

Tropical Timber Market Report

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Contents

Central/West Africa	2
Ghana	2
Malaysia	4
Indonesia	5
Myanmar	6
India	7
Vietnam	9
Brazil	11
Peru	12
Japan	13
China	18
Europe	21
North America	25
Currencies and Abbreviations	29
Ocean Freight	29
Price Indices	30

Headlines

	Page
Furniture manufacturers in Malaysia ask again that factory operations be allowed	4
Indonesian ‘Suar’ furniture a hit in Canada	5
Exports of wood products suspended in Myanmar	6
Southern Vietnam under lockdown as infections spread	9
Brazil to vastly expand forest concessions	11
Japan reports active log exports to China	18
European plywood market lucrative, but challenging	21
Paris Olympic Committee exclusion of tropical timber – the story continues	25
US lumber prices surge again as wildfires hit production	27

Top story

DRC policy proposals difficult to reconcile

A 16 July News Flash from ATIBT reports on policies proposed in the DRC which will have far reaching consequences for the international timber trade.

The Deputy Prime Minister and Minister of Environment and Sustainable Development, Eve Bazaiba, proposed to the Council of Ministers 10 measures relating to forest management one of which is “The issuance of an inter-ministerial order suspending the export of all timber species in the Democratic Republic of Congo.”

Page 2

Central and West Africa

Middle East buyers accepting new species

It is holiday season in the northern countries and markets are quiet as usual at this time of the year. Buying for the Chinese and Philippines markets is reportedly stable.

Buyers for the Middle East markets are beginning to show interest in a wider range of species and it has been reported that a market for andoung and gheombi is developing in the furniture and door sectors. Producers have seen the return of buyers for the South Africa market with the main interest being for okoume for their door and window markets.

There are concerns amongst producers in Cameroon, Gabon and Congo that changes to tax levels and export duties will present another challenge.

DRC policy proposals difficult to reconcile

The latest news from the government of the DRC has the attention of the trade. A 16 July News Flash from ATIBT reports on policies proposed in the DRC which will have far reaching consequences for the forestry sector and the international timber trade.

The Deputy Prime Minister and Minister of Environment and Sustainable Development, Eve Bazaiba, proposed to the Council of Ministers 10 measures relating to forest management one of which is “The issuance of an inter-ministerial order suspending the export of all timber species in the Democratic Republic of Congo.”

The ATIBT News Flash says “the suspension of timber exports, regardless of the species and level of processing of the wood raises many questions:

ATIBT asks:

When will the decree be issued and come into force?

For how long will the export suspension last?

How will companies be able to respect the contracts signed with their customers?

Will companies break their contracts for not meeting delivery deadlines?

How can companies finance their activities without this source of income?

What will happen to the companies with regard to their fiscal and social obligations?”

For the full text see:

<https://www.atibt.org/en/news/13036/council-of-ministers-decides-to-suspend-timber-exports-in-drc>

Included in the measures adopted in the DRC is the lifting of the current moratorium on the granting of logging concessions. This has drawn an immediate response from a wide range of organisations.

See: <https://www.climatechangenews.com/2021/07/14/dr-congo-plans-lift-logging-moratorium-amid-forest-protection-talks>

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	210	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	440
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	450
Iroko FAS GMS	600
Scantlings	620
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Ghana

Costs associated with Covid-19 still an issue for businesses

The Association of Ghana Industries (AGI) Business Barometer Report for the first quarter of 2021 says the pandemic continued to have dire consequences around the globe and Ghana has had its fair share of problems related to the pandemic.

In the recent survey, even though there was a drop from 30% to 27% in the number of business owners who reported that the pandemic posed a challenge to their business, the effect of Covid-19 has been the top challenge of industry since the second quarter of 2020.

In the Q1 2021 survey the high cost of electricity moved up to become the second major bottleneck for industry. Uncompetitive electricity tariffs, coupled with the withdrawal of the free electricity enjoyed in previous months, severely impacted businesses.

The high cost of freight continued to drive up the cost of imported raw materials as well as export shipping and this issue emerged as one of the major challenges as reported by respondents.

See:

https://www.agighana.org/uploaded_files/document/c484af69360c149dd859ee9105643c22.pdf

Ghanaians cautioned on 3rd wave of Covid-19

Ghana's President Nana Akufo-Addo has said the country will increase the pace of vaccinations and revaccinations in an effort to beat back the rising spread of infections adding that the country cannot afford to return to the days of partial lockdowns which brought considerable hardship and difficulties for all of us.

He urged Ghanaians to comply with the Covid-19 safety protocols to minimise the spread and advised business and workplace protocols to be strictly enforced so as not to interrupt production.

According to the Ghana Health Service website the number of positive cases stood at 7.3% as of 14 July 2021. A total of 1,271,393 Ghanaians have been vaccinated of which 865,422 have had a single dose and 405,971 have had two shots.

See: <https://www.presidency.gov.gh/index.php/briefing-room/speeches/1968-update-no-26-measures-taken-to-combat-spread-of-coronavirus>

Timber exports grow 43% year on year

Ghana's wood product exports in the first four months of this year earned the country Eur 49.15 million from a total volume of 93,527 cu.m according to data from the Timber Industry Development Division (TIDD) export permit report.

Export performance for Q1 2021 and 2020

Product	Volume (cu. m)		Y-O-Y % Change
	Jan-Apr 2020	Jan-Apr 2021	
Lumber (AD)	32,781	44,341	35.26
Billets	5,177	19,743	281.36
Lumber (KD)	11,934	12,907	8.15
Plywood (Overland)	6,420	6,749	5.12
Mouldings	3,277	3,620	10.47
Sliced Veneer	2,510	3,123	24.42
Rotary Veneer	3,018	2,257	-25.22
Boules (AD)	121	141	16.53
Others (4)	138	646	368.12
Total	65,376	93,527	43.06

Data source: TIDD, Ghana

Product	Value (Eur '000)		Y-O-Y % Change
	Jan-Apr 2020	Jan-Apr 2021	
Lumber (AD)	15,064	22,549	49.69
Billet	1,868	8,197	338.81
Lumber (KD)	7,042	8,238	16.98
Plywood (Overland)	2,105	2,556	21.43
Mouldings	2,432	2,560	5.26
Sliced Veneer	2,315	3,511	51.66
Rotary Veneer	1,175	1,169	-0.51
Boules (AD)	70	78	11.43
Others (4)	81	288	255.56
Total	32,152	49,146	52.86

Data source: TIDD, Ghana

Cumulative exports for the period registered increases of 43% in volume and 53% in value against that for the same period in 2020. All products, except rotary veneers, registered positive increases in the first four months of 2021 compared to the same period in 2020.

Billets, air and kiln-dried sawnwood were the top three export earners accounting for 82% of total export volumes.

Of the Euro 49.15 million revenue from wood product exports for the period reviewed Asian markets accounted for just over 60% of total exports followed by Europe (17%), Africa (9%), America (9%) and Middle East (5%) of the total receipts.

The export of wood products from Ghana to ECOWAS countries in the first four months of 2021 was 9,021 cu.m compared to 6,670 cu.m recorded for the same period in 2020. The leading species shipped to all markets were teak, ceiba, wawa, dahoma and black ofram

Governance of the country's natural resources

The Vice President, Mahamudu Bawumia, has called on stakeholders in the forestry sector to embrace the urgent need to stem the incidences of illegal activities affecting the country's natural resources particularly deforestation in the Northern Regions.

The Vice Minister gave the assurance that government would promote good governance in the exploitation of the country's mineral and forest resources to promote sustainability and safeguard the environment.

The Minister of Lands and Natural Resources, Samuel Abdulai Jinapor, also highlighted the many policy interventions government had put in place to tackle the issue of illegal activities. The Minister reminded stakeholders that the harvesting and export of rosewood is prohibited.

See:

<https://www.peacefonline.com/pages/local/news/202107/448711.php>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	570
Niangon Kiln dry	659

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	344	441
Chenchen	540	612
Ogea	443	590
Essa	543	606
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	889
Avodire	573
Chenchen	1,310
Mahogany	1,324
Makore	930
Odum	2,305

Export plywood prices

Plywood, FOB	Euro per cu.m			
	BB/CC	Ceiba	Ofram	Asanfina
4mm	362	580	641	
6mm	412	535	604	
9mm	370	499	560	
12mm	495	476	480	
15mm	430	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	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up	860	925
Afromosia	465	564
Asanfina	435	600
Ceiba	403	575
Dahoma	520	703
Edinam (mixed redwood)	540	615
Emeri	1,195	1,075
African mahogany (Ivorenensis)	710	951
Makore	650	600
Niangon	950	964
Odum	800	732
Sapele	373	432
Wawa 1C & Select		

Malaysia

Furniture manufacturers ask again that factory operations be allowed

Malaysia continues to see an upward trend in the rate of Covid-19 infections with 17,045 recorded in one day in late July, the highest ever in a day since the pandemic hit the nation. The cumulative total infected stood at 1,013,438 in late July. Lockdown in various forms are current in different parts of the country.

Furniture manufacturing has been hit by the impact of the lockdown regulations and the Malaysian Furniture Council (MFC) continues to appeal to the government to allow the resumption of operations in the timber and furniture industry.

An article in the Star newspaper reports the MFC President, Khoo Yeow Chong, as saying that since the implementation of the Full Movement Control Order (lockdown) and overall Phase 1 of the National Recovery Plan beginning 1 June, the timber industry has suffered losses in excess of RM6 billion. The furniture industry alone has lost more than RM1.6 billion in output so far and the figure is still rising.

Khoo is quoted as saying that because exporters are failing to meet overseas contracts buyers have been forced to turn to alternative suppliers and at the same time are demanding compensation from their Malaysia suppliers for breach of contract. He added that the current lockdown has severely affected the upstream and downstream sectors and disrupted the entire supply chain.

The MFC has appealed to the government for a lifting of the most severe restrictions in States which have a low infection rates and specifically asked that workers who have been fully vaccinated to be allowed to return to work.

See: <https://www.thestar.com.my/metro/metro-news/2021/07/16/furniture-makers-desperate-to-reopen> and <https://www.thesundaily.my/home/furniture-industry-has-lost-more-than-rm-16-billion-so-far-says-mfc-YY8054331>

Sabah REDD+ preparations

The Sabah Forestry Department and the Faculty of Tropical Forestry, Universiti Malaysia Sabah (UMS) signed a memorandum of Understanding to develop a procedure for Sabah's forest aboveground carbon density mapping so as to benefit from REDD Plus forest carbon projects in Sabah.

The MoU will also support the development of the EU REDD-Plus Project Monitoring, Reporting and Verification (MRV) System.

The EU REDD-Plus is an eight-year project funded by the European Union aimed at contributing to the sustainable and low carbon development in the State of Sabah and is currently being implemented in three demonstration sites in Kg. Gana, Kota Marudu, Kinabatangan and the Kinabalu Eco-linc area.

See: <https://www.dailyexpress.com.my/news/174545/forestry-ums-sign-pact-on-density-mapping/>

And https://ec.europa.eu/clima/policies/forests/deforestation_en

Roadmap for a sustainable furniture supply chain

The PEFC website reports that PEFC has initiated a four-year initiative with the [ASEAN Furniture Industry Council \(AFIC\)](#) to improve sustainability throughout the furniture supply chain in ASEAN member countries.

The PEFC website says the roadmap that AFIC and PEFC have put together includes the following goals:

- Raise awareness on the importance of sustainably sourced forest and tree-based materials which subsequently boost demand for certified materials.
- Build capacity in the wood-based supply chain to facilitate members and companies to reach sustainability goals.
- Support companies who want to demonstrate legal and sustainable sourcing with PEFC certification.
- Improve knowledge sharing between PEFC and AIFC members.
- Build visibility for AFIC and PEFC.

In addition, the roadmap calls for the creation of an ASEAN Furniture Sustainability Award to recognise companies that demonstrate a commitment to sustainable practices, including sourcing.

