

Lower forest sector exports from Acre

The state of Acre in the Amazon region is one of the largest producers of tropical timber in Brazil and proudly boost of the lowest rate of deforestation in the Amazon region.

According to the Ministry of Economy, in August 2020 exports from Acre totalled US\$2.42 million and imports US\$0.46 million. In the year to August exports totalled US\$23.9 million and imports, US\$1.72 million. Compared to August 2019, August 2020 exports fell 4%. The share of forest sector exports in total August exports was 37%, a considerable drop when compared to the same period last year (52%).

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipê	164▲
Jatoba	84▼
Massaranduba	76▼
Miiracatiara	81▼
Angelim Vermelho	77
Mixed redwood and white woods	64▼

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per cu.m
Ipé	689▲
Jatoba	340▼
Massaranduba	338▲
Muiracatiara	308
Angelim Vermelho	304▲
Mixed red and white	199▲
Eucalyptus (AD)	153▲
Pine (AD)	102▲
Pine (KD)	125▲

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US\$ per cu.m
4mm WBP	389▼
10mm WBP	331▲
15mm WBP	274
4mm MR.	315▲
10mm MR.	238▲
15mm MR.	213▲

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

<i>Domestic ex-mill prices</i>	US\$ per cu.m
15mm MDParticleboard	157▲
15mm MDF	190▼

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per cu.m
Ipe	1,483▲
Jatoba	863▲
Massaranduba	848▲
Muiracatiara	869
Pine (KD)	157▼

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US\$ per cu.m
9mm C/CC (WBP)	248▲
12mm C/CC (WBP)	243▲
15mm C/CC (WBP)	222▼
18mm C/CC (WBP)	210▼

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports	US\$ per cu.m
Decking Boards Ipê	3,025▲
Jatoba	1,450▼

Source: STCP Data Bank

Peru**Surge in January and February sawnwood exports lifts 1st half earnings**

According to the Association of Exporters (ADEX) sawnwood exports between January and July were worth US\$12.9 around 5.5% higher than in the same period last year. The good performance is due to firmer demand from China.

The manager of the Extractive Industries and Services Sector in ADEX, Lucía Rodríguez, said while the year started well for exporters, production was seriously disrupted in March, April and May. However, prospects for annual sales are looking positive.

In January sawnwood sales increased around 75% year on year and in February they were more than double the value of February 2019 exports. However the following three months there were declines of 20% in March, 63% in April and 68% in May.

The main market destination for sawnwood in the first seven months of the year were China (US\$5.5 million) followed by the Dominican Republic (US\$2.7 million) despite suffering a drop of about 39%.

The third ranked market was Mexico (US\$1.8 million) down 56% year on year. Sawnwood exports to Vietnam which were worth US\$1.2 million in the first seven months of the year grew almost 80% year on year.

Forest operations resume but production will be lower this year

Paralysis of timber operations due to the emergency measures shortened the harvesting season when log extraction is allowed.

Although some restrictions have been lifted and forest operations have resumed it will not be possible to recover 100% of the production.

Certified forest management expands

Despite the difficult times initiatives to protect and responsibly use tropical forests continue and FSC certification of forest management has expanded.

This year two new areas in the Ucayali region have been certified. To-date, the forestry companies Consolidado Sepahua Tropical Forest SAC and Nuevo San Martín SAC manage 313,430 hectares of certified concessions in the country (around 30% of the total certified area). Of this area, 295,507 hectares are destined to forest production and 17,923 hectares are protected.

SMEs to get subsidised access CITEmadera services

The Technological Institute of Production (ITP) will offer small and medium-sized enterprises vouchers with a value of around US\$1,200 which can be used to access the technological services provided by the CITE network

This is aimed at entrepreneurs who have been affected during the State of Emergency and are in a vulnerable situation. The services available include technical assistance for product design and development, for laboratory testing, productive support and training.

See:

<https://www.gob.pe/en/institucion/citemadera/noticias/296398-mipymes-recibiran-vales-hasta-por-4300-soles-para-acceder-a-los-servicios-del-citemadera>

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	647-659▲
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	576-609
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1032-1063
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	569-598

Domestic sawnwood prices

Peru sawnwood, domestic Mahogany	US\$ per cu.m
Virola	241-265
Spanish Cedar	342-355
Marupa (simarouba)	222-232▼

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

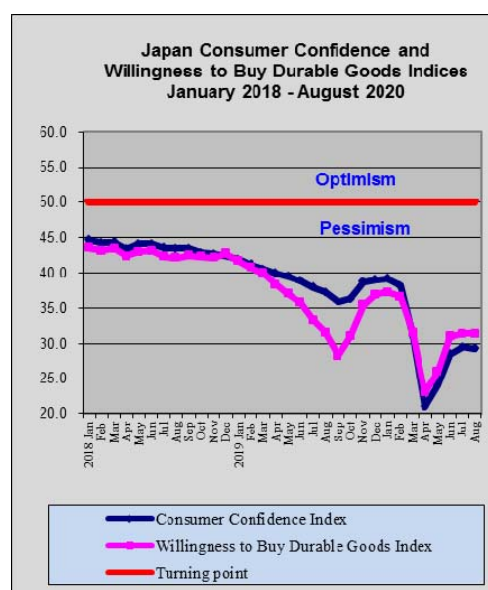
Open to travel but quarantine necessary

Japan is considering opening the country to all travelers beginning in October. Currently only business travel is allowed. Those entering the country will still be required to complete a two-week quarantine period before being allowed to join the general public and inbound traffic will be limited to 1,000 people per day.

However, the Japanese government has suggested that travelers who obtain a negative PCR test within 72 hours of arrival and agree to have another test done upon arrival may be able to avoid the 14-day quarantine. This has not yet been confirmed.

Consumer price index dips

Cabinet Office data is showing consumer confidence fell in August for the first time in four months, dragged down by concerns about the rise in virus infections. In other news, the Ministry of Internal Affairs has reported a decline in the August consumer price index. This was the first drop in three months and is likely the result of the government's subsidised travel programme which brought down the cost of hotel accommodation. The pace of decline in prices was the fastest in almost four years.



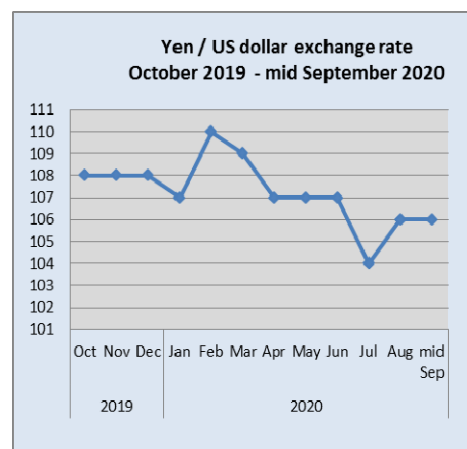
Data source: Cabinet Office, Japan

The Bank of Japan Governor, Haruhiko Kuroda, has indicated the Bank is watching the trends in consumer prices and unemployment and is ready to increase stimulus measures if job losses heighten the risk of deflation.

Yen hits seven-week high against the dollar

Government data shows that around 30% of Japanese are 65 and above with only 12% being under 15. This puts a lot of people at risk from the corona virus.

Despite these risks and the crushed economy the foreign exchange market currently likes the Japanese yen which hit a seven-week high against the US dollar in September rising to 105.30. The yen also strengthened against the Australian dollar, the British pound and the euro. That is clearly yen strength and not just US dollar weakness.



