

Tropical Timber Market Report

Volume 25 Number 10 16th – 31st May 2021



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.

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Top story

Demand driven signs of recovery in Brazil

In April 2021 Brazilian exports of wood products (except pulp and paper) increased 57.5% in value compared to April 2020, from US\$238.9 million to US\$376.4 million.

- Pine sawnwood exports grew 31%
- Tropical sawnwood exports increased 14%
- Pine plywood exports surged over 100%
- Tropical plywood exports increased 39%
- Wooden furniture exports increased 181%

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Central and West Africa

Producers hopeful of second half rise in demand

Producers in the region report steady demand in international markets. Chinese companies are sticking to their favourite species which include belli, okan, bilinga, okoume and ovangkol and buyers in the Philippines are keen to secure sawn okoume which now has to be shipped plastic wrapped in conventional vessels because shipping containers are not available.

Demand in Middle East markets are reported as stable but some producers report a weakening of orders from buyers in Europe for certain species. One example is the rapid slowdown in demand for bahia (abura) in Italy.

Producers are now looking ahead to the second half of the year when vaccination roll-outs will bring the pandemic under control in the main western markets, the holiday period is over and construction activity and consumer spending should expand.

Log supply problems continue

The end of the rain season across the region has been heralded by violent thunderstorms and the last of the heavy rain. Heavy and prolonged rain over the past month has damaged many of the main highways used for log transport. Mills in Gabon's SEZ continue to experience problems securing sufficient logs.

Gabon producers meet with officials to discuss deteriorating infrastructure

In mid-month representatives from Gabon's forestry sector met with government officials to raise the issue of the deteriorating state of the infrastructure as well as the issue of non-payment of VAT credits which has been a problem for several years. The domestic media has reported that the government will proceed with the repayment of VAT credits.

See: <https://www.lenouveaugabon.com/fr/agro-bois/2005-16947-forets-bois-les-operateurs-expliquent-pourquoi-la-production-est-en-baisse-au-gabon>

DRC conflict abates, will forestry operations expand?

The end of conflict in the DRC has brought new problems, the emergence of armed groups in the eastern part of the country. This is seriously hampering efforts to strengthen development in the region. There were hopes that the end to the conflict would encourage the reopening of more forestry operations.

However, faced with growing violence, the DRC government has enlisted help from allies, including Uganda which will send troops to help secure the peace. The armed groups have become so active that the DRC President Félix Tshisekedi declared a state of siege in North Kivu and Ituri Provinces.

Measuring impact of the institutional investments on biodiversity

15 regional banks have joined the 'Partnership for Biodiversity Accounting Financials' (PBAF) launched by ASN Bank, ACTIAM, the Netherlands Development Finance Corporation (FMO), Robeco, Triodos Bank and Triple Jump. The aim of the partnership is to measure and report on the impact of the institutions investments on biodiversity around the world.

Some of the PBAF members have assets in Africa in the agricultural sector such as cocoa, oil palm and rubber. Recently, this environmental grouping criticised Deutsche Bank for financing an agricultural project that would result in the destruction of 10,000 hectares of forest in southern Cameroon.

See: <https://www.afrik21.africa/en/africa-15-banks-commit-to-reducing-the-impact-of-their-assets-on-biodiversity/>

log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N" Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	220
Moabi	280↓	280↓	250
Movingui	180	180	-
Niove	160	160	-
Okan	200	200	-
Padouk	270↓	240	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	465
Merchantable	310
Std/Btr GMS	320
Sipo FAS GMS	425↑
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	900
FAS scantlings	950
Strips	350
Sapele FAS Spanish sizes	420
FAS scantlings	4505↑
Iroko FAS GMS	600
Scantlings	620
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	580
Movingui FAS GMS	380

Ghana

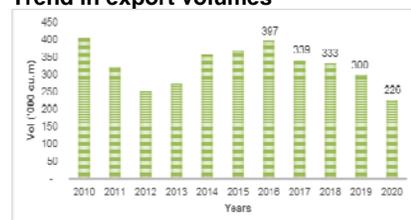
Timber exports – 5 years of downtrend

Data from the Timber Industry Development Division (TIDD) of the Forestry Commission shows that over the past 11 years some 3.34 million cu.m of wood products was exported. The export volume for 2020, which was 226,000 cu.m, was down close to 25% compared to that of the previous year in 2019 (300,000 cu.m.).

Wood product export volumes over the past 5-years showed a consistent declining trend from 397,000 cu.m in 2016 to 226,000 cu.m in 2020. This has been put down to the diminishing availability of logs and the impact of the pandemic on international demand.

The corresponding export earnings for the same period also dropped from Eur 224.96 million in 2016 to Eur116.15 million in 2020.

Trend in export volumes

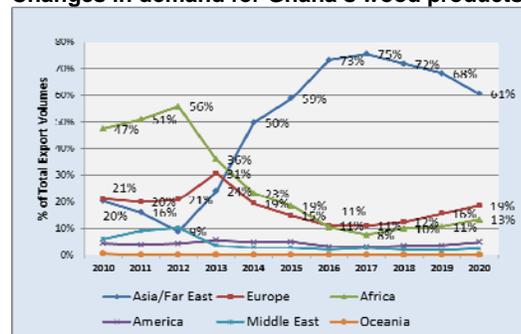


Data source: TIDD

The range of international market destinations for Ghana's wood products remained largely unchanged over the past 10 years but their relative importance varied year by year. The TIDD data shows that export shipments to Asian markets began to decline in 2017 when they accounted for around 75% of total shipments to 61% in 2020.

During the same period exports to Europe and neighbouring African countries steadily increased. Shipments to regional African markets comprise mainly air-dried sawnwood (38%), kiln-dried sawnwood (15%) and plywood (18%).

Changes in demand for Ghana's wood products



Data source: TIDD

Forestry Commission urges Ghanaians on 'Greening' Ghana

Suleimana Nyadia, Deputy Chief Executive in the Forestry Commission, has said called on Ghanaians to adopt a positive attitude towards the environment by developing the habit of planting trees in order to recover the country's degraded lands and forest cover. He made this point during a regional tour to assess preparedness for a nation-wide tree planting exercise dubbed 'Green Ghana' set to begin 11 June when 5 million trees are expected to be planted.

The 'Ghana Green' project is supplementary to the Ghana's Youth Afforestation Programme launched three years ago.

EU finance to help kick start development Bank

The EU has provided Ghana with a Eur170 million facility to be utilised by the soon to be operational Development Bank Ghana (DBG). The agreement on the financial support was signed by the Ministry of Finance and the European Investment Bank.

At a press briefing the Minister of Finance, Ken Ofori-Atta, clarified the DBG will provide loans for operators in economic sectors that support the economy. The Minister further hinted that the establishment of DBG would contribute to reduction in interest rates for Ghanaian businesses from the current 18%. The DBG pivots on the GH¢100 billion Ghana Cares 'Obaatampa' Project mentioned in the President's State of the Nation Address.

Ghana's forestry sector contributes about 6% to GDP and provides a livelihood for about 15% of the population. It is the expectation that businesses and timber-manufacturing industries would greatly benefit from the loan facilities of the DBG.

See: <https://www.presidency.gov.gh/index.php/briefing-room/news-style-2/1913-president-akufo-addo-secures-170-million-for-development-bank-ghana/>

Utility company discusses tariff hike with industry

The Public Utilities Regulatory Commission (PURC) has begun engagement with industry stakeholders to solicit inputs on the proposal that there will be an upward adjustment in both electricity and water tariffs. It has been proposed that tariffs will be raised in July and that the increase will be lower than the inflation rate.

Source: <https://www.myjoyonline.com/purc-begins-stakeholder-engagements-over-possible-increase-in-electricity-and-water-tariffs-from-july/>

Bole export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	530
Niangon Kiln dry	622

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315	441
Chenchen	540	631
Ogea	443	590
Essa	543	705
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	910
Avodire	573
Chenchen	1,073
Mahogany	995
Makore	933
Odum	700

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	347	580	641
6mm	412	535	604
9mm	370	499	560
12mm	516	476	480
15mm	450	414	430
18mm	450	463	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
Afrormosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	482	592
Edinam (mixed redwood)	520	670
Emeri	540	609
African mahogany (Ivorenensis)	886	1060
Makore	740	755
Niangon	583	680
Odum	649	903
Sapele	720	742
Wawa 1C & Select	355	459

Malaysia

Another lock-down

Malaysia recently recorded the highest number of daily Covid-19 infections at 7,289 on 25 May. Behind the surge was the extensive travel that occurred during a recent religious festival. The government announced a third lockdown through a Movement Control Order to try and bring infection numbers down. The MCO will run to 7 June.

The conditions of this lockdown are less strict than the previous MCO as under the current regulation all economic sectors will be allowed to operate but the private sector must limit the number of staff attending offices and factories.

According to Lee Heng Guie, Executive Director at the Socio-Economic Research Centre (SERC), the latest MCO will continue to undermine economic recovery saying his Centre expects Malaysia's 2021 GDP to be at 4%, much lower than Bank Negara projection of 6% to 7.5%.

The main reason for his concern is the slow pace of vaccinations and rising infection rates.

In related news, Steve Ong, president of the Federation of Johor Furniture Manufacturers and Traders Associations said during the first MCO in March 2020 industries had to cut production and accept considerable financial loss. However, the sector was able to recover quickly as demand in international markets picked up.

Last year, Malaysia's furniture sector recorded about RM12.86 bil in exports but currently there are some challenges. Raw material prices are rising and it is very difficult to secure containers for which prices have skyrocketed. But, says Ong, the industry is optimistic it can recover sales to pre-pandemic levels this year.

Penang companies urged to focus on high value products

Recently, the Minister of Plantation Companies and Commodities met with representative of the timber industries operating in the north of the country. The Minister noted that, as one of the major contributors to value added production and exports, industries in and around Penang can increase production of high value wood products. With over 100 timber-based entrepreneurs, Penang has recorded a contribution of 5.3 per cent or RM1.16 billion export value in 2020.

See:

http://www.mtc.com.my/images/media/828/Kenyataan_Media_YBM_KPPK_MTC_Roadshow_2021_Pulau_Pinang_7_Mei.pdf

Sarawak companies cut plywood production

Ta Ann Holdings has reported it has increased harvesting in its forest plantations for added value product manufacturing. Group managing director, Wong Kuo Hea, said the group increased harvesting of plantation logs by 46% to 30,917 cu.m last year while at the same time reducing log production from natural forests to 206,879 cu.m.

The group has three PEFC certified FMUs in the Rejang basin in central Sarawak, covering an area of 346,021 ha.

WTK Holdings has indicated it will adjust plywood output in response to weak demand in the Japanese market. In 2020 around 70% of the group's plywood was exported to Japan and 29% to Taiwan P.o.C. WTK said Japan imported plywood faces tough competition from Japanese domestic plywood.

Plywood traders based in Sarawak reported export prices.

South Korea	US\$ 480 C&F
Taiwan P.o.C	US\$ 470 FOB
CP	US\$ 560 CIF
UCP	US\$ 650 CIF
Middle East	
DBBCC (9/12/15)	US\$ 460 FOB

Indonesia

Furniture industry continues to grow

Indonesia's Minister of Industry, Agus Gumiwang Kartasasmita, said the performance of the furniture sector is very encouraging and as a result it will get more support from the government.

Furniture exports in 2020 increased by around 8% from 2019 and were worth close to US\$2.0 billion. Another product that is doing well is wooden doors as Indonesia is among the top producers after China, Canada, Poland, Brazil and Germany.

He pointed out that in 2020 Indonesia was among the top six door exporters to the UK, United States, Netherlands, Australia and South Africa. The pandemic undermined growth in the wood products sector in 2020 but now the sector is recovering.

See: <https://jatim.antaranews.com/berita/487606/menperin-industri-furnitur-terus-menggeliat-di-tengah-pandemi>

MDF manufacturer optimistic on 2021 prospects

In 2020 PT Indonesia Fiberboard Industry achieved a 7% increase in export sales over 2019 supported by increased sales to Middle East countries where demand expanded over 30% year on year. Company sales in 2020 were distributed between Japan (IDR 248 billion), Middle East (IDR 228 billion) and domestic sale (IDR1421 billion).

The company continues to be optimistic on prospect for 2021 especially as, according to a company spokesperson, some other countries find it difficult to offer MDF from mixed light hardwoods a common raw material for MDF production.

Strengthen climate partnership with US

Indonesia has expressed support for strengthening a new bilateral climate partnership with the US. The Minister of Environment and Forestry, Siti Nurbaya, conveyed this in writing in response to a letter from the US Presidential Envoy for Climate, John F. Kerry.

The Minister noted that building a new climate partnership with the US is among Indonesia's bilateral climate priorities.