See: <https://pefc.org/news/afic-and-pefc-create-a-sustainability-roadmap-for-a-sustainable-furniture-supply-chain>

Malaysian export statistics

Major wood product exports, January–May 2021

	May-20	May-21
	RM mil.	RM mil.
Logs	16.1	8.84
Sawnwood	125.72	195.02
Fibreboard	48.65	53.9
Plywood	178.26	249.85
Mouldings	38.2	62.66
Veneer	3.57	6.91
Builders joinery & Carpentry	71.86	85.74
Wooden furniture	559.49	906.59
Chip/particle board	15.49	27.36
Other products	217.51	307.74
Total	1,274.86	1,904.63

Data source: MTIB

Indonesia

Indonesian Ambassador visits UK timber companies

In a bid to encourage UK timber importers to increase their purchase of wood products from Indonesia a delegation from the Embassy in the UK led by Indonesian Ambassador, Desra Percaya, recently visited a number of timber companies in the country.

During the visits the Ambassador said there is an opportunity to gain from the UK-Indonesia FLEGT-VPA and ensure that high-quality timbers remain firmly established in UK industry's supply chain.

See: <http://www.ttjonline.com/news/indonesian-ambassador-visits-uk-timber-companies-8908227>

Green Deal and Fit for 55 climate package

The European Union Ambassador to Indonesia, Vincent Piket, in speaking with the press explained the European Green Deal and the Fit for 55 Climate package.

In July this year the European Commission adopted a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels.

Achieving these emission reductions in the next decade is crucial to Europe becoming the world's first climate-neutral continent by 2050 and making the [European Green Deal](#) a reality.

The Commission presented the legislative tools to deliver on the targets agreed in the European Climate Law and fundamentally transform the economy and society for a fair, green and prosperous future.

The Ambassador said this would not affect trade with Indonesia or the Comprehensive Economic Partnership Agreement (CEPA) free trade negotiations with Indonesia. But mentioned it is possible that there will be additional regulations to prevent the entry into the EU of products that damage the environment.

See: https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541

Indonesian 'Suar' furniture a hit in Canada

The Indonesian Consul General in Toronto, Leonard F. Hutabarat, was present at the inauguration of a showroom featuring Indonesian wooden furniture especially suar wood (also known as trembesi wood).

Suar wood is the Indonesian variety of Albizia saman, a tree native to South America. It was introduced to Indonesia in the mid 19th century by the Portuguese as a plantation tree. Fast growing tree by nature, it has spread throughout the region and is used for wood slab furniture.

The Canadian importers and showroom owner said that Indonesia has abundant suar wood and skilled workers to manufacture quality products. According to his assessment suar wood furniture is in demand in Canada and the United States.

See: <https://kemlu.go.id/toronto/id/news/14764/dorong-ekspor-furniture-kayu-suar-indonesia-ke-kanada-konjen-ri-toronto-resmikan-heft-home-showroom-toronto>

In related news Indonesian teak products find a ready market in Germany according to Indonesian Ambassador to Germany, Arif Havas Oegroseno.

Products from Indonesia teak plantations are subject to the Indonesia Timber Legality Verification System (SLVK) recognised by the European Union.

The teak, which is produced sustainably, legally and socially responsibly has advantages over teak from other Southeast Asian countries, which in recent years is thought to have suffered a reputational decline due to allegations of over exploitation of forest land and environmental damage due to land clearing for teak plantations said Oegroseno.

He also pointed out that the commitment of Indonesia to the FLEGT control system is expected to satisfy European Union consumers that Indonesian wood products are produced legally.

See: <https://radarsukabumi.com/dunia/kayu-jati-indonesia-jadi-sorotan-dunia-paling-dicari-di-jerman/>

Reaction to negative NGO campaigns targeting SFM

A Member of Commission IV of the House of Representatives, Firman Subagyo has said negative campaigns by a number of environmental NGOs targeting the Indonesian forestry sector could harm national economic interests. He cited a case where pressure from international NGOs resulted in an Indonesian company losing its FSC certified status. Subagyo called on the government to be firm with NGOs that interfere with national economic interests.

See: <https://www.suara.com/bisnis/2021/07/16/142605/pemerintah-diminta-tindak-lsm-yang-halangi-ekspor-produk-alam-ri?page=all>

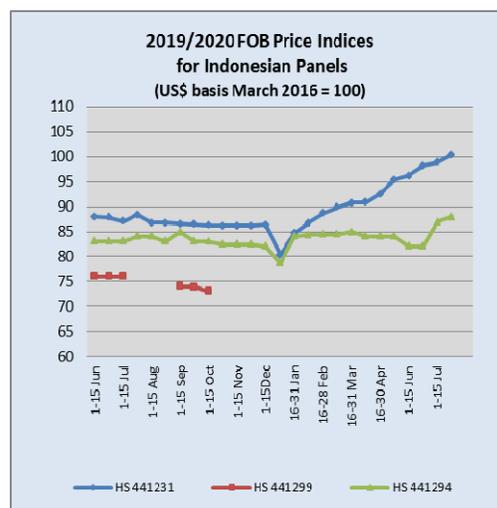
Transparency in carbon projects

Indonesian Environment and Forestry Minister, Siti Nurbaya, says efforts to trace collaboration among a number of carbon projects in which local governments are engaged are aimed at ensuring that the national greenhouse gas inventory remains transparent and credible. Local governments are legally required to report the greenhouse gas inventory in each of their territories to the Minister in her capacity as the country's national focal point to the UNFCCC.

The Minister stressed that local governments engaged in carbon projects are obliged to immediately report to her as well as to the Minister of Home Affairs primarily on the legal basis for their engagement with carbon projects in their territories.

In addition, Minister Nurbaya pointed out that the local governments engaged in carbon projects are also to report on policy measures taken, the extent of the management area, the scope of activities, methodologies and the targets.

See: <https://foresthints.news/minister-tracing-local-govt-carbon-projects-to-keep-indonesias-ndc-target-on-track/>



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

Myanmar

Exports of wood products suspended

The government procedures for monitoring exports of wood products were suspended by Forest Department after the government announced the closure of government departments from in response to the recent surge in corona infections across the country. The result of this action is that timber exports are stalled. The Myanmar Timber Enterprise has not resumed the tender sale of logs.

The Myanmar Port Authority (MPA) issued a statement saying port operations will continue handling incoming international shipments.

See: <https://elevenmyanmar.com/news/yangon-international-jetties-remain-operative-during-public-holidays>

Covid-19 third wave

The number of fatalities in the third wave of coronavirus has exceeded the combined total of Covid-19 deaths in the first two waves of the pandemic according to the Ministry of Health and Sports (MOHS).

A total of 3,216 people died in the first and second waves between March last year and late May this year. Since then, there have been 3,921 fatalities in less than two months. The MOHS figures are widely-believed to be an underestimate as they exclude people who died of Covid-19 at home.

See: <https://www.irrawaddy.com/news/burma/myanmars-third-wave-covid-19-deaths-now-exceed-fatalities-in-first-and-second-waves.html>

Heavy job losses since February coup

The International Labor Organization (ILO) has estimated Myanmar lost 1.2 million jobs in the second quarter 2021 following the February military coup that crippled an economy already weakened by the coronavirus pandemic.

Donglin Li, the ILO's representative for Myanmar said in a statement "Myanmar was already facing economic stress with jobs and livelihoods under threat as a result of the COVID-19 pandemic. However, the estimates show a serious and rapid deterioration in employment in the first half of this year on a scale that could drive many in Myanmar into deep poverty."

The ILO statement continued, "the political crisis has exacerbated the severe impacts of COVID-19 and has extensively destabilised the economy and halted an expected economic recovery".

The employment trends during the first half of 2021 indicated "considerable losses in both employment and working hours," with women estimated to have been impacted more than men.

See: http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_814686/lang--en/index.htm

Political turmoil and third wave of COVID-19 severely impacting the economy

Mariam Sherman, World Bank Country Director for Myanmar, Cambodia and Lao PDR said in a statement "The loss of jobs and income and heightened health and food security risks are compounding the welfare challenges faced by the poorest and most vulnerable, including those that were already hit hardest by the pandemic last year,"

The statement continues "Myanmar's ongoing political turmoil and a rapidly-rising third wave of COVID-19 cases are severely impacting an economy that had already been weakened by the pandemic in 2020.

The economy is expected to contract around 18% in Myanmar's 2021 Fiscal Year (October 2020 to September 2021) with damaging implications for lives, livelihoods, poverty and future growth, according to the latest World Bank's Myanmar Economic Monitor. An 18% contraction, coming on top of weak growth in FY2020, would mean that the country's economy is around 30 percent smaller than it would have been in the absence of COVID-19 and the military takeover of February 2021".

See: <https://www.worldbank.org/en/news/press-release/2021/07/23/myanmar-economy-expected-to-contract-by-18-percent-in-fy2021-report>

Desperate need for action - UN

In a statement, Tom Andrews, Special Rapporteur on the human rights situation in Myanmar and Mary Lawlor, Special Rapporteur on human rights defenders, highlighted credible reports from Myanmar of activists forced into hiding after having arrests warrants issued against them under Section 505 (a) of the Penal Code. The author say homes of activists were raided, possessions seized and family members threatened and harassed noting that many others who were unable to flee have been arrested.

Lawyers representing those detained after the coup have themselves been detained, as have journalists covering the protests, the statement added.

Special Rapporteur Andrews said that the people of Myanmar appreciate the expressions of concern from the international community, "but what they desperately need is action".

See: <https://news.un.org/en/story/2021/07/1096072>

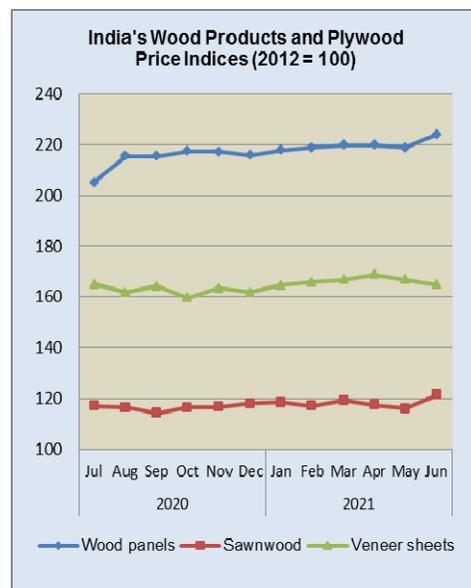
India

Inflation heats up

The Ministry of Commerce and Industry has reported the official Wholesale Price Index (WPI) for 'All Commodities' (Base: 2011-12=100) for June increased to 133.5 from 132.7 in May 2021.

The annual rate of inflation, based on the monthly WPI was, year on year, 12.07% in June 2021. The higher rate of inflation in June was primarily due to effect of a low year on year base prices.

The index for manufactured products accounts for 64% of the index increased. Out of the 22 groups of manufactured products tracked 11 groups saw price increases with 8 seeing declines. The balance remained unchanged. Price increases were recorded for wood and of products of wood and cork but a price decline was reported for veneers.



Data source: Ministry of Commerce and Industry, India

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindustry.nic.in/cmonthly.pdf>

Home sales remain sluggish

Home sales in the second quarter (April to June 2021) fell sharply as potential buyers delayed investments. Sales in Delhi NCR, Mumbai, Bangalore and Pune were especially badly hit.

Overall, sales were down over 50% compared to the previous quarter and it was in the Tier II and III cities that the steepest declines were seen.

However, enquiries from potential buyers improved in June as the rate of corona infections dropped allowing some lock-down measures to be lifted. Analysts anticipate a higher rate of sales in the 3 months after June supported by stable interest rates and subsidies on stamp duty and registration charges.

Building companies have been kept afloat during the pandemic by government initiatives in loan restructuring and tax rebates. This support has helped builders complete ongoing projects but with an unsold housing stock and weak demand house prices are under pressure.

See: <https://www.financialexpress.com/money/housing-sales-in-top-8-metro-cities-fall-by-55-as-60000-units-sold-in-april-june-2021/2289978/>

Plantation teak prices C&F Indian ports

Surging freight charges are resulting in higher landed costs for teak shipments.

Prices for recent shipments of teak logs and sawnwood

	US\$/cu.m C&F
Benin	294-658
Brazil	330—511
Cameroon	639
Colombia	238-382
Costa Rica	263-541
Ecuador	392-495
Gabon	370
Ghana	260-559
Guatemala	594
Ivory Coast	752
Mexico	369-439
Panama	367-539
PNG	492-677
Tanzania	192-294
Togo	259-532
Surinam	414-676
S. Sudan	633
Nigeria	319-541

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

Plywood

Log availability is becoming an issue for manufacturers and rising log costs are eating into the bottom-line of plywood manufacturers. As the housing market is still fairly active plywood producers will be seeking an opportunity to raise prices.