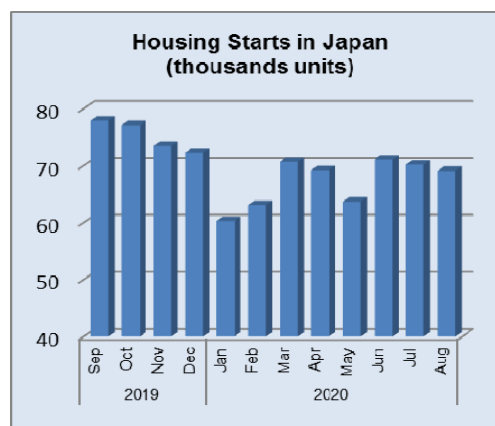
Land prices drop, the first decline in 4 years

The average land price in Japan fell this year, the first decline in three years as the coronavirus pandemic caused a drop in demand for building sites by commercial property builders.

This is in stark contrast to the March 2020 survey by the government which report that the average price of all types of land across Japan had risen for a fourth straight year and that the price of residential land in some rural areas had increased for the first time in 27 years. Behind the early 2020 price increase was aggressive buying by overseas investors.

Uncertain prospects for a recovery of economic activities are impacting real estate investment. Unless economic conditions show improvement in the coming months more areas will see land price fall. In areas outside the three metropolitan areas the average price of commercial land was down 0.6% and residential land prices dropped almost 1%.

Among the surveyed sites, the island city of Miyakojima, Okinawa Prefecture, recorded the highest land price rise with commercial and residential land prices jumping around 38% year on year boosted by resort hotel development.



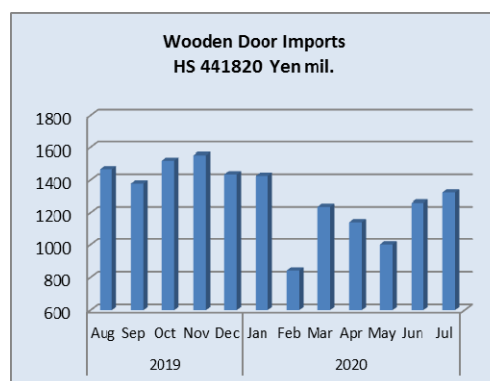
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

Japan's July imports of wooden doors (HS441820) increased, building on the rise seen in June. July wooden door imports were up 5% month on month but were down 14% year on year.

In July the main shippers of wooden doors to Japan were China (47% of June imports) but this was down significantly from the 68% share of imports in June. Other shippers in July were the Philippines (23%), Indonesia (6%) and a new-comer, South Korea (4%).

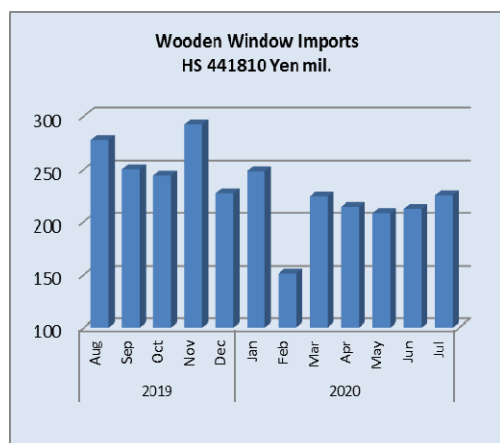


Data source: Ministry of Finance, Japan

Wooden window imports

Japan's imports of wooden windows (HS441810), while small, have been consistent since March. In June there was a slight increase in the value of imports and this continued in July when a 5% month on month rise was evident. A year on year comparison is however less positive as there was a 28% decline in July 2020 imports compared to August 2019.

Two shippers China and the US accounted for almost 80% of the value of July imports of wooden windows. The only other shipper was the Philippines which contributed a further 17% to the value of imports.



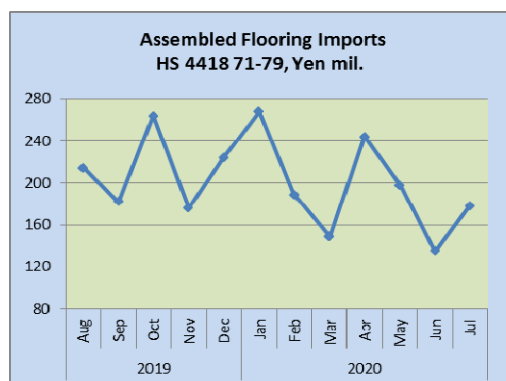
Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

The pattern of two consecutive declines in the value of assembled flooring imports first seen at the beginning of the year repeated itself in May and June.

While April imports drove imports back up to around the monthly average the rise in July was insufficient to repeat this thus underlining the steady decline in the value of imports this year. Compared to June, the value of imports in July were around 30% higher but year on year July imports were 34% down.

Of the various categories of flooring imported HS 441875 accounted for 67% of July imports as it has done in past months and was supplied mainly by shippers in China and Vietnam.



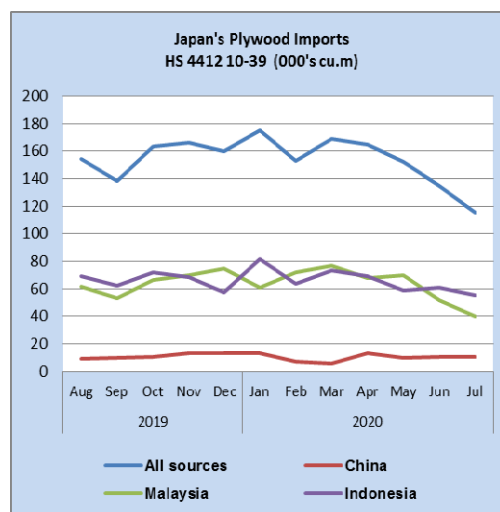
Data source: Ministry of Finance, Japan

Plywood imports

It has been only shippers in China which have managed to maintain their level of exports (albeit small) of plywood to Japan, the other main shippers, Indonesia and Malaysia have seen a steady decline in the volumes imported.

In July, the volume of shipments from Malaysia was down 24% year on year and shipments from Indonesia were down 10% year on year. Vietnam has been a steady supplier of plywood to Japan for several years but has seen shipments decline over the past few months.

Year on year, July plywood imports (HS441210-39) were down 22% and month on month there was a 15% drop in the volume of imports. Of the various categories reported HS441231 accounted for over 80% of imports with a further 5% each being of HS441233 and HS441234.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia	Vietnam
2019	Jan	14	91.2	66.4	11.9
	Feb	11.1	85.3	75	4.2
	Mar	4.4	70.1	61.2	9.8
	Apr	11.4	94.2	65.9	8.5
	May	12.4	61.8	48.9	10.6
	Jun	9.3	59.6	62.8	11.3
	Jul	9.8	65.1	59	12.1
	Aug	12.1	61.8	68.9	11
	Sep	10	53	62	12
	Oct	10.6	66.3	72	12
	Nov	13.1	69.5	68.1	12.6
	Dec	13	74.4	57.4	14
2020	Jan	13.4	61.1	81.6	17
	Feb	6.8	72.2	63.8	9.5
	Mar	5.8	76.5	73	12.2
	Apr	13	68	69	13.6
	May	9.6	69.7	59	12.6
	Jun	10.3	52	61	11.3
	Jul	10.2	40	54.9	8.9

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:
https://jfpj.jp/japan_lumber_reports/

Road map to expand large wooden structures announced

The Ministry of land, infrastructure and transport tied up with the Forestry Agency made up the road map to expand large scale wooden buildings market scale to one trillion yen by 2030. This is publicized on the website in late August.

Large scale wooden building means to exclude low buildings of three stories or less and the market scale as of 2018 is 500 billion yen and the target is to double this to one trillion yen by 2030.

To materialize the target, there are problems and necessary activities as large buildings in urban areas require high fire resistance and as they becomes higher, stronger materials are needed so future activities require to develop high fire proof and high durable wooden materials.

Today's technology and products are not good enough to permeate in terms of versatility and cost. Sample of design should be made to make it easier by considering safety of high rise architecture.

Durability of outer shell of wooden building should be considered and the standard should be made up. At the same time, training is necessary to secure necessary personnel who are in charge of designing and actual construction works. It is necessary to have stable supply of wood to materialize the target so road map is made up to improve productivity and safety of forestry by promoting smart forestry as a set of the above road map.