See: <https://foresthints.news/indonesia-making-efforts-to-strengthen-new-climate-partnership-with-us/>

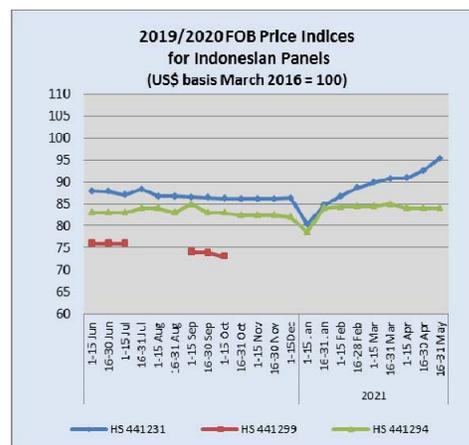
Number of fire 'hotspots' falls

The number of haze-causing fires during the period January to mid-May this year has dropped. The Minister of Environment and Forestry reported that there were 232 fire 'hotspots' during the period which was over 60% less than in 2020. The Minister said fire-fighting efforts continued despite the challenges posed by pandemic.

Trade Balance Surplus

The Minister of Trade Muhammad reported the April 2021 trade balance was a surplus of US\$2.19 billion and that this builds on the monthly surpluses reported since May 2020. The surplus in April 2021 was mainly from non-oil and gas sectors.

See: <https://www.republika.co.id/berita/qltsah383/neraca-dagang-surplus-lutfi-pemulihan-ekonom-menguat>



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

Myanmar

Myanmar reports 96 new COVID-19 confirmed patients

Myanmar's Ministry of Health and Sports reported additional COVID-19 patients on 27 May bringing the total number of confirmed cases to 143,414.

It has been reported that China has donated 500,000 Sinopharm Covid vaccine doses to Myanmar which will be administered first in badly affected areas. The ministry is trying to make sure all health workers receive vaccine shots. Currently, Myanmar is using Covishield and as of the end of April over 1.5 million people have received their first shot.

See: <https://elevenmyanmar.com/news/myanmar-to-use-china-donated-sinopharm-covid-vaccine/>

MTE Tender sales resume

The Myanmar Timber Enterprise (MTE) sold teak and hardwood logs on 27 May 2021. This was the first sale conducted under the new administration, the military government. Out of 391 tons on the tender list, 340 tons were sold for about US\$900,000. The conditions of sale specified that only finished products could be exported.

Sales were conditional on production of finished products only if for export. As a result of this the average price offered was lower than if mills could export sawnwood. Since the first week of April sawnwood export licenses were suspended.

It is understood that sawmillers and representatives of the Ministry of Natural Resources and Environmental Conservation met to discuss the preparation of new export regulations. No new regulations had been released as of the end of May.

Prices for teak Logs (27 May 2021)

Grade	H. Ton	Average US\$/H.Ton
SG-5	138	3039
SG-6	96	2722
SG-7	105	2181
SG-6	52	Unsold
Total	391	

The local media (The Irrawaddy) reported that the value of tender sale (all logs) totalled around US\$1.8 million for 390 tons of teak logs, 4,030 tons of other hardwood logs and sawnwood.

Business suspend payments to joint venture state enterprises

The international media has reported Total of France and Chevron of the US announced they have suspended some payments to their joint venture with a state-owned company.

Democracy advocates are repeatedly pressuring businesses companies to suspend ties with the military regime and have urged that oil and gas payments be put in a trust or protected account until Myanmar has an elected government.

The oil-and-gas sector is Myanmar's largest source of foreign exchange, earning at least US\$1.5 billion annually.

See:
<https://www.telegraphindia.com/world/myanmar-fossil-giants-total-and-chevron-stop-junta-payments/cid/1816959>

EU statement on recent developments

On 23 may 2021 the EU released a Statement by the Spokesperson on the latest developments in Myanmar. This states:

“We have heard the statement of U Thein Soe, the junta-appointed chairman of the Union Election Commission, according to which the Commission may dissolve the National League for Democracy, which overwhelmingly won the last general elections in November.

If the Commission were to proceed with this proposal, it would show yet again the junta's blatant disregard for the will of Myanmar's people and for due legal process.

The EU reiterates that the elections in November faithfully represented the will of Myanmar's people. This was confirmed by all independent domestic and international observers.

No arbitrary decision by the military junta and their illegally-appointed members of the Electoral Commission can cancel that.

The EU will continue to denounce all attempts to overturn the will of the Myanmar people and to alter the outcome of the last general elections. No repression or unfounded pseudo-legal proceedings can grant legitimacy to the junta's illegal takeover of power.

Only respecting the will of the people can bring Myanmar back onto its democratic path and deliver stability and sustainable development.

See: https://eeas.europa.eu/delegations/myanmar-burma/98878/myanmar-statement-spokesperson-latest-developments_en

India

Decisions on forests and wildlife to be made by Central government

Power to monitor state infrastructure projects is being centralised to limit state government's decision-making in issues related to forest and wildlife conservation. The Ministry of Environment, Forest and Climate Change has issued instructions that restrict State governments from imposing environmental or conservation requirements for infrastructure projects in forest areas other than what has already been stipulated by the central government.

The Ministry has indicated that for a project to be implemented under the Forest (Conservation) Act the Central and State government will consult so that a proposal can be examined and that due diligence has been exercised.

See: <https://www.hindustantimes.com/india-news/centre-limits-states-role-in-forest-matters-101616955823571.html>

India plans heavy duties on fibreboard imports

The Directorate General Of Anti-Dumping and Allied Duties in the Ministry of Commerce and industry has proposed the introduction of duties on fibreboard imports from Indonesia, Malaysia, Sri Lanka, Thailand and Vietnam in order to effect import substitution and aid domestic manufacturers. If approved by the Ministry of Finance the duties will be valid for five years.

The aim of the recommended duty structure is to eliminate the price difference between domestic and imported thick MDF (around 70% of the MDF market) and narrow the difference for thin boards.

Analysts comment this would help domestic fibreboard producers replace imports which are currently estimated at 25-30% of the MDF market in India.

See:
<https://economictimes.indiatimes.com/markets/stocks/news/fibre-board-import-levies-to-boost-century-greenpanel/articleshow/82422994.cms?from=mdr>

Main shippers of wooden furniture to India

Of the thirty main shippers of wooden furniture to India in fiscal 2019, just 12 accounted for 92% of the US\$850 million imported. Of the others Shippers in Vietnam saw exports of wooden furniture to India triple in 2019 from a year earlier.

Both China and Malaysia saw 2019 exports of wooden furniture to India decline.

Main furniture suppliers (US\$ millions)

	Fiscal 2018	Fiscal 2019	% Change
US	326.71	385.77	18.08
Netherlands	74.88	91.82	22.62
Germany	71.21	78.44	10.15
France	60.48	62.42	3.21
U K	49.67	49.17	-1.02
Australia	26.99	24.29	-10
Canada	25.54	23.14	-9.4
Belgium	15.69	20.36	29.77
UAE	16.5	17.13	3.8
Spain	11.5	16.63	44.58
Italy	9.86	9.2	-6.69
Nepal	8.89	8.88	-0.13

Data source: CAPAXIL

Prices for recent shipments of teak logs and sawnwood

	US\$/cu.m C&F
Benin	294-658
Brazil	330—511
Sawnwood	221-543▲
Cameroon	639
Colombia	314-374
Costa Rica	314-316
Ecuador	216-495
Ghana	234-485
Sawnwood	485
Mexico	369-439
Sawnwood	373-585
Panama	258-450
Tanzania	192-294▲
Sawnwood	896
Togo	206-445▼
PNG logs	153-219
S. Sudan sawn	633

Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	-
Kapur	-
Kempas	1,550-1,750
Red meranti	1,550-1,750▲
Radiata pine	850-890
Whitewood	850-890

Price range depends mainly on lengths and cross-sections

Sawn hardwood prices

Sawnwood, (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750-1,850
Sycamore	1,850-2,000
Red Oak	2,100-2,200
White Oak	2,650-2,800
American Walnut	4,050-4,500
Hemlock STD grade	1,350-1,600
Western Red Cedar	2,350-2,450
Douglas Fir	1,850-2,000

Price range depends mainly on lengths and cross-sections

Plywood

Prices remain unchanged

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	78.00
6mm	110.00
9mm	130.00
12mm	164.00
15mm	216.00
18mm	236.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	52.00	75.00
6mm	74.00	9200
9mm	93.00	113.00
12mm	113.00	135.00
15mm	135.00	1641.00
19mm	159.00	183.00
5mm Flexible ply	100.00	

Vietnam

Impressive export growth in the first 4 months of 2021

In spite of the pandemic Vietnam's wood and wood product (W&WP) exports in the first 4 months of 2021 grew over 50%. At the current rate of growth W&WP exports for 2021 could be as high as US\$5 billion.

W&WP exports, first 4 months of 2021

	Value (US\$)	Growth (-/+)
W&WP	5,197,865,709	56.8%
WP	4,020,829,120	75.5%

Data source: General Department of Customs, Vietnam

Top W&WP export markets

	Value (US\$)	Growth (-/+)
US	3,120,456,331	+95%
China	526,699,437	+17%
Japan	472,599,123	+8%
South Korea	293,258,990	+10%
UK	92,011,155	+26%
Canada	83,659,433	+58%
Australia	54,771,157	+48%
Germany	52,822,532	+16%
France	47,018,771	+28%
Spain	15,920,612	+55%

Data source: General Department of Customs, Vietnam

Duties on upholstered furniture

Upholstered seats originating from Vietnam are set to be subject to an anti-dumping tax rate of 101.5% in Canada. The move comes following the Canadian International Trade Tribunal (CITT) preliminary investigation into dumping.

The CITT found "reasonable indications" that dumping and subsidised upholstered seating made in China and Vietnam has or is threatening to damage Canada's domestic furniture manufacturing industry. The CITT will continue its inquiry and expects to issue its ultimate finding by 2 September. A letter from the Canada Border Services Agency (CBSA) notified importers that provisional duties will be collected as of 5 May.

According to details posted by the CBSA, numerous products will be subject to anti-dumping and subsidy duties including those with HS code 9401.40.00.00, 9401.61.10.10, 9401.61.10.90, 9401.71.10.10, and 9401.71.10.90.

Most notably, upholstered furniture originating from both China and Vietnam will be subject to a tax rate of 295.5% and 101.5% respectively in the Canadian market. In total, 28 Chinese manufacturers are expected to face anti-dumping duties ranging from 20.65% to 226.45% while 7 Vietnamese manufacturers will be subject to duties between 17.44% and 89.77%.

This follows the CBSA initiating an investigation in December 2020, based on Palliser Furniture's complaint with support from other manufacturers such as Canadian Elran Furniture Ltd., Jaymar Furniture Corp., EQ3 Ltd. and Fornirama Inc.

The move looks to limit the penetration of motion upholstery and leather stationary furniture from China and Vietnam into Canada.

Since 2017, Vietnam has maintained its position as the largest trade partner with Canada of ASEAN members with bilateral trade hitting US\$5.1 billion in 2020.

See: <https://vietnamtimes.org.vn/canada-imposes-anti-dumping-duties-on-vietnams-upholstered-seats-31425.html>

Vietnam's wood-pellet export growing fast

Vietnam's wood-pellet exports in the first 3 months of 2021 reached 751,000 tonnes worth US\$84.6 million, 9.7% up in volume and 15% up in value over the same period of 2020. The export price of wood pellet in the first 3 months of 2021 stood at US\$112.7 per tonne, up 4.8% over the same period in 2020.

According to Vietnam's Ministry of Industry and Trade in the period 2016–2020 the world wood pellet trade expanded rapidly with an average growth rate of 14% per year.

In 2020, global wood pellet imports are estimated at US\$4.55 billion, up 3.8% compared to 2019 and up 65.6% compared to 2016.

In 2020 the UK was the largest consumer of wood pellets with an import value accounting for around 38% total world trade in pellets. Other major consumers were Denmark, Italy, Korea and Japan.

In 2020 Vietnam's wood-pellet exports accounted for 7% of the total world trade value of wood pellets.

In the first 3 months of 2021 almost all wood pellets (99.6%) produced in Vietnam were exported to South Korea and Japan. Exports to South Korea reached 444,000 tonnes worth US\$44.09 million, up 2.6% in volume and 7.1% in value against the same period in 2020.

However, exports to South Korea have declined due to a shortage of containers.

The Japanese market consumed 304,000 tonnes worth US\$40.2 million in the first 3 months of 2021, up 21% in volume and 24.4% in value over the same period.

Vietnam's wood-pellet exports

	Volume 000s tonnes	Price US\$/tonne
Total	751	112.7
South Korea	444	99.3
Japan	304	132.5
PNG	2,89	95.1
Taiwan P.o.C	0,10	182
Kuwait	0,03	680

Refence log imports from Nigeria

Documents with Vietnam Customs show 2020 log shipments from Nigeria. The origin of the logs is unknown.

Brazil

Rise in inflation, interest rates hiked

Inflation, as measured by the Extended National Consumer Price Index (IPCA), was 0.31% in April, 0.62% below the March rate (0.93%). The Central Bank of Brazil (BCB) decided in April 2021 to increase the basic interest rate (Selic) by 0.75% to 3.5% per year, the second consecutive monthly rate increase aimed at containing inflation.

