Tropical Timber Market Report

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Work starts to clear wrecks from Doula Port

The numerous abandoned vessels in Douala Port are being removed and the Port Authority anticipates it will be possible to build four additional docks when the work is completed.

Doula Port is important not just for Cameroon but also for landlocked Central African countries but the port suffers serious congestion.

Clearing work will be undertaken also in the commercial wharf, the woods dock and the military wharf according to the Douala Ports Authority.

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Headlines

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Central and West Africa

New buyers may be on the horizon

Producers report that demand in tradition markets is very quiet and as a result they are easing back production fearing a build-up of stocks which could undermine prices.

Over the past two weeks no major price changes have been reported but there is growing concern that if the trade friction between the US and China is not resolved soon it will inevitably lead to a further weakening of demand in the Chinese market.

What is of interest is the suggestion that some companies in S.E. Asia, once major log exporters, may be viewing importing raw materials from West and Central African suppliers (see comments by Malaysian Timber Council CEO page 4).

Work starts to clear wrecks from Doula Port

Douala Port will become fully operational once again as work has started to dismantle and remove the abandoned wrecks in the port according to Cyrus Ngo'o, Douala Port General Manager. The Port Authority anticipates it will be possible to build four additional docks when wrecks are removed. The next step required at the port is dredging, say analysts.

Most of Cameroon's timber exports pass through Douala Port and the port is important for landlocked Central African countries such as Chad and the Central African Republic but services at the port have steadily deteriorated resulting in serious congestion and delayed shipments.

It has been reported that because of congestion in Doaula some exporters had to send their timber to Kribi Deepwater Port where, according to the Société d'exploitation des parcs à bois du Cameroun (SEPBC), the concessionaire of the Douala Port log yard was provided with a storage area within the port compound.

Intense speculation in Gabon trade circles

There is growing speculation in trade circles after comments by a representative of Rougier during the Gabon Wood-Show that, with the appointment of a new Minister, the issue of export of stocks of kevazingo may finally be resolved.

Many companies have extensive stocks of kevazingo built up to meet orders placed before the export ban, Being unable to ship this timber is weighing on their finances.

In other news from Gabon, it has been reported that a list of companies owing money to the government is circulating. Those on the list, it is suggested, could have exports blocked.

The issue of the extreme level of fines for not adhering to government regulations has constantly been of concern to companies in Gabon.

In one case, say local analysts, a company was presented with a huge and disproportionate fine for inadvertently felling four trees which were not included in their management plan.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & Ekki	275	275	175
Belli	290	290	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	350	350	250
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	365	-
Movingui	210	210	-
Niove	160	160	-
Okan	220	200	-
Padouk	340	290	245
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	370	370	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	520
FAS fixed sizes	560
FAS scantlings	560
Padouk FAS GMS	750
FAS scantlings	850
Strips	650
Sapele FAS Spanish sizes	500
FAS scantlings	520
Iroko FAS GMS	640
Scantlings	720
Strips	400
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

Ghana

Exports dip 12% year-on-year

According to data published by the Statistics Unit of the Forestry Commission, Timber Industry Development Division (TIDD), wood product exports for the first four months of 2019 dipped by 12% in volume and 25% in value.

The report classified export volumes as Primary Products, 9,906 cu.m, Secondary Wood Products 89,471cu.m and Tertiary Wood Products 2,509 cu.m. The January to April export performance is detailed below.

Export volumes, cu.m

	Jan-Apr 2018 cu.m	Jan-Apr 2019 cu.m
Sawnwood AD	73,949	62,513
Sawnwood KD	14,120	13,781
Plywood (Regional markets)	6,838	8,206
Billets	11,462	9,906
Sliced Veneer	3,683	2,425
Mouldings	2,399	2,480
Rotary Veneer	1,650	1,288
Others	1,124	1,288
Total	115,225	101,887

Data source: TIDD

Export values, Euro

	Jan-Apr 2018 Euro	Jan-Apr 2019 Euro
Sawnwood AD	46,036	32,859
Sawnwood KD	8,980	8,129
Plywood (Regional markets)	2,523	2,797
Billets	4,523	3,693
Sliced Veneer	4,180	2,264
Mouldings	1,508	1,742
Rotary Veneer	632	649
Others	1,357	470
Total	69,739	52,603

Data source: TIDD

The major markets remain Asia, which accounted for 74,290 cu.m of exports or 73% of the total export volume, followed by Europe with 12,484 cu.m or 12% with African regional markets accounting for most of the balance.

The leading species exported included teak, wawa, denya, mahogany, papao, odum, gmelina and sapele with an overall average price of US$516 per cu.m between January and April 2019 compared to US$605 for the same period in 2018.

Ghana ready for Continental Free Trade

Finance Minister, Ken Ofori-Atta, has said while implementation of the Continental Free Trade Area would require some serious adjustments to trade this agreement will eventually be advantageous as the benefits will outweigh any initial shocks to the economy.

In related news, the Private Enterprise Foundation (PEF) of Ghana alerted the government to likely short-term negative impacts of this agreement.

African countries are Ghana’s third timber export markets accounting for around 10% of the country’s total wood product exports.

The largest markets are in the ECOWAS countries especially Burkina Faso, Cote d’Ivoire, Niger, Togo, Senegal and Nigeria which import plywood and veneer. In support of the new continental body the Ghana government has offered to host its Secretariat in Accra.

Higher electricity charges announced – private sector in shock

Ghana’s utilities commission (PURC) has announced a rise in electricity charges effective 1 July this year. The PURC said the increase is necessary to raise revenue for expansion and maintenance.

The Association of Ghana Industries (AGI), which is the parent body of manufacturing companies, including timber processors, has constantly engaged government on utility prices as a major cause of the high cost of production.

Economy set to grow in 2019

Ghana’s economy is projected to grow by 7.5% in 2019 from the 6.3% recorded last year according to the World Bank. Growth will be underpinned by both the oil and non-oil sectors. Efforts to raise productivity in the agricultural and manufacturing sectors should yield benefits in terms of growth.

The Agricultural Development Bank of Ghana has financed efforts towards the government ‘Planting for Food and Jobs’ initiative to boost agricultural production in the country through providing expanded credit facilities and working capital loans.

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	590
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3 CORE (1-1.9 mm)	Euro per m^3 FACE (>2mm)
Ceiba	358⬆	445
Chenchen	431	479
Ogea	508	590
Essa	546	733⬆
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Asanfina	750
Avodire	2,833
Chenchen	765
Mahogany	1,103
Makore	790
Odum	1,708

Export Plywood Prices

Plywood, FOB BB/CC	Euro per m^3 Ceiba	Ofram	Asanfina
4mm	341	640	641
6mm	412	535	604
9mm	400	446	560
12mm	510	463	480
15mm	450	380	430
18mm	450	441⬆	383

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	490	564
Ceiba	405	487
Dahoma	424	498
Edinam (mixed redwood)	520	619
Emeri	475	571
African mahogany (Ivorensis)	930	971⬇
Makore	740	810
Niangon	620	670
Odum	832	970
Sapele	700	805
Wawa 1C & Select	420	444

Malaysia

ASEAN determined to conclude Regional Comprehensive Economic Partnership

Leaders of the Association of Southeast Asian Nations (ASEAN) are determined to conclude the Regional Comprehensive Economic Partnership (RCEP) this year according to the chair of the recently concluded 34th ASEAN Summit held 23 June in Thailand.

"All member states agreed that the RCEP is important for this region because of the uncertainty of the world economy. The partnership will be an important strategy to drive members' GDP growth and attract investments to ASEAN", said Thai chairperson, Lt. Gen. Werachon.

The RCEP comprises all 10 ASEAN members plus China, Japan, South Korea, India, Australia and New Zealand which have a combined population of 3.56 billion, with trade worth US$10.3 trillion or 29% of the world's trade.

For more see
https://www.bangkokpost.com/business/1699944/asean-leaders-back-thai-push-for-rcep-deal

Development of commodities sector the focus of government

The Federal Government intends to focus on expanding the commodities sector of the economy (including timber) according to the Minister of Primary Industries. To support this the ministry is seeking a bigger budget allocation under the 12th Malaysia Plan (2021-2025).

Minister, Teresa Kok, called on players in the commodities sector to come with proposals for increasing output as this, in turn, will boost government revenues.

Sarawak to maintain forest cover

Sarawak Chief Minister, Abang Johari Tun Openg, said the State government would continue to maintain the 63% forest cover in the state because of the important role the forestry sector has in the State.

He said the government has a very clear land use policy under which six million hectares is permanent forest reserves while another one million hectares is totally protected areas.

He added that the State government would implement policies to restore and regenerate degraded forests, including swamp forest using indigenous tree species. He also said the government would allocate funds for forestry R&D and work with the private sector to further develop Sarawak's forestry resources in a sustainable manner.

In related news, the Sarawak Forest Department Director, Hamden Mohammad, said his Department had planted an area of 528,238 hectares covering hills, swamps and coastal area forests in collaboration with various stakeholders.

Seeking new markets and raw materials – MTC to open new offices

Richard Yu, the Malaysian Timber Council (MTC) CEO has stated that the MTC will open regional offices in Houston and Rotterdam to promote Malaysian wood products and to help Malaysian companies source raw materials. The Rotterdam office is set to open in mid-year while the Houston office could be operational in the second half of the year.

Yu said the European office would cover the Middle East and African countries adding that the function of the new offices will be aligned to widen MTC's access to niche markets and new raw material sources.

In a related development Yu announced that the function of the MTC office in Bengaluru, India will be expanded to cover South Asia while the MTC office in China will now cover East Asian countries such as South Korea, Taiwan (P.o.C) and Japan.

Sabah working with NGOs to restore forests

The Sabah Chief Minister, Mohd. Shafie Apdal, said to enable the sharing of expertise in planting local species, the State, through the Sabah Foundation, would support non-government organisations (NGOs) in carrying out activities to conserve the forest areas in the State.