As concrete activities, forestry cloud and ICT production system will be introduced nationwide with unified standard and develop function of automation, remote control of logging machines.

Plan to extend life of wooden buildings

The wooden home builders association of Japan is developing high durable wooden house with 35 building materials companies. The plan is to extend life of wooden house from about 30 years to 85-90 years.

To make durable outer skin of house, manufacturers of high quality, durable roof and exterior wall are selected and design and construction with such materials will be discussed.

To give longer life to wooden built houses has been general demand for many years but about 30 years' life of wooden house has been tacit understanding in housing society.

Actually majority of building materials manufacturers think that it is general standard of 30 year's life of the materials they make.

The Association came up with hypothesis that outer skin of the house like roof and exterior wall may be reason of short life and formed development project then 35 companies joined and discussions continued until last August with 23 companies to make durable outer skin of wooden building.

Present assumption is that if 40-45 years life roof material is used, only one time reroofing makes life of 80 -90 years. Compared to 30 year's life roof materials, initial cost is higher for longer life materials by about 200,000-300,000 yen. Reroofing cost of 30 years life materials would be 1.2-1.5 million yen but longer life materials' reroofing cost would be 50-60% lower so life cycle cost would drop. In short, house buyers have option to choose short life house or long life house.

Wood pellet production in 2019

The Forestry Agency disclosed wood pellet production in 2019. The production increased by 12% from 2018 but supply of imported pellet has been sharply increasing so that self-sufficiency rate remains low at 8.4%. Self-sufficiency rate of wood pellet in 2014 was about 57% then it has been dropping year after year.

Production of wood pellet in 2019 is 147,321 ton, 12.1% more than 2018. Use of wood pellet is 142,454 ton for fuel, 12.9% more so it is 97% of total wood pellet. Main use is power generation and utilization of heat.

Large house builders' increasing orders

Eight major house builders report that the orders' amount exceeded that of the same month of last year after one year and four months. Bottom is about 65% in April and May then the orders have kept recovering month after month.

Since last July, event of sales campaign at the house exhibit locations reopened so the sales resulted in order amount. However, large builders comment that the demand is moving to low cost builders because of uncertain income in future and demand to reduce the prices is increasing. Negotiations now take more time than before.

It is first recovery since April 2019. April 2019 was the last month of rush-in orders before the consumption tax hike and the starts had kept sliding down month after month so the tax hike reaction finally ended after sixteen months together with influence of various measures to stop corona virus epidemic.

The amount compared to the same month a year earlier in August 2019 was 91% then August 2020 is 108% so the demand has recovered to April 2019. Ordered amount of three companies among eight majors exceeded since last July. Then in August, they increased to five companies.

Low cost and unit built for sale builders draw more buyers so that their recovery is more than the majors.

Eight majors are Sekisui House, Daiwa House, Sekisui Chemical, Panasonic Homes, Misawa Homes, Asahi Kasei Homes, Mitsui Home and Sumitomo Forestry. Low cost builders are Tama Home, Yamada Home, Hinokiya Group and two others.

South Sea(tropical) logs and lumber

Log import is more than 10% less than last year but users have enough inventory. Sarawak, Malaysia could go into rainy season in any day but the users in Japan feel confident that PNG supply should satisfy their needs. Indonesian mercusii pine laminated free board prices dropped in late July in Indonesia but with limited volume in distribution channels, the prices are settling down.

Chinese South Sea lumber has started moving after August but demand for renovation of stores continues slow due to coronavirus restrictions.

China

Year to August real estate development

By August this year investment in real estate development was up almost 4.6% year on year with investment in residential building rising over 5%. However, between January and August this year the area of land purchased for real estate development dropped 2.4% year on year.



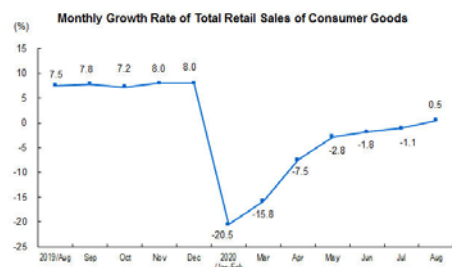
Source: National Bureau of Statistics of China

See:

http://www.stats.gov.cn/english/PressRelease/202009/t20200916_1789784.html

Retail sales turn positive in August

August retail sales of consumer goods trended higher, the first positive year on year growth this year. However, sales of furniture were still below (-11.4%) that in the first eight month of 2019 and sales of Building and Decoration Materials were down 8.7% over the same period.



Source: National Bureau of Statistics of China

Production of fibreboard and particleboard

According to statistics on China's fibreboard and particleboard production capacity in the first half of 2020 from Forestry Planning and Design Institute of the State Forestry and Grassland Administration (SFGA) and China National Forest Products Industry Association (CNFPPIA), progress in construction of additional fibreboard and particleboard mills has slowed and there are fewer new mills under construction compared to last year.

Fibreboard production

China's fibreboard production capacity expanded after 2018 and the 2020 production capacity is forecast to reach 56 million cubic metres annually when current construction projects are completed.

Two new continuous flat-pressure fibreboard production lines are operational in Anhui Province with a total capacity of 420,000 cubic metres per year. Six new production lines with an annual production capacity of 1.74 million cubic metres are located in Guangxi, Shandong, Jiangsu and Jiangxi Provinces.

There are currently 32 fibreboard production lines under construction in China with a total output capacity of 6.51 million cubic metres per year. The fibreboard production lines under construction will come on line over the next 2 years.

Recently, the Guangxi Lelin Group and Dieffenbacher concluded a deal for a 600,000 cubic metre formaldehyde-free fibreboard project. This, the Group claims, will be the largest single-line production plant in the world. The continuous press is 9 feet wide and 80 meters long.

See: https://www.sohu.com/a/414041777_120055240

Particleboard production

Current projects under construction will have an annual production capacity of around 42 million cubic metres and most are likely to be operational this year.

Five new particleboard production mills with annual output of 1 million cubic metres have recently become operational in Shandong, Jiangsu, Anhui and Guangxi Provinces of which 4 are continuous flat pressing lines with annual output capacity of 950,000 cubic metres. 25 particleboard production lines were under construction in China in the first half of 2020 with annual output of 6.96 million cubic metres.

See:

<http://www.forestry.gov.cn/xldy/5197/20200821/081348635241173.html>

Decline in fibreboard imports

According to China Customs, fibreboard imports were 62,235 tonnes valued at US\$45.66 million, down 26% in volume and 22% in value in the first half of 2020.

China mainly imports from New Zealand (12,408 tonnes), Australia (11,997 tonnes), Germany (10,189 tonnes) and Thailand (7,191 tonnes).

China's fibreboard imports from New Zealand and Germany fell 27% and 21% respectively in the first half of 2020 however, imports from Thailand and Australia rose 14% and 13% respectively.

Decline in fibreboard exports

According to China Customs in the first half of 2020 fibreboard exports were 629,967 tonnes valued at US\$341.23 million, down 21% in volume and 27% in value.

The international markets for China's fibreboard exports are diverse with the top 10 markets accounting for just 60% of all exports.

The largest overseas market in early 2020 was Nigeria where China exported 107,088 tonnes down 16% over the same period of 2020. However, the US became the second largest export market for China's fibreboard in early 2020 taking 58,018 tonnes but this was around 40% lower than in the first half of 2019. China's fibreboard exports have been falling due to concerns on toxic emissions.

Rise in particleboard imports

According to China Customs, in the first half of 2020 particleboard imports were 298,586 tonnes valued at US\$100 million, up 15% in volume and 8% in value and this was despite the impact of the pandemic on trade.

The major suppliers of particleboard imports in the first half of 2020 were Thailand, Brazil, Romania, Malaysia and Russia. Imports only declined from Malaysia (-4%) while imports from Thailand (+8%, 74,000 tonnes), Brazil (+6%, 48,000 tonnes) and Romania (+17%, 48,000 tonnes).