In a press release reported in the Times Of India Century Plyboards has said it has launched a 'Century Promise app' which will provide customers with the means to determine if they are buying genuine Century products or fake labelled plywood. The company says this will be achieved through an embedded QR code.

The plywood market in the country is worth over Rs 23,000 crore (US\$3 mil. plus) and around 30% of this is from the 'organised' sector including Century Plyboard. The other 70% of plywood available is from smaller producers and where counterfeit plywood is sold to unsuspecting consumers.

See: <https://timesofindia.indiatimes.com/business/india-business/century-ply-eyes-pre-covid-level-biz-in-july/articleshow/84565782.cms>

Current plywood prices are reported below.

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	65.00
6mm	74.00	92.00
9mm	93.00	113.00
12mm	113.00	135.00
15mm	135.00	164.00
19mm	159.00	183.00
5mm Flexible ply	100.00	

Tree planting festival

Every year in the first week of July a week-long celebration, Van Mahotsav, is observed. One event is the planting of tree saplings and the Union Environment Minister, Prakash Javadekar, urged people to plant more and more trees to create a healthy environment.

Van Mahotsav, was first launched by a botanist who organised the first Indian national tree plantation week in 1947. In 1950, the plantation drive was declared as a national activity by the then Minister of Food and Agriculture Kanaiyalal Maneklal Munshi. Later in the same year, Munshi moved the event to the first week of July and renamed it Van Mahotsav.

Deforestation in the country has led to a 16% loss in forest cover over the last decade and Van Mahotsav plays a crucial role in raising public awareness.

See: <https://www.indiatoday.in/information/story/van-mahotsav-2021-history-significance-celebrations-and-everything-you-need-to-know-1821532-2021-07-01>

Southern Vietnam under lockdown

The entire Southern Region of Vietnam has been placed under a two-week lockdown as confirmed Covid-19 cases exceeded 3,000 daily at the end of July. The lockdown order includes the Mekong Delta and Ho Chi Minh City metropolis the country's financial and economic hub (a third of Vietnam's population).

The timber industry had been doing well until mid-July but the infection situation has become much worse.

Many companies tried to accommodate workers on-site in order to keep factories running but this was not successful. The likelihood is that many factories will soon have to close. Infection rates are rising steeply in Binh Duong, Dong Nai and Ho Chi Minh City, localities contributing 70% of total exports.

Punitive tariffs avoided

The Office of the US Trade Representative has said it had determined that no tariff action against Vietnam was warranted after its Central Bank agreed with the US Treasury not to manipulate its currency for an export advantage.

The statement reads: "The Office of the United States Trade Representative today issued a formal determination in the Vietnam Currency Section 301 investigation reflecting the agreement reached earlier this week between the Department of the Treasury and the State Bank of Vietnam.

The determination finds that the Treasury-SBV agreement provides a satisfactory resolution of the matter subject to investigation and accordingly that no trade action is warranted at this time. USTR, in coordination with Treasury, will monitor Vietnam's implementation going forward.

See:

https://ustr.gov/sites/default/files/files/Press/Releases/Vietnam_Currency_301_Notice_FRN.pdf

Earlier this year the business community in the US urged the Trade Office not to resort to tariffs as a remedy in its trade disputes with Vietnam.

Brazil, the largest supplier of eucalypts to Vietnam

In June 2021 Vietnam's eucalypts imports were estimated at 25,200 cu.m. worth US\$5.0 million, down 0.8% in volume and 0.4% in value compared to May 2021.

However, compared to June 2020 imports were 3 times higher. In the first 6 months of 2021 imports of wood of this species reached 137,800 cu.m. worth US\$29.2 million, up 99% in volume and 96% in value over the same period in 2020.

Eucalypt import from all sources in the first 5 months of this year accounted for around 58% of total timber imports by volume.

Brazil topped the list of eucalypt suppliers by shipping to Vietnam 39,700 cu.m worth US\$10.6 million, up 58% in volume and 52% in value over the same period in 2020.

Value of eucalypts imports 2019 - 2021

According to Vietnam's General Department of Customs, Vietnam's eucalypts imports in the first 5 months of 2021 eucalypts imports reached 112,600 cu.m worth US\$24.2 million, up 77% in volume and 75% in value over the same period in 2020.

Eucalypts products

In the first 5 months of 2021 imports of eucalypts logs reached 79,100 cu.m worth US\$13 million, up 80% in volume and 86% in value over the same period in 2020.

Imports of eucalypts sawnwood reached 33,253 cu.m, worth US\$11.1 million, up 753% in volume and 68% in value over the same period in 2020.

	Volume cu.m	Value US\$ 000s	% change 2020 vol.	% change 2020 val.
Total RWE	112,560	24,156	76,7	75,4
Logs	79,102	12,979	79,9	85,9
Sawnwood	33,253	11,115	75,3	67,7
Plywood	127	46	36,0	6,1
Fibreboard	78	16	77,3	95,0

Data source: Vietnam's General Department of Customs

Prices for imported eucalyptus

In the first 5 months of 2021 the average price of imported eucalypts US\$214.6/cu.m, down 0.7% over the same period in 2020.

In particular, the price of imports from Brazil was US\$268/cu.m, down 3.6% over the same period in 2020; from South Africa US 171.4/cu.m, down 2.5%; from Australia US\$ 280/cu.m, down 4.0 per cent.

In contrast, the price of this wood from Uruguay reached US 192.9/m³, up 8.0% over the same period in 2020 and prices of eucalyptus from Papua New Guinea averaged US\$161.4/cu.m, up 12%

Top eucalypts suppliers first 5 months of 2021

	Vol. Cu.m	Val. US\$ 000s	% change vol. 2020
Brazil	39,697	10,643	57,6
Uruguay	35,174	6,785	47,8
South Africa	14,207	2,435	118,3
PNG	12,856	2,075	112,2
Solomon Is.	5,863	1,010	
Australia	2,578	722	261,4
US	769	205	224,1
Austria	662	131	128,9
Belgium	329	53	
China	165	47	15,0
Hong Kong	141	23	
New Zealand	80	13	
Laos	40	15	-92,4
Total	112,561	24,157	

Data source: Vietnam's General Department of Customs

Imports Southeast Asia on rise

According to Vietnam's General Department of Customs imports of wood products Southeast Asian countries in May 2021 reached 74,500 cu.m with a value of US\$25.79 million, down 29% in volume and 21% in value compared to April 2021 but up almost 100% in volume and 186% in value over the same period in 2020.

In the first 5 months of 2021, imports of wood products from Southeast Asia reached 452,200 cu.m valued at US\$135.65 million a year-on-year rise in volume and value.

Key suppliers in SE Asia

In the first 5 months of 2021, imports of wood from Thailand reached 280,550 cu.m with a value of US\$63,75 million, up 79% in volume and 101% in value over the same period in 2020,

Wood products imported from Thailand are mainly fibreboard and particleboard, accounting for 98% of the total imports. In the first 5 months of 2021, imports of fibreboard from Thailand increased by 90% in volume and 107% in value over the same period in 2020 while imports of particle-board increased by 50% in volume and 83% in value.

In the first 5 months of 2021 imports of wood products from Laos reached 64,5500 cu.m with a value of US\$38,42 million, up 85% in volume and 89% in value over the same period in 2020.

Around 80% of the total wood products imported from Laos in the first 5 months of 2021 was sawnwood and totaled 53,7400 cu.m with a value of US\$36,38 million, up 93% in volume and 88% in value over the same period in 2020,

In the first 5 months of 2021, imports of wood products from Malaysia reached 55,3800 at a value of US\$16,76 million, up 7.8% in volume and 35% in value over the same period in 2020.

Particleboard remained the main imported wood product from Malaysia in the first 5 months of 2021 reaching 34,070 cu.m with a value of US\$8,85 million, up 29,7% in volume and 63,4% in value over the same period in 2020.

In the first 5 months of 2021 imports of logs from Malaysia dropped by half in volume and by half in value.

On the other hand imports of sawnwood increased by 161% in volume and 10% in value, reaching 17,680 cu.m with a value of US\$6.93 million.

Wood product supply from Southeast Asia

	Vol. Cu.m	Val. US\$ 000s	% change 2020
Thailand	280,546	63,750	78,9
Laos	64,553	38,418	84,8
Malaysia	55,376	16,758	7,8
Cambodia	26,247	6,969	451,1
Indonesia	14,671	5,622	-22,2
Singapore	9,036	3,647	126,5
Myanmar	1,775	485	14,8
Total	452,204	135,649	65,9

Data source: Vietnam's General Department of Customs

Brazil

Interest rate hike

In June 2021 the Central Bank of Brazil (BCB) increased the basic interest rate (Selic) by 0.75% to 4.25% the third consecutive monthly rate increase and is likely to raise it by at least another 0.75% on 4 August.

Plans to vastly expand forest concessions

The Brazilian Federal Government wants to increase the area of forest concessions granted to the private sector from the current 1 million hectares to 4 million hectares by the end of 2023. Nine public forest areas may be granted, six in the Amazon and three in the Southern Region.

In 2020, the government collected R\$28 million from forest concession holders. The expectation for this year is that revenue will rise to R\$32 million.

Forest concessions are considered a priority by the Ministry of Agriculture, Livestock and Food Supply (MAPA) which has said the concession plan is in the preparatory phase.

The Brazilian Forest Service has said forest concessions usually attract small business owners from the region and through the concession arrangement have legal security which encourages investment.

See:

<https://economia.uol.com.br/noticias/redacao/2021/07/17/govern-o-bolsonaro-concessoes-florestas-amazonia-meio-ambiente.htm>

Lower interest rates for small businesses

The Committee on Economic Development, Industry, Commerce and Services of the Chamber of Deputies approved Draft Bill N° 3.605/20, which reduces the interest rate charged to micro and small businesses during the Covid-19 pandemic.

The Draft Bill also provides for different rates, terms and modalities ensuring lower interest rates on loans from official financial institutions with the aim of driving economic recovery.

The Draft Bill requires recipients to maintain the level of jobs and salaries and prohibits share buybacks; salary increases, bonuses or additional benefits for its executives and officers.

The Draft Bill will still be analysed by the Committees on Finances and Taxation and the Constitution and Justice and Citizenship. For the Brazilian forest sector the Draft Bill is welcome as it would support small-sized companies.

Export update

In June 2021 Brazilian exports of wood-based products (except pulp and paper) increased 82% in value compared to June 2020, from US\$216.9 million to US\$394.3 million.

Pine sawnwood exports grew 74% in value between June 2020 (US\$38.4 million) and June 2021 (US\$66.7 million). In volume, exports increased 24% over the same period, from 224,500 cu.m to 278,800 cu.m.

Tropical sawnwood exports increased 65% in volume, from 24,200 cu.m in June 2020 to 40,000 cu.m in June 2021. In value, exports rose 53% from US\$9.2 million to US\$14.1 million, over the same period.

Pine plywood exports saw an almost 300% surge in value in June 2021 in comparison with June 2020, from US\$34.8 million to US\$136.9 million. In volume, exports increased 65% over the same period, from 145,800 cu.m to 239,800 cu.m.

As for tropical plywood, exports increased in volume (36%) and in value (75%), from 3,900 cu.m (US\$1.6 million) in June 2020 to 5,300 cu.m (US\$2.8 million) in June 2021.

As for wooden furniture, the export value increased from US\$38.0 million in June 2020 to US\$62.4 million in June 2021, a 64% growth.

Acre – record trade surplus

Acre, one of the main timber producing States in Brazil recorded trade surplus of US\$27.1 million, exceeding by 57% the trade balance for the same period of 2020 according to the Ministry of Economy (ME).

Acre state exported US\$4.5 million and imported US\$331,400 in June 2021 resulting in a trade balance of US\$4.2 million. The data show that both the value of exports and imports in June 2021 was higher than in June 2020.

According to the ME, in the case of exports the increase was 105%, from US\$2.2 million to US\$4.5 million on the other hand imports rose 117%. Between January and June forest products represented 51% of all products exported by the state. The main export destinations were Peru (24%) and the United States (12%).