In November 2012, the Sabah State government and the Tropical Rainforest Conservation and Research Centred (TRCR) signed an agreement on cooperation towards the sustainability of the forest in Sabah. TRCR is an NGO which was entrusted to protect the Dipterocarp tree species in Sabah through reintroducing it to its original habitat.

Plywood prices

Plywood traders based in Sarawak reported the following June export prices.

CP (3'x 6')	US$ 510 – 530C&F;
UCP (3'x 6')	US$ 610 – 630 C&F
Middle East	US$ 430 FOB
South Korea	
(9mm and up)	US$ 435 C&F
Taiwan P.o.C.	
(9mm and up)	US$ 410 FOB
Hong Kong	US$ 445 FOB

There were no exports of FB (11.5 mm)

Indonesia

Government sees opportunities in trade conflict – offers to help exporters

President Joko Widodo recently met with business leaders to offer government assistance to local industries trying to secure opportunities created by the ongoing trade conflict between the US and China. He told members of the Indonesian Chamber of Commerce and Industry (Kadin) and the Indonesian Young Entrepreneurs Association (Hipmi) that efforts must be focused on economic matters now that the election is over.

He called on the business community to offer policy suggestions which would help the country benefit most as there are opportunities in the electronics, textile and furniture markets in the US.

Permanent moratorium on forest clearing

Forestry and Environment Minister, Siti Nurbaya Bakar, has indicated her preference to permanently maintain the ban on forest clearing for oil palm plantations.

Since 2011, there has been a moratorium on clearing covering more than 60 million hectares of primary forest and peatland in an effort to reduce emissions from fires caused by deforestation. Every year fires break out on peatland forests drained for agriculture.

See: https://www.eco-business.com/news/indonesia-to-fix-temporary-ban-on-new-forest-clearing-for-plantations-and-logging/

Responding to the comments by the Minister the Association of Indonesian Forest Concessionaires (APHI) agreed with suggestion of a permanent moratorium saying the existing production forest area for timber production is enough if it managed well. At the same time, once again, APHI asked the government to allow the export of planation logs and wood chips to help address the country's trade deficit.

Indroyono, speaking on behalf of APHI, said the short-term solution to Indonesia's trade deficit is to optimise the use of natural resources and encourage exports.

He pointed out that in meetings with South Korean companies there was great interest shown in securing raw material and chips from Indonesia as they do from Vietnam.

Platinum Teak – 30cm in 5 years

'Platinum' teak, developed by the Indonesian Institute of Sciences through tissue culture, can become the mainstay of Indonesia's furniture exporters because 'platinum' teak is different from other teak say analysts. Platinum teak has been found to grow to a diameter of 30 cm in just 5 years.

See:
https://economy.okezone.com/read/2019/06/23/320/2069822/kayu-jati-platinum-andalan-baru-ekspor-furnitur-indonesia

Expansion of customary forests held back by land rights issues

The Ministry of Environment and Forestry is targeting the establishment of Customary Forests to provide income sources and employment in rural areas. The Minister, Siti Nurbaya Bakar, said the process of establishing such forests will likely be lengthy as many stakeholders are involved.

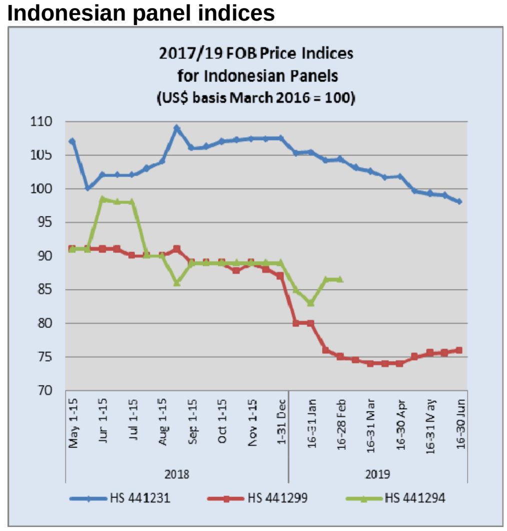
Siti said her Ministry took the initiative to determine the area of customary land so that the establishment of customary forest areas can be undertaken. The area targeted consists of around 380,000 ha. of State Forest, Other Use Areas covering 68,935 hectares and existing Customary Forests of 1,950 hectares. Activities will be undertaken initially in Sumatra, Java Bali Nusa Tenggara, Kalimantan, Sulawesi, Maluku and Papua.

In related news, according to government officials efforts to hand back control of customary forests to indigenous people is being hampered by overlapping land claims for mines, plantations, forests and public land.

The Indonesian President vowed to return 12.7 million ha. of land to indigenous people following a historic 2013 court ruling lifting state control of customary forests but land rights activists say the progress has been is slow because of boundary issues.

Prabianto Mukti Wibowo, Assistant Deputy Minister for Forest Governance in the Ministry, said there are too many maps. Apparently there are 85 thematic maps for forestry, mining, plantations and customary forests, many with overlaps which need to be reconciled on the ground.

Indonesian panel indices



Data Source: License Information Unit. http://silk.dephut.go.id/

Myanmar

Myanmar, 51st PEFC member

The Myanmar Forest Certification Committee (MFCC) and PEFC International have announced the conclusion of PEFC membership for the MFCC. The MFCC is the latest and 51st national member of the PEFC Alliance said Ben Gunneberg, CEO of PEFC International.

Under a banner headline: "Myanmar's forests gain visibility through PEFC membership" the PEFC CEO said "It is great to see that the collaboration with MFCC has been successful and has already led to the acceptance of Myanmar as a member. We are collaborating with MFCC on a three-year project to support the country as it transitions to the sustainable management of its forests. The project is co-funded by the Prince Albert II of Monaco Foundation.

See: https://www.pefc.org/news/myanmars-forests-gain-visibility-through-pefc-membership

Commenting on this significant step, Barber Cho, Secretary General of MFCC, said "Forest management is not a matter of one country or one region anymore it is a global issue".

He continued "By becoming a PEFC member, we send a message to the world and show our commitment to sustainable forest management through an internationally recognised system".

However, this is just the beginning said Cho who re-emphasised MFCC's aim of establishing a fully operational national forest certification system in line with PEFC standards within a few years.

Certification and sustainable forest management are of special importance in Myanmar. In the last thirty years, forest cover in Myanmar has fallen from 60% to 40%.

A sharp decline in forest cover was seen in the period when forests in Myanmar were exploited for quick economic returns rather than long-term sustainability, explained Cho.

Cho stressed that forest resources are of enormous value for the people of Myanmar as many in the country are heavily dependent on forests for their basic needs. In meeting these needs Cho stressed the participation of civil society groups who can contribute to the development of forest management systems.

To move forward with CSOs in the country there are several challenges, one of which is the financial strength of the MFCC.

At present no forest in Myanmar is certified to any certification system and the forest are administered and conserved by Forest Department through Work Plans.

Log harvest target revisited

On 21 May 2019, the Permanent Secretary of Ministry of Natural Resources and Environmental Conservation said that log extraction will be reduced gradually. It was proposed that teak log harvests will be 10,000 tons in 2019-20, 8,000 tons in 2020-21 and 6,000 in 2021-22. For other hardwoods harvests will be 300,000 tons in 2019-20, 250,000 tons in 2020-21 and 220,000 tons in 2021-22.

Issue of 'CoC Dossier' unresolved – causing major problems for exporters

During the past seven months of the current budget year the export of forest products was valued at US$102 million. Myanmar exporters are facing tough times in the international markets especially the EU where the EUTR is impacting market access.

Exporters complained that EU buyers continue to refer to the so-called 'CoC Dossier' and demand many documents to verify the legality of shipments some of which are not readily available as most of the documents are held by district offices. This issue would be resolved when all information related to each harvest was computerised, this is currently being piloted.

Exporters are anxious that third party certification should be in place as soon as possible so they can maintain exports to international markets.

The 'CoC Dossier' was compiled at the beginning of this year by Ministry of Natural Resources and Environmental Conservation merely to demonstrate the multiple steps along the supply chain from the pre-harvest planning to the shipment. It was never intended that all documents identified along the supply chain in the Dossier would be provided to overseas importers.

Production costs set to rise as power charges raised

The government has announced a significant increase in electricity prices from July but will retain some subsidies in an effort to protect low-income households.

The increase announced in state media is the first price hike since 2014 and will help to reduce electricity subsidies that have ballooned to K630 billion in the 2018-19 fiscal year and were expected to hit K1.5 trillion annually if prices remained unchanged. Industry, businesses, government offices, embassies and international organisations will be charged substantially more.

Log Tender Prices for May 2019

Teak logs

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	141.9	3,522
SG-5	237.8	2,568
SG-6	248.1	2,400
SG-7	1362.8	1,475

Other hardwood logs

Species	Quality	H.ton	US$ Average/H. ton
Kanyin	1st	1,629.9	743
Kanyin	2nd	4,741	614
Pyinkado	2nd	771.00	757
In	2nd	-	-

India

A boost to the 'Green Building Movement' in India
The Confederation of Real Estate Developers' Associations of India (CREDAI) has signed a memorandum of understanding (MOU) with the Indian Green Building Council (IGBC) to accelerate the push towards the Green Building Movement in the country.

The MOU will also see the two organisations come together and construct green building projects in five cities. By joining forces, CREDAI and the IGBC intend to collaborate and share knowledge and extend industrial support to reinstate the importance of constructing environmentally friendly buildings for sustainable growth of the Indian real estate sector.

See press release at :
https://credai.org/press-releases/credai-signs-mou-with-igbc-to-accelerate-green-building-movement-in-india

Calls for re-think of Forestry Act 1927 amendments
Less than a month after the Bharatiya Janata Party (BJP)-led National Democratic Alliance government was sworn in for a second consecutive term parliamentarians are calling for a rethink on the draft amendments to the Indian Forest Act, 1927. Principal among the concerns is that the National Forest Policy should be agreed before any amendment to the Indian Forest Act of 1927.