China's particleboard imports from Russia surged to almost 32,000 tonnes because Chinese companies have built plants in Russia and export to China.

The US is no longer a major supplier of particleboard to China as a result of the current trade dispute. China's particleboard imports from the US plunged 84% in the first half of 2020.

Slight decline in particleboard exports

According to China Customs, in the first half of 2020 particleboard exports were 106,563 tonnes valued at US\$58 million, down 1% in volume and up 27% in value.

The major overseas markets for China's particleboard exports were Mongolia, UAE, Saudi Arabia, Vietnam and South Korea in the first half of 2020.

China's particleboard export to Mongolia and Saudi Arabia rose 25% and 79% to 25,074 tonnes and 6,706 tonnes respectively. However, China's particleboard export to UAE, Vietnam and South Korea fell 2%, 40% and 22% to 11,350 tonnes, 5,413 tonnes and 5,156 tonnes respectively in the first half of 2020.

The US is no longer a major market for China's particle. Particleboard exports to US fell 27% to just 1,552 tonnes in the first half of 2020.

Heilongjiang (Mudanjiang) timber distribution center

It has been reported that recently a timber and wood products distribution center had been established in Heilongjiang (Mudanjiang).

The Center will handle panels imported from Russia, Ukraine, Belarus and some other European countries. The Mudanjiang Huasheng National Transportation Logistics Center (inland port) will facilitate trading, bonded warehousing, Custom clearances, duty payments and distribution. This Center will also handle production from the 23 existing wood enterprises in the area for export. The establishment of the Heilongjiang (Mudanjiang) timber and wood products import and export distribution center will strengthen the distribution, transit, sales and logistics to domestic and international markets and will increase the opportunities for exports from Mudanjiang.

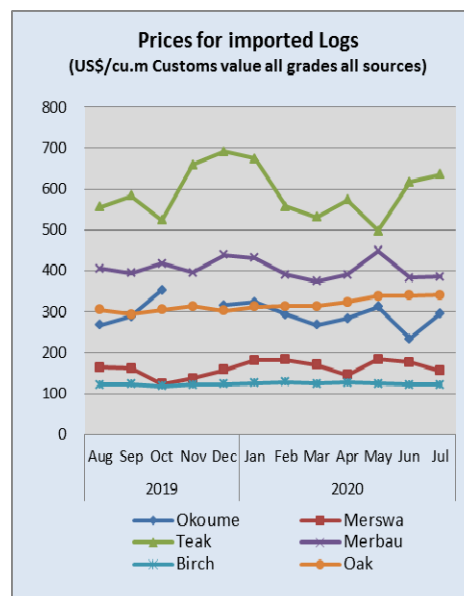
See:

http://zwgk.mdj.gov.cn/bmxxgk/swj/202008/t20200831_305745.html

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

	2020 June	2020 July
Okoume	234	296
Merswa	177	155
Teak	617	635
Merbau	383	385
Birch	122	122
Oak	340	341

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

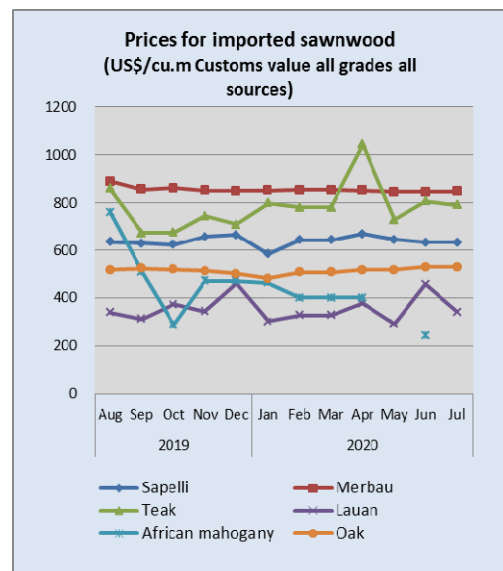


Data source: China Customs. Customs value all grades, all sources

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

	2020 June	2020 July
Sapelli	633	633
Merbau	845	847
Teak	807	791
Lauan	457	340
African mahogany	242	
Oak	529	530

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



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

Europe

EU plywood trade cautious, but recovery faster than expected

It's still too early to say for sure, but it's variously estimated by European plywood importers and distributors that the Covid-19 pandemic will slice 10-20% off their 2020 bottom line.

Trade has since seen a bounce back, varying in degree from country to country, but companies don't expect it to make up for the sales lost when the health crisis first hit.

Looking ahead, the sector is hopeful about continued market recovery, although there's awareness about making more than short-term forecasts and concern about the economic fallout as European governments wind down pandemic business support measures.

There is some preoccupation too about the potential impacts on the European economy of Brexit if the UK does come to the end of its transition period to depart the EU on January 1 and leaves without a trade deal.

The better news, however, is that, while plywood companies across Europe acknowledge that they've taken a significant hit from the pandemic, the general view is that the contraction in trade has not in fact been as severe as expected earlier in the year.

"In normal circumstances, losing a tenth to a fifth of sales would be seen as a bit of a disaster," said one importer. "But if you'd offered us that when we were at peak lockdown, we'd have grabbed it with both hands. At one point we were trading at between 30 and 35% of normal levels."

This expressed the general consensus. Some companies closed for a period late March into April. Most kept trading, but report that they were mainly dealing with outstanding orders.

"There was new business coming into the pipeline, but it was significantly down and more hand to mouth," said an importer/distributor. "Very few customers were committing more than a few weeks ahead. We actually kept all our staff on, but it was as much to keep communications channels open with customers, as to actually do business."

But the worst of the crisis was, in the words of one company, 'surprisingly short-lived'. Business was reported to have started recovering as early as May and picked up from there.

"An indicator that things didn't turn out quite as bad as customers expected was that we got calls in April asking for longer payment terms, then in May they came back to us and said that they no longer needed them," said an importer distributor.

Some businesses report that they were already back to pre-Covid trade levels by June and that momentum continued to build in July.

"Early on, part of the uptick in activity was due to delayed supply shipments coming in and completing outstanding orders that we'd been able to fulfill before," said an importer. "But new orders also started to increase."

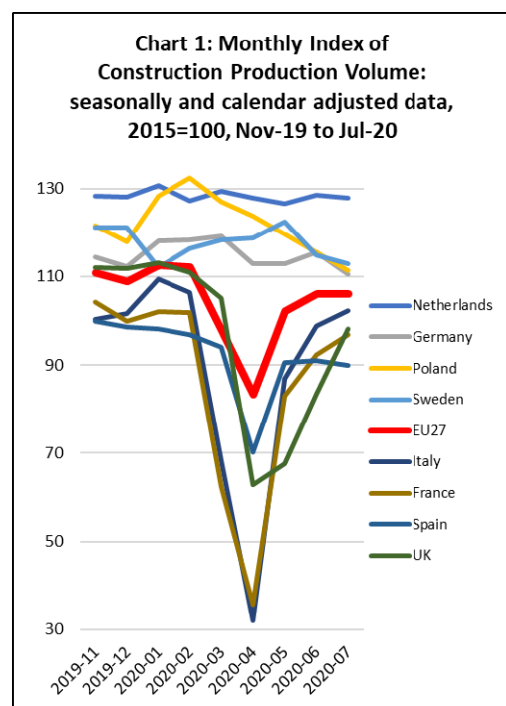
August dip in continental European plywood trade

Some plywood businesses in continental Europe said that, after trade strengthened through June and July, it dipped again, in some cases sharply, in August.

"This seems to be because people went ahead with vacations, even if they were staycations," said an importer. "We anticipated once customers got back to business post lockdown and staff returned after furlough or technical leave, they'd work through the summer period. However, trade did slowly get back to recovery in September."

The exception to this trend was the UK. “We don’t have the continental summer vacation pattern, and we saw sales continuing to accelerate through July and into August,” said a UK importer.