Performance of the furniture industry

According to the Brazilian Furniture Industry Association (ABIMÓVEL) and the Market Intelligence Institute (IEMI) furniture production in January 2021 was 1.9% lower than in December 2020. January export revenues for the sector were R\$7.4 billion. In January there was an increase in domestic consumption which resulted in manufacturers being able to raise prices. Employment generated by the furniture industry remains at around the same level as at the height of the pandemic.

While prospects are improving the high level of uncertainty on the economy has resulted in fluctuating business confidence according to the Brazilian National Confederation of Industry and confidence in the industry was below the historical average in February 2021.

New Standard to boost wooden frame buildings

It is anticipated that a Technical Standard (ABNT NBR 16.936, Brazilian Association of Technical Standards) on buildings utilising 'light' wood frames should be published this year. The draft text was prepared by the Brazilian Committee of Civil Construction (ABNT/CB-02) together with the Brazilian Wood Committee (ABNT/CB-31) and provides guidelines for design and execution of construction systems for 'light' wood frames.

The Standard establishes various requirements one of which is that only wood products from plantation forests or natural forests whose legal origin can be verified can be used and applies to two story detached or semi-detached buildings. The Standard includes reference to materials, structural engineering design and fire protection systems among others.

In preparing the Standard more than forty Brazilian standards were consulted as well as international references related to wooden frame/structures such as Eurocode 5, ISO standards (European and American) and the Sinat Directive 005. As result of the publication of the standard it is expected there will be an increase in domestic consumption of wood products.

According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI) the standard will help promote the use of wooden frame construction as a sustainable construction method. In addition, expanding building of wooden frame homes can contribute to reducing the Brazilian housing deficit.

Export update

In April 2021 Brazilian exports of wood products (except pulp and paper) increased 57.5% in value compared to April 2020, from US\$238.9 million to US\$376.4 million.

Pine sawnwood exports grew 31% in value between April 2020 (US\$45.6 million) and April 2021 (US\$59.7 million). Export volumes increased 16% over the same period, from 245,600 cu.m to 285,500 cu.m.

Tropical sawnwood exports increased 11.5% in volume, from 31,400 cu.m in April 2020 to 35,000 cu.m in April 2021. The value of exports in the same period rose 14% from US\$12.6 million to US\$14.4 million.

The value of pine plywood exports surged over 100% in April 2021 in comparison with April 2020, from US\$49.19 million to US\$100.9 million. Export volumes also rose jumping 20% over the same period, from 200,900 cu.m to 241,200 cu.m.

As for tropical plywood exports increased in volume (28%) and in value (39%), from 6,100 cu.m (US\$2.6 million) in April 2020 to 7,800 cu.m (US\$3.6 million) in April 2021.

Wooden furniture export earnings increased from US\$25.7 million in April 2020 to US\$72.2 million in April 2021, a 181% growth in the total exports of the product during the period.

Furniture exports jump in first quarter

The Brazilian Trade and Investment Promotion Agency (APEX-BRAZIL) in collaboration with the Brazilian Furniture Industry Association (ABIMÓVEL) publishes a monthly report "Monitoring of Furniture Exports" in April this year it was reported that Brazilian exports of furniture grew by 34.5% in the first quarter 2021.

In March 2021 wooden furniture exports grew by 37% compared to the previous month. The main destination was the United States where exports jumped 32% in the first quarter of 2021.

Brazil's trade ties with Chile have grown and Brazilian furniture exporters have benefitted as there was an over 180% rise in furniture exports in the first quarter 2021. Two other South American countries have also strengthened trade relations with Brazil, Uruguay and Peru. Furniture exports to both countries are growing.

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	181↑
Jatoba	89↑
Massaranduba	80↑
Muiracatiara	83↑
Angelim Vermelho	79↑
Mixed redwood and white woods	65↑

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	744↑
Jatoba	363↑
Massaranduba	363↑
Muiracatiara	324↑
Angelim Vermelho	323↑
Mixed red and white	215↑
Eucalyptus (AD)	162↑
Pine (AD)	107↑
Pine (KD)	136↑

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	375↑
10mm WBP	339↑
15mm WBP	281↑
4mm MR.	329↑
10mm MR.	248↑
15mm MR.	222↑

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	165↑
15mm MDF	206↑

Source: STCP Data Bank

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1,599↑
Jatoba	958↑
Massaranduba	932↑
Muiracatiara	939↑
Pine (KD)	201↑

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	326↑
12mm C/CC (WBP)	308↑
15mm C/CC (WBP)	295↑
18mm C/CC (WBP)	277↑

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	3,520↑
Jatoba	1,648↑

Source: STCP Data Bank

Peru

Five year sustainable management programme

The 'Program for the Promotion and Sustainable Management for Forest Production' will be implemented over around 5 million ha. in nine regions of the country over the next five years. It is anticipated the programme will generate over 50,000 direct and indirect jobs in Ancash, Cajamarca, Huánuco, Junín, Loreto, Madre de Dios, Pasco, San Martin and Ucayali.

The Ministry of Economy and Finance has received a financial contribution from the German Development Bank, Kreditanstalt für Wiederaufbau (KfW) for a sum of euro 6 million to partially finance the investment programme. The programme will be executed by the National Forest and Wildlife Service (Serfor).

This programme is expected to generate as much as US\$500 million in private investment. The Ministry of Agriculture envisions that through this programme around 70 million ha. of the country will be zoned for planning purposes.

Boost for the forestry sector

In order to develop and implement a communication strategy for the forestry sector a meeting was held between the Association of Exporters (ADEX), the Commission for the Promotion of Peru for Exports and Tourism (PromPerú) and WWF. The meeting discussed issues such as the need to communicate good forestry practices implemented in the timber sector emphasising industries are core stakeholder in the sustainability and conservation of Peruvian forests.

Forest products movement regulation from Serfor

The National Forest and Wildlife Service (Serfor) approved regulations for the Control of Timber Forest in Land Transportation in order to strengthen measures against illegal logging and the illegal timber trade in Peru. The document standardises the means to control the movement of forest products. It is envisioned that the Regional Forestry Authorities will man checkpoints.

The regulations are mandatory across the national territory and define the activities related to the verification and presentation of the required documentation such as the requirement to the carrier of the Forest Transport Guide (GTF) and other documents that support the movement mobilization and prove the legal origin of forest products.

This measure seeks to further promote the legal trade in the wood products in the national and international markets to ensure the sustainable use of the country's natural resources.

Composite panel imports surge in the first quarter

Peruvian imports of composite panels (PB/MDF) reached US\$37.5 million in the first quarter of 2021 versus US\$24.4 million in the first quarter of 2020, a record level for the first quarter of a year.

Ecuador was once again the main supplier of PB/MDF to Peru in the first quarter of 2021 with shipments worth US\$14.5 million a 37% year on year increase. Spain ranked second with US\$10.4 million, an increase of 152% compared to the US\$4.2 million shipped in the first quarter of last year.

Brazil, with a notable growth of 127%, was the third supplier country in the first quarter of this year at US\$6.1 million, versus US\$3.1 million in the first quarter of last year. Chile followed with US\$3.0 million a drop of over 50% year on year.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	659-673 ↑
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	584-612
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6"-11" length KD Central American market	997-1029
Asian market	1088-1111
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	596-617
Dominican Republic	694-710
Marupa 1", 6-11 length KD Grade 1 Asian market	569-598

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	247-269
Spanish Cedar	340-349
Marupa (simarouba)	237-242

Export veneer prices

Veneer FOB Callao port	US\$ per cu.m
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

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

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 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

Private consumption takes a battering

The Japanese government has lowered its assessment of prospects for the economy. This is the first downgrade in three months and comes as private consumption has taken a battering due to the extension of the state of emergency.

According to the Cabinet Office the economy shows "further" weakness in some areas and is in a severe situation. In the previous monthly report the government said the economy showed weakness in some components but did not use the word "further". The report covering April says, for the first time in four months, businesses "appear to be pausing" their recovery while "some severe aspects still remain".

The current restrictions under the state of emergency were due to be lifted 11 May but were extended to the end of May after pleas by the worst affected prefectures. Because of the continued high rate of infections the government has decided to extend the state of emergency in 9 prefectures to 20 June.

See:

<https://www.japantimes.co.jp/news/2021/05/26/business/economy-business/japan-economic-assessment>

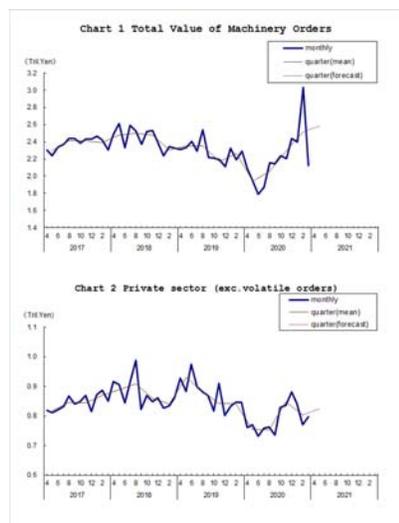
Firm overseas demand lifts machinery orders

The Cabinet Office says March machinery orders rose almost 4% compared to February, the first increase in three months. This is in contrast to the almost 9% decline in fiscal 2020.

Private-sector machinery orders, excluding those for ships and power companies, increased a seasonally adjusted by 3.7% in March but for the quarter were down around 5%.

The Cabinet Office has forecast private sector machinery orders in the second quarter will rise by 2.5% from first quarter. Supporting the forecast is sentiment among manufacturers which was at a two-year high in May on the back of firm overseas demand.

See: <https://www.esri.cao.go.jp/en/stat/juchu/2021/2103juchue.html>



First quarter dip in GDP

Data from the Cabinet Office shows that Japan's economy contracted in the first quarter of this year, dropping by an annualised 5.1% from the previous quarter. However, the result was not as bad as the record drop of around 29% in the April-June quarter last year.

The second state of emergency declared in early January to try a stem the rate of spread of infections drove down consumer spending which accounts for more than half of GDP. In contrast, exports expanded over 2% in the first quarter 2021 building on the increases for the past three quarters. The government is forecasting GDP will grow by 4% percent in real terms in the current fiscal year that ends March 2022.

The risk is that if infections continue to spread a nationwide state of emergency may be declared but the government approach at the moment is to enforce effective measures regionally but prefectural governors have requested stronger measures before it's too late.

On 21 May the government extended the state of emergency to Okinawa as infections in the island prefecture continue. The inclusion of Okinawa brings the number of prefectures under the state of emergency to 10. The aim was to lift the state of emergency on 31 May but calls have grown for tougher restrictions in Tokyo and other areas and for the state of emergency to be extended beyond 31 May.

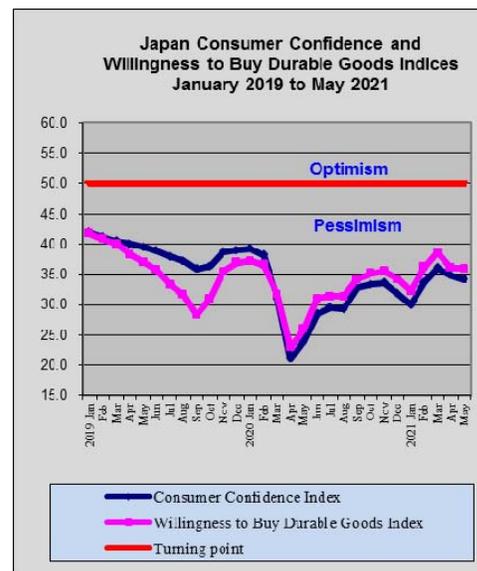
Responding to the dip in GDP the Governor of the Bank of Japan (BoJ) warned that, because of uncertainty over the pace of the country's vaccination rollout, the domestic economy remains in a "severe" state and economic activities are at levels lower than before the pandemic.

The BoJ indicated it will consider extending support for corporate funding beyond the end of September if the situation demands this.

The BoJ's view is that the impact of COVID-19 could subside by mid 2022 if the vaccination effort is ramped up but that risks are skewed to the downside given uncertainties on how the differing paces of vaccinations in countries and regions will impact the global economy.

See: <https://www.japantimes.co.jp/news/2021/05/17/national/japan-nationwide-state-of-emergency-pressure/> and <https://mainichi.jp/english/articles/20210519/p2g/00m/0bu/083000c>

The May consumer confidence indices remain largely the same as in April.

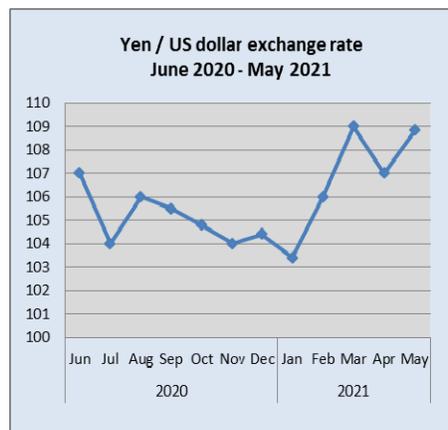


Data source: Ministry of Finance, Japan

Yen movement hinges on US interest rates

The yen, along with many other major Asia-Pacific currencies, dipped lower against the dollar briefly mid-month as a rise in US consumer inflation pushed the US dollar higher. However, the change was short lived as Federal Reserve played down the impact of higher inflation on monetary policy. The yen/dollar exchange rate at the end of May was little changed from a month earlier.