The parliamentarians avoided commenting on the draft amendment which is controversial because it would classify commercial plantations as forests and because the amendment would authorise state governments to relocate people living in areas of forest where development or conservation efforts would be directed.

Plantation teak imports
Analysts report signs of change amongst teak importers. It appears that many importers are gradually beginning to see a business advantage in importing durable hardwood alternatives to teak.

Behind this change is the continuing weak demand for teak products and the financial burden of rising production costs and the high tax rates. To help reduced transaction costs concerted efforts are being made by importers' to ease the advance payment requirements demanded by exporters.

While the rupee/US dollar exchange rate favours importers, African and Central American shippers are trying to attract buyers but market conditions are working against any immediate increase in imports.

C&F prices teak at Indian ports from around the world are shown below.

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

Locally sawn hardwood prices
Imports of tropical sawn hardwoods as well as softwood are steadily rising as manufacturers find the quality, kiln drying and ease of processing more profitable than from using domestic sawnwood.

Malaysia continues to be major supplier of sawn tropical hardwoods to India. Import prices have not changed for the past few months being held down by weaker demand in other markets affected by the US/China trade conflict.

Sawnwood Ex-mill	**Rs per cu.ft.**
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

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

Myanmar teak prices

The steady demand for Myanmar teak has consolidated the recent ex-yard price increases.

Sawnwood (Ex-yard)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	15,000-22,000
Teak A grade	9,500-11,000
Teak B grade	7,500-8,500
Plantation Teak FAS grade	5,000-7,000

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

The recent ex-warehouse price increases for European and N. American temperate hardwoods and softwoods remain unchanged.

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

Price range depends mainly on lengths and cross-sections.

Plywood prices

Rising log and other raw material input costs ares causing headaches for plywood manufacturers and is driving down profit margins. Against the backdrop of dull market conditions there are no opportunities to raise prices.

In recent months some millers have reported a shortage of labor and this has resulted in cuts in production at some mills.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	69.00
6mm	92.00
9mm	115.00
12mm	143.00
15mm	190.00
18mm	201.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	35.00	50.00
6mm	52.00	66.00
9mm	66.00	81.00
12mm	81.00	95.00
15mm	95.00	115.00
19mm	111.00	132.00
5mm Flexible ply	70.00	

Bamboo can substitute for wood in some end-uses

At the recent World Bamboo Workshop 2019 the Executive Director of World Bamboo Organization (https://worldbamboo.net/) Susanne Lucas called for more use of biodegradable products such as bamboo.

She also announced that WBO and government of Manipur, through the Chief Minister will be signing the Damyang Call Imphal Reiteration, 'to recognize the essential contribution of bamboo in the fight against climate change, to free bamboo from the restrictions of outdated national forestry codes to stimulate social and economic developments and to support research, exchange knowledge and improve communication on bamboo development for the sake of all humanity'.

Analysts write "Bamboo harvests can substitute for wood in some end-uses and the growing of bamboo on fallow farm land can provide an income for farmers and the processing and manufacture of bamboo products generates employment." The north eastern areas of India produce large quantities of bamboo and is important in regional economies.

See: https://worldbamboo.net/news-and-events/world-bamboo-workshop/significant-results-with-the-government-of-manipur-wbw-

Vietnam

2018 timber imports almost 10 million cubic metres

Vietnam is increasing its imports of primary wood products, especially hardwoods, from over 100 countries to meet the demands of the rapidly expanding processing sector in the country.

In 2018, Vietnam's wood processing industry imported the roundwood equivalent nearly 10 million cu.m of timber that provided around 25% of the total input required by the domestic industries. The value of this wood raw material was US$2.34 billion in 2018 up by 7% compared to 2017.

The EU-Vietnam VPA/FLEGT is to be implemented soon according to analysts who say this is expected to generate many export opportunities for domestic manufacturers. However, implementation will challenge the sourcing of wood raw materials as Vietnam still depends on imports from so-called 'high-risk' countries in terms of verification of legality.

Most of Vietnam-made finished wood products are exported to developed markets such as the USA, EU, Japan and South Korea so must meet the legal and technical requirements in these countries. This can be achieved by utilsing domestic planation material such as acacia, eucalyptus and rubberwood and importing verified legal timber raw materials.

Vietnam's major sources of logs (US$)

	2017	2018
Cameroon	207,579,452	215,854,338
USA	44,810,532	63,265,739
PNG	23,371,999	40,433,927
Belgium	31,795,037	38,332,554
Congo	28,917,014	38,242,300
China	27,890,944	24,467,941
Ghana	30,354,646	23,609,516
Malaysia	29,161,818	12,123,523
Cambodia	39,448,721	7,297,721
Angola	14,563,389	9,039,889

Data source: General Department of Customs, Vietnam

Among the top 15 raw wood supplying countries there are 7 high risk sources in terms of legality and these currently account for a high proportion of Vietnam's timber imports.

The implementation of the VPA will also impact imports of high value precious species used mainly for domestic consumption and imported from countries with weak forest management and law enforcement.

Sourcing high value species a challenge

The Vietnamese timber sector is facing to a serious shortage of logs and sawnwood due first to the domestic logging ban and secondly to the various restrictions and regulations on raw material exports in many nearby Asian supply countries such as Laos, Cambodia and Myanmar which were once major suppliers of tropical timber for Vietnam. The table below shows the change in import values for three major suppliers to Vietnam.

Imports of tropical timber (000's US$)

	Imports Jan-Apr 2019	% Change on Jan-Apr 2018
Cambodia	21,713	-62.00
Malaysia	23,339	-15.00
Laos	16,180	75.00

Data source: General Department of Customs, Vietnam

High import prices threatens competitiveness of Vietnamese companies

Over the past few years there has been a rise in raw material imports from the US, the EU and some African countries but the Vietnamese industries complain the CIF prices are very high and there are high logistics costs and that this is threatening the competitiveness and productivity of the Vietnamese companies in international markets.

The industry is now relying more heavily on domestic plantation resources for both exports and for domestic sales.

Brazil

Sound environmental practices of the forest sector in the Amazon

With the aim of strengthening the credibility of the Amazon timber trade Unifloresta, the Amazon Forest Productive Chain Association, has created a system to verify environmental practices.

Unifloresta was founded in 2009 by a group of entrepreneurs with the objective of supporting the economic development of the forest sector; representing and protecting the rights and interests of its associates and collaborators and unifying forest preservation and environmental sustainability.

Unifloresta comprises a multidisciplinary team in partnership with Uniconsult and the environmental law firm Murilo Araujo. It comprises lawyers, foresters, environmentalists, civil engineers, geologists, biologists and lawyers who provide technical environmental services and legal advice, contributing to a better performance of the members.

See: https://www.unifloresta.org.br/

The early experiences in implementing the system were presented during the Innovative Ideas for the Wood Construction Chain event promoted by Núcleo da Madeira", a non-profit initiative of representatives of several sectors of the wood construction sector.

Through mobile tracking, data such as timber transport documents, machinery inventory, driver and truck identification documents, geographic coordinates, transport routes and chain of custody are collected. The first step in the process of supply chain management includes document verification, the second step involves traceability through QR Codes on logs.

In addition to traceability, the work carried out by the Association goes further to preventive surveys in sawmills, intelligence services, local due diligence, legal verification program and community management. The aim is to promote good management as this will create greater value for producers.

National forest plantation plan adopted

The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) has adopted a National Plan for the Development of Forest Plantations (PNDF). The Plan aims to expand forest production areas by two million hectares by 2030, an increase of 20% over the current area.

The Regulation, Portaria No. 111, approving the PNDF was signed by MAPA on June 5, 2019. With action plans formulated for the next ten years, the PNDF seeks to provide legal security for investors in the forestry sector, recognising the economic, social and environmental importance of the sector.

More than half of the planted forest will be internationally certified according to the plan to address the issue of sustainable management, natural resource preservation and sound socio-environmental and labour practices. It is noteworthy that around 90% of all industrial wood utilised domestically comes from planted forests.

According to the Brazilian Institute of Geography and Statistics (IBGE) 35% of the forest plantation areas in Brazil are owned by pulp and paper industries; 13% by steelworks/charcoal; 6% wood-based panels and laminate flooring; 9% financial investors; 30% independent producers; 4% solid wood products and 3% others.

The sector holds a stock of approximately 1.7 billion tons of carbon dioxide equivalent according to IBGE.

Export update

In May 2019, Brazilian exports of wood-based products (except pulp and paper) increased 29% in value compared to May 2018, from US$ 211.1 million to US$ 272.6 million.

The value of pine sawnwood exports increased 24% between May 2018 (US$ 38.2 million) and May 2019 (US$ 47.4 million).

In volume terms exports increased 29% over the same period, from 180,800 cu.m to 233,300 cu.m.

Tropical sawnwood exports increased 63.2% in volume, from 31,800 cu.m in May 2018 to 51,900 cu.m in May 2019. In value, exports increased 49.3% from US$ 14.0 million to US$ 20.9 million, over the same period.

Pine plywood exports increased 4.7% in value in May 2019 in comparison with May 2018, from US$45.1 million to US$47.2 million. The volume of pine plywood exports increased 37% over the same period, from 131,700 cu.m to 180,900 cu.m.

As for tropical plywood, exports declined in volume and in value, from 9,600 cu.m (US$4.2 million) in May 2018 to 9,000 cu.m (US$3.5 million) in May 2019.

The performance of wooden furniture exporters was encouraging as export values increased from US$34.2 million in May 2018 to US$47.8 million in May 2019, an almost 40% rise.

Falling exports of wood-based panels

In the first quarter of 2019, exports of wood-based panels fell by 4.5% compared to the same period in 2018 according to Brazilian Tree Industry (IBÁ).