The European construction sector, the main plywood consumer, was severely affected by the pandemic in April but recovered strongly in most countries in the following months. According to Eurostat figures in April EU27 construction output slumped by 15% compared to March but made up much of the lost ground in May and June (Chart 1).



Data source: ITTO-IMM Analysis of Eurostat

The construction sector was hit hardest in April in Italy, down 53%, France, down 43%, and Spain, down 25%. Construction in the UK also fell rapidly in April, down 40%. Although production rebounded in all these countries in the following months, it was still down on the long-term average in July.

In contrast, construction production in the Netherlands, Germany, Poland and Sweden was less affected during the first wave of the pandemic.

On the basis of current data, Euroconstruct predicts that, after expanding 2.7% in 2019 to €1,700 billion, construction output in its 19 European member countries will contract 11.5% (compared to a GDP decline of 8.8%). This will take revenue down to around €1,500 billion, the lowest level since 2015.

Recovery is expected to set in next year, with output rising 6%, followed by 3% growth in 2022. However, the pandemic over the 2020-22 period is forecast to cost construction around €350 billion in lost business.

Over this year, only Portugal and Poland among Euroconstruct countries are expected to see building sector growth, while the smallest contractions will be in Switzerland and Finland, down 1-2%.

Of the big five, Germany is predicted to fare best, with a 2.5% construction downturn, and the UK worst, with output 33% lower. Building in Spain is forecast to contract 15%, France by 17.8% and Italy 11.4%.

These figures tally with comments from plywood companies in different countries, although a number gave a more upbeat perspective on the rate of recovery in construction, with government investment programmes expected to give the industry a further boost in various countries.

“In two of our leading construction markets, Germany and the Netherlands, we saw activity continuing quite robustly. There was some slowdown, but few sites closed, and from May onwards demand has picked up steadily,” said an importer.

“In Germany, in particular we see strong prospects for the industry. After a period of under investment, for which it was criticized by the EU and UN, Germany started a multi-billion euro infrastructure and public construction spending programme about two years ago, and that continues. So we’re expecting good growth in the market.”

While construction suffered worse in France, public investment is also expected to underpin recovery and growth.

“The French government says its recovery investment package will eventually add up to 4% of GDP, the largest percentage spend of any European country,” said another importer. “It maintains that this should get GDP to pre-Covid levels by 2022, and €7 billion is earmarked for building renovation and increased energy efficiency.

Additionally, as part of its sustainable development programme, France is introducing a law in 2022 whereby timber will have to make up 50% of construction materials used in new public buildings. In line with this, a significant part of construction for the 2024 Paris Olympics will be in wood.

” The pace of recovery in other European countries was expected to depend on the resources governments have available to boost their economies. “The deeper their pockets, the sooner they’ll get back on track,” said an importer-distributor.

Early signs of recovery in UK plywood market

While Euroconstruct forecasts the UK building sector to suffer the steepest downturn of its member countries, bar Ireland where contraction is predicted at 38%, a UK importer also reported good signs of recovery from June through August.

"In fact we had one of our best Julys ever, not just for plywood, but also OSB and the range of wood panel products, and construction contributed significantly to that," they said.

"Looking forward, the government has also pledged to increase funding for public building projects and the refrain is that we're going to build back better and greener, which should hopefully open the door to greater use of timber."

Of other markets, the DIY and repair maintenance and improvement sectors are both reported to have come through the pandemic relatively strongly, and now to be picking up well.

"It seems consumers turned to DIY projects during lockdown," said an importer. "In addition, the money they're not spending on holidays and going out is going into home improvement."

Of other plywood markets, furniture and joinery manufacture seem to have taken longer to recover, although activity is now said to be on the up. Worst affected are reported to have been packaging, hit especially by the general downturn in manufacturing, and shopfitting, with retail already suffering going into lockdown, in part from continuing growth in online shopping, which the pandemic has further accentuated. The hospitality sector has also been badly affected, as has the trade exhibition industry.

"By July/August our sales into construction, which form the biggest part of our plywood trade, were back to 90% of normal, with furniture and joinery around 50% and increasing," said an importer. "But shopfitting and packaging were still some way behind. And the exhibition sector, which is a significant panel products market, was just flat and we don't see it coming back significantly even in the first half of 2021."

A UK importer distributor, however, did see some signs of revival in shopfitting from August. Sales of wood sheet materials for 'distancing screening' in hospitality and healthcare sectors also to some extent made up for business lost elsewhere.

Steady recovery in European plywood deliveries from China

In terms of supply the major concern early on in the pandemic was China. "When they went into lockdown, as far as we were concerned, they just turned off the tap," said one importer. "We didn't see deliveries from February, through to early April. We and our customers had to live off inventories."

However, through April and May, Chinese supply was reported to have recovered steadily, and in the summer to be back to normal. One importer reported a 'surge of outstanding deliveries in July'.

Increasing freight rates, up in the last couple of months from \$1,300/1,400 FEU to \$2,000 are now impacting Chinese competitiveness. In addition the strengthening of the CNY against the dollar, plus increased veneer prices due to the effects of bad weather on supply, are reported to be prompting Chinese suppliers to push for 3-5% price increases.

"However, there's a lot of market resistance and that could lead to some issues with quality, with factories cutting back on standards if they can't get price rises," said an importer. "With China, you get what you pay for."

Some gaps are reported to be opening up in Brazilian supply as demand from the US construction sector continues to grow strongly. Consequently prices are up too.

"While production has continued, Brazilian through the pandemic has been a real roller coaster," said an importer. "At the start in March the price for standard 20mm C+/C dropped from US\$230/cu.m FOB to \$170 due to contraction in international demand, then dipped even lower. Now it's back to US\$250-280/cu.m and it's mainly due to an increasingly active US market."

Russian plywood squeezing out Indonesian suppliers

Indonesian plywood supply is also reported to be almost back to normal, albeit with freight rates increasing costs. One importer, however, said they were now only buying raw board from the country.

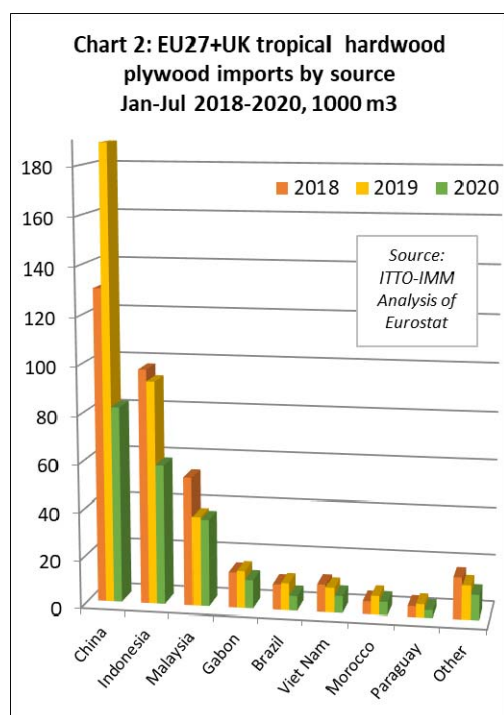
"Thinner Indonesian product is also still doing OK, and they're strong in overlay and 2.7mm items for the caravan industry, but, for us, they're pretty much out of the picture in 18-21mm film-faced for construction, where Russian dominates," they said.

Russian plywood is reported to have become more competitive overall with the rouble sliding from 77 to the euro in June to over 90 in September.

"At the same time, some Russian mills have been pushing for price rises in certain upper end qualities as they're facing shortages of logs and quality veneers until the next harvest season starts," said an importer.