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	213↑
Jatoba	104↑
Massaranduba	95↑
Muiracatiara	96↑
Angelim Vermelho	93↑
Mixed redwood and white woods	76↑

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	881↑
Jatoba	433↑
Massaranduba	434↑
Muiracatiara	388↑
Angelim Vermelho	388↑
Mixed red and white	256↑
Eucalyptus (AD)	195↑
Pine (AD)	131↑
Pine (KD)	166↑

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	441↑
10mm WBP	396↑
15mm WBP	320↑
4mm MR.	383↑
10mm MR.	294↑
15mm MR.	263↑

Prices do not include taxes. Source: STCP Data Bank↑

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	197↑
15mm MDF	249↑

Source: STCP Data Bank

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,752↑
Jatoba	997↑
Massaranduba	989↑
Muiracatiara	993↑
Pine (KD)	239↑

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	401↑
12mm C/CC (WBP)	381↑
15mm C/CC (WBP)	366↑
18mm C/CC (WBP)	348↑

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards	
Ipê	4,000↑
Jatoba	1,813↑

Source: STCP Data Bank

Peru

Preventing forest fires

The National Forest and Wildlife Service (SERFOR) announced the start of its project: "Prevention and response to forest fires in tropical forests and forest plantations in Peru", financed by the International Tropical Timber Organization (ITTO).

It is common for more than 800 forest fires to be reported annually in Peru with many going unreported. These fires add to green house gases, destroy habitats and decimate the biodiversity and smoke causes health problems for the population.

The current project seeks to contribute to the conservation of threatened forest ecosystems in the Cajamarca, Huánuco, Junín, Pasco and Ucayali regions. To build the capacity for prevention the project will strengthen monitoring systems, create early warning systems and improve response management.

During the launch of this initiative, the project director, Elvira Gómez, highlighted ITTO's commitment to supporting the fight against forest fires in Peru. For her part, ITTO's Director of Operations, Sheam Satkura, stressed that this collaboration will mark a milestone in this area and pointed out that "together we can contribute to the prevention and management of forest fires at an international and national level."

Rising exports of wood products

According to the Association of Exporters (ADEX) semi-manufactured products exported in the period January to May 2021 increased over 80% compared to the same period in 2020. The main market for this sub-sector continues to be China which accounted for over 40% of the export business. Exports to China were almost 60% year on year. The second most important market was France with a 27% share of total export with Denmark accounting for a 7% share.

Veneer and plywood exports increased of 46% year on year with Mexico accounting for almost all of this trade. January to May 2021 exports of furniture and parts increased almost 60% year on year with the main markets being the United States (64% share) followed by Italy (15%) and Chile (14%).

Economic outlook encouraging

The Peru News Agency (Andina) has reported the nation's economy is recovering with Economy-Finance Minister, Waldo Mendoza, pointing out that after a 30% decline in the second quarter of 2020 GDP also fell in the third (-9%) and fourth (-1.7%) quarters of 2021 due to the pandemic. However, GDP rose by 3.8% in the first quarter of 2021 over the same period of 2020 and was slightly up on the same period in 2019.

Mendoza also said outlook is encouraging with year on year growth projection at around 10% for 2021, followed by an average of 4.5% during 2022-2024.

See: <https://andina.pe/ingles/noticia-peru-economy-moving-forward-how-it-reaches-the-bicentennial-854227.aspx>

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	664-679
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	1009-1033
Asian market	1093-1121
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	582-611
2x13x75cm, Asian market	774-831

Japan

Optimism abounds – economic recovery this year says government

In its July assessment of economic trends the Cabinet Office emphasised that Japan's economy has seen increased weakness in some sectors as measures to control the spread of the corona virus have disrupted businesses. However, the Cabinet Office, quoting the quarterly Bank of Japan Tankan survey, upgraded its view on corporate business sentiment.

The government has forecast the economy will return to pre-pandemic levels in the latter part of this year driven by accelerated vaccine rollouts and the steady recovery of the global economy. The Cabinet Office forecast the nation's real gross domestic product to grow 3.7% in fiscal 2021 from the previous year. Tokyo is currently under a fourth state of emergency and this has been extended to Chiba, Saitama and Kanagawa which border Tokyo.

The Chief Economist at the International Monetary Fund said, when meeting the press, that the Tokyo Olympics, even held without spectators at most venues, will not have a significant impact on the Fund's projections for the Japanese economy.

This was because spending on infrastructure in advance of the games was the biggest outlay and that has long past. In compiling its most recent economic outlook for Japan the Fund did not take into account the fourth state of emergency so warned there is a further downside risk to Japan's economic growth coming from the latest state of emergency.

See: <https://www.imf.org/en/News/Articles/2021/07/27/tr072721-transcript-of-the-world-economic-outlook-update-press-briefing>

One of the most expensive Olympics

Hosting an Olympic Games is one of the most expensive events any country can take on and the Tokyo Games is no exception with estimates of the total cost put at a staggering US\$20 billion by the Japanese government auditors. This is around three times the forecast of US\$7 billion when Tokyo bid for the event.

In a recent article, Kiyoteru Tsutsui, Professor and Director of the Japan Program at the Walter H. Shorenstein Asia-Pacific Research Center, part of the Freeman Spogli Institute for International Studies at Stanford University, says Japanese public sentiment can be summed up in a single phrase “Why are we doing this now?”

In an Asahi newspaper survey in Japan reported over 80% said the Games should be postponed again or scrapped.

Professor Tsutsui continued “The road to the Tokyo Olympics has been a long and winding one complicated by COVID-19, first and foremost and various scandals. The Japanese public has been fed up with the COVID-19 related emergency declarations and other restrictions, as well as the slower pace of vaccination compared to other developed countries. The perception, right or wrong, is that the government decisions were based on whether they help in hosting the Olympics successfully, when the focus should be on public health and economic rescue in the COVID environment”.

See: <https://news.stanford.edu/2021/07/22/long-winding-road-2020-tokyo-games/> and <https://www.asahi.com/ajw/articles/14351670>

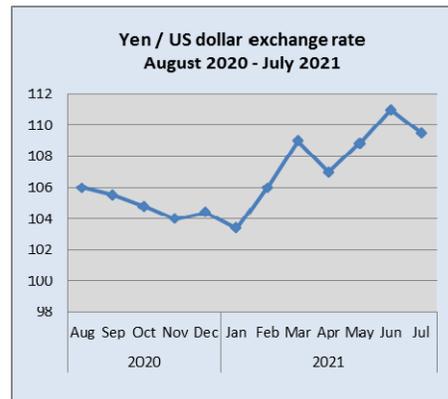
Export data suggest a recovery taking shape

In June exports from Japan rose almost 50% year on year, the fourth month of expansion. The increases have been exaggerated by the sharp drop in exports last year due to the pandemic however, the data does suggest a recovery was taking shape. The problem is now by how much will the measures adopted to slow the rate of infections in the fourth wave impact manufacturing output.

Slight appreciation of yen against US dollar

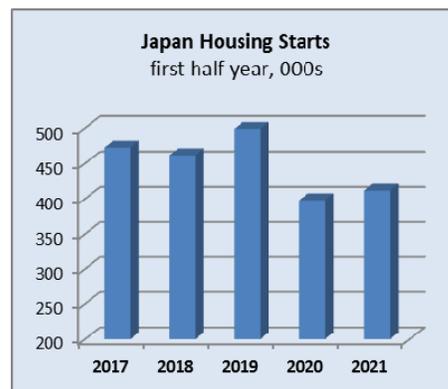
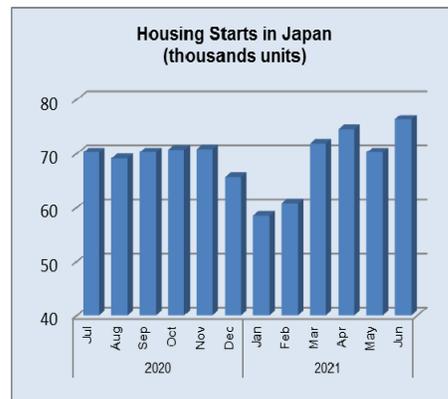
The US dollar fell to new weekly lows against most major currencies in late July as economic indicators came in weaker than expected. Second quarter GDP showed the economy grew at an annualised 6.5%, below the 8% plus forecast.

Also, unemployment data was worse than expected. As a result of the unexpected dollar weakness the yen appreciated to over 109 to the dollar.



Seeds of recovery

Year on year, June housing starts rose 7% after an almost 10% year on year rise in May. There has been a steady upward trend in the number of housing starts from the very low level in January this year. However, looking at the starts over the past five years it is clear there is a long way to go before the numbers get close to levels in the years before 2020.



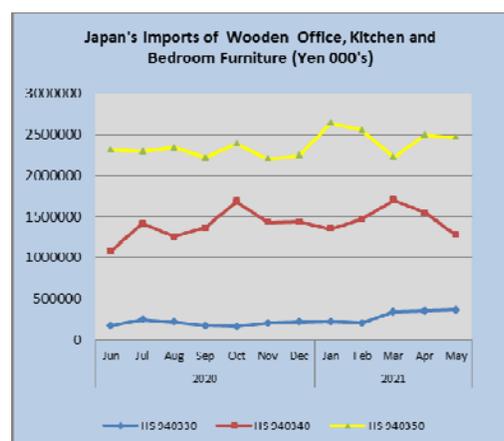
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Furniture imports

As is the case in most other advanced economies consumer spending on furniture recovered quickly after the downturn in the first quarter of 2020 when it became apparent that the corona virus outbreak was becoming a pandemic. In Japan imports of wooden furniture got back on track in the second half of 2020 and since have performed as in pre-pandemic years.

Japan suffered a serious third wave of infections which dented consumer sentiment and the July fourth wave of infections and associated lockdowns along with the general disillusionment with the Olympics are having a negative effect on consumption.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Imports of wooden office furniture picked up in March this year and the rise was sustained for two additional months to May 2021. Year on year, May 2021 wooden office furniture imports were up 70% and compared to May 2019, pre-pandemic, there was a 65% rise in May 2021.

The top three shippers of wooden office furniture in May this year were China, France and Thailand. Shippers in France and Thailand have been steadily gaining market share in Japan. On the other hand Poland and Italy, once significant shippers have lost market share.

Exporters of wooden office furniture in China accounted for over 65% of Japan's imports of wooden office furniture followed by France (34%) and Thailand (3%). The top three shippers saw shipments rise in May compared to a month earlier.

May imports (HS 940330)

	Imports May 2021 Unit, 000's Yen
S. Korea	-
China	245,473
Taiwan P.o.C	1,888
Vietnam	6,749
Thailand	10,294
Malaysia	3,754
Indonesia	1,999
India	-
Denmark	-
UK	1,399
Belgium	-
France	72,494
Germany	1,936
Portugal	-
Italy	2,035
Finland	646
Poland	9,973
Austria	305
TURKEY	-
Lithuania	3,933
Czech Rep.	599
Slovakia	3,297
Canada	-
USA	-
Mexico	-
Total	366,774

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

The slowdown in wooden kitchen furniture imports recorded in April extended into May. Given the much lower level of the value of imports in May 2020 it is not surprising that year on year the value of May 2021 imports were almost 50% up on May 2020. In comparison to pre-pandemic May 2019 Japan's imports of wooden kitchen furniture were down around 10%.

All three of the main suppliers, the Philippines, Vietnam and China saw May imports drop below levels reported for April. The Philippines was the top shipper, accounting for 48% of May 2021 arrivals followed by Vietnam (34%) and China (9%). Of note was the sharp rise in the value of wooden kitchen furniture from Germany and Malaysia,

May imports (HS 940340)

	Imports May 2021 Unit, 000's Yen
China	115,549
Taiwan P.o.C	-
Vietnam	436,054
Thailand	25,710
Malaysia	24,883
Philippines	606,021
Indonesia	25,115
Denmark	409
UK	1,873
France	339
Germany	22,428
Spain	-
Italy	4,495
Romania	4,458
Canada	1,856
USA	1,538
Total	1,270,728

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The value of May 2021 imports of wooden bedroom furniture was little changed from that a month earlier and for the year to May is running at average levels seen over the past 2 years. Year on year, the value of May 2021 imports of wooden bedroom furniture were up 27% and compared to May 2019 there was an almost 15% increase.

The top three shippers accounted for over 90% of May shipments of wooden bedroom furniture to Japan. Shippers in China accounted for 62% of May imports (up from a month earlier), Vietnam 28% (down from a month earlier) and Malaysia 3% (down slightly from a month earlier). While shipments of wooden bedroom furniture from Indonesia are still small there was a significant rise in the value of May imports.