The most significant drop was to markets in Asia and Oceania. Sales to Europe, amounted to just US$1 million compared to the US$2 million in the first quarter of 2018. Exports to North America also fell dropping 23%.

Between January and March 2018 Brazil's imports wood-based panels was around US$17 million up from the US$13 million in the first quarter 2018.In the Brazilian domestic market sales rose just over 1%

'Brazilian Furniture Project' hosts importers

Since the beginning of this year the value of business transactions by members of the 'Brazilian Furniture Project', amounted to around US$30 million and there are good prospects for the next 12 months as the 'Buyer Project' (Projeto Comprador) export programme will work closely with the Brazilian Furniture Industries Association (ABIMÓVEL) and the Brazilian Trade and Investment Promotion Agency (APEX-BRASIL).

The 'Buyer Project'" fair held in mid-June in Rio Grande do Sul, one of the main furniture exporting states in Brazil, played host to 14 importers from 10 countries from Latin America, North America and Europe.

The participating countries were France, Peru, Mexico, Colombia, Paraguay, US, the UK, Italy, the Dominican Republic and Uruguay.

ABIMÓVEL has reported that visiting importers held discussions with 45 Brazilian furniture producers, all members of the Brazilian Furniture Project.

ABIMOVEL has indicated it was pleased with this important partnership for strengthening the Brazilian furniture in the international markets as it has been working in a structured and effective way both in encouraging exports and improving the business environment and in dialogue with the federal government.

So far in 2019 more than 1,500 'business rounds' have been held under the Brazilian Furniture Buyer Project.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	201🠗
Jatoba	113🠗
Massaranduba	108🠗
Miiracatiara	107🠗
Angelim Vermelho	106🠗
Mixed redwood and white woods	89🠗

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	816🠗
Jatoba	430🠗
Massaranduba	404🠗
Muiracatiara	379🠗
Angelim Vermelho	362🠗
Mixed red and white	238🠗
Eucalyptus (AD)	189🠗
Pine (AD)	137🠗
Pine (KD)	160🠗

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	525🠗
10mm WBP	416🠗
15mm WBP	341🠗
4mm MR	405🠗
10mm MR	291🠗
15mm MR	267🠗

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	214🠗
15mm MDF	250🠗

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1,426
Jatoba	867
Massaranduba	843
Muiracatiara	850
Pine (KD)	190

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports. High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.
Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	299
12mm C/CC (WBP)	283
15mm C/CC (WBP)	263
18mm C/CC (WBP)	260

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,809
	Jatoba	1,436

Source: STCP Data Bank

Peru

Export of builders' woodwork
The export of builders' wood work in the first four months of the year reached US$2.6 million, 10% more compared to the same period in 2018 as 2017 according to the Association of Exporters (ADEX).

The increased shipments mirror recent growth in the US housing market. Shipments to the US between January and April increased by almost 42% year on year.

Other significant markets were Bolivia (US$150,360, down 34%), Mexico (US$85,500, down 28%) and Panama (US$78,460). Builders' woodwork was also shipped to Belgium, Dominican Republic, French Polynesia and Spain.

Wood for construction represents 6.5% of the total shipments of wood products from Peru ranked third behind semi-manufactured products and sawnwood surpassing others such as veneers, plywood, furniture and its parts.

Builders woodwork shipped from Peru includes doors and frames, counter frames and thresholds; wooden posts and beams; wooden frames for paintings, photographs, mirrors or similar objects; windows, shutters and their frames.

Congress approves economic incentives for forest plantations
The Parliament has approved a law to encourage forest plantations, mainly in the Amazon region of the country, through economic incentives.

This initiative is part of the package of bills in support of the Agrarian Commission. The President pointed out that the proposed incentives are for the production and protection of the ecological system and will benefit rural communities.

The National Forestry and Wildlife Service (SERFOR) will publish the beneficiaries of incentives, the amounts granted as well as the forest species, areas and the payments received.

Information system to verify the legal origins of wood in Loreto

To promote the governance and competitiveness of the forestry sector SERFOR and the Regional Government of Loreto, with the support of the USAID Pro-Forests Project, will coordinate the implementation of National System Control Module Applications of Forest and Wildlife Information (MC-SNIFFS), a tool that will provide for the traceability and verification of timber legality. The Loreto regional authorities will coordinate with SERFOR to establish a transparent and open management instrument for the wood value chain.

Export Sawnwood Prices

	US$ per m^3
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD	
Mexican market	604-641

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	534-599
Grade 2, Mexican market	489-502
Cumaru 4" thick, 6'-11' length KD	
Central American market	951-978
Asian market	999-1049
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	542-561
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Asian market	551-591

Domestic Sawnwood Prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	258-274⬆
Spanish Cedar	333-352⬇
Marupa (simarouba)	221-232⬆

Export Veneer Prices

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

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	478-508
Cedar fissilis, 2 faces sanded.5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US$ per m^3
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1327-1398
Cumaru KD, S4S	Swedish market	979-1098
	Asian market	1085-1115
Cumaru decking, AD, S4S E4S, US market		1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		523-545
	2x13x75cm, Asian market	756-822

Japan

Business confidence deteriorating

A June 2019 survey to assess business sentiment conducted by the Asahi Shimbun has shown that showing Japanese business confidence is deteriorating rapidly. Behind the falling confidence, said respondents, was uncertain prospects in overseas economies and stagnation of Japanese consumer spending. The survey of 100 major Japanese companies has been conducted in the Spring and Autumn annually for several years.

In the Spring 2019 survey only 32% of firms said business conditions are expanding gradually, a sharp drop from the 66% of firms reporting expansion in the 2018 Autumn survey. The number of companies saying business conditions are weakening jumped to 10% in the Spring 2019 survey from around 1% in the 2018 Autumn survey.

http://www.asahi.com/ajw/articles/AJ201906180049.html

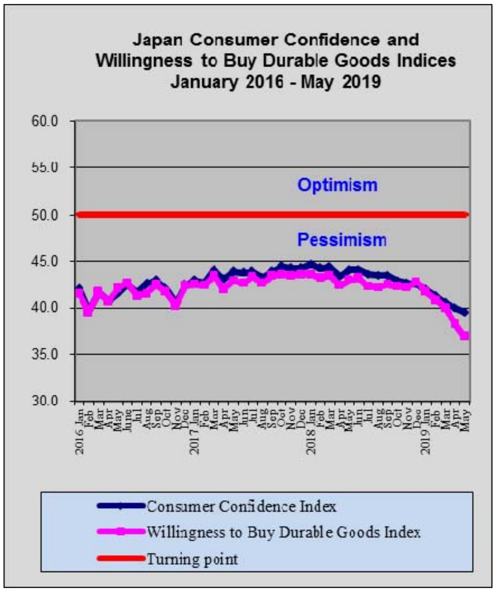
In related news, the Reuters poll has reported that manufacturers' business confidence dropped to a 2½-year low in June. Subdued business confidence, along with slowing exports and domestic spending, has clouded the outlook for the Japanese economy.

Will the Japanese pension be enough?

In mid-June, Japan's Financial Services Agency published a report on the financial security of future retirees suggesting that they would be wise to save more to make up for expected shortfalls in the public pension system.

This sparked a major controversy in the government and was immediately reported as likely to have a very negative impact on consumer confidence and spending, core drivers of the economy.

The report said, in the worst case, people should aim to have yen 20 million savings to top up the ‘average’ pension for a retired couple in their 60s. The report shocked many of the younger generation, few of whom could ever save so much given the employment situation in the country. Analysts are anticipating a further drop in the consumer confidence index for June.



Data source: Cabinet Office, Japan

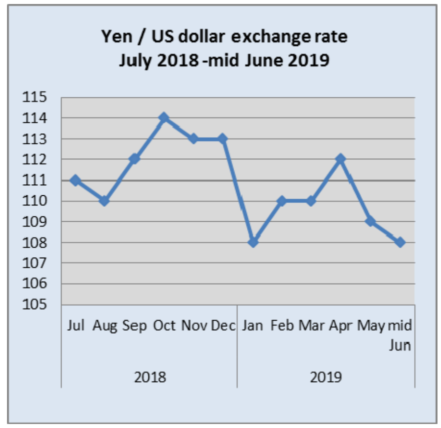
US dollar at new low against the yen

The US dollar weakened further in the second week of June in anticipation of a July cut in interest rates by the US Federal Reserve.

In June the yen fell to a low of 107 against the US dollar on ‘safe-haven’ yen purchases as the Iran/US war of words escalated however, the yen firmed after Japanese government officials expressed concerns on recent yen strength. It is widely anticipated that the Bank of Japan (BoJ) would move quickly to stem any sharp rise in the strength of the yen against the US dollar.

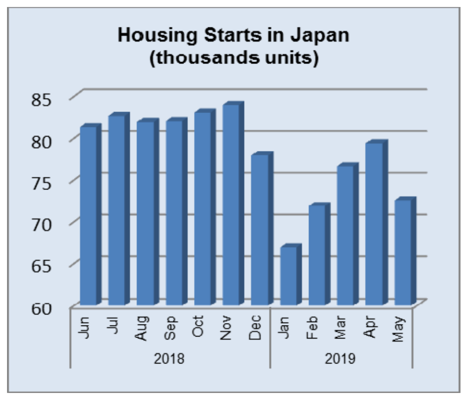
At the latest BoJ monetary policy meeting it was decided to hold rates steady but Governor Kuroda made it clear that the Bank is ready to add more stimulus if the risks to the Japanese economy rise.

Kuroda said the Bank could combine interest rate cuts with further asset buying if needed to keep the economy on track to achieve its inflation target.