In April US consumer prices jumped more than seen over the past decade as demand surged after the economy was freed of most restrictions on businesses.



Demolish and rebuild – homes in Japan

A large number of housing starts in Japan are replacements of existing buildings that are considered to have reached the end of their service life. The Japanese government dictates the “useful life” of a wooden house (by far the most common) to be 22 years so it depreciates them over that period according to a schedule set by the National Tax Agency.

This unique concept in the housing market creates a great deal of problems for home buyers. Even if a buyer wanted to buy an existing (old, 22 years) house they would have to pay cash as banks will not lend against what is considered a worthless asset.

Construction activity accounts for 6% of GDP in Japan but the sector is a huge employer and construction supports many small suppliers and in Japan the housing legislation is based on the principle of demolition of existing homes and replacement.

See: <https://robbreport.com/shelter/home-design/japanese-homes-are-ephemeral-facing-demolition-just-22-years-in-heres-why-1234608438>

April 2021 housing starts were up 8% on April 2020 but down 5% in pre-pandemic 2019.



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

Import update

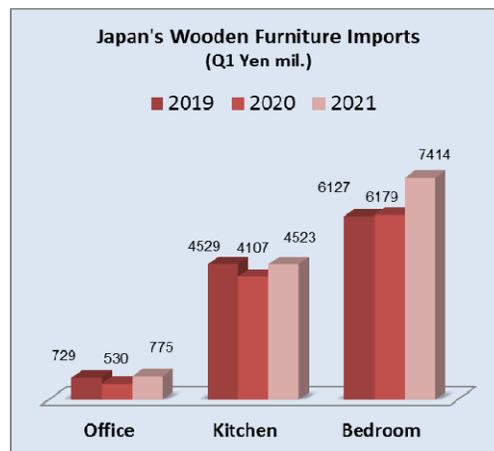
Furniture imports

The value of Japan’s wooden furniture imports (HS940303/40/50) in the first quarter 2021 have risen to and in the case of bedroom furniture exceeded, the value of pre-pandemic 2019 imports.

The value of wooden office furniture (HS940330) imports in the first quarter of 2021 was up 46% on the same period in 2020 and 6% higher than in the first quarter 2019.

The value of wooden kitchen furniture (HS940340) imports in the first quarter of 2021 were up 10% on the same period in 2020 and were at the same level as in the first quarter 2019.

The value of wooden bedroom furniture (HS940350) imports in the first quarter of 2021 were up 20% on the same period in 2020 and were up 21% on the first quarter 2019.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Year on year the value of Japan’s imports of wooden office furniture (HS940330) in March 2021 jumped a massive 95% and month on month the value of March imports was 70% higher than in February. For most shippers March shipments were higher than in February except those in China.

The import data from the Japanese Ministry of Finance shows a very large value of wooden office furniture arrived from France in March and this accounted for almost 30% of all March wooden office furniture imports.

Manufacturers in Vietnam had consistently held the number two spot in terms of value of shipments to Japan but with the surge in imports from France Vietnam became the third ranked supplier in March.

March imports (HS 940330)

	Imports Mar 2021 Unit, 000's Yen
S. Korea	-
China	199,855
Taiwan P.o.C	7,703
Vietnam	9,147
Thailand	655
Malaysia	5,054
Indonesia	2,646
India	261
Denmark	-
UK	-
Belgium	-
France	97,776
Germany	1,553
Portugal	-
Italy	4,078
Poland	4,085
Turkey	1,865
Lithuania	233
Czech Rep.	-
Slovakia	4,106
Canada	679
USA	5,344
Mexico	397
Total	345,437

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The recovery of Japan's wooden furniture imports continued with wooden kitchen furniture. The value of March imports rose 22% year on year in March 2021 and was up 16% from levels in February 2021.

Shipments from just three countries, the Philippines, Vietnam and China accounted for over 85% of all wooden kitchen furniture imports in March. The Philippines topped the list accounting for 43% of March arrivals followed by Vietnam (36%) and China. However arrivals from China in March were sharply down compared to a month earlier.

March imports (HS 940340)

	Imports Mar 2021 Unit, 000's Yen
China	156,075
Taiwan P.o.C	659
Vietnam	614,669
Thailand	102,194
Malaysia	21,061
Philippines	736,723
Indonesia	27,288
UK	807
France	-
Germany	12,489
Italy	19,368
Romania	5,132
Canada	6,494
USA	-
Total	1,702,959

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

After starting 2021 on a high note, the value of Japan's imports of wooden bedroom furniture dropped in February and the downtrend continued into March when the value of imports fell a further 13% compared to a month earlier. A correction is not surprising given the big jump in first quarter imports.

Between them, shippers in China and Vietnam accounted for most (87%) of the value of March arrivals into Japan. The other significant shipper in March was Malaysia which saw a 6% increase in March shipments over February.

March imports (HS 940350)

	Imports Mar 2021 Unit, 000's Yen
S. Korea	-
China	1,068,040
Taiwan P.o.C	10,051
Vietnam	857,063
Thailand	61,862
Malaysia	128,205
Indonesia	40,304
Sweden	1,493
Denmark	714
France	-
Germany	249
Portugal	637
Italy	8,157
Poland	23,187
Austria	-

Romania	234
Latvia	2,080
Lithuania	9,961
Belarus	12,432
USA	-
Total	2,224,669

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/

Forestry Agency held meeting to discuss wood shortage

The Forestry Agency held emergency meeting to exchange information to deal with shortage of wood products.

Recent incident of sharp drop of imported wood products from North America and Europe with inflating prices and resultant demand increase to domestic wood is the main subject.

Associations of precutting business and contractors participated the meeting and loudly complain about shortage of necessary wood products and they may be forced to reduce production or decline taking orders if this situation continues. Precutting plants in Tokyo and Osaka regions, which rely on supply of imported materials, are struggling to secure necessary materials and are forced to reduce the operations.

Some plants use its own supply of domestic wood but supply of domestic wood is also getting tight so there are some comments that growing log export business should be restricted temporarily until the supply eases.

The Japan Lumber Importers Association reports that booming housing starts in the U.S.A., which is main reason of supply tightness of North American lumber may last all through this year and it is not certain that supply tightness is temporary or long lasting.

Domestic wood cannot replace structural materials in terms of strength but tight supply from North America would last longer.

The National Federation of Forest Owners Cooperative Association attended to represent domestic log producers and log suppliers are not sure if this demand increase is real since plywood mills reduced log purchase last fall because of production curtailment program. They are worried about price drop by oversupply of logs so log production is being held down partially by this reason.

If domestic logs are used to substitute imported logs, manufacturing of logs should be changed such as length and diameter sorting.

The Japan Federation of Plywood Manufacturers Association and the Japan Laminated Lumber Manufacturers Association participated the meeting and reported that the production has been increasing since last March but the production is not enough to satisfy the demand and the prices would continue to climb.

Changing construction materials

By supply shortage of Douglas fir and hemlock lumber from North America, substituting materials are being used.

In Gunma and Ibaraki prefecture, north of Tokyo, Douglas fir girder and hemlock purlin have been used for years but now the supply gets real tight and precutting plants need to look for something else.

In Gunma, local contractors like to use Douglas fir KD rafter but the supply disrupted since late February so they consider to use whitewood, cypress and hemlock but settled with KD cedar by reason of supply stability. KD Douglas fir rafter is short in supply then the prices soared to almost 80,000 yen per cbm delivered so price difference widened to 20-30,000 yen from KD cedar.

Supply of European structural laminated lumber decreased by 20 -30% and search for substituting materials is overheated. The market became chaotic by delayed container arrivals of lamina and finished lumber. Redwood laminated post became short first then whitewood laminated post supply gets tight in early April so precutting plants frantically look for laminated cedar post, KD cedar and cypress post. KD cedar post prices are now 70-80,000 yen per cbm.

KD cedar post prices had been around 55,000 yen per cbm delivered up until last March then in April, they jumped up to 65,000-70,000 yen and May prices may go up by 5,000-10,000 yen. Cedar laminated post prices were 52-55,000 yen in April.

Struggling precutting plants

Precutting plants face critical shortage of necessary building materials so many will have to reduce processing volume considerably in May.

In Tokyo region, laminated lumber manufacturing plants experience lamina shortage since late March so operation of precutting plants dropped. Operational rate now depends on how much materials are available. In particular, beam supply is way down so some plants run only 70-80% of the capacity.

Supply of laminate post and beam is short. Solid wood Douglas fir beam is allocated by past purchase volume. Redwood laminated beam is very tight. Some precutting plant says that since late March, beam supply stopped and 40 units are short with beam so May processing may drop down to 50% of normal pace.

Precutting plants, which mainly use domestic wood, rely on imported redwood laminated lumber for beam. Also whitewood laminated post supply started declining since April so precutting plants look for substituting materials but laminated cedar lumber supply is not enough to satisfy shortage of imported products. KD cedar lumber is also very tight in supply. Demand goes to KD cypress but this is also short.

After all, precutting plants are so desperate that they can take any 105 mm square regardless of species now.

In auction market, dealers are buying with high prices to secure the volume.

On Russian red pine KD taruki (30x40 mm/ 4 meter), there was no worry about supply shortage since the inventory has variety of grades but the Russian supply is shrinking by logs and container shortage. In auction market, quality red pine taruki prices are now over 80,000 yen per cbm, more than 10,000 yen higher than last February. There is no substituting material. Supply volume of poplar LVL is limited.

Red pine taruki can be used not only for newly built houses and renovation but also for events and stage so dealers want to keep it in inventory. There is no KD whitewood stud available now.

The prices were down to 40,000 yen plus in summer of 2020 by over supply but now the prices are over 60,000 yen. To replace this, domestic cedar stud draws more attention and the prices are 65,000-70,000 yen, 5,000 yen higher than April. Domestic softwood LVL (45 mm square/3, 4 meter) can be used as brace, joist and stud so some dealers are eyeing this item.

Domestic logs and lumber

Demand of domestic logs and lumber has been sharply increasing when the supply of imported products is steeply down. Sawmills have started full production since last March but the demand is far larger than supply.

Supply shortage results in higher prices of lumber. Particularly Tokyo market, where the demand is larger than the other regions, extreme high prices are seen in purchase competition. Log prices are also climbing steeply with busy demand by sawmills.

Substituting demand of domestic logs and lumber suddenly spurred since last March and there is no sign of easing yet. 3 meter cedar 105 mm post prices were 52,000-53,000 yen until March then they rose to 55,000-60,000 yen in many areas but in Tokyo region the prices soared 70,000-75,000 yen with high spot prices of 80,000-90,000 yen.

Log production is stable. 3 meter post cutting cedar log prices are 12,000 yen in average but in Tokyo and Kyushu region where large sawmills are up to 16,000-19,000 yen. 4 meter sill cutting cypress log prices range from 20,000 to 26,000 yen.

Plywood

Pressure for price increase is getting stronger on both domestic and imported plywood. Users of domestic softwood plywood are trying to procure necessary volume as soon as possible in fear of supply tightness after all kinds of imported building materials are extremely tight.

Also the users fear that the prices of softwood plywood would go up again as prices of material cedar logs are climbing by active demand for lumber. One concern is if precutting plants' operations are forced to be down by materials shortage, overall consumption of softwood plywood would be down but so far, orders are busy to secure immediate needs.

Softwood plywood manufacturers are considering to raise the sales prices again since cedar log prices continue climbing.

In imported plywood, supply shortage of standard plywood is grave. In particular, plywood used as floor base is very short and floor manufacturers are increasing the sales prices. Some consider to change to other materials like MDF but the prices are also high. Concrete forming 12 mm panel demand is weak. So far, there is no influence to construction works.

Domestic logs and lumber export

Cedar log export to China stagnated in the first half of 2020 because of COVID 19 pandemic and the export prices dropped down to \$ 115 per cbm C&F but recovery of China market was much quicker than expected and log demand sharply increased in the second half and C&F prices shot up to \$140 by the end of 2020.

According to the trade statistics by the Ministry of Finance, log export in 2020 was about 1,380 M cbms, 22.5% more than 2019 and the value was 16,341 million yen, 11.1 more than 2019.

Demand in China continues active in 2021 and March export prices are \$165 per cbm C&F but freight increased so that revenue to log exporters is not as high as nominal prices.

At the same time, domestic prices of cedar logs have been climbing as the demand is increasing to substitute tight supplied imported products from North America and Europe since second half of 2020. 8 cm up cedar log prices were about 7,500 yen per cbm delivered loading ports in fall of 2020 but they rose to 10,000 yen by December.

Besides China, cedar fence lumber demand in the U.S.A. continues active and cedar log demand in Korea and Taiwan is also increasing.

Export of domestic lumber continues expanding. It was 13,726 cbms in February 2021, 25.9% more than February 2020. The value is 579.59 million yen, 31.7% more.