May imports (HS 940350)

	Imports May 2021 Unit, 000's Yen
S. Korea	-
China	1,537,671
Taiwan P.o.C	3,007
Vietnam	697,715
Thailand	43,439
Malaysia	77,764
Philippines	-
Indonesia	47,119
Sweden	-
Denmark	1,228
France	-
Germany	-
Switzerland	4,166
Portugal	-
Italy	4,796
Poland	22,935
Austria	225
Greece	3,253
Romania	7,434
Latvia	-
Lithuania	9,243
Belarus	878
Bosnia-Herzegovina	393
USA	4,300
Total	2,465,566

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/

Price increase of domestic softwood plywood

Supply of structural softwood plywood is getting tight by active demand of precutting plants and wholesalers. The manufacturers' inventory is trending low. The manufacturers are not able to increase the production because of manpower shortage. Log prices climbed to supplement shortage of imported materials so the production cost is climbing. The manufacturers have started proposing 1,050 yen per sheet (12 mm thick/3x6) since 1 July.

Recutting plants have been restricting taking orders because of shortage of building materials but orders for structural plywood has not decreased. Wholesalers say that sales are active so that there is very little time to store the inventory at warehouses.

Non-structural plywood demand is also vigorous by declining supply of South Sea hardwood plywood. Floor manufacturers demand more supply to replace imported hardwood plywood and sales of softwood concrete forming panel for DIY stores are increasing.

Domestic softwood plywood manufacturers are running fully but the production has not increased because of restriction of overtime works by law and competition to acquire material logs is getting fierce. Demand of cedar logs increased and sawmills buy suitable logs for plywood then cedar logs are now shipped for China so sudden increase of demand for cedar logs so log purchase by plywood mills is not easy.

Particularly in the Western Japan, demand for lumber and export is very active so that plywood mills are not able to buy enough locally so that they buy logs from far places like Hokkaido and the North East Japan.

At the end of April, the manufacturers' inventory was 92,300 cbms, 10,300 cbms less than March. May has many holidays so further decline of inventory is certain so the manufacturers ship out produced plywood right after it is made.

Presently market prices of structural softwood plywood (12 mm/3x6) are 980-1,000 yen per sheet and in the Western Japan, the supply is tighter so that the prices are over 1,000 yen. Now the manufacturers are proposing 50-70 yen higher prices.

Overheating market of cypress logs

Supply shortage of imported wood products triggered demand shift to domestic logs and lumber and the prices have been soaring sharply.

Cedar log market is now pausing before rainy season but cypress log prices continue climbing in the Western Japan, where there are many cypress cutting sawmills.

Despite rainy season, high prices stimulate cypress log production. Volume of cypress is much smaller than cedar so sawmills try to buy as much as possible before log production slows down.

Cypress lumber prices are about 62,000-65,000 yen all over Japan up until early March on both KD 105 mm post and sill then the prices soared to 120,000-130,000 yen in Kanto market by early June. Sawmills have flood of orders and with high lumber prices, they keep paying high prices for logs so the log prices skyrocketed all over Japan after April.

Particularly in Western Japan and Kyushu, the prices are extraordinary high. A number of cypress cutting sawmills and plywood mills increased but the log supply is limited so it has been chronic of tight supply of cypress logs then the demand expanded all of a sudden so the prices keep climbing.

Cypress log prices were about 20,000-22,000 yen in late May on 4 metre sill cutting logs, which moved up to 25,000-28,000 yen in late May. The prices further climbed to 30,000 yen or higher in June. In late June, at auction market in Shikoku, cypress log prices marked 40,000 yen.

In this market, the prices were about 23,000 yen in last April and May. The prices advanced to 27,000 yen in early June and jumped up to 35,000 yen in middle of June and finally reached 40,000 yen in late June.

After rainy season is over, log production should increase but the supply will not be enough to satisfy booming demand. In Hita, Kyushu, auction prices for sill cutting cypress logs reached 40,000 yen and in Kumamoto, Kyushu, cypress log prices are 39,000 yen.

Some sawmill owner bought cypress logs at 40,000 yen and said that manufacturing KD 105 mm lumber with 40,000 yen logs means lumber price should be about 140,000 yen with 50% recovery, KD cost and transportation cost. Cypress sawmills need to increase the sales prices of lumber in July to cover high log prices. This is extraordinary market that cypress log prices skyrocketed and doubled in two months.

Plywood

Both domestic and import plywood are tight in supply. Movement of domestic softwood plywood continues active despite slowdown of precutting companies' operations. In wholesale channel, inquiries on softwood plywood are strong. Main orders are to fill in declining inventory but there is some demand as substituting materials.

Domestic plywood manufacturers increase the sales prices because of higher log cost. Supply tightness of imported plywood remains unsolved. Manufacturing plywood mills in Malaysia and Indonesia struggle to secure logs but shipment of contracts made after July will be shipped after October so considering rainy season in the fourth quarter, any sizable supply increase is unlikely.

Log supply in Indonesia is improving but because of robust demand of other markets, Japan volume is very limited. In Japan, distributors are chasing necessary items in low inventory but fortunately construction activities are slow so there is no impact to construction activities.

Domestic logs and lumber

Short supply of imported wood products and climbing prices continue so substituting demand for domestic wood also continues. There are very active orders of lumber but production cannot increase in short time so short supply and high prices continue.

The market in Western Japan started climbing since early May and speed of price increase got faster in June and July. Particularly cypress log prices jump up by 10,000 yen every month and finally the prices reached 40,000 yen. There has not been any such high price on standard grade cypress logs before. Meantime, in Kanto market, where the prices started climbing since last April, the market simmered down in June and the high prices stopped climbing.

Normally in rainy season, log production declines but this year, high prices stimulate log production even in rainy season. There are more rainy days in July so log production is slowing down and some sawmills with minimum inventory are concerned to log supply.

Meantime, Kanto market, which led price increase of domestic logs and lumber, upward momentum is easing in June. 3 metre KD cedar 105 mm post prices were 52,000-53,000 yen per cbm until last March are now 110,000-120,000 yen. 4 metre KD cypress 105 mm sill square prices were 62,000-63,000 yen in March are now 120,000-130,000 yen. The prices doubled in two months then leveling off in July.

Sawmills and dealers wish that high prices should stay since all the imported materials are over 100,000 yen.

Wood procurement policy by Daiwa House

Daiwa House (Osaka) drew up wood procurement policy on June 16. Purpose is to stop destruction of the forest as a result of procuring wood to build houses. Purchase of wood must be made through suppliers whose policy is zero forest destruction. Also the suppliers must consider safety and right of native workers of producing countries.

Daiwa House has started purchasing wood with policy of no destruction of forest since 2010 and made survey of suppliers since January 2011 and evaluate each supplier with ranking. They are classified with four ranking, S,A,B and C. Wood purchase from S rank, which is least risky suppliers, was about 87% in 2015 then moved up by about 94%. A is 3.9% and B is 1.2% then C is 0.8%.

S rank is certified either by FSC or PEFC, Sustainable Green ecosystem Council (SGEC) or sustainable supply and legality is certified suppliers.

Daiwa House has long term environmental vision 'Challenge zero 2055'. It is aiming zero environmental load and one of themes is to achieve zero forest destruction which is caused by purchase of wood for construction of houses.

Initially it applied to purchase of structural materials, floor panel, wall panel and furring strips but now concrete forming plywood, interior fittings and wall cloth are covered now.

Active log exports to China

The price of logs to China has been US\$170-US\$180 (C&F, cubic metres). It continues good business to export logs to China and estimated prices may be US\$190 (C&F, cubic metre) in this month, the exporting companies say. It is difficult to get profit because of increasing freight and competition at a market even though yen exchange is stable around ¥110 for US\$1. Cedar logs, 4×8 cm for fences, to China and the U.S.A is very popular recently so that causes high prices trading.

The price of radiata pine logs for China from New Zealand, as an indicator, is nearly US\$200(C&F, cubic metres). Due to COVID-19, there are many ships remained idle at Changshu harbor in China and it takes a lot of time to unload.

Usually the FOB prices of Japanese logs at shipping ports are around US\$11,000 but it may increase up to ¥14,000-¥15,000 when several exporting companies compete at a market.

In recent few months, since there are a lot of demands for housing in overseas, it is difficult to buy logs around ¥10,000 any longer. That makes some traders worried.

The prices of logs in Japan are ¥10,000-¥11,000 at loading ports. If you buy logs at open market, the price might be expensive because of competition by many companies. So that is why the profit of exporting companies is not good enough. On the other hand, log suppliers are happy with a high price for even low quality logs, which are used for biomass fuel.

People who involved with biomass energy of wood chips are concerned about there will be not enough wood chips if exporting logs to China keeps going since there are new operation of biomass energy facilities which consume wood chips.

China

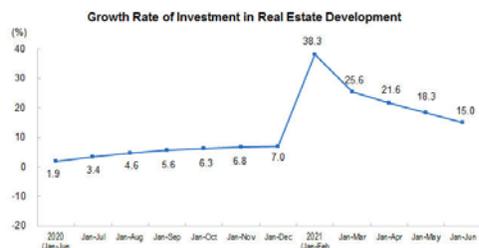
First half 2021 real estate development

A press release from the National Bureau of Statistics reports real estate growth and sales in the first six months of 2021. Between January and June investment in all categories of real estate increased 15% year on year, higher than in the same period in 2019. Investment in residential properties increased 17% in the first half of 2021.

The pace of investment has slowed every month this year as the government is trying to take some heat out of the market by tightening mortgage practices. One consequence of this is that loan approvals are taking much longer now compared to the early months of the year. Between January and June this year land purchased by developers was down almost 12% year on year.

See:

<http://www.stats.gov.cn/english/PressRelease/202107/t202107161819544.html>



Source: National Bureau of Statistics, China

A further press release from the National Bureau of Statistics reports retail sales in the first half 2021 jumped 23%. Sales of building and decoration materials (builders' woodwork) rose around 33% in the first half while sales of furniture rose 30%.

Retail consumption contributed almost 62% to China's GDP in the first half of 2021, just above pre-pandemic levels. Online sales, which have been boosted by lockdowns and social distancing restrictions, also grew year on year. China's economy grew slightly more slowly than expected in the second quarter, weighed down by higher raw material costs and new COVID-19 outbreaks.

See: http://www.stats.gov.cn/english/PressRelease/202107/t20210716_1819547.html

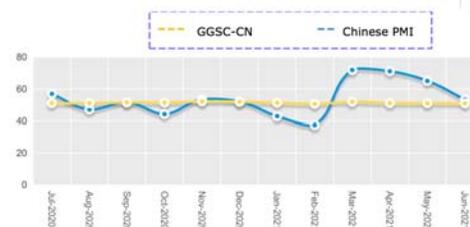
GGSC-CN Index Report (June 2021)

The Global Green Supply Chain (GGSC) for forest product is a global platform voluntarily established by enterprises, research institutes, industry associations, international organisations and others to implement "an initiative to build a collaborative network for a global green supply chain for forest products". The GGSC-CN reports on sentiment among participating enterprises in China.

In June 2021, China's PMI index declined to 50.9. The index has remained above 50 for four consecutive months indicating that the economy continues to recover. In June the wood production and manufacturing industry maintained a good momentum. Wood production continued steadily, domestic demand remained stable, however the price of raw materials accelerated, inventory continued to decline and cost pressure increased.

The GGSC-CN comprehensive index for June registered 53.3 (55.0 for last June and 45.7 for June 2019). The index has been above 50 for four consecutive months indicating operations of the enterprises represented by GGSC-CN index continues to expand.

GGSC-CN index trend from July 2020 to June 2021



The GGSC enterprises reported the following challenges:

- Hard to get stable supply of solid wood raw materials and rising prices of raw materials
- Difficult to purchase wood
- The raw materials for rubber manufacturing increased greatly, resulting in the increase of enterprise costs
- During the rainy season and off-season of timber purchase in Guangdong Province, the quantity of timber is less than before.