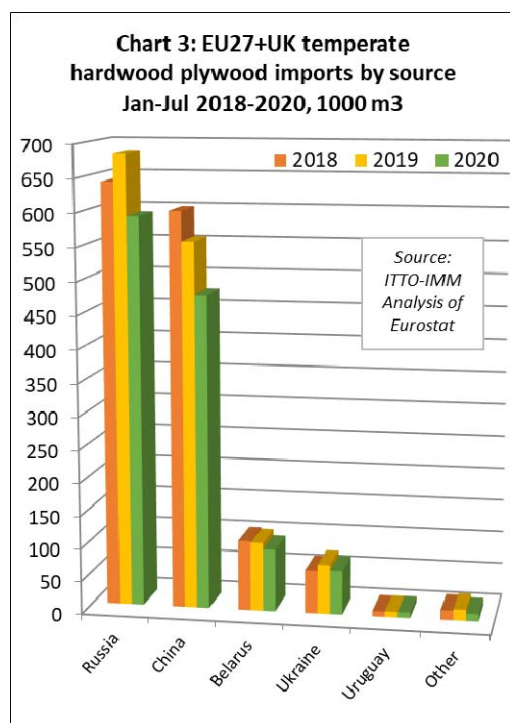
Reflecting the impact of the pandemic, analysis of Eurostat's Comext figures show total tropical hardwood imports into the EU27+UK were down 42.4% to 221,000 cu.m from January to July, compared with the same period in 2019.

Biggest falls came in imports from China, down 56.6% to 82,000 cu.m. Shipments from Indonesia were 37.1% lower at 58,000 cu.m, from Malaysia down 2.8% to 36,000 cu.m, Gabon down 23.8% to 12,000 cu.m, Brazil down 46% to 6,000 cu.m and Vietnam down 31.7% to 7,000 cu.m (Chart 2).



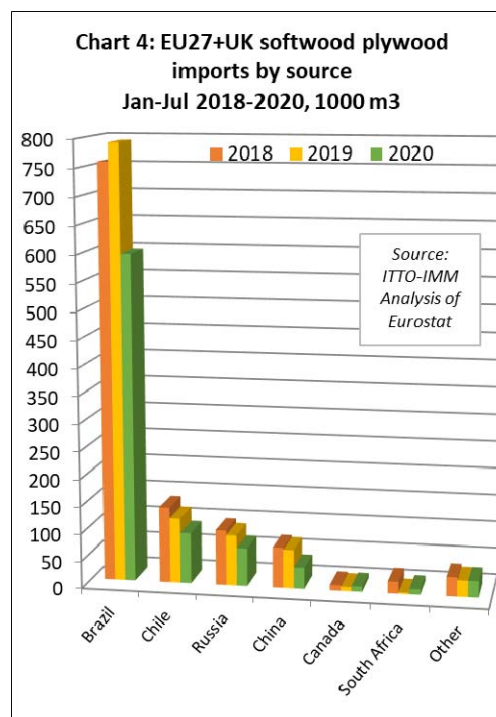
Data source: ITTO-IMM Analysis of Eurostat

EU27+UK combined temperate hardwood plywood imports for the period fell 13.4% to 1.25 million cu.m, with Russian imports down 13.5% to 591,000 cu.m, Chinese down 14.2% to 477,000 cu.m, Belarusian down 9.1% to 95,000 cu.m and Ukrainian down 10.6% to 67,000 cu.m, while Uruguayan imports were up 0.8% at 9,000 cu.m (Chart 3).



Data source: ITTO-IMM Analysis of Eurostat

EU27+UK total softwood plywood imports over the same period were 23.9% lower at 847,000 cu.m, with Brazilian 24.7% lower at 597,000 cu.m, Chilean down 22.1% at 93,000 cu.m, Russian down 24.7% at 70,000 cu.m and Chinese down 44.9% at 39,000 cu.m. Imports from Canada rose 26% to 9,500 cu.m and South African increased 311.8% to 10,000 cu.m (Chart 4).



Data source: ITTO-IMM Analysis of Eurostat

No-deal Brexit threatens European market confidence

Turning to Brexit, there remain fears if the UK leaves the EU without a deal, it could further undermine European market confidence, which is already fragile due to fresh spikes in incidence of Covid-19 in a growing number of countries. But late September, negotiators on both sides were making more conciliatory noises and sounding more positive a deal would be struck.

A leading UK importer added that, while they remained concerned about hold ups at ports and customs as new administrative procedures bed in in the event of a no-deal Brexit, they were not hedging by increasing stocks.

“We always keep a buffer and don’t anticipate we’ll need more than this,” they said. “In addition, all our competitors will be in the same position.”

Another importer said they were cautious about building stock in case the current ‘US demand bubble’ underpinning the global market bursts. “In that case prices would drop,” they said.

UK companies added that they were not ‘overly anxious’ either about having to undertake due diligence on imports from the EU under the new UK Timber Regulation, which succeeds the EUTR in the UK, if a deal is not struck.

This includes FLEGT-licensed product imported via EU countries.

“We have the systems in place, and are already subjecting Latvian plywood and OSB to due diligence, for instance, so we don’t see it as a significant additional administrative burden,” said one company.

One complication is the position of Northern Ireland post Brexit. Under the original ‘Withdrawal Agreement’ concluded by the UK and EU, it remains subject to the EUTR, so goods shipped from the rest of the UK to Northern Ireland would have to undergo due diligence and be subject to the same duty as those imported into the province from other non-EU countries.

However, under the UK government’s recently proposed Internal Market Bill, goods could be shipped to Northern Ireland without any checks or duty, in which case those exported from Northern Ireland to the Irish Republic would be subject to EUTR due diligence.

“About 10% of our turnover comes from goods exported to the Republic via Northern Ireland, and this uncertainty is not helpful,” said a UK plywood importer. “But we have been assured, we won’t be paying duty twice.”

Brexit deal or no Brexit deal, all UK imports from outside the EU will be subject to the duty rates in the new UK Global Tariff unless:

- the supplier country or region has a trade deal with the UK
- a developing supplier country has Generalised Scheme of Preference status with the UK
- an open Product Quota has been registered with the WTO.

That said, many of the duty rates will be unchanged from those of the EU. Some will be lower.

As for quotas, this includes the EU Coniferous Plywood Quota. According to the UK Timber Trade Federation, if the UK strikes a trade deal with the EU, then it will continue to take its share of this annual quota, as before. If not, plywood from the EU will count as part of its share of the quota.

“Our understanding is that the UK will have its own duty free softwood plywood quota of around 167,000 m3 starting January 1, 2021, which is based on its usage of the [EU] quota over the past five years,” said a TTF spokesperson. “If we do not sign an EU deal then coniferous plywood from Finland, France and Sweden will have access to the quota along with the rest of the world so it is likely to be used up faster than before.”

Also in EU plywood sector news, the Dutch EUTR Competent Authority has ordered the Netherlands company Sakol to stop importing tropical-faced plywood from Chinese supplier Jiangsu High Hope Arser Co. Ltd, which it deems in breach of the Regulation.

The Environmental Investigation Agency NGO says the move sets a precedent for the rest of the EU, and it urges Competent Authorities in France, Belgium, Greece, and the UK, which import similar products from China, to follow the Dutch example.

“This decision is significant as it delivers a blow to the protective cover that these global supply routes have provided for high risk and illegal tropical timber and shows that European authorities are rising to the challenge posed by complex timber supply chains,” said EIA Forest Campaigns Director Lisa Handy.

“For the EU to demonstrate it is truly a level playing field, and if the UK does not want to become a back door for illegal tropical timber in the region, the decision taken in the Netherlands should trigger a domino effect across Europe. We look forward to other authorities taking similar actions.”

On the trade outlook, EU plywood companies highlight continued downside risks in the market. These include further increases in new cases of Covid-19 – the so-called pandemic ‘second wave’. Importers are also concerned that unemployment will rise as governments withdraw worker furlough support, with a consequent loss of consumer confidence. Some expressed a worry too about sufficient new construction work coming on stream, despite public investment, once pandemic-delayed projects are completed.