Export volume peaked in the fourth quarter 2020 and it declined by about 30% because of active domestic demand and shortage of containers. Sawmills give priority to domestic orders.

Destination of lumber is the U.S.A. with fence lumber, Philippines with structural lumber for housing, China with interior finishing of condos and furniture manufacturing.

Total export in 2020 is 169,768 cbms, 18.7% more than 2019 and the value is 6,278 million yen, 115.8% more. In particular, lumber export to the U.S.A. is 52,485 cbms, 115.8% more. Volume for China is 63,683 cbms, 2.0% more. Ocean freight to the U.S.A. increased by double or three times so sawmills' revenue is squeezed.

Demand for cedar taruki and small lumber is increasing after the supply from foreign sources decreases and the prices are up by 3,000-5,000 yen. With this increase, lumber export business is not as attractive as before.

Hyuga biomass power generation project

Four companies jointly invest to construct biomass power generation plant in Hyuga, Miyazaki prefecture.

Itochu Corporation (Tokyo) invests 35%, Osaka Gas Co., Ltd. 35%, Tokyo Century 25% and Tokyo Energy and system Inc. 5% to establish Hyuga Wood Biomass Power. Annual fuel consumption would be more than 200,000 ton. Both domestic and imported materials are used. Majority would be imported wood pellet. Itochu is in charge of supplying imported fuel and Green Power Fuel (GPF) of Osaka Gas group will supply domestic wood pellet.

Start-up is scheduled in November 2024. Power output is 50,000 kw.

Itochu and Osaka Gas with Mitsui E&S Engineering invested jointly invested and started up operation of Ichihara Biomass Power plant in December 2020 at Ichihara, Chiba prefecture. Power output is 49,900 kw.

China

Rise in log and sawnwood imports from Germany

According to China Customs in the first quarter of 2021 log imports from Germany surged 90% to 3.28 million cubic metres and sawnwood imports from Germany grew 37% to 950 000 cubic metres.

In the first quarter of 2021 the total volume of China's log imports rose 23% to 13.9 million cubic metres and the value of log imports grew 33% due to a rise in imports of high quality logs.

China's log imports from the top suppliers, first quarter 2021

	Cu.m mil	YoY rise
New Zealand	4.32	17%
Germany	3.28	90%
Russia	1.54	5%
USA	0.61	39%
PNG	0.45	37%

Data source: Customs, China

China Customs also reports that the volume of sawnwood imports rose 13% to 5.66 million cubic metres but the value of sawnwood imports fell slightly.

China's sawnwood imports from top 5 suppliers, first quarter of 2021

	Cu.m mil	YoY rise
Russia	14.79	-13%
Canada	2.77	-37%
Finland	0.97	-22%
Germany	0.95	37%
Sweden	0.91	26%

Data source: Customs, China

Wood-related enterprises in China

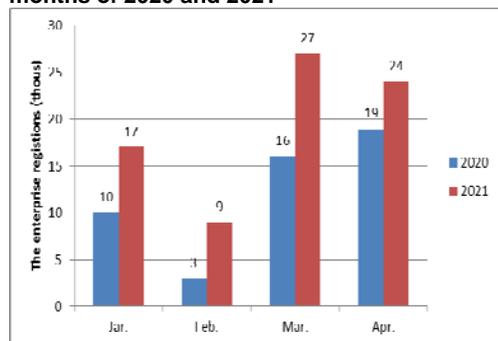
It has been reported that there are 1,033,000 wood-related enterprises in China and the top 3 provinces in terms of enterprises number are Shandong (199,000), Jiangsu (99,000) and Guangdong (76,000). In addition, the number of enterprises in Shanghai, Anhui and Zhejiang exceeds 40,000.

Among China's wood-related enterprises, 46% have a registered capital of less than RMB1 million, 28% have registered capital of between RMB1 million and RMB5 million and 26% have registered capital of more than RMB5 million.

The annual registrations of wood-related enterprises between 2011 and 2020 showed an upward trend with the fastest growth rate being in 2016 when annual registrations exceeded 100,000, a 37% year on year increase. The number of registrations in 2020 was 193,000, an increase of 7% year on year.

In the first four months of 2021 there were 77,000 newly registered timber enterprises in China, up 60% over the same period of 2020. Among them, the number of enterprise registrations in March and April was 27,000 and 24,000 respectively, both showing a year-on-year growth.

Number of timber enterprise registrations in the first 4 months of 2020 and 2021



Source:

<https://baijiahao.baidu.com/s?id=1699162986663120069&wfr=spider&for=pc>

Online seminar on furniture trade, China/Russia/Belarus

An online seminar on the furniture sector was conducted with the participation of China, Russia and Belarus. 35 potential buyers from Russia and Belarus conducted online negotiations with 72 Chinese furniture and home furnishing enterprises in Gongguan City. The seminar attracted online participation from 130 individuals.

Building on experiences from the Gongguan-Eurasia online seminar for foreign trade enterprises held last year this seminar established effective links to help enterprises in Dongguan City expand international markets during the pandemic without having to travel.

The next step will be promoting seminars for the emerging markets in the "One Belt and One Road" countries so as to establish communication platforms to promote integration of online and offline marketing and realise cooperation between buyers and sellers.

See:

<https://www.163.com/dy/article/GAN2TVSA055004XG.html>

Rebound in domestic demand for "redwood" furniture

The size of the domestic market for 'redwood' furniture showed an upward trend from 2008 to 2017 and this market developed rapidly from 2014 to 2017 rising 47% from RMB68.22 billion to RMB100.35 billion.

However, due to trade restrictions introduced through international conventions, national policy reforms and the impact of price fluctuations the market price for 'redwood' furniture increased in 2018 resulting in a significant decline in demand. The size of China's domestic 'redwood' furniture market dropped to RMB86.59 billion in 2019 but rebounded in 2020 by 2% to RMB88.41 billion.

See: <https://www.chyxx.com/industry/202012/914491.html>

Rebound in hardwood imports from the US

Despite disrupted trade due to the pandemic US hardwood exports to China began to rebound in 2020 after a dip in 2019. According to the US Department of Agriculture the total value of American hardwood exports to China reached US\$1.15 billion in 2020, a year-on-year growth of 1.6%.

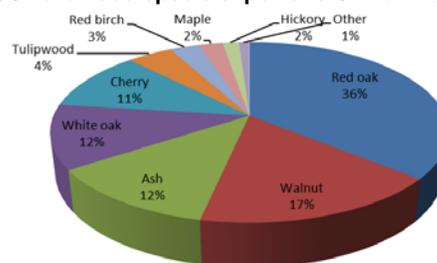
The value of log exports increased 3.2% to US\$368 million, wood panel exports increased 1% year on year to US\$780.7 million. In particular, the value of American hardwood flooring exports increased 22% year on year to US \$1.96 million.

In 2020 China's consumption of hardwood products such as logs, wood panel, veneers and flooring, rose from 2% to 14% year on year and is expected to keep rising.

The most popular American hardwoods in the Chinese market are red oak, walnut, ash, white oak, cherry and tulipwood and these timbers accounted for more than US\$710.6 million or 92% of all US hardwood timber exports to China.

In 2020, the Chinese market consumed 87% of American cherry exports, 66% of red oak exports, 59% of ash exports, 53% of walnut and 44% of red birch exports.

US hardwood specie exports to China in 2020



See:

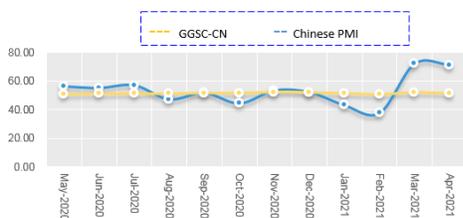
<https://baijiahao.baidu.com/s?id=1694992892354723892&wfr=spider&for=pc>

GGSC-CN Index Report, April 2021

In April 2021 China's PMI index rose to 51.1%, a decline of 0.8 % from the previous month. The Chinese economy is still in the process of steady recovery. The growth rate in the basic raw materials industries slowed down significantly. However, the new energy and consumer goods sectors have maintained a steady recovery and external demand tends to improve.

In April the wood production and manufacturing industry maintained a good recovery momentum with the rapid growth in domestic and foreign orders and active production and operations. However, the rapid rise of raw material prices and the pressure on enterprise profit margins was of concern.

The GGSC-CN comprehensive index for April registered 71.1% (60.4% for last April and 51.9% for April 2019) a decrease of 0.8 percentage points from the previous month. It shows that the operations of the main forest products enterprises represented in GGSC-CN index expand from last month. See Figure below.



Source: GGSC

Challenges identified by GGSC member enterprises

Raw materials prices rose too much and some materials could not be supplied in time.

The price of raw materials has risen seriously.

Raw materials are becoming scarce.

Products in short supply

Black Walnut Board, Teak Board, Ebony, Pine Core Board, Dough, Okan

Commodity for which the price has increased

Paint, Melamine, Formaldehyde, Ebony, Pine Core Board, Oak, Longan, Oak, Dough, Base Material, Log Fir, Round Bean, Red Oak, Fiberboard, Reinforced Paper, Carton, Decorative Base Paper.

Commodity of which the price has declined

None

Sub-indices changes

In the GGSC-CN index for April 2021 four out of five sub-indices rose and one fell.

- The production index registered 78.6%, a decrease from the previous month,
- The new order index registered 85.7%,
- The new export order index reflecting international trade registered 71.4%, an increase from the previous month,
- The main raw material inventory index registered 64.3%,
- The employment index registered 64.3%,
- The supplier delivery time index was 42.9% down from the previous month indicating the delivery time for raw materials was slower.

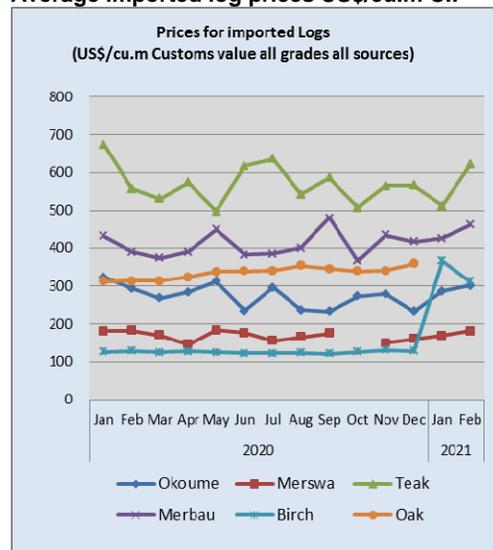
Note: If an index is larger than 50% then it indicates a positive trend.

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

	2021	
	Jan	Feb
Okoume	286	301
Merswa	169	182
Teak	514	621
Merbau	461	426
Birch	367	312
Oak		

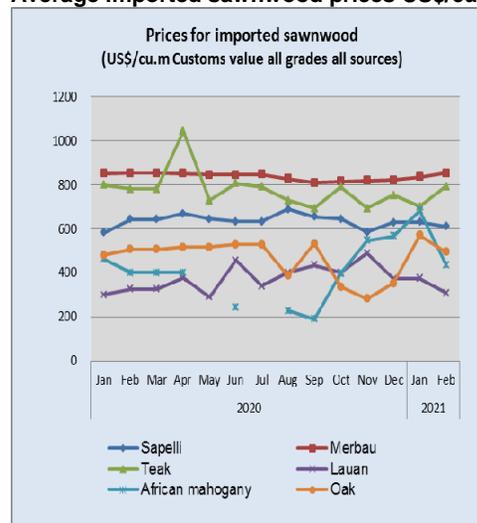
Data source: China Customs. Customs value all grades, all sources

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



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

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



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

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

	2021	2021
	Jan	Feb
Sapelli	632	612
Merbau	835	853
Teak	702	794
Lauan	374	308
African mahogany	684	438
Oak	571	496

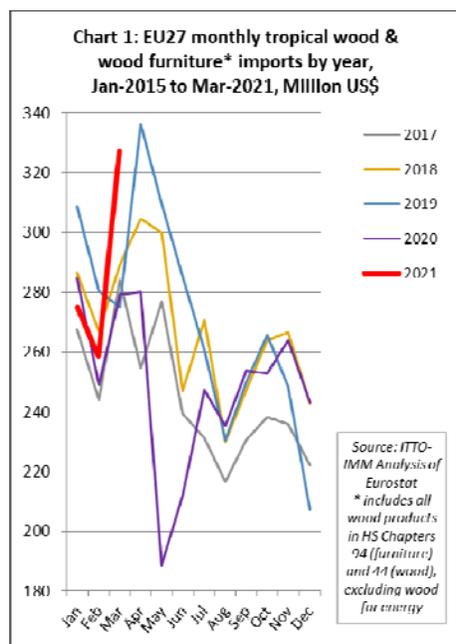
Data source: China Customs. Customs value all grades, all sources

Europe

EU27 tropical wood product imports close to decade high in March

EU27 import value of tropical wood and wood furniture products was US\$861 million in the first three months of this year, 6% more than the same period in 2020.