Products in short supply:

Black walnut, poplar logs, okan, red oak, flooring substrate

Commodity of which the price has increased

Teak, black walnut, fiberboard, okan, taun, veneer, melamine, formaldehyde, urea, hardware

Commodity for which the price has declined

Steel products

In June 2021 four out of five sub-indices of the GGSC-CN fell and one was unchanged. The production index registered 61.1, a decline from the previous month but remained above 50. The new order index registered 55.5%, a drop from the previous month but still reflecting the ability of enterprises to secure orders.

The new export order index reflecting international trade registered 50.0%, a large increase of 20 points from the previous month showing orders from abroad increased in June.

The main raw material inventory index registered 38.9, a decline of 11 points from the previous month.

The employment index registered 50 a sharp drop from the previous month. The supplier delivery time index was 50, same as the previous month.

See: http://www.itto-ggsc.org/site/article_detail/id/221

Centre for upgrading wood products for international markets

It has been reported that the Ministry of Commerce has established a national demonstration centre for transformation and upgrading of wood products for international markets.

The new centre is in Mulin City one of main timber production and distribution areas in Heilongjiang Province. Forest cover in Heilongjiang Province is 62% of the total area and has an estimated stocking of 220 million cubic metres. In addition to local resources timber is sourced in Russia with around 1 to 2 million cubic metres imported annually.

Mulin City is an important base for imported timber processing and exporting. The National Quality Supervision and Inspection Center for Furniture and Wood Products effectively promotes trade from Heilongjiang with Russia and Europe. The industry has adopted a ‘two resources and two markets’ strategy for the wood products processing and industries in the city.

See: <https://new.qq.com/omn/20210714/20210714A03KWC00.html>

China House Furnishing Products Boao Forum

The first China House Furnishing Products Boao Forum will be held in the Hainan Asia Forum International Conference Center 7 to 9 September 2021. The theme of the Forum is “Changing the situation” which aims to find a new engine for green economic development against the background of the disruption of the global economy.

See: <http://www.jiandir.cn/index.php/article/detail/id/1229.html>

Brazilian loblolly pine logs imports

It has been reported that over 5,000 cubic metres of Brazilian loblolly pine logs were recently imported through Putian Port for the first time. According to Fuzhou Customs in Fujian Province between January and June 2021 log imports through Putian Port were 318,000 cubic metres valued at US\$50.4 million, up 8% in volume and 34% in value over the same period of 2020.

In order to ensure smooth Customs clearance of imported Brazilian loblolly pine logs Putian Customs undertook quick and complete on-site supervision and inspection and shortened Customs clearance time.

See: http://www.customs.gov.cn/fuzhou_customs/484123/484124/3768670/index.html

Guangxi forest tenure exchange transactions surge

The Guangxi Forest Tenure Exchange Center was launched in 2016 and since its transaction value has exceeded RMB13 billion currently. In the first half of 2021 the exchange saw transactions rise to RMB2.4 billion, 89% over the same period of 2020.

At present, Guangxi Forest Tenure Trading Center has a total of 123 state-owned forest farms and 55 forestry enterprises and its business covers Guangdong, Yunnan, Fujian and Shandong provinces. In the past five years, the trading centre has increased sales revenue of RMB647 million for the transaction participants, saved the purchase cost of RMB133 million and effectively promoted the development of forestry industries.

In March 2021 a China-ASEAN wood trading platform was officially established to improve the upstream and downstream supply chain in Guangxi Province and other parts of the country.

In the next five years, Guangxi Forest Tenure Trading Center will shift from single variety trading to many commodities trading and build a RMB100-billion-level China-ASEAN commodity trading platform.

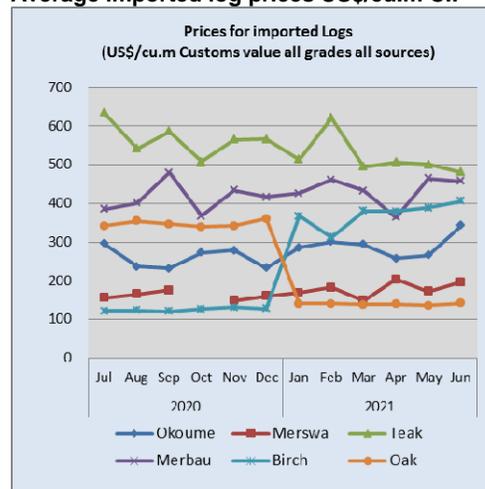
See: <http://www.gxlycq.com/index.php?m=content&c=index&a=show&catid=18&id=4880>

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

	2021 May	2021 Jun
Okoume	266	343
Merswa	172	197
Teak	501	481
Merbau	464	457
Birch	388	407
Oak	136	141

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

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



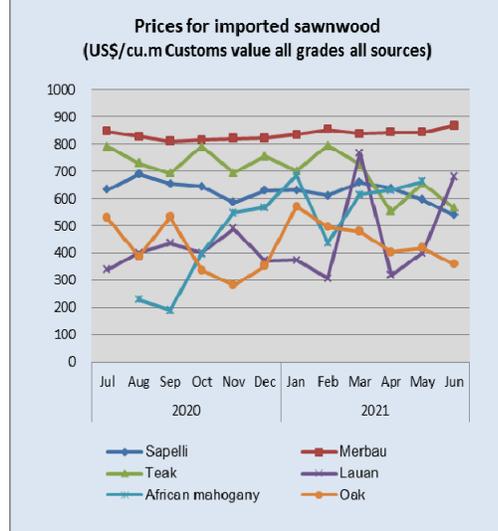
Data source: China Customs. Customs value all grades, all sources

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

	2021 May	2021 Jun
Sapelli	597	539
Merbau	843	869
Teak	656	566
Lauan	401	680
African mahogany	663	
Oak	419	359

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

Europe

European plywood market lucrative, but challenging

At the time of writing, the 63200-tonne dwt Konya was unloading its cargo of plywood and other wood products at the UK port of Tilbury. It was the first timber breakbulk vessel out of Port Klang, Malaysia to London in years and a sign of the times.

Some European plywood importers report that container costs out of Asia have started to come off their pandemic peak. Others, however, say that they are still being quoted charges which one described as ‘unreal’. “We’ve recently been offered rates for a 40ft container of US\$15,000 to US\$20,000,” they said. “That compares with US\$1,500 to US\$2,000 in October 2020. It’s crazy.”

Even those who report some softening in container rates confirm they remain at historically high levels, hence widespread migration to breakbulk.

The unprecedented inflation in container charges is principally attributed to the impact of the pandemic on trading patterns, which has left containers in the wrong places, with major quantities stacked empty at ports in consumer countries.

“Changes in consumption and shopping patterns triggered by the pandemic, including a surge in electronic commerce, as well as lockdown measures, have led to increased import demand for manufactured consumer goods, a large part of which is moved in shipping containers,” stated a briefing note on the situation from UNCTAD. “Carriers, ports and shippers were all taken by surprise. Empty boxes were left in places where they were not needed, and repositioning was not planned for.”

As the global economy more generally revived when lockdown restrictions eased, exporters in producer countries, notably in Asia, found themselves increasingly short of containers and prices rose accordingly. “There’s also clearly been an element of profiteering at some shipping lines,” said a plywood importer.

“The fact some are quoting container rates at half the value of the plywood contents is not all down to availability.”

Importers also point out that breakbulk is not a straightforward alternative, particularly for those who have not used it before. It involves more administration, the risk of penalties if cargoes are not at port on time or in the volumes booked and greater likelihood of product damage in transit. While considerably cheaper than container freight, it has also become more expensive.

“Breakbulk operators are seeing an opportunity to make money and their rates have roughly doubled in the last six months,” said an importer distributor.

And transport is just one of the challenges facing the European plywood import trade. Over the last three months, they report, global consumption has continued to gather pace, given added impetus by government economic stimulus measures.

At the same time production in many parts of the world remains constrained by lack of personnel due to Covid-19 infection or isolation, plus pandemic safe work practices. Raw material supply is also cited as an issue for some manufacturers. Product prices have consequently continued to climb.

“We’re getting good margins, but obtaining product and managing allocation, keeping your key customers covered and reasonably happy despite the price rises, has made it an increasingly stressful business,” said an importer distributor. “It’s lucrative, but more challenging than at any time we can remember.”

Some European importers expected plywood demand to ease somewhat over the summer season. But, with tourism still depressed by the pandemic, others say they’re not expecting to see the usual degree of holiday slowdown. The general consensus is that for the time being consumption remains on an upward curve. The European DIY and home improvement market is cited as a key plywood demand driver, as it has been since summer 2020.

“While pandemic controls are being relaxed, large numbers of people are still working from home at least part of the time, and that’s expected to be a permanent state of affairs for many. As a result they’re spending more on improving and enlarging their properties. Loft conversions and garden office building are at record levels,” said a UK-based importer.

“Spending on holidays, which was absolutely decimated in 2020, also continues to be depressed this year, leaving more funds for investing in homes and gardens. The UK Construction Products Association stated that in normal times UK holiday expenditure alone exceeds £60 billion a year. So there’s a lot of surplus money around.”

Demand from new build is also reported to be looking increasingly healthy, not least due to fiscal support from governments which see construction as a key engine of economic recovery. This is borne out by the June report from Euroconstruct. It says that European construction recovery is faster than expected and much of the loss in output due to the pandemic is expected to be recovered in 2021. It forecasts average building growth in the 19 Euroconstruct countries this year to be 3.8%, following last year’s 5.8% contraction.

While recovery rates will vary from country to country, with Ireland and Hungary expected to show some further decline in 2021, this puts the industry overall on track to reach pre-crisis levels of activity in 2022 latest. Besides construction, importers also report good growth in demand from joinery, furniture manufacture, packaging and boat building. “It’s pretty much across the board,” said one.

So far, the import sector reports little market push back on price. “It can’t last forever, and if we’re not seeing some more significant price easing in two or three months, there may be more resistance, especially if there’s any degree of economic slowdown,” said one importer. “So far though, customers accept that this is a market-wide phenomenon. They’re doing good business, so they’re willing to pay.”

Despite logistical difficulties, added to which are longer manufacturing lead times, most importers are reported to be ‘well covered for purchases’ over coming months.

“But stocks on the ground are still very short, there’s little in the way of a product buffer,” said an importer. “Whatever comes in is delivered immediately.

Nobody is saying, why don’t you hold on to our shipment and we’ll take it in four to six weeks. Customers are waiting for vessels to arrive to receive their cargoes. They want it straight away.”

In terms of source of supply, China is reported to be keeping up with demand, albeit with longer lead times, but prices have been rising increasingly steeply.

“In the first quarter increases were moderate, but in Q2 we’ve seen rises of 15-20% F.O.B.,” said an importer. “Compared to Brazilian, that’s not too bad, but when you factor in freight rates it makes quite a difference.” Chinese producers are also reported to have become increasingly assertive.

“Some are trying to renegotiate outstanding contracts,” said an importer. “For orders placed April/May they’re maybe asking for another US\$15-20 per cube.

They say they’re facing rising costs for raw materials, including glues, logs and veneer.

If you don’t pay, you risk the plywood not being produced and, if you’ve booked the breakbulk ship space, you then risk incurring dead freight and demurrage charges from the shipping line.” Chinese ports are also reported to be congested with breakbulk vessels and shipping lines are asking for surcharges to cover added waiting times.

Brazilian price inflation is attributed primarily to the combination of the impact on manufacturing of the severe Covid-19 situation in the country, plus huge demand from the US construction market.

“For standard 18-20mm Elliotts plywood we were paying US\$250-300/cu.m last October/November. Lately the asking price from Brazil has been US\$500-600/cu.m. Basically they’ve doubled up,” said an importer. “Unless they desperately needed a specific product, European importers more or less stopped buying Brazilian in March/April this year when prices reached this level.

More recently we’ve heard that there have been shipping line issues between Brazil and the US and we’ve had more spot volume offers from Brazilian producers at slightly lower prices. Whether this is the start of a wider downward trend remains to be seen.

Despite these shipping problems, the US remains a booming market, the government is injecting more money into the economy and, even at recent high price levels, Brazilian plywood remains the cheapest Americans can get for the quality.” Brazilian prices are in turn said to be helping push up Chinese.

“People who used to buy volume from Brazil have been trying to replace it from China, adding further inflationary pressure to their products,” said an importer distributor.

Russian birch plywood supply is reported as tight, sold until September, and prices have also reached new heights.

“Yesterday we were asked to pay £62 per board for 18mm. At the start of last year pre-pandemic it was £17,” said a UK importer.