However, the sector is not overly downbeat. “We’re in a better position now than we expected to be six months ago, and at the moment we’re seeing recovery continuing to pick up,” said an importer. “We’re taking things week to week, month to month, as the picture is so uncertain, but we’re cautiously optimistic.”

North America

Housing starts fall more than expected in August

US home building fell in August after strong gains in the previous three months but the housing market remains supported by record-low interest rates and demand is good for properties in the suburbs and low-density areas as many people consider a future of working from home.

Housing starts dropped 5.1% to a seasonally adjusted annual rate of 1.416 million units last month according to the Department of Commerce. Data for July was revised slightly lower to 1.492 million annual pace from the previously reported 1.496 million.

Home building in August was pulled down by a 22.7% tumble in starts for the volatile multi-family housing segment but construction of single-family housing units, which accounts for the largest share of the housing market, increased 4.1%. Groundbreaking activity rose in the West and Midwest but fell in the South and Northeast.

Canadian housing starts rose for the third consecutive month in August. Based on a recent update from the Canada Mortgage and Housing Corporation (CMHC), the construction of new homes was up month-on-month in August, with a total of 213,144 new starts reported, up from 204,597 units in July.

The CMHC says higher multi-family starts in Ontario, including in Toronto, drove the national increase after a total of 5,243 new housing starts were launched in August, up 67% from the same time last year. CMHC believes that national starts will begin to trend lower by the end of 2020 as a result of the negative impact of the pandemic on economic and housing indicators.

Existing home sales near 14-year high in August

US home sales surged to their highest level in nearly 14 years in August as the housing market continued to outperform the broad economy, though record home prices could be an obstacle for first-time buyers.

The National Association of Realtors said that existing home sales increased 2.4% to a seasonally adjusted annual rate of 6 million units last month, the highest level since December 2006. Data for July was unrevised at 5.86 million units.

Sales increased from July to August in all four regions, up 13% in the Northeast, 1.4% in the Midwest, 0.8% in the South, and 0.8% in the West. Sales last month concentrated on the higher priced homes. Existing home sales, which account for the bulk of US home sales, were 10.5% above that of last August.

See: <https://www.nar.realtor/newsroom/existing-home-sales-hit-highest-level-since-december-2006>

Builder sentiment soars but timber prices of concern

With demand for housing surging US homebuilders are positively ebullient. Builder confidence in the market for single-family homes in September increased 5 points to 83 on the monthly NAHB/Wells Fargo Housing Market Index. That's the highest reading in the survey's 35-year history, which matched its last all-time high in August. Anything above 50 is considered positive. The index stood at 68 in September 2019.

All three of the index's components rose to record highs, current sales, sales expectations, and traffic of prospective buyers.

While housing demand is incredibly strong, builders continue to be dogged by a lack of skilled labor and finished lots. And now, there's a new hurdle — fast-rising prices for sawnwood due to the Covid-19 crisis and the raging fires in the American West.

Sawnwood prices have jumped more than 170% since mid-April, adding more than US\$16,000 to the price of a typical new single-family home, according to the NAHB.

Some sawnwood producers shut down in March and April as the pandemic hit the US and did not expect to see the quick surge in housing demand that began in late May. Ramping up production, while protecting workers with social distancing was not easy and supply suffered.

Now the Western fires are adding to the strain. Weyerhaeuser, the nation's largest sawnwood producer, has cautioned that "several of the fires have reached the company's timberlands, but it is too soon to assess the affected acreage or potential business impact."

Weyerhaeuser manages about 1.6 million acres of forests in Oregon and 1.3 million acres of forests in Washington. The company operates three mills in Oregon and two in Washington, with one building materials distribution center in each state.

See: <http://eyeonhousing.org/2020/09/builder-confidence-soars-to-an-all-time-high-lumber-risks-remain/>

Wood products lead manufacturing growth but furniture output contracts

Economic activity in the manufacturing sector grew for the fourth consecutive month in August, according to the nation's supply executives in the latest Manufacturing ISM Report on Business.

For the third consecutive month, wood product manufacturers reported the highest growth among manufacturing industries. Of the 18 manufacturing industries, 15 reported growth in August.

However, those in the Furniture and Related Products category, which in July was second in growth, was among the few areas that reported contraction in August.

ISM warns that office furniture has joined commercial aerospace and the oil and gas sector as manufacturers impacted by low demand who are holding off on capital investments for the rest of 2020.

Overall, the survey response was optimistic, with demand and consumption driving expansion growth as supply chains restarted and adjustments were made for employees to return to work.

See: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/august/>

Consumer sentiment index reaches highest level since March

While the University of Michigan's consumer sentiment index has climbed to its highest level since March, it remains well below its February reading that was above 100. University analysts said the preliminary reading of its US consumer sentiment index in September was 78.9, up from 74.1 in the previous month.

The sentiment indicator covers how consumers view their personal finances as well as business and buying conditions.

University of Michigan economist Richard Curtin says over the next several months there are two factors that could cause volatile shifts in consumer confidence: how the November 3rd US election is decided and delays in obtaining COVID-19 vaccinations.

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

Unemployment falls but job creation slows

The August Department of Labor employment report shows US payrolls increased by 1.37 million with most hires coming in government and retail.

About 10.6 million jobs have been added since May, bringing the unemployment rate to 8.4%, down from a peak of 22.8% in April, when tens of millions of jobs were a casualty of nonessential business closures.

The August figure is the second straight month-over-month decline, down from 1.7 million new payrolls in July and 4.8 million in June, as the country attempts recovery from the COVID-19 lockdown. More than 40% of the new jobs in August came in the form of government and retail hires. About 344,000 hires were made by the federal government, in large part temporary workers to run the 2020 national census.

In August, manufacturing employment rose by 29,000, with gains concentrated in the nondurable goods component (+27,000). Despite gains in recent months, employment in manufacturing is 720,000 below February's level.

Sawnwood, the material in short supply

According to the US Chamber of Commerce's latest commercial construction index, sawnwood is currently the most reported material shortage.

In a press release the Chmber says "Over half of contractors report facing shortages for at least one material, up from 45 percent in Q2". Wood and/or sawnwood is the most reported shortage at 11 percent, up from 5 percent last quarter."

Additionally, contractors say the impact of coronavirus still looms large, but its perceived impact is lessening over time. Nearly all contractors (85%) are still experiencing delays due to the coronavirus outbreak, with 83% expecting delays to continue into the fall and 71% expecting delays will remain through early 2021.

However, the average amount of delays has decreased sharply as the year continues. In July, contractors reported an average share of 26% of their projects were delayed, down from 40% in April.

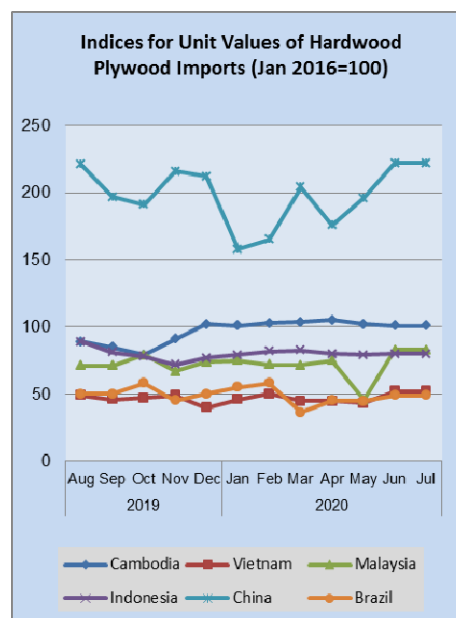
No evasion determination in Concannon sawnwood case

The International Wood Products Association reported that US Customs and Border Protection's internal appellate body has reversed CBP's previous determination of evasion in the case of Certain Hardwood Plywood from the People's Republic of China for Concannon Sawnwood Company.