After a slow start to the year in January and February, imports surged to US\$327 million in March, only the second time since 2012 that monthly imports have exceeded US\$325 million (the only other occurrence being in April 2019) (Chart 1).



The high level of EU27 tropical wood product imports in March came at a time when most of the continent was still subject to tight lockdown conditions and probably partly reflects a surge in deliveries delayed in previous months due to shortages of containers and other logistical problems.

However, there also encouraging signs that the economic recovery in the EU is gaining momentum, a trend expected to continue as vaccination rates are rising, lockdown measures are eased and the full effects of NextGenerationEU, the EU's large fiscal stimulus programme, begin to be felt.

EU27 economic forecast revised upwards

According to the EU's Spring 2021 Economic Forecast published on 12 May, following a 6.1% decline in 2020, the EU economy will expand by 4.2% in 2021 and by 4.4% in 2022. This represents a significant upgrade of the growth outlook compared to the Winter 2021 Economic Forecast which the Commission presented in February. Growth rates will continue to vary across the EU, but all Member States should see their economies return to pre-crisis levels by the end of 2022.

The Forecast notes that the rebound in Europe's economy that began last summer stalled in the fourth quarter of 2020 and in the first quarter of 2021, as fresh public health measures were introduced to contain the rise in the number of COVID-19 cases. However, the rise in vaccination rates and easing of lockdown restrictions is expected to drive a strong rebound in private consumption and investment.

Growth is expected to be bolstered by rising demand for EU exports from a strengthening global economy. Public investment, as a proportion of GDP, is also set to reach its highest level in more than a decade in 2022 driven by the Recovery and Resilience Facility (RRF), the key instrument at the heart of NextGenerationEU.

While the outlook is more positive, the Forecast emphasises that the risks are high and will remain so as long as the shadow of the COVID-19 pandemic hangs over the economy. Developments in the epidemiological situation and the efficiency and effectiveness of vaccination programmes could turn out better or worse than assumed in the central scenario of this forecast.

The forecast may underestimate the propensity of households to spend or it may underestimate consumers' desire to maintain high levels of precautionary savings. The impact of corporate distress on the labour market and the financial sector could yet prove worse than anticipated.

Forward looking indicators show that economic momentum in the EU27 has picked up since the start of the year, although business and consumer confidence is still quite fragile, particularly in the construction sector, a key driver of timber demand in the region.

The EU's consumer confidence indicator reached its highest level in one year in March, pushing the quarterly average up to -14.8, 1.9 points above the previous quarter. The EU's Economic Sentiment Indicator (ESI) continued to recover, edging up to 109.7 in April 2021, markedly above its long-term average and higher than its pre-pandemic level for the first time since the outbreak of COVID-19 on the continent.

Similarly, Markit's Flash Purchasing Managers' Composite Output Index for the euro area stayed above its no change mark of 50 for a second month in a row in April, after four months of decline. It was up by 0.5 points to 53.7.

The IHS Markit Eurozone Construction Total Activity Index was unchanged at 50.1 in April, signalling only a fractional expansion in euro area construction activity for the second successive month. Construction firms often linked the slight expansion to a resumption of work on paused projects and were increasingly concerned about the impact that renewed COVID-19 restrictions have had on overall demand in the construction sector.

According to IHS Markit, work undertaken on housing by euro area construction firms increased for a second successive month in April. The rate of growth quickened from March and was the strongest recorded since February 2020.

A renewed contraction in home building activity in Germany was offset by a survey record expansion among Italian housebuilders. French firms, meanwhile, reported stable conditions in housebuilding for the second month in a row.

Commercial construction activity contracted again in the latest HIS Markit survey period, extending the current sequence of decline to 14 months. That said, the pace of the reduction eased from March and was the softest in the sequence.

A softer fall in commercial activity in France and a stronger rise in Italy contributed to the easing in the rate of decline. However, firms in Germany signalled a further, marked decline in commercial building. The downturn in euro area civil engineering activity continued in April, as work undertaken on infrastructure projects contracted at a modest pace.

The IHS Markit survey shows that the degree of optimism regarding the outlook for construction activity over the coming 12 months eased in April and was the softest recorded for three months. German constructors signalled renewed pessimism regarding the year ahead outlook, with projections at their weakest since December 2020.

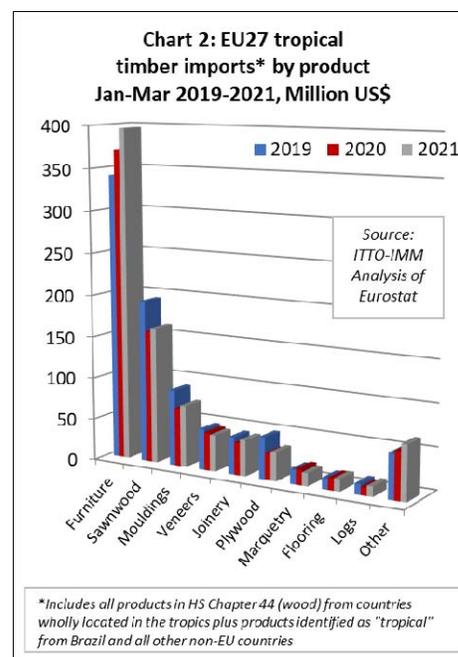
French firms indicated a lower level of positive sentiment, though Italian firms signalled the strongest projections since August 2001.

Rebound in EU27 tropical wood product imports in first quarter

The value of EU27 imports of most tropical wood products increased in the first three months of 2021 compared to the same period in 2020. This is encouraging given that Europe only began to lockdown in the middle of March last year, too late to significantly impact on trade volumes in the first quarter of 2020.

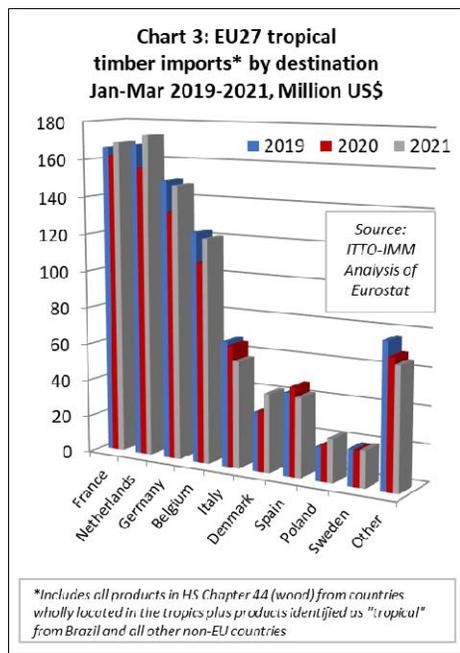
EU27 imports of wood furniture from tropical countries increased 7% to US\$396 million in the first quarter this year compared to the same period in 2020, while imports of tropical sawnwood increased 3% to US\$163 million, tropical mouldings were up 6% to US\$74 million, joinery up 11% to US\$43 million, plywood up 10% to US\$34 million, flooring up 3% to US\$15 million, and logs up 27% to US\$12 million.

These gains offset a 4% decline in veneer imports to US\$44 million, and a 17% fall in marquetry imports to US\$16 million (Chart 2).



In the first quarter this year, import value increased into all the largest EU27 destinations for tropical wood and wood furniture products with the exception of Italy and Spain.

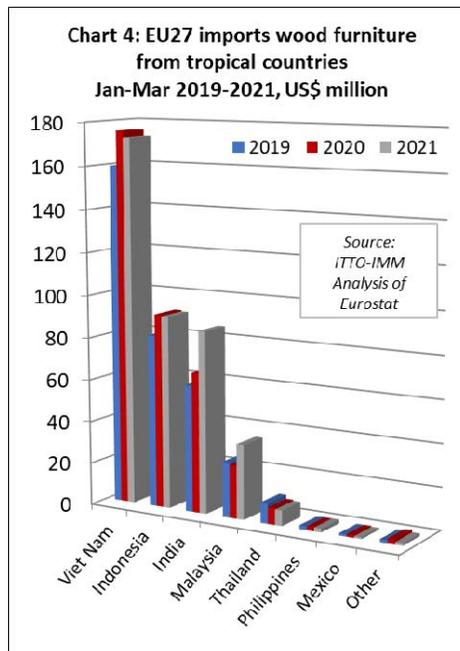
Import value was up 4% to US\$169 million in France, 11% in the Netherlands to US\$173 million, 11% in Germany to US\$147 million, 12% in Belgium to US\$120 million, 30% in Denmark to US\$42 million, 17% in Poland to US\$23 million, and 4% to Sweden to US\$20 million. Import value decreased in Italy by 12% to US\$58 million and by 11% in Spain to US\$42 million (Chart 3).



Rising EU27 wood furniture imports from India and Malaysia

In the first three months of 2021 compared to the same period in 2020, EU27 import value of wood furniture increased sharply from India (+30% to US\$86 million) and Malaysia (+41% to US\$35 million). However import value from the two largest suppliers was marginally down on the previous year's level, declining 2% from Vietnam to US\$173 million and 1% from Indonesia to US\$91 million (Chart 4).

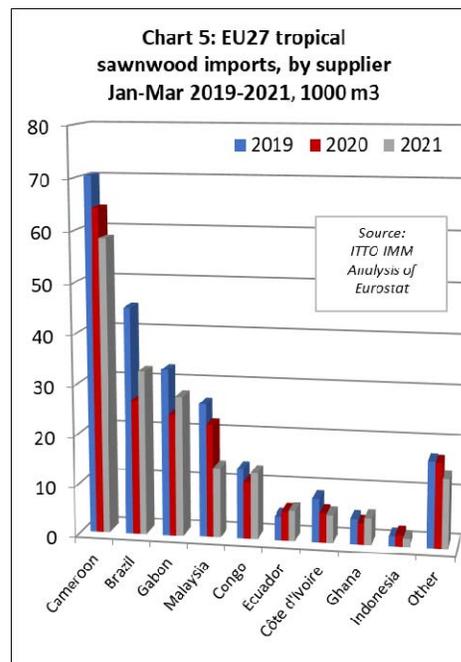
It is notable that India, until recently only a relatively minor supplier of wood furniture to the EU, is now challenging Indonesia as the second largest tropical supplier of these products into the region.



Sharp decline in sawnwood imports from Cameroon and Malaysia

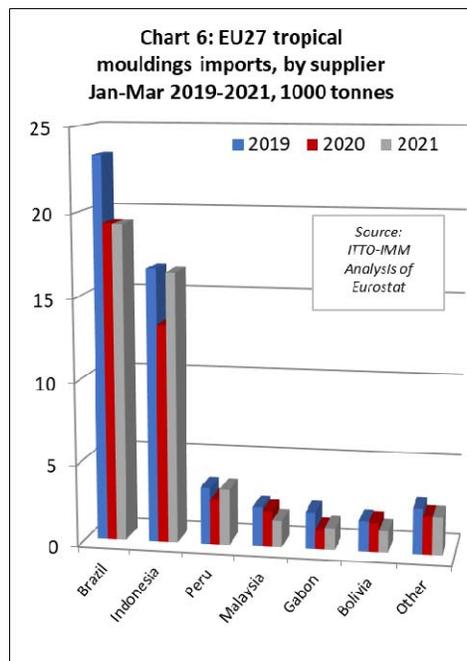
The EU27 imported 178,400 cu.m of tropical sawnwood in the first three months of this year, 3% less than the same period in 2020. Imports were sharply down from Cameroon (-9% to 58,300 cu.m) and Malaysia (-38% to 13,900 cu.m), while imports from Côte d'Ivoire continued a steady decline (-6% to 5,600 cu.m).

However, there were gains in imports from Brazil (+21% to 32,500 cu.m), Gabon (+15% to 27,800 cu.m), Republic of Congo (+17% to 13,300 cu.m), Ecuador (+5% to 6,100 cu.m), and Ghana (+27% to 5,400 cu.m). Despite the sharp decline in imports from Cameroon this year and last, it is notable that the country still remains very dominant as the lead supplier of tropical sawnwood into the EU27 (Chart 5).



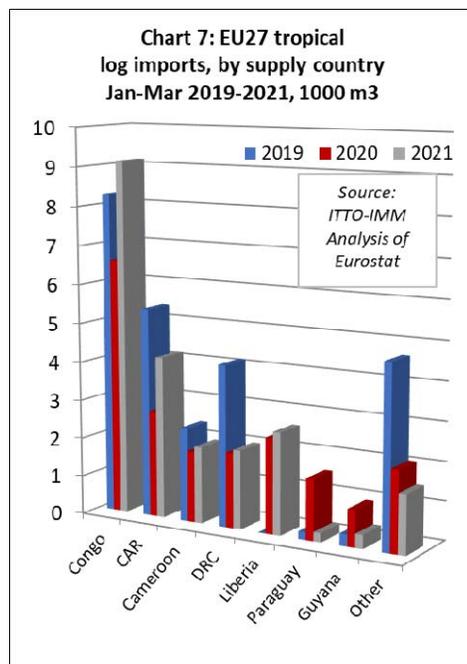
In contrast to sawnwood, EU27 imports of tropical mouldings/decking increased in the first quarter of this year, at 45,700 tonnes 7% more than the same period in 2020. Imports from Brazil, the largest supplier, were level at 19,300 tonnes. Despite widespread reports of supply shortages for Indonesian bangkirai decking, imports of moulding/decking from Indonesia increased 24% to 16,400 tonnes during the three month period.