Adding a further market challenge is the preliminary anti-dumping duty imposed on Russian plywood by the EU on June 15. This has been set at 16% DAP (delivered at place) and will remain in place until December, when the EU will decide on the rate going forward.

“This has also led more European buyers to look to Asia, but freight rates are limiting the extent to which it’s viable to switch from Russian,” said an importer-distributor. But for the cost of containers, importers thought Indonesian producers, in particular, would be able to capitalise on the anti-dumping duty and substitute Russian film-faced with their products.

“We saw an increase in Indonesian timber imports into Europe from 2016-2019, partly due to rising consumption generally, but we also feel to an extent due to FLEGT licensing and the fact it has a green lane through the EUTR,” said an importer. “If it wasn’t for the container rates, they could potentially now have a real opportunity to replace Russian film-faced.

With quotes on containers from Indonesia at US\$13,000-15,000, however, it isn’t a viable proposition. Switching to breakbulk on Indonesian is also problematic. To make it feasible you need shipments of 1,000cu.m to 2,500 cu.m. That’s OK in China, but more difficult to organise in Indonesia. Delivery to port is less reliable and you risk incurring charges from shipping lines if cargo doesn’t show. We’ve got outstanding orders from Indonesia set for departure in June, which we’re now told won’t be shipped until the end of September. We’re hearing producers are facing log shortages too.

Clients are not really interested in placing orders if they’re going to face three month delays, or possibly longer. So Indonesia has potential to be an interesting partner for us, but with this combination of negative factors, it isn’t the attractive option it could be. Things could change. If container rates come down to US\$7,500, the dollar doesn’t get too strong and, with the EU anti-dumping duty on Russian in play, then Indonesia could be in business. But there’s a lot of what ifs and question marks there.”

Looking further ahead, some European importers anticipate Russia’s log export ban, set to come into force in the New Year, having plywood market repercussions.

“It shouldn’t affect production in Europe unduly, as its Russian birch log imports are limited,” said an importer. “But China imports huge volumes of logs from Russia in all species, including birch. So unless the two strike a bilateral deal, Chinese manufacturers may face a raw materials challenge and we could see further pressure on their production and prices.”

The option of plywood importers buying European product rather than expensive imports from elsewhere has been limited by manufacturers’ capacity. “European prices have also been rising,” said an importer-distributor. “We’ve bought a little Polish recently, but pricewise, they’ve also followed the international trend.”

An added issue for UK businesses has been fallout from Brexit. They report increased transport costs from mainland Europe, with haulage companies upping rates to offset the increased time taken by new port and customs procedures.

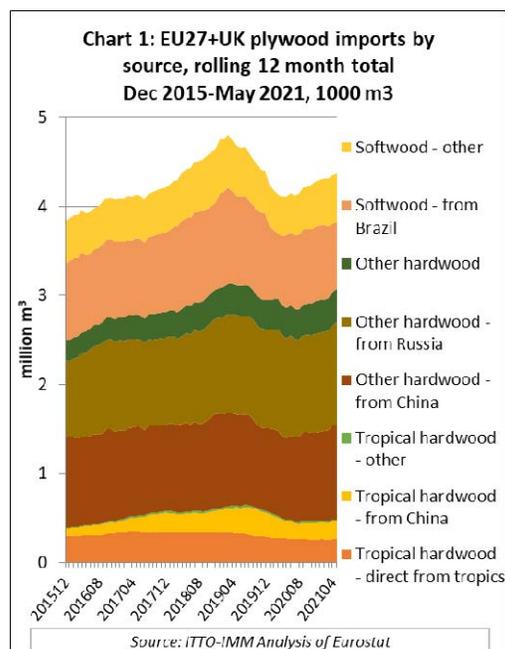
There are issues too trading with Northern Ireland and Ireland. Under the UK’s EU exit deal, Northern Ireland remains in the EU single market. That means plywood and other timber products from the British mainland imported into Northern Ireland have to undergo EU Timber Regulation due diligence.

“Also if we ship goods to Northern Ireland for transit to Ireland, they incur further duty, even if we’ve paid duty on them entering the British mainland,” said a plywood company with sites in England and Northern Ireland. “There are ways around this, but it really isn’t a satisfactory arrangement.”

European plywood imports rebound strongly since September last year

Latest analysis of Eurostat figures underlines the recent volatile conditions in the EU and UK plywood trade. Total EU+UK imports from outside the rose to a peak of 4.8 million cu.m in the 12 months to March 2019 before declining sharply to a low of 4.1 million cu.m in the 12 months to March 2020.

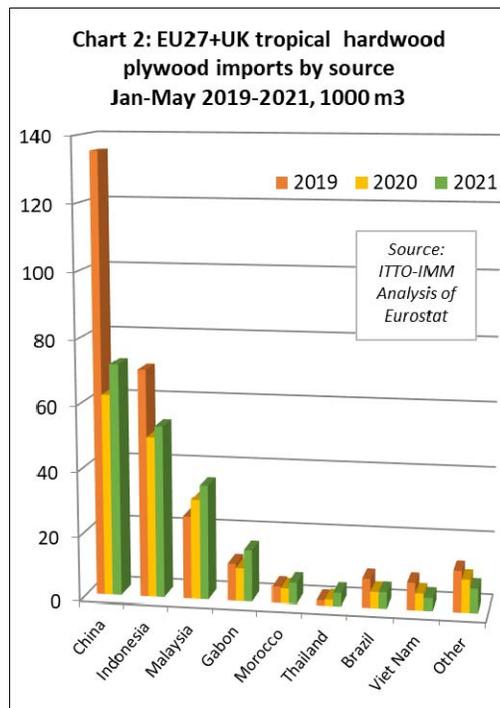
The decline in imports predates the first Covid-19 lockdown in Europe and was due to weakening construction sector activity and overstocking in the pre-pandemic period. The rebound in construction and DIY activity after the first lockdown period is mirrored by a sharp rise in imports starting in September last year and continuing until May this year (Chart 1).



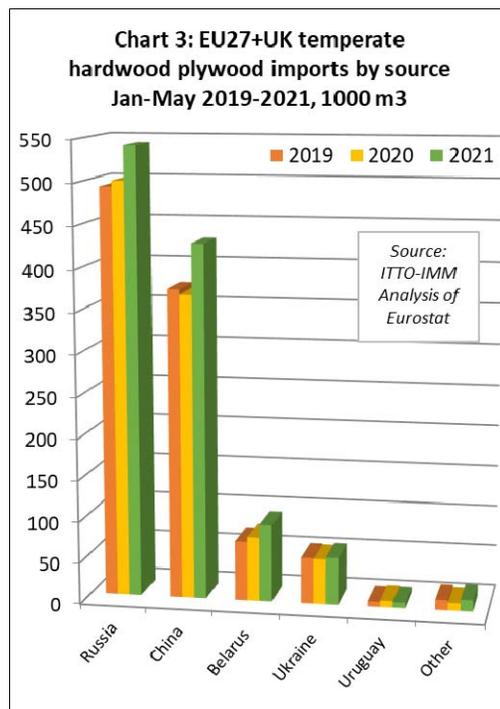
Overall EU+UK plywood imports declined 2.9% to 4.3 million cu.m in 2020 but rose 5.1% from January to May 2021 compared to the same period the year before to 3.8 million cu.m. Following a fall of 11.8% in 2020, hardwood plywood imports from the tropics in the first five months of this year were up 11.5% to 122,000 cu.m, while tropical hardwood plywood imports from China, after contracting 30.3% in 2020, rose 15.3% to 72,000 cu.m.

Looking at individual tropical plywood suppliers, EU and UK imports from Indonesia from January to May 2021 were up 7% at 53,000 cu.m, from Malaysia 14.8% at 35,000 cu.m, Gabon 16% at 16,000 cu.m and Thailand 122.8% at 4,000 cu.m, while those from VietNam were

down 23.4% at 4,000 cu.m. Those from Morocco were up 43.7% at 7,000 cu.m and from Brazil 2.1% at 5,000 cu.m (Chart 2).

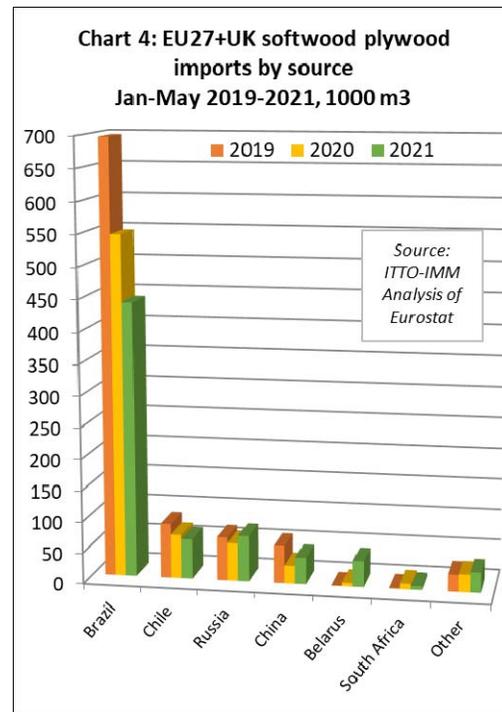


In the first five months of 2021, temperate hardwood plywood imports from China were up 16.5% at 428,000 cu.m, while those from Russia increased 8.3% to 542,000 cu.m and from other non-tropical countries 14.7% at 172,000 cu.m (Chart 3).



Underlining the European shift away from Brazil due to the rise in prices triggered by US demand, Brazilian softwood plywood imports dropped 19.5% from January to May 2021 to 439,000 cu.m.

Softwood plywood imports from other countries were up 28.6% to 261,000 cu.m, with those from China ahead 48.7% at 43,000 cu.m (Chart 4).



Heat expected to come off the plywood trade in second half of 2021

The outlook for the broader marketplace according to European plywood importers is for little change from current trading conditions over the next few months. But, with some qualifications, there’s a feeling the heat could start to come off the trade heading into Q1 2022 and possibly sooner.

“We’re seeing raw materials costs across all industries, not just wood products, at unprecedented levels due to the combination of recovering demand and continuing production restrictions due to the pandemic,” said an importer.

“Estimates are that this has pushed the cost of building the average home in Europe up 25%, for instance. So families who previously were looking at spending €400,000-€500,000 on a house are now having to find €500,000-600,000. That’s going to have repercussions in financing and beyond the medium term it’s not sustainable. Add in government stimulus measures winding down and we wouldn’t be surprised to see a slowdown early in the New Year.”

Another importer distributor generally agreed. “The unknown factor is the course of the pandemic. It may yet put more pressure on prices and logistics,” they said.

“But there are signs of the market anticipating supply and demand moving more into line and prices coming off their peak.

Our customers are generally bought up for the next three months and business is increasingly hand to mouth. From October there’s more hesitancy, as people don’t want to commit that far ahead, then see prices fall and have to write off expensive stock.

There is already talk of price corrections in Brazilian and Russian. The hope is, of course, that we get a gradual adjustment, rather than prices that have doubled over the last 18 months, halving overnight. That could really destabilise the market. We’ll just have to wait and see and, in the meantime, keep business tight, keep customer communications open and not over commit.”

Private sector confronts Paris Olympic Committee on exclusion of tropical timber – the story continues

In the April 16-30 2021 ITTO Market Report mention was made of an open letter signed by several tropical timber trade and industry associations sent to the Paris Olympic Committee (SOLIDEO) Executive Director General Nicolas Ferrand protesting the “Cahier de Prescriptions d’Excellence Environnementale” (Environmental Excellence Prescription) which prohibits the use of tropical timber in works related to the Olympics

The letter can be found at:

https://www.atibt.org/files/upload/news/Courrier_SOLIDEO_VE n.pdf

The ATIBT, in its News Flash of 30 July, has made available the response received from SOLIDEO which effectively dismisses the argument put forward by the organisations that presented the request for a review of the decision to exclude tropical timber for construction of Olympic facilities.

The response from SOLIDEO can be seen at:

https://www.atibt.org/files/upload/news/SOLIDEO/SOLIDEO_a nswer.pdf

The ATIBT writes “ATIBT and the signatories of the letter will continue their actions to defend the use of sustainable and ethical construction products. We therefore reiterate our request for a meeting with the SOLIDEO teams to find now a solution that would satisfy the integration of this abundant and sustainable supply into the construction of the infrastructure of the Paris 2024 Summer Olympic Games.