Second year on year decline in housing starts

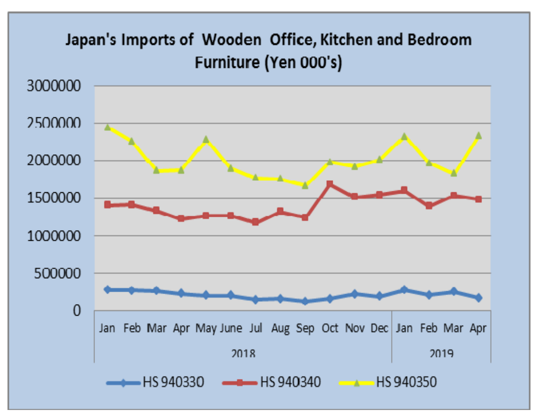
Japan’s housing starts declined year on year for the second month in May dropping by around 7%, worse than the 5% drop in April. On an annual basis housing starts would come in at 900,000 based on data up to May. The forecast for 2019 starts was 948,000 down from the 988,000 in 2018.



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

Import update

Furniture imports



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

Japanese importers of wooden office furniture tap into a more diverse supply network than observed with imports of either wooden kitchen or bedroom furniture.

March imports were mainly from China (49%) and Germany which contributed a further 27%. If shipments from Poland were added then over 80% of March imports were from just these three countries.

A look at April wooden office furniture import sources reveals a different picture as shippers in Poland, Italy and Denmark took a good share of imports but were well behind the 72% supplied from manufacturers in China.

Year on year, the value of April imports of wooden office furniture fell 25% and there was a sharp 33% drop in month on month imports. The value of April shipments from China were at about the same level as in March, shipments from Poland dropped 40% compared to March but Italy surged back with an almost 70% rise in the value of shipments compared to March.

Office furniture imports

	Imports Apr 2019 Unit, 000's Yen
S. Korea	1,354
China	122,487
Taiwan P.o.C	2,967
Hong Kong	-
Vietnam	1,069
Thailand	318
Malaysia	2,833
Indonesia	201
India	-
Denmark	3,901
UK	2,673
Netherlands	-
France	-
Germany	2,578
Portugal	2,360
Spain	-
Italy	9,385
Poland	10,364
Turkey	314
Lithuania	1,680
Slovakia	1,512
Canada	784
USA	1,853
Mexico	-
Tanzania	-
Total	168633

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

As has been the case for the past 12 months, the top shippers of wooden kitchen furniture to Japan in April were the Philippines (46% of all wooden kitchen furniture imports) and Vietnam (40%). China is the third largest shipper of wooden kitchen furniture to Japan and contributed around 9% to the total value of imports in April.

Year on year the value of April imports of wooden kitchen furniture rose 21% but there was a 3% decline compared to levels in March. April shipments from the Philippines fell 10% month on month but Vietnam and China both saw shipments rise in April (12% and 34% respectively).

Kitchen furniture imports

	Imports Apr 2019 Unit, 000's Yen
China	127,369
Taiwan P.o.C	385
Vietnam	591,897
Thailand	33,957
Malaysia	3,240
Philippines	678,841
Indonesia	11,836
Cambodia	-
India	-
Denmark	-
UK	488
Netherlands	-
France	-
Germany	16,978
Spain	-
Italy	11,644
Finland	-
Czech. Rep.	374
Canada	7,162
USA	1,826
Total	1,485,997

Data source: Ministry of Finance, Japan

Bedroom furniture imports (HS 940350)

The decline in Japan's imports of wooden bedroom furniture first noted in February continued into March but April imports reversed the decline push the value of imports the highest for 2019.

As in previous months, the combined value of imports of wooden bedroom furniture from the top two shippers, China and Vietnam, accounted for 90% of the value of April 2019 imports. The third largest shipper was Thailand, followed by Malaysia but their combined imports only accounted for about 5% of all April imports.

Year on year the value of April imports of wooden bedroom furniture was up 24% and there was a 27% rise in the value of imports compared to March. The big winners in April were China (39% rise m.o.m) and Vietnam (21% rise m.o.m.). Thailand and Malaysia saw a fall in shipments to Japan.

Bedroom furniture imports

	Imports Apr 2019 Unit, 000's Yen
S. Korea	918
China	1,222,738
Taiwan P.o.C	2,761
Hong Kong	-
Vietnam	877,724
Thailand	73,586
Malaysia	42,328
Philippines	5,032
Indonesia	14,795
India	-
Sweden	1,040
Denmark	571
Netherlands	-
Belgium	-
Germany	-
Spain	-
Italy	12,063
Finland	-
Poland	22,122
Austria	-
Romania	29,421
Estonia	-
Latvia	669
Lithuania	20,379
Bosnia Herzogovena	-
Slovakia	546
USA	364
Brazil	396
Morocco	-
Total	2,327,453

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:
http://www.n-mokuzai.com/modules/general/index.php?id=7

Agonizing South Sea (tropical) plywood manufacturers

Plywood manufacturers in Malaysia and Indonesia are in tough spot with declining orders from overseas markets and spiraling cost of logs.

Since spring of 2017, plywood prices in Malaysia and Indonesia soared to record high level by log shortage while the market in Japan continued sluggish log supply in Indonesia started recovering gradually since fall of 2018 and plywood export prices weakened but the demand in other markets like Korea dropped by trade conflict between China and the U.S.A.

Some plants in Indonesia restarted manufacturing concrete forming panels for Japan since last February and March after the supply of concrete forming panels from Malaysia in last two years decreased by log shortage in Sarawak.

Malaysian plywood manufacturers continued bullish despite softening trend of Indonesia plywood prices but in last two to three months, export prices of some items are adjusted downward after log prices weakened after the rainy season was over. Log prices of about 850 ringgit per ton for last two years are now down to about 750 ringgit.

Production of plywood mills dropped by lack of orders so mills profitability has not improved despite lower log cost. Mills continue asking to reduce log prices to log suppliers but log production cost remains high so further reduction is unlikely.

Mills accept low priced orders from the Middle East market to maintain production but low operation continues.

Logs, plywood and palm oil are three major items for wood industry in Sarawak, Malaysia but export of logs and palm oil continues slow. Market of palm oil is soft worldwide and log export shifted to PNG.

Import plywood market in Tokyo continues weak and warehouses in Tokyo Bay ports are plugged with plywood. Increasing container cargoes results in congestion as unstuffing takes longer. This also influences unloading works of bulk carriers.

Shipping companies bear demurrage and they are reluctant to carry plywood now. They are collecting surcharge from plywood manufacturers as they sell C&F base. Japanese importers face difficult decision to purchase future cargoes since it takes more time from placing orders to delivery to the customers by port congestion.

Plywood

Movement of both domestic and imported plywood is stagnant while the manufacturers' stance has no change. Domestic manufacturers are now determined to correct sales prices to their initial proposed prices because there are variety of prices with precutting plants, which deal direct with manufacturers.

South Sea hardwood plywood manufacturers show no sign of reducing export prices so there is a gap between suppliers' prices and market prices in Japan.

Demand of softwood plywood is getting active by orders from precutting plants and trading firms' sales continue busy so overall circumstances are favorable but due to shortage of truck drivers and construction workers, deliveries are delayed and construction works are delayed so boom feeling is not really there. Also, market prices are confused with some dumping sales.

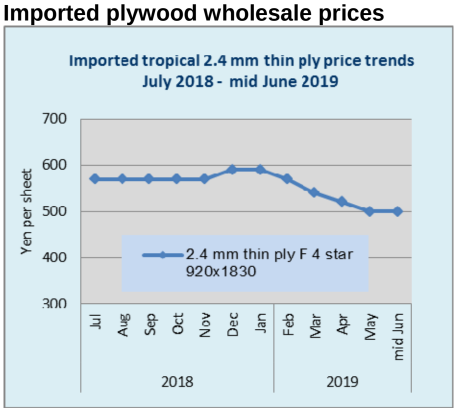
Actually dealers are holding back new purchase as the prices may weaken after new plywood mill started running.

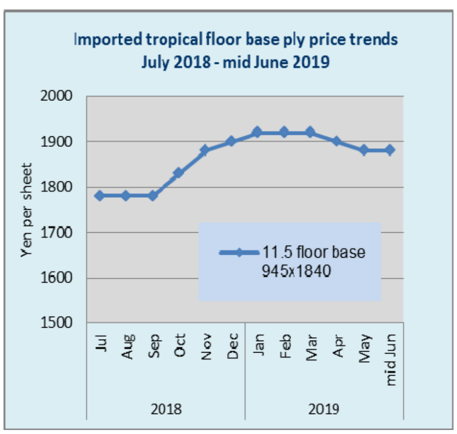
Softwood plywood manufacturing cost has been climbing recently by higher log prices and transportation prices so it is urgent issue for the manufacturers to bring the sales prices up to cover higher cost.

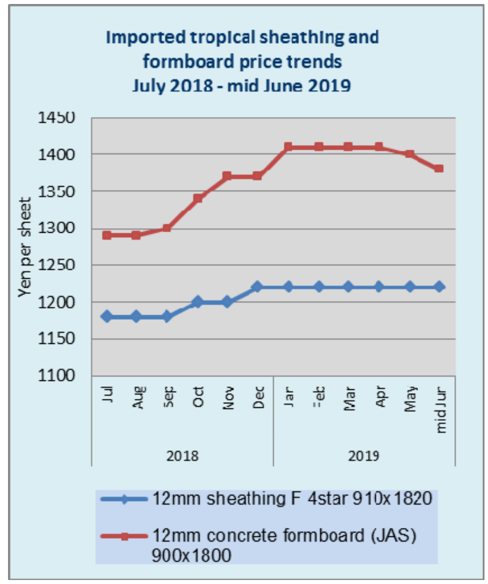
The inventories by the manufacturers are not high and some mills in Western Japan ran extra three days during early May holidays to accumulate the inventory. April production and shipment are almost even so that May inventories should drop again.

Movement of imported hardwood plywood continues dull even after lengthy holidays in early May. Dealers tried to reduce the inventories after warehouse companies increased storage charges so the market prices continue to be weak. Thus, price hike is difficult when low priced offers are in the market.