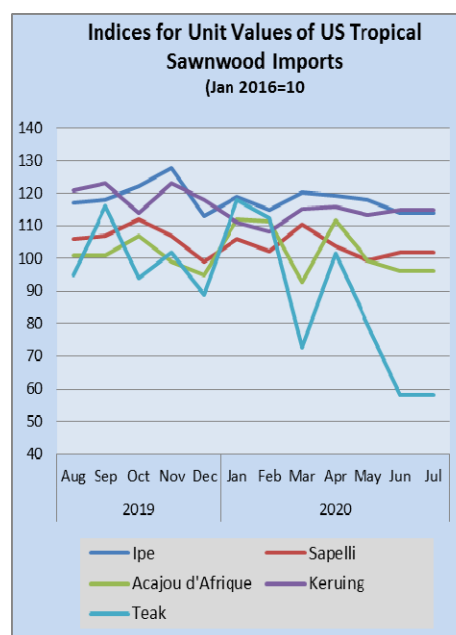
Concannon's attorneys Mowry & Grimson PLLC argued that the hardwood plywood the company was importing from Vietnam was manufactured in Vietnam and did not evade the antidumping and countervailing duty orders on covered merchandise from China.

This is a victory for US companies that take responsible steps to ensure that they are not importing dutiable merchandise from China.

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



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



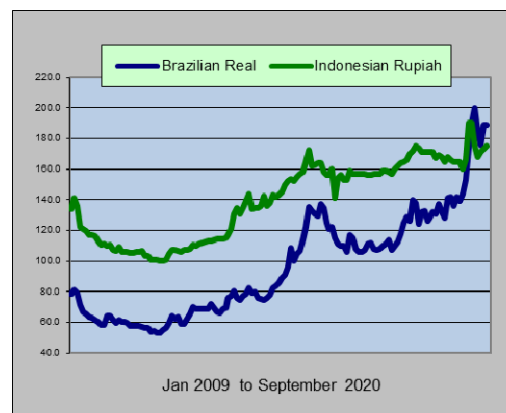
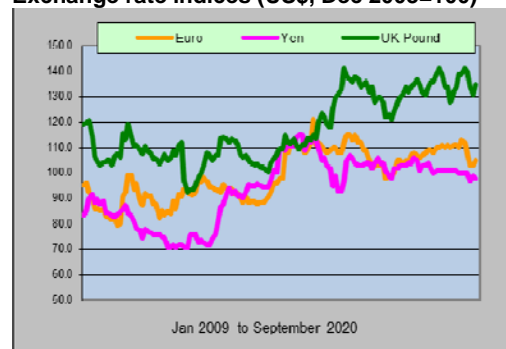
Data source: US Census Bureau, Foreign Trade Statistics
Note: Unit values are based on Customs value and exclude shipping, insurance and duties

Dollar Exchange Rates

As of 25 September 2020

Brazil	Real	5.5622
CFA countries	CFA Franc	563.83
China	Yuan	6.8238
Euro area	Euro	0.8597
India	Rupee	73.69
Indonesia	Rupiah	14870
Japan	Yen	105.58
Malaysia	Ringgit	4.1715
Peru	New Sol	3.50
UK	Pound	0.7846
South Korea	Won	1174.45

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

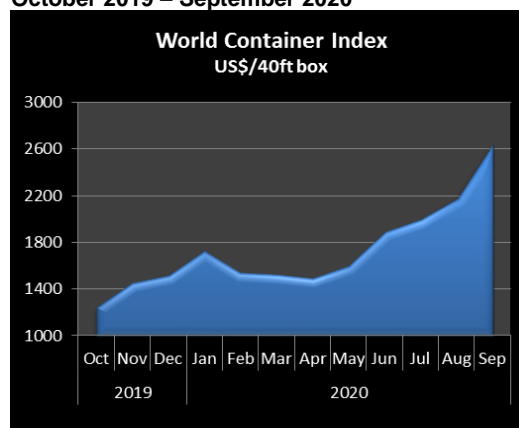


Abbreviations and Equivalences

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

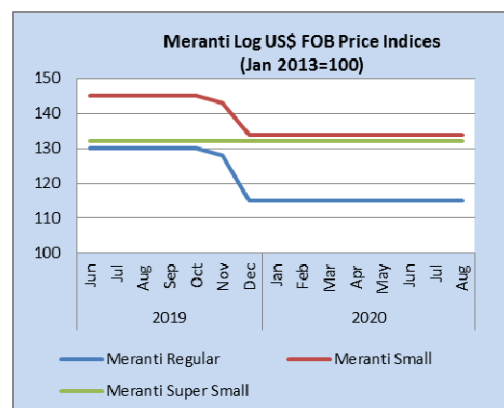
October 2019 – September 2020



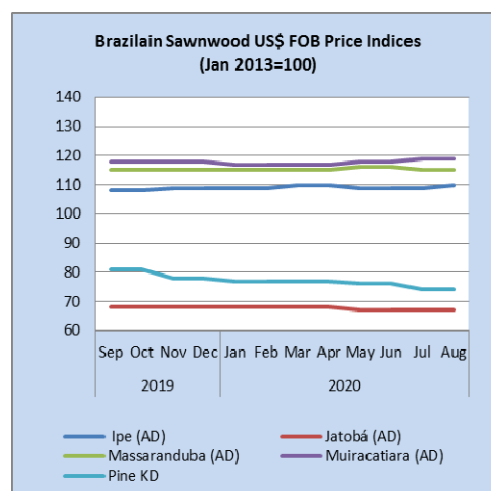
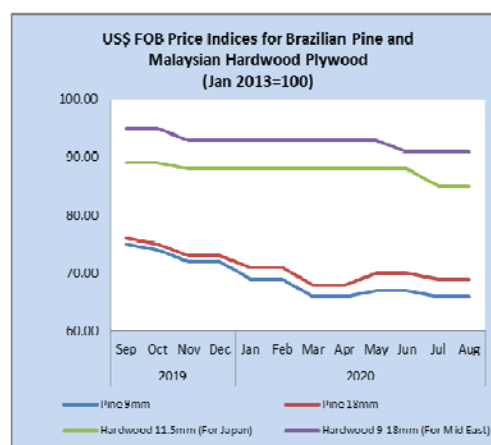
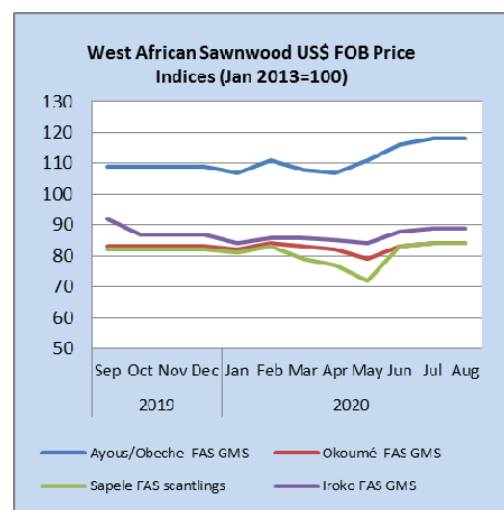
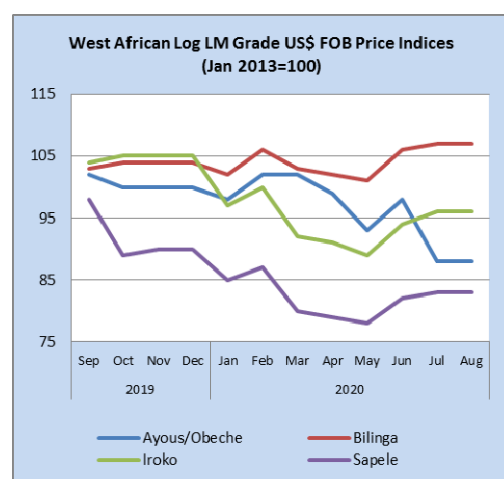
Data source: Drewry World Container Index

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.

To have a free copy of this twice-monthly ITTO Market Information Service bulletin emailed to you on the day of production, please register at:

http://www.itto.int/en/mis_registration/

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.