In this sense, leading companies involved in the construction of the Olympic Village have expressed their regret at not being able to offer tropical and boreal wood products that meet technical, aesthetic and ecological requirements.

ATIBT is currently exchanging with the authorities of various wood-producing countries in the tropical regions (Cameroon, Gabon, Republic of Congo, Malaysia) in order to organise a diplomatic mission to France”.

North America

Housing starts rise but permits for future construction lag

US homebuilding increased more than expected in June but permits for future home construction fell to an eight-month low, likely reflecting uncertainty caused by expensive building materials as well as shortages of labour and land.

The monthly report from the US Department of Commerce suggested that a severe shortage of houses, which has boosted prices and sparked bidding wars across the country, could persist.

Housing starts rose 6.3% to a seasonally adjusted annual rate of 1.643 million units last month. Data for May was revised down to a rate of 1.546 million units from the previously reported 1.572 million units. Despite last month’s increase, starts remained below March’s rate of 1.737 million units, which was the highest level since July 2006.

Homebuilding increased in the West and the populous South but fell in the Northeast and Midwest. Permits for future homebuilding fell 5.1% to a rate of 1.598 million units in June, the lowest level since October 2020.

While Canadian housing starts edged downward in June, they remained above market expectations and the level of building activity remains elevated by historical standards. Housing starts for June came in at a seasonally adjusted annualized rate of 282,070 units, a 1.5% decrease from 286,296 units in May,

Home sales end four-month slide

After four straight months of declines, sales of previously owned homes rose 1.4% in June to a seasonally adjusted annualised rate of 5.86 million units according to the National Association of Realtors. Sales were 23% higher compared with June 2020. That annual comparison, according to realtors, is still slightly skewed due to pandemic lockdowns in certain parts of the country that lasted into summer last year.

Existing-home sales in the Northeast increased 2.8% in June, recording an annual rate of 740,000, a 45% rise from a year ago. Existing-home sales in the Midwest rose 3% to an annual rate of 1.33 in June, a 19% increase from a year ago.

Existing-home sales in the South were unchanged from May, posting an annual rate of 2.59 million in June, up 19% from the same time one year ago. Existing-home sales in the West rose 1.7%, registering an annual rate of 1.2 million in June, a 24% jump from a year ago. The inventory of homes for sale at the end of June was 1.25 million, representing a 2.6-month supply at the current sales pace. That is a slight improvement from May’s 2.5-month supply.

See: <https://www.nar.realtor/newsroom/existing-home-sales-expand-1-4-in-june>

More jobs created in June

Despite widespread worker shortages US hiring accelerated in June as employers added 850,000 jobs amid declining COVID-19 cases, a reopening economy and increasing vaccinations. The unemployment rate, which is calculated from a different survey of households rose slightly according to the US Department of Labor.

Up to June, the US has recovered 15.6 million, or 70%, of the 22.4 million jobs lost last spring, leaving the nation 6.8 million jobs below its pre-pandemic level. Leisure and hospitality, the industry hit hardest by the pandemic, again led the gains, adding 343,000 jobs, including 194,000 at restaurants and bars, as more states ended capacity limits. Manufacturing, which has been beleaguered by supply-chain bottlenecks, added a modest 15,000 jobs.

The strong June employment gains "despite persistent hiring strains is likely the start of a series of stellar reports that will underpin the strongest US economic performance since 1951" says economist Lydia Boussour of Oxford Economics. They expect 8 million jobs to be added this year highlighted by a couple of months with advances of at least 1 million.

Consumer sentiment drops on inflation fears

Consumer sentiment fell sharply and unexpectedly in early July to the lowest level in five months as inflation worries dented confidence in the economic recovery. The University of Michigan said its preliminary consumer sentiment index fell to 80.8 in the first half of this month - the lowest since February - from a final reading of 85.5 in June.

"Consumers' complaints about rising prices on homes, vehicles, and household durables has reached an all-time record," Richard Curtin, the survey director, said in a statement.

The survey's gauge of current economic conditions fell to its lowest reading since August 2020 and its measure of consumer expectations slid as well.

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

Manufacturing growth slows

US manufacturing activity grew at a moderate pace in June, slowing somewhat due to rampant shortages of raw materials and labour. The Institute for Supply Management (ISM) said its index of national factory activity slipped to 60.6 last month, the lowest reading since January, from 61.2 in May. A reading above 50 indicates expansion in manufacturing, which accounts for 11.9% of the US economy.

ISM's Business Survey Committee panelists reported that their companies and suppliers continue to struggle to meet increasing levels of demand.

Record-long raw-material lead times, wide-scale shortages of critical basic materials, rising commodities prices and difficulties in transporting products are continuing to affect all segments of the manufacturing economy.

A survey respondent from the furniture sector said "Other than material availability/volatility and rising prices, the outlook for our company is good. We can't keep up with the increase in orders and have projects that may require a second shift to be added temporarily, but that might not be possible if material availability — for example, lumber products — remains an issue for us."

Perhaps due to costs and availability, of the 18 manufacturing industries surveyed, only Wood Products reported a decline in new orders in June.

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

Lumber prices surge again as wildfires hit production

US lumber futures rose the most in more than a year on concerns that wildfires in western Canada will reduce supply and spur more curtailments at sawmills. Lumber futures jumped more than 7% in Chicago on July 21.

Rail transportation in British Columbia has been hindered since a June 30 fire damaged the tracks of the two main railways that carry goods to Vancouver for export causing congestion at the port. Lines have since been repaired but rail movement has been slow and sporadically halted due to fires. British Columbia declared a state of emergency and Canfor Corp. said it would trim output as the fires snarl transportation and supply chains.

The rebound in prices extends wild gyrations that took lumber prices from a record high in May on a pandemic-fueled construction boom to an eight-month low in mid-July after demand eased and supply was replenished. British Columbia is Canada's biggest exporter of lumber to the US

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

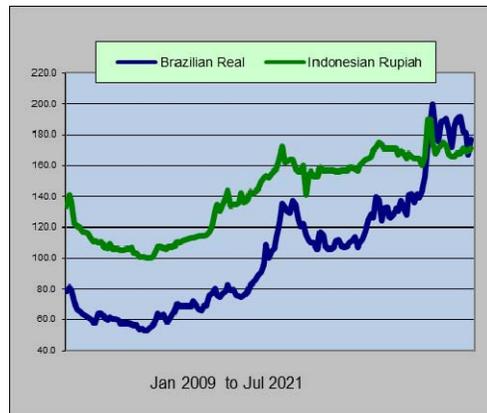
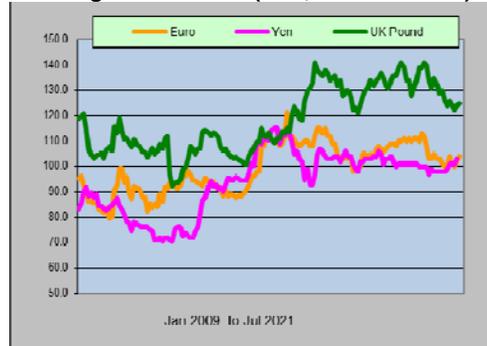
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 July 2021

Brazil	Real	5.1999
CFA countries	CFA Franc	557.5
China	Yuan	6.4814
Euro area	Euro	0.8495
India	Rupee	74.43
Indonesia	Rupiah	14493
Japan	Yen	110.55
Malaysia	Ringgit	4.2265
Peru	Sol	3.93
UK	Pound	0.7274
South Korea	Won	1152.12

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

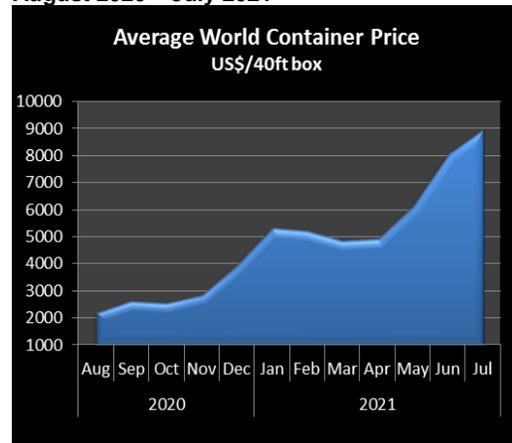


Abbreviations and Equivalences

Arrows ↓↑	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF	Cost insurance and freight
C&F CNF	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Weather and boil proof
MT	Metric tonne
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Container Freight Index

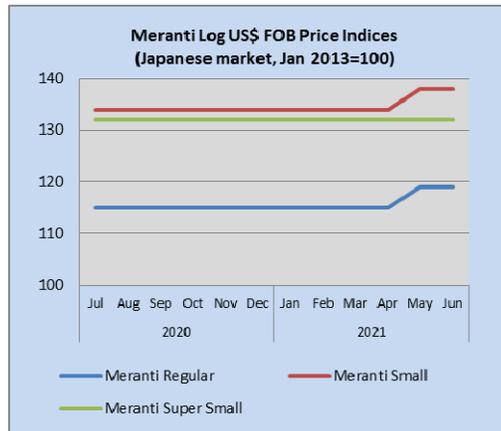
August 2020 – July 2021



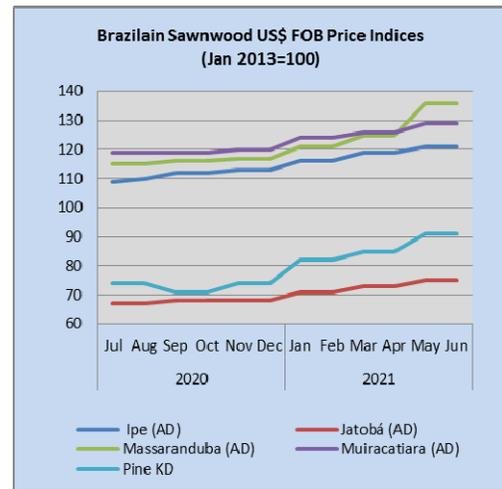
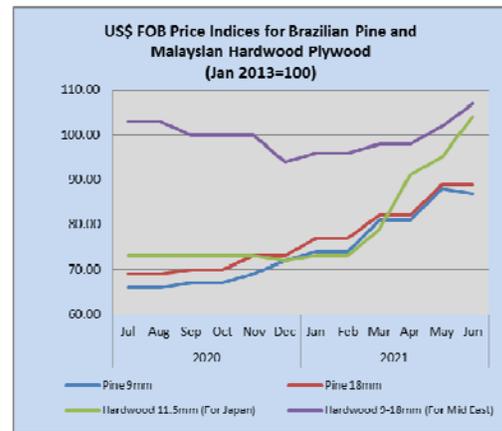
Data source: Drewry World Container Index

Price indices for selected products

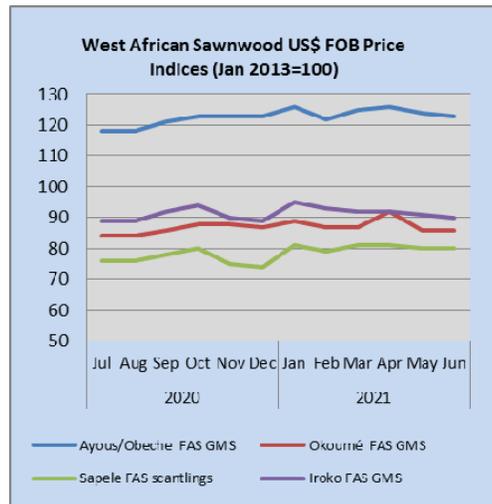
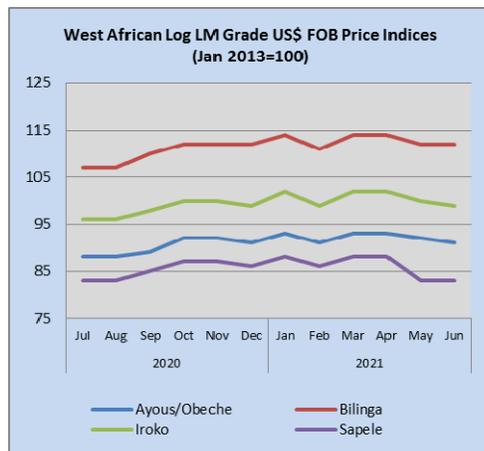
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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