Imported plywood wholesale prices







Performance of major house builders

Total housing starts in 2018 are 952,936 units, 0.7% more than 2017. Owner occupied units are 287,710, 2.0% more. Rental units are 390,093, 4.9% less. Units built for sale are 267,175, 7.5% more out of which condominiums are 119,683, 10.5% more and detached units are 144,905, 5.1% more.

Performance of major house builders in 2018 was almost flat with 2017. Units built were almost same as 2017. Business of no-residential units by major builders was good. Orders of detached units are recovering but rental unit boom was over and financial institutes tighten loans for rental units as they are obviously over built and land owners' mind is shrinking to build apartments.

Actually rental units start has been dropping month after month for last two years. Meantime demand for detached units built for sale continues active but the demand is saturated so the largest builder feels alarming signal.

Since around 2015, rental unit building accelerated so that not only rental units builders but other major house builders had increasing orders. Compared to single detached houses, apartment sales are larger and more efficient to increase sales so house build ers shifted more sales workers from detached unit to apartment and came up with new apartment models to cover slow sales of detached units.

Now after the boom of rental unit sales was over, house builders need to find other means to cover drop of rental unit sales so tide reversed from rental units to detached units sales.

Fortunately rush-in demand before consumption tax increase in October turned up so major house builders shifted sales force from rental units to detached owner occupied units and also put more effort to develop non-residential building sales.

Sumitomo Forestry and Misawa Homes, which specialize detached owner occupied units, moved sooner to recover orders and targets are younger first time buyers of urban dwellers. Number of two income family increase and buyers of major house builders increased.

Rental unit builders like Leo Palace 21 registered large loss after many cases of corner-cutting construction was found in their concrete condos and major executives resigned. The largest rental units builder, Daito Trust suffers declining orders.

Domestic logs and lumber

Log production through early June was steady so that log supply is a bit too much and the log prices are on weak side. Now that rainy season arrived, log production should slow down and the forecast says this year's rainy season is long so the log market should tighten in July.

Weak log market has been lasting for last four months. In particular, down trend of cypress is conspicuous in last two months. 4 meter sill cutting cypress log prices are down to 16,500-17,000 yen in early June from over 20,000 yen up until last December and some low prices of less than 16,000 yen are seen in some areas.

3 meter post cutting cedar log prices are held at 12,000-13,000 yen in major supply areas but there are low offers like 10,000 yen so the future is uncertain. 4 meter purlin cutting cedar log prices are about 10,000 yen.

Lumber movement is steady mainly for large precutting plants and the prices of KD 3 meter 105 mm cedar post are 50,000-52,000 yen and of KD 4 meter 105 mm cypress sill are 64,000-65,000 yen. Lumber buyers demand further reduction because log prices are down but lumber prices have not gone down as much as logs.

Compared to 105 mm lumber, 120 mm lumber market is weak with slow demand on both green and KD lumber.
Prices of low priced common cedar lumber shot up to 32,000 yen since last summer through early this year by supply shortage are now back down to30,000 yen as the demand is simmering down.

New plywood mill completed

Ohita plant of Shin-ei Plywood, one of Seihoku group companies, completed building plywood manufacturing plant. The plant uses 100% domestic species to manufacture structural softwood plywood.

The annual production is 68,000 cbms (monthly production of 280,000 sheet of 12 mm 3x6) It uses cypress for face and back with cedar core but it also plans to make 100% cedar panel. The market is Northern Kyushu. This is the second plant for Shin-ei.

Annual log consumption would be about 110,000 cbms (70% cedar and 30% cypress). Shin-ei is the only plywood mill in Kyushu with the first plant in Minamata, which produces softwood structural plywood and coated concrete forming panel.

Annual log consumption of this plant is 300,000 cbms out of which 270-280,000 cbms are domestic species plus some imported logs but in two to three months, all the logs it uses will be domestic species. It uses logs from three neighboring prefectures of Kumamoto, Kagoshima and Miyazaki.

By completion of Ohita plant, log procurement is more stable by dividing territories and Minamata plant will produce more coated concrete forming panel after Ohita plant produces enough structural panels. Sin-ei experienced hard time to satisfy customer' orders after Kumamoto earthquake when demand for structural panels increased for restoration of damaged areas and it felt necessity to have another plant in Kyushu.

China

Export certificates for ambila to be scrutinised

In order to effectively implement obligations under the International Trade Convention on the International Trade in Endangered Species (CITES) efforts are being stepped up to manage imports of ambila/kosso (Pterocarpus erinaceus) in accordance with the relevant provisions of CITES.

The authorities have indicated China will carefully scrutinise shipments to ensure the provisions of CITES and the exporting country regulations are followed.

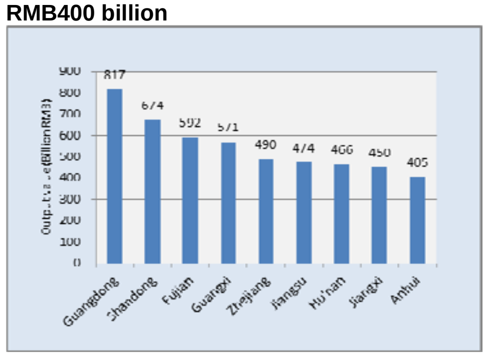
See:
http://www.yuzhuwood.com/news/details_ff8080816b1af91c016b4e7140b80bea.htm

The forest products industry in 2018

According to the 2018 Statistics Bulletin released by the State Forestry and Grassland Administration, the total value of national forest products industry output was RMB7,627 billion, a year on year increase of 7%, about 3% lower growth than in 2017.

There were 9 Provinces where the value of forest products industry output exceeding RMB400 billion. Guangdong Province ranks first in terms of total output value exceeding RMB800 billion.

Provinces with forest industry output exceeding RMB400 billion



Data source: 2018 Statistics Bulletin

Classified by industries, the leading forest industry sectors with an output value of more than RMB1 trillion in 2018 were: economic forest products, planting and collection industries, wood processing and wood bamboo products manufacturing and forestry tourism and leisure service industries.

The output value of 3 leading sectors was RMB1.4492 trillion, RMB1.2816 trillion and RMB1.3044 trillion respectively. The growth of output from forest tourism grew the fastest at 20%.

Output value by industry sector, 2018

	Output value RMB billion	% change 2017-18
Primary	2458	5
Secondary	3500	3
Tertiary	1670	20

Data source: 2018 Statistics Bulletin
See:
http://www.forestry.gov.cn/main/225/20190614/151218909598101.html

2018 output of main forest products

The output of commercial logs in 2018 was 88.11 million cubic metres, a year on year increase of 5%. The log harvest volume by farmers was 4.46 million cubic metres, down 15% year on year. The volume of farmer fuelwood harvests was 16.42 million cubic metres, down 9%.

The output of wood-based panels in 2018 rose 1.4% to 299.09 million cubic metres. Of the total, the output of plywood, fibreboard and particleboard was 179 million cubic metres, 62 million cubic metres and 27 million cubic metres respectfully.

The output of other panel products was 31 million cubic metres (53% of which was blockboard).

The output of plywood rose 4%, but the output of fibreboard, particleboard and other wood-based panels fell 2%, 2% and 3% respectively.

The output of wood and bamboo flooring fell 4%. Of the total, the output of solid wood flooring, solid composite flooring, laminate flooring and bamboo flooring was 117 million square metres, 203 million square metres, 394 million square metres and 75 million square metres respectively.

The output of laminate flooring grew 9% year on year. However, the output of bamboo flooring, solid wood flooring and solid composite flooring declined in 2018.

Rise in China's plywood exports in 2018

According to the data from China Customs, the volume of China's 2018 plywood exports was 11.33 million cubic metres, up 4% from 2017.

The average price for 2018 China's exported plywood was US$489 per cubic metre, a year on year increase of 4%. China's plywood exports to the top 10 countries amounted just 54% in 2018 as market diversification continues..

The pace of growth of China's plywood exports to Vietnam was the highest, surging 25%. That is because more and more Chinese wood products manufacture enterprises have been transferred to Vietnam. In addition, the volume of China's plywood exports to UK and the Philippines rose 18% and 15% respectively.

However, the volume of China's plywood exports to South Korea and US declined drastically, falling 34% and 22% respectively. The main reason for the decline in exports to South Korea, say analysts, was rising prices.

Increased tariffs and anti-dumping penalties on China's wood products resulted in sharply higher transaction costs to the US market. The US was the largest market for China's plywood exports in 2018 but accounted for just 11% of total plywood exports.

Main plywood export markets 2018

Markets	(000's cu.m)	% Change 2017-18
Total	11338	4
USA	1273	-22
Philippines	1022	15
UK	754	18
UAE	674	-1
Japan	641	-5
Vietnam	501	25
Israel	331	7
Thailand	324	6
South Korea	308	-34
Canada	267	6

Data source: China Customs

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	Yuan/Cu.m
Merbau	dia. 100 cm+	4000-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4600
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	6500
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2000-3000
Teak	dia. 30-60 cm	8500-8600
Greenheart	dia. 40 cm+	2300-2400
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2800-3000
Ipe	dia. 40 cm+	3200-3400
yuan per tonne		
Cocobolo	All grades	40-70000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	9800-11800
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-15000
Sapelli	Grade A	5000-7500
Okoume	Grade A	3700-4700
Padauk	Grade A	15000-18000
Mahogany	Grade A	6500-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	7500-9500
Lauan	special grade	4300-4700
Kapur	special grade	5000-6000
Teak	special grade	14000-22000

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3100-3600
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots pine	No knot	2100

Europe

Dutch and Belgian importers' views on FLEGT

Although the EU Timber Regulation (EUTR) has narrowed the supply base for tropical timber imported into the EU, traders in Belgium and the Netherlands strongly support the FLEGT regulatory approach – combining licensing with EUTR – as a platform to help rebuild confidence in tropical timber in the EU market.