Imports also increased 24% to 3,400 tonnes from Peru and 11% to 1340 tonnes from Gabon. These gains offset a 26% decline in imports from Malaysia to 1600 tonnes, and a 26% fall from Bolivia to 1,300 tonnes (Chart 6).



EU27 imports of tropical logs, which have been in long term decline and are now a shadow of their former level, did at least rebound 9% to 22,000 cu.m in the first three months of this year. Imports recovered from the leading African supply countries but imports from South American countries, which had increased sharply last year, fell back to negligible levels.

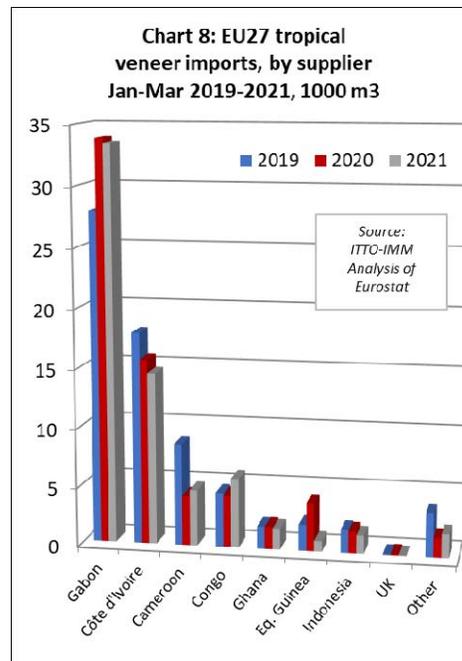
Imports increased 38% to 9,100 cu.m from the Republic of Congo, 52% to 4,200 cu.m from CAR, 8% to 2000 cu.m from Cameroon, 5% to 2,000 cu.m from DRC, and 7% to 2,600 cu.m from Liberia. In contrast, imports from Paraguay fell 85% to just 236 cu.m and from Guyana were down 27% to 360 cu.m (Chart 7).



Slow start to the year for imports of tropical veneer and plywood

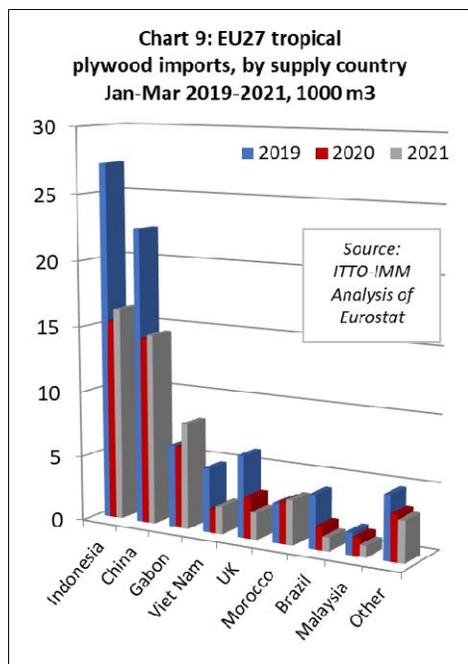
EU27 imports of tropical veneer declined 4% to 64,900 cu.m in the first three months of this year. After a rapid rise last year, imports from Gabon declined 1% to 33,500 cu.m. There were larger falls in imports from Côte d'Ivoire (-7% to 14,500 cu.m), Ghana (-7% to 1,800 cu.m), Equatorial Guinea (-78% to 900 cu.m), and Indonesia (-17% to 1,537 cu.m).

However, imports increased 13% to 4,700 cu.m from Cameroon and 32% to 5,900 cu.m from the Republic of Congo (Chart 8).



After a slow year in 2020, EU27 imports of tropical plywood made only marginal gains in the first quarter of this year. Imports of 51,500 cu.m in the three month period were just 2% more than in the same period in 2019. Imports were up from all four of the largest supply countries including Indonesia (+6% to 16,200 cu.m), China (+2% to 14,500 cu.m), Gabon (+29% to 8,000 cu.m), and Vietnam (+14% to 2,100 cu.m).

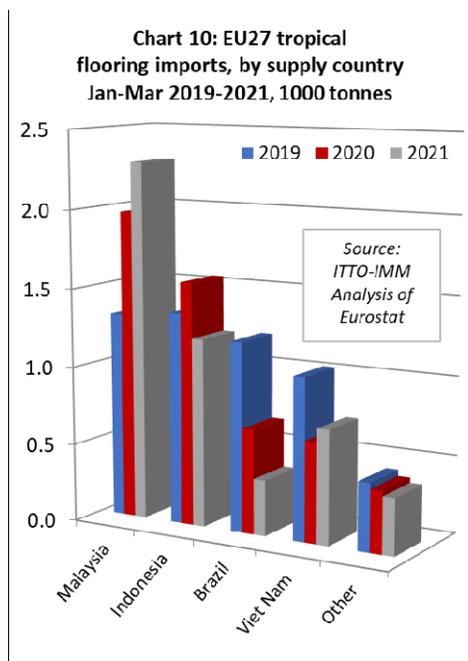
However, the decline in imports continued from Brazil (-40% to 1,100 cu.m) and Malaysia (-37% to 875 cu.m.). EU27 imports of tropical hardwood plywood from the UK – a re-export since the UK has no plywood manufacturing capacity – fell 35% to 2,000 cu.m (Chart 9).



Tropical flooring imports rise while other joinery imports decline

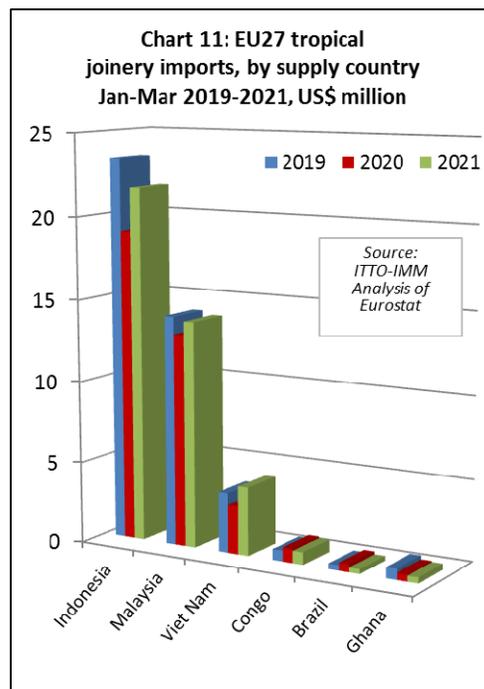
After unexpectedly recovering some lost ground last year, EU27 imports of flooring from tropical countries have weakened again this year. Imports of 4,900 tonnes in the first three months were 6% less than the same period in 2020. Imports from Malaysia continued to rise, up 16% to 2,300 tonnes, while imports from Vietnam recovered by 13% to 730 tonnes.

However, these gains were offset by a 23% decline in imports from Indonesia to 1,200 tonnes and a 47% decline in imports from Brazil to just 360 tonnes. (Chart 10).



The value of EU27 imports of other joinery products from tropical countries - which mainly comprise laminated window scantlings, kitchen tops and wood doors - increased 11% to US\$43 million in the first three months of this year.

Imports were up 22% to US\$21.7 million from Indonesia, 6% to US\$13.8 million from Malaysia, and 41% to US\$4.2 million from Vietnam (Chart 11).



Latest on EU policy framework for ‘forest-risk’ commodities

Speaking at a webinar hosted by the EURACTIV news agency on 26 May, Virginijus Sinkevičius, EC Commissioner for Environment, Oceans and Fisheries, provided an update on the state of play in EU deliberations on a new policy framework to ensure EU consumption is not contributing to global deforestation and forest degradation.

See: <https://events.euractiv.com/event/info/eu-agenda-for-global-forests-getting-the-balance-right>

The Commissioner reiterated the EU’s intention to develop new laws to prevent commodities with a high risk of contributing to deforestation being placed on the EU market.

The EU is also likely to propose that these new laws be implemented alongside new partnerships with countries supplying “forest risk” commodities to develop procedures to ensure that products are “deforestation free”.

The Commissioner began by emphasising that the whole issue of deforestation is “high on the political agenda, it's very high on the Commission's agenda, it's an important matter for companies, NGOs and of course citizens, and it's a key topic for everyone on the ground in the producing countries” and noted that “tackling deforestation is an important element in [the] European Green Deal” (which sets out the trajectory for the EU to be climate neutral by 2050).

The Commissioner said that the intention was to build on, and learn from, existing forest policy mechanisms, particularly those implemented as part of the FLEGT Action Plan.

He noted that “part of the process to develop a new legislative proposal is an evaluation of the effectiveness of existing legislation; a fitness check of both the EU Timber Regulation and the FLEGT Regulation with its Voluntary Partnership Agreements”. He also said the EC is “conducting a study on the role and impact of private certification schemes, and the contributions they could make to additional measures”.

Commenting on the role of the EUTR, the Commissioner said that “a mixed picture is emerging; it has been an incentive for operators to focus on keeping their supply chains clean, but the structure and the wording of the legislation has made it difficult to use in practice. The [EUTR] competent authorities found it hard to prove due diligence compliance failures in courts of law. In that area there is definitely room for improvement”.

On the role of the VPAs, the Commissioner said that these “have clearly proved their use in improving stakeholder participation, better forest governance and regulatory reforms in some partner countries, but their actual impact on illegal logging and associated trade has been more limited. We have not found much evidence that these agreements have helped reduce illegal logging or the consumption of illegally harvested wood here in Europe”.

The Commissioner emphasised that this was not intended as a criticism of progress made in any individual VPA but rather the “problem is simply one of scale; the first VPA was concluded with Ghana more than a decade ago, but today when we have 15 different VPAs at various stages of completion, there is only one operating licencing system in place in Indonesia. That means that despite our best efforts, these agreements cover only a very small part of the overall volume of trade. So the total effect on illegal timber is therefore extremely limited”.

The Commissioner went to say that “these conclusions together with the feedback from extensive public consultations, input from the European Parliament, and studies we have carried out, are quite clear. The current system of due diligence needs to be improved and enhanced, but that alone will not be enough”.

According to the Commissioner, “enhanced” due diligence “will need to be complemented by alternative support methods which help partner countries to comply with the requirements”. He indicated that there would be a more flexible approach to development of forest partnership agreements so that they are “tailored to specific needs and the specific interests of each partner country”.

This implied that the agreements “should retain the elements that have proved effective, while other [elements], like licencing in a trade agreement, should be abandoned.” Perhaps hinting at a shift towards more jurisdictional forms of verification based on analysis of governance and assessment of forest condition at national or regional level, he noted that “we are also creating an EU Observatory which will facilitate information exchange on global deforestation, combining trade data with [satellite] observation”.

In finalising their regulatory proposals, the Commissioner said “we need to be certain that all options comply with our obligations under the World Trade Organisation rules...we started with a long list of 20 options, now we are down to a few ones such as improved due diligence requirements, country benchmarking, mandatory public certification, mandatory labelling, or a deforestation free requirement”.

He also said that the EC identified a “preliminary list of products, the main criteria for choosing them [being] the overall impact of production and harvesting on forests and their level of consumption in the EU, so that list includes for now palm oil, cattle, soy, wood, cocoa and coffee”.

The Commissioner concluded that “we have come a long way since the first commission proposal in its 2019 communication [on Stepping up EU Action to Protect and Restore the World's Forests]. Under the Green Deal we are advancing steadily and we are advancing with care. We have no choice but of course to get it right. And for that to happen, we need to listen to the views from all sides”.

North America

Housing starts tumble as timber prices soar

US homebuilding fell more than expected in April, likely pulled down by soaring prices for timber and other materials, but construction remains supported by an acute shortage of previously owned homes on the market.

Housing starts tumbled 9.5% to a seasonally adjusted annual rate of 1.569 million units last month, the US Department of Commerce reported. Data for March was revised down to a rate of 1.733 million units, still the highest level since June 2006, from the previously reported 1.739 million units.

Groundbreaking activity dropped in the Midwest and the densely populated South, but rose in the Northeast and West.

The inventory of previously owned homes is near record lows. Tariffs on steel imports are also adding to building costs. Timber prices surged 89% on a year-on-year basis in April according to the latest producer price data.

Housing starts in Canada fell around 20% in April compared with March on a sharp decline in multiple urban starts, though starts remain well above pre-pandemic levels. Canadian home sales, prices, and starts all fell in April compared with the previous month, as some of the frenzy of recent months began to unwind, though activity remains strong.

Canadian home sales fell 12.5% in April from March, while the average selling price was down 2.9% in April from the previous month, according to data from the Canadian Real Estate Association.

Home sales fall for third straight month

Sales of existing-homes waned in April, marking three straight months of declines, according to the National Association of Realtors.