FLEGT licensing is helping importers to comply with EUTR, while the forest sector reforms and new procedures implemented during the FLEGT VPA process form part of a positive narrative that now needs to be communicated more widely to buyers and procurement officials in the EU.

These were key messages of the latest European trade consultation, which targeted Belgian and Dutch traders, hosted by the FLEGT Independent Market Monitor (IMM), an ITTO project funded by the EU (more details of IMM and the trade consultation are available at (www.flegtimm.eu).

The event held in the Belgian port of Antwerp formed part of a series of consultations to inform IMM work to assess market drivers and market impacts and perceptions of FLEGT. Similar consultations were held last year in France, Germany and the UK, and others are planned in Spain and Italy later in 2019.

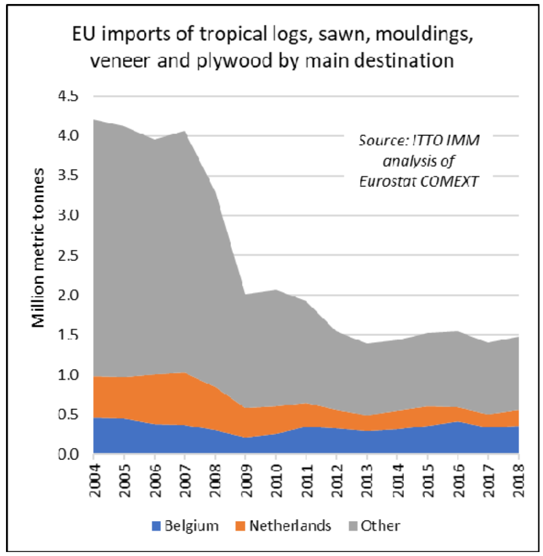
An audience of 50 attended the event co-organised with Belgian and Dutch trade federations Fedustria and the VVNH. Delegates included timber importers and distributors, end-users, retailers and representatives from trade associations, EU Timber Regulation and FLEGT competent authorities (CAs) and government agencies.

Participants mainly came from Belgium and the Netherlands and operated in a wide variety of product areas including plywood, hardwood for interior fittings, such as mouldings, interior furniture and other manufactured goods, laminated components and exterior products, including decking, cladding, fencing and garden furniture.

Participating companies sourced from suppliers worldwide. Among those listed were Bolivia, Brazil, Cameroon, China, Congo, Gabon, Indonesia, Malaysia, Peru, Russia, Thailand, and Vietnam. Their customers included the construction sector, merchants and distributors, flooring, furniture, packaging and other manufacturers, and, in the case of retailer delegates, consumers.

Apart from the number and range of participants, the insights from the Antwerp consultation were made more relevant by recent tropical timber trade flow trends in the EU. The consultation was an opportunity to explore the views of traders playing an increasingly prominent role as gatekeepers for the wider European trade in tropical timbers.

Imports of tropical wood products into Belgium and the Netherlands have held up more strongly than most other EU countries following the economic crises in 2008 and 2009. In 2018, 38% of total EU imports of tropical timber primary products (logs, sawn, veneer, mouldings and plywood) were landed in Belgium and the Netherlands compared to 23% in 2004.



The agenda featured presentations on global trends in the tropical timber trade, and notably European trade with VPA countries, private and public sector timber procurement policy and the Dutch CA's experience with FLEGT-licensed timber. Individual trade bodies and operators gave their perspectives on tropical timber trade developments, the FLEGT initiative and links to forest management certification.

Opening the consultation, IMM Lead Consultant Sarah Storck reported the results of the IMM 2018 trade survey which showed the EU timber sector has become quickly accustomed to the FLEGT licensing system. "In 2017 a significant minority of respondents had said it was more complex than undertaking due diligence under the EUTR. But in the 2018 survey only 1% of respondents still felt that, whereas the vast majority said it made importing easier".

Commenting on the direct impacts of FLEGT-licensing and the EUTR on EU tropical timber imports, Ms. Storck said that the market introduction of FLEGT-licensed timber was felt to have had a small positive impact by EU trade respondents to the 2018 IMM survey.

At the same time, around 35% maintained that the EUTR had negatively impacted tropical timber imports (compared to 63% indicating no impact and 2% indicating a slight increase).

Nonetheless, according to Ms. Storck, trade representatives interviewed by IMM for the 2018 survey emphasised that they were supportive of the EUTR and saw it as an opportunity for the tropical timber trade in the medium and long-term – as long as it was effectively implemented.

Rising Dutch imports of FLEGT licensed timber

These results were consistent with comments made at the consultation by Meriam Wortel, representing the NVWA, the Dutch CA for EUTR and FLEGT. A role of NVWA is to monitor volume trends in Indonesian forest product imports into the Netherlands since the start of FLEGT licensing.

Ms. Wortel said that "while, pulp and paper trade is more prone to fluctuation, the overall direction [of Indonesian timber imports into the Netherlands] has been upwards, with latest figures for timber and wood furniture showing further rises. However, while we can say licensing has had no negative effects, it is not yet clear to what degree or if FLEGT licensing is a factor in this positive trade trend."

According to Ms. Wortel, the NVWA is processing more FLEGT licences than any other CA, a total last year of 8546. The Dutch CA is also one of the driving forces behind developing a fully electronic FLEGT-licensing system in cooperation with Indonesia and the EC.

Initial administrative teething problems dealing with licences had been overcome as the trade grew accustomed to the process, said Ms Wortel. However, an ongoing issue was mismatches between HS codes on licences and those applied in the Netherlands.

"We've raised this with the Indonesian authorities and liaised with other CAs, but, while the incidence of mismatches decreased last year, it has recently risen again," said Ms. Wortel. "So, there's continuing need to stress to exporters they must get license details right."

During the subsequent discussion, participants highlighted that perceived "mismatches" were sometimes not due to mistakes on the FLEGT-licenses or importers' documentation but to limited product knowledge and mistranslations on the part of customs' officials.

"Laminated" joinery products, for example, would sometimes be expected by customs officials to be "film-faced". One or two participants complained that sorting out such issues and getting customs authorities to accept that the mistake was in fact their own would sometimes involve lengthy negotiations.

Ms Wortel added that the NVWA anticipated fewer mismatch issues with imports from Ghana when it starts licensing due to its less complex product mix and the different system of applying for and issuing FLEGT-licenses. She also said that the goal was that the process of FLEGT-licensing in Ghana should be fully electronic right from the start.

Potential of FLEGT licensing as platform to rebuild market share

Much discussion at the Antwerp consultation was directed towards exploring whether the long-term declining trend in EU tropical timber consumption can be changed and the potential for FLEGT licensing as a platform to rebuild market share.

A presentation by IMM Trade Analyst, Rupert Oliver, set the stage by highlighting that the share of tropical timber in total EU imports was only 19.7% in 2018, down from 20.3% in 2017 and the third consecutive year of decline (after a brief rebound in 2015). Longer term, the share of tropical countries in EU imports has fallen from well over 30% before the financial crises in 2007-2008.

Participants were invited to identify and rate the factors that may be restricting their sales of timber from VPA partner countries. "Environmental prejudices and uncoordinated marketing" was rated the most significant constraint by this audience, followed by "product substitution". The factors of "competition from China" and "diversion of wood supply to other markets" were viewed as the next most significant, in line with previous IMM research.

In contrast to previous IMM research, participants in Antwerp rated the "economic downturn and slow economic recovery" as a less significant factor limiting EU imports from VPA partner countries. This may simply be a sign that as time passes, memories of the economic downturn are gradually receding and there is growing acceptance that slow economic growth is the "new normal".

And in the Netherlands, where economic growth has been reasonably robust in the last 2 years, it's unlikely now to be viewed as such a significant market factor.

In addition to these various factors, participants suggested that the EU Timber Regulation (EUTR) has shaken up EU importers' supplier selection process. There was a widespread view amongst Belgian and Dutch traders at the consultation that they now put their supply chains through greater scrutiny than ever. Illegality risk assessment and the capacity of suppliers to provide adequate information to satisfy the due diligence requirement of the EUTR, was a priority.

"If a supplier can't meet our due diligence needs or supply the further proof of legality for risk mitigation, then we don't pursue the relationship further," said one plywood operator. As a result, said some traders, their tropical supply pool and consequently the variety of tropical products available to them, had narrowed.

While EUTR may be placing constraints on supply of tropical timber to EU importers, there was strong support for the regulatory approach adopted by the EU, combining FLEGT licensing with EUTR, when participants were asked, in another exercise, to rank overall strategies that might be adopted to improve the position of tropical wood products in the European market.

Of various strategies identified during the consultation, the FLEGT regulatory approach was by far the most popular amongst Antwerp participants. No single participant reckoned that the opposite strategy, of repealing the FLEGT licensing measures and EUTR (and thereby in theory reducing the regulatory burden of importing timber products) would help to improve tropical timber's position in this market.

Can the EU market for tropical timber be turned around?

In addition to rating market constraints and opportunities for timber products from VPA partner countries, participants at the Antwerp consultation were asked to provide feedback on three questions: (1) can the market for VPA partner timber products in Belgium/Netherlands and wider EU be turned around; (2) if so, how; and (3) what role do you think the FLEGT process can play in turning the market around?

On the first question, quite a few participants felt there was little or no prospect of the market turning around, suggesting that share has now been irretrievably lost to other materials and demand for tropical wood has shifted elsewhere in the world. However, others responded with a cautious "yes, in some specific market sectors".

On the second question, of "how to turn the market around", it was noted that trying to encourage more demand just by focusing on traditional product groups for tropical timber products and business-to-business communication channels, and trade servicing activities, was unlikely to lead to any significant increase.

On the other hand, there was some optimism that new opportunities could arise through the introduction of better organised and targeted marketing campaigns, involving considered analysis to match specific VPA partner products to niche markets, and backed by widespread certification and/or licensing, and concerted efforts to explain the FLEGT narrative to customers.

Views were divided on the third question, just how important is FLEGT licensing likely to be as part of the process? Some participants seemed sceptical that licensing had an important role to play, others were more enthusiastic.

To some extent this split reflected the experience to date of marketing Indonesian FLEGT products. Feedback from the Antwerp consultation suggests that FLEGT licensing is helping those importers that have traditionally purchased Indonesian products as it greatly simplifies EUTR conformance for these products.

However, licensing has yet to encourage any broader interest in Indonesian products in the European market. There was a widespread view in the room that companies so far have not been switching to Indonesian products due to the availability of FLEGT licenses. As things stand, participants also suggested that price premiums could not be charged for FLEGT-licensed products in the EU market.

Longer term, FLEGT licensing was expected by some participants to play a larger role in expanding the EU market for timber products from VPA countries if the range of countries and products covered by licensing increased.

The forest sector reforms and new procedures implemented during the FLEGT VPA process were seen as part of a positive narrative that could help at least to maintain, if not necessarily grow, market share in the EU.
However, for this to happen, participants stressed there needs to be more concerted efforts to improve awareness and recognition of the role of the FLEGT process down the supply chain, amongst retailers, manufacturers, and other buyers.

A clear, consistent and widely agreed message on FLEGT's sustainability credentials in terms of wider environmental, economic and social impacts, would also help, as would greater recognition of FLEGT licences in government timber procurement policy in all 28 EU member states.

Participants flagged up a lack of awareness of the wider benefits of FLEGT VPAs among decision makers shaping EU public procurement policies and decision makers specifying timber for public projects, especially at local level. It was noted that government recognition and procurement of FLEGT-licensed timber would help drive private sector consumption.

The topic of creating a logo for FLEGT was also raised once more, with some participants suggesting it needed to become a trademark. Participants also highlighted that lack of a chain-of-custody system for FLEGT licensed timber once it enters the EU supply chain is a barrier to FLEGT-licensed timber being accepted in EU public procurement.

Participants in Antwerp strongly favoured combining the FLEGT regulatory approach with further efforts to expand supply of third-party certified tropical timber. Perhaps unsurprising in this part of the EU where there has been particularly strong support for timber procurement policies favouring FSC and PEFC certified timber.

Participants emphasised that FSC and PEFC certification is still a greater purchasing preference amongst importers in the Netherlands and Belgium and their customers than a FLEGT licence.

Far reaching CSR commitments necessary to build EU market for tropical timber

Participants also strongly endorsed a view that NGOs need to be actively engaged in efforts to improve the market position of tropical timber in the EU.

Specifically, participants noted that the three NGOs which, probably, have been most influential on forestry issues in the EU (WWF, FoE and Greenpeace) need to be convinced of the “use it or lose it” message and to be more visible in their support for the FLEGT process.

Taken together, the demand for a regulatory approach in combination with wide-ranging commitment to private sector certification, and direct liaison with NGOs, mirrors the high ranking accorded to “environmental prejudices” as a key driver of tropical wood’s decline in this part of the EU.

There was a strong feeling in this audience that the poor environmental reputation of tropical timber products, irrespective of just how well deserved, must be rectified by far-reaching corporate commitments to good practice, backed by regulation, as an essential pre-requisite to maintain or rebuild market share.

Another clear message from the Antwerp consultation was that while FLEGT licenses and other environmental assurance mechanisms provide essential platforms to help build market share, there are broader competitiveness issues that also need to be addressed. Suppliers of FLEGT licensed products must still compete on price, availability, quality and consistent delivery.

A plywood importer illustrated this point by noting that “cheaper Russian plywood, which due to greater investment in technology has also become a better quality, more consistent product, has been taking Indonesian market share”.

Improved tropical wood marketing in Europe, with strong focus on certification

Europe’s timber and wood products sector has stepped up the level of its marketing and advertising activity and the clarity, cohesion and effectiveness of its communications in recent years. This includes marketing initiatives related to tropical timber which currently focus more on third party forest management certification programs than on FLEGT-related activities.

The focus on certification is partly due to the more limited range of FLEGT licensed products currently available on the EU market and partly to continuing lack of clarity in EU procurement policies and practices on the status of FLEGT licensing relative to systems like FSC and PEFC.

These are key conclusions of a new study on EU wood promotion programs issued by the Independent Market Monitor (IMM), the project hosted by ITTO with EU funding, to assess the market impact of FLEGT Licensing.

The study draws on a series of interviews and a literature survey conducted in the spring of 2019. In total twenty-five interviews were conducted across a range of EU member states and from a variety of perspectives – including wood promotional campaigns, timber trade federations, civil society organisations, companies and other industry commentators.

The IMM study shows that Europe’s timber and wood products sector has developed a wide range of national and international marketing programs and campaigns. The sector has focused particularly on promotion and communications of timber’s environmental performance, in recognition that its key markets, notably construction, but also government decision makers are increasingly environmentally aware and informed and addressing climate change issues ever more urgently.

Campaigns incorporate latest findings on wood’s carbon and climate mitigation benefits, its life cycle analysis performance in relation to competing man-made materials and its potential role in developing a circular, bio-economy.

There is also a stress on timber’s renewability and sustainability and the role sustainable forest management can play in maintaining the forest resource, with the carbon and biodiversity gains that entails. The stress here is very much on third-party forest and chain of custody certification as assurance that timber is from a sustainably managed forest.

Europe’s timber trade federations are involved both in these wider promotion campaigns and also conduct their own campaigns to highlight the industry’s efforts to assure legality of timber placed on the European market and combat illegal logging, with the main focus in this area on the EU Timber Regulation and associated due diligence.

On promotion of FLEGT and FLEGT licensing, there is a central communications hub in the EFI FLEGT Facility, which continues to develop its content, strategy and outreach. The UK Timber Trade Federation ran an exhibition exclusively focused on FLEGT, a UK initiative supporting development of Indonesian FLEGT marketing strategies is underway and other trade federations do communicate the facts on FLEGT.

But otherwise the profile of FLEGT licenses in industry promotion and marketing is low relative to third party forest certification. Europe’s two main tropical timber promotion campaigns – the Sustainable Tropical Timber Coalition (STTC) and the ATIBT “Fair and Precious” branding exercise - commend only forest certification as a procurement criterion, although FLEGT licenses are seen to have potential to make the market more tropical timber-friendly generally and do not rule out more communication on FLEGT in the future.

The emphasis of European NGOs in their forestry and timber sector campaigning is also on sustainable forest management linked to third party certification. There is, however, communication of FLEGT and some active NGO advocacy for the FLEGT VPA process in the sector.

Some in the European timber industry believe there is potential for raising FLEGT’s profile in communications and promotion further, given a more holistic approach.

That includes greater emphasis on its wider social, environmental and economic impacts, but also a still greater trade focus, with more information on the actual products available with licences.

Another influence on the direction of wood promotion generally must be that rival materials sectors' increasing communication of their environmental credentials, as the IMM report shows, is focused very much on issues of sustainability, carbon and climate.

The report recommends provision of targeted information on FLEGT to the managers of existing timber promotion campaigns, linked to a strong focus on continuing efforts to increase availability of FLEGT licenced products in the EU market, and further research and consultation to clarify the status of FLEGT Licencing compared to third party certification.

It also recommends measures to facilitate VPA signatory countries to themselves lead the process of communicating the role and positive impacts of the timber legality assurance systems being developed under the terms of FLEGT VPAs.

The report can be downloaded at
http://www.flegtimm.eu/index.php/latest-newsletter-autumn-2018/141-flegt-s-profile-in-promotion-and-marketing-is-low-relative-to-certification

North America

Housing starts fell in May after flooding

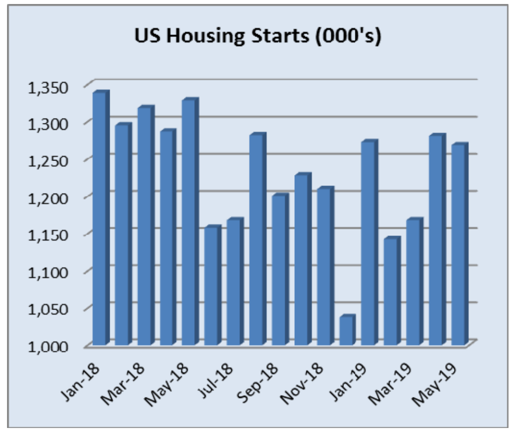
US home building unexpectedly fell in May, but data for the previous two months was revised higher. Building permits also increased suggesting the housing market was drawing some support from a sharp decline in mortgage rates.

Housing starts dropped 0.9% to a seasonally adjusted annual rate of 1.269 million units in May amid a decline in the construction of single-family housing units, the Commerce Department reported.

Data for April was revised up to show home building rising to an annual pace of 1.281 million units, instead of increasing to a rate of 1.235 million units as previously reported. Housing starts in March were also stronger than initially estimated. Economists polled by Reuters had forecast housing starts edging up to a pace of 1.239 million units in May.

The building of single-family homes, which accounts for the largest share of the housing market, dropped 6.4% in May. Single-family housing starts fell in the Northeast, the Midwest and West, but rose in the South, where the bulk of home building occurs.
Some of the weakness in groundbreaking activity probably reflects heavy rain and flooding in some parts of the country.

Canadian housing starts fell in May compared with the previous month as groundbreaking tumbled by 18.5%. The seasonally adjusted annualized rate of housing starts fell to 202,337 units in May from a revised 233,410 units in April, the Canadian Mortgage and Housing Corporation (CMHC) said. Economists had expected starts to fall to 205,000.



Data source: US Commerce Department

In related news, existing-home sales rebounded in May recording an increase in sales for the first time in two months, according to the National Association of