Existing home sales fell 2.7% last month from March to a seasonally adjusted rate of 5.85 million annualised units. Sales jumped 34% from April 2020 when the pandemic caused sales to slow sharply. The pace of sales in April was the slowest since June 2020 and well below the 6.01 million homes economists expected.

The US median home price surged 19% from a year earlier to US\$341,600, an all-time high. At the end of April the inventory of unsold homes stood at just 1.16 million, a slight improvement from March. At the current sales pace that amounts to a 2.4-month supply versus a 4-month supply a year earlier. Would-be homebuyers across the US are facing perhaps the most competitive market in decades, with homes typically receiving multiple offers.

Only the Midwest experienced higher sales from the prior month, but each of the four major US regions recorded year-over-year increases. Existing-home sales in the Midwest grew 0.8% to an annual rate of 1,290,000 in April, a 13% increase from a year ago. Existing-home sales in the Northeast fell 3.9% from March, but the annual rate of 730,000 represents a 30% leap from a year ago.

Existing-home sales in the South decreased 3.7%, recording an annual rate of 2,600,000 in April, up 39% from the same time one year ago. Existing-home sales in the West declined 3% from the month prior, posting an annual rate of 1,230,000 in April, a 54% surge from a year ago.

See: <https://www.nar.realtor/newsroom/existing-home-sales-decline-2-7-in-april>

Consumer spending a boost to economy

The US economy surged in the first quarter of 2021 with gross domestic product growth hitting an annualised rate of 6.4%, the second-best quarterly reading since 2003 after the pandemic rebound of the third quarter of 2020.

Widespread COVID-19 vaccinations, warmer temperatures and stimulus checks powered the growth.

Consumer spending, which accounts for two-thirds of economic growth in the US, increased by 10.7% in the first quarter according to the advance estimates released by the US Department of Commerce. Spending on services saw a small recovery, expanding by 4.6%. In April, consumer confidence hit a 14-month high.

GDP hit a historic low in 2020, falling by a record 31.4% in the second quarter as the economy shut down, stores and businesses closed their doors, and workers stayed home to avoid spreading the coronavirus.

Since then, around 14 million people have returned to work and the unemployment rate, which peaked at 14.8% last spring, has now fallen to 6%.

US job growth disappoints in April

The US economy added only 266,000 jobs in April on the anniversary of the worst job loss for any month on record. That was far less than forecasts of economists who had predicted the US would add 1 million jobs in April.

The unemployment rate rose to 6.1% in April, up from 6% a month earlier as more people returned to the labour force to look actively for work. The March jobs numbers were also revised down to 770,000 from 916,000 reported initially. It was the slowest improvement for jobs since January. Experts predicted that the vaccine rollout and the reopening of the economy would jolt hiring.

As analysts come to terms with how wrong their forecasts were, they point to other data like weekly claims for unemployment benefits as proof that improvements are continuing: In early May, jobless claims dropped below 500,000, a new pandemic-era low.

"With most of the high-frequency indicators still pointing to further improvement and jobless claims falling like a stone in recent weeks ... we doubt that it signals the recovery is at risk," said Capital Economics senior US economist Michael Pearce.

Meanwhile, factories and manufacturers have had trouble finding specialized and even entry-level workers as employees worry that those jobs could be sent overseas or automated. Manufacturing employment declined by 18,000 jobs last month.

"The details of the data show signs that the pool of available labor is extremely tight," wrote Jefferies Group economists Thomas Simons and Aneta Markowska in a note to clients.

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

Consumer confidence fell in early May amid inflation fears

Consumer sentiment dropped sharply in early May as inflation spiked and consumers prepared for higher interest rates. The preliminary estimate of the University of Michigan's index of consumer sentiment came in at 83, a drop of 6% from the post-pandemic high reading of 88 a month ago. Both the current conditions and future expectations indices fell, by 6.6% and 6.2% respectively.

"Rising inflation also meant that real income expectations were the weakest in five years," said Chief Economist Richard Curtin. "The average of net price mentions for buying conditions for homes, vehicles, and household durables were more negative than any time since the end of the last inflationary era in 1980."

Curtin said he expects consumers will continue to spend because of pent-up demand and even as precautionary moves ahead of rising prices for goods and services.

"Importantly, consumer spending will still advance despite higher prices due to pent-up demand and record saving balances," Curtin added.

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

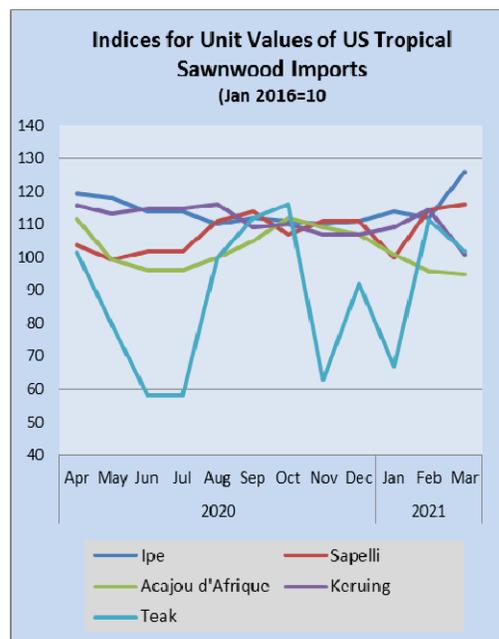
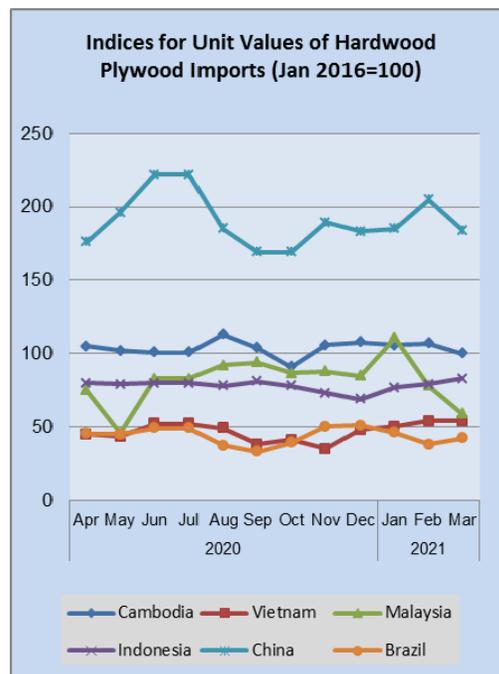
Labour shortages frustrate manufacturers

According to an Institute for Supply Management survey published in May businesses in the construction industry reported challenges finding and retaining skilled and unskilled workers, with some companies saying "we are not accepting all the work that we could if we had the labour."

Manufacturers struggled to find skilled workers even before the pandemic but it's only gotten worse. "In short, the most pressing problem in the manufacturing sector isn't a lack of demand, it's the ability to meet demand," said chief economist Richard Moody of Regions Financial.

Despite the challenges, economic activity in the manufacturing sector grew in April, with the overall economy notching an 11th consecutive month of growth. While the ISM fell ratings in April, they are still exceptional. But top manufacturing executives say they are struggling to overcome key shortages that are causing the prices of most goods to rise, in some cases sharply.

See: <https://www.marketwatch.com/story/crazy-prices-and-rampant-shortages-frustrate-u-s-manufacturers-ism-shows-11620052168>



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.

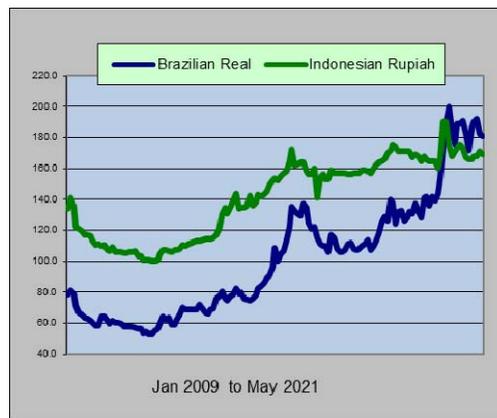
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Dollar Exchange Rates

As of 25 May 2021

Brazil	Real	5.3185
CFA countries	CFA Franc	537.14
China	Yuan	6.4193
Euro area	Euro	0.8186
India	Rupee	72.84
Indonesia	Rupiah	14355
Japan	Yen	108.76
Malaysia	Ringgit	4.146
Peru	Sol	3.61
UK	Pound	0.7064
South Korea	Won	1123.60

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

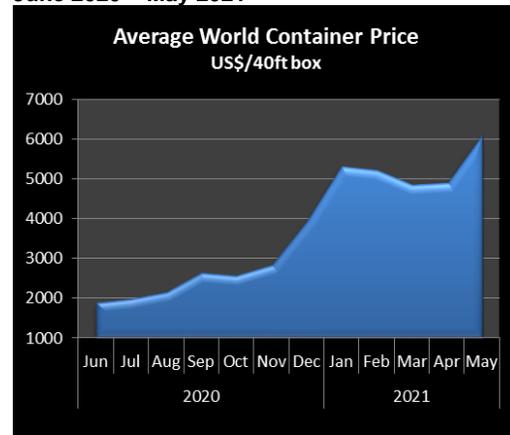


Abbreviations and Equivalences

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

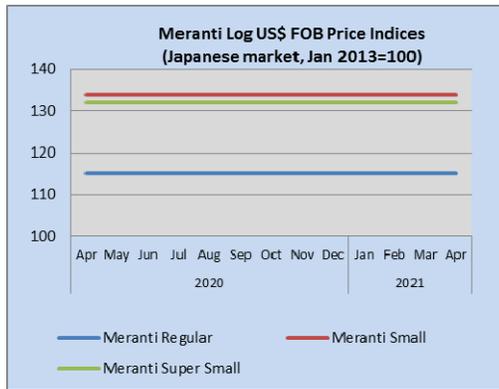
June 2020 – May 2021



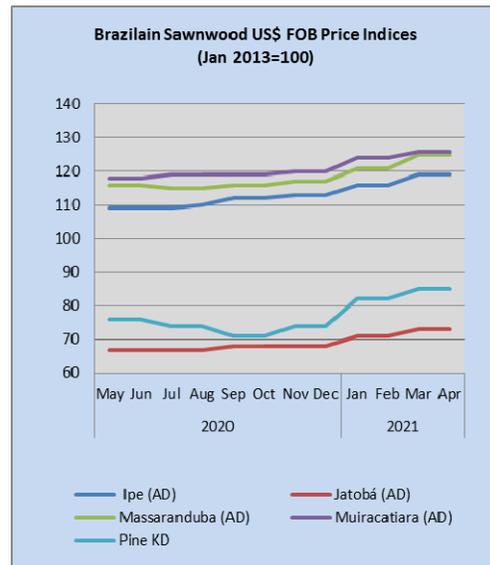
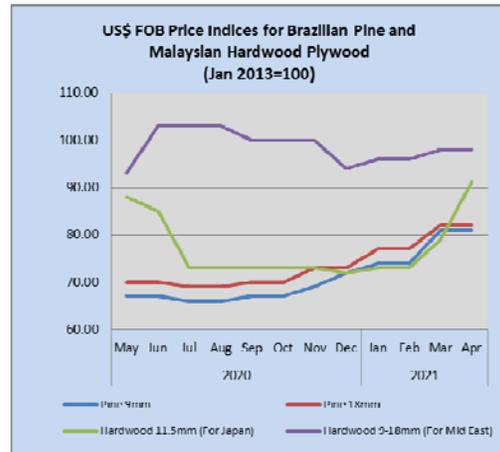
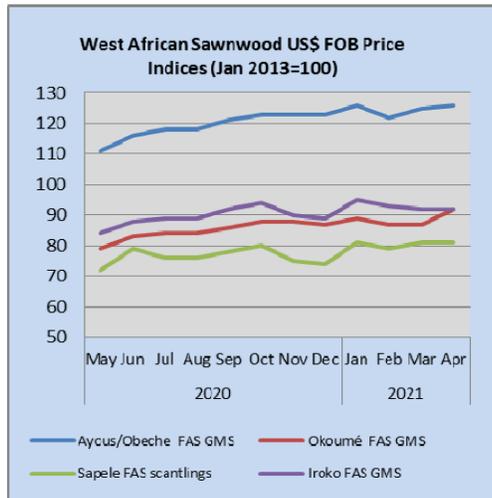
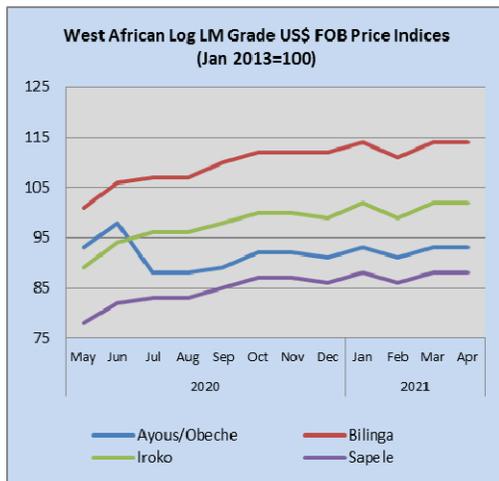
Data source: Drewry World Container Index

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.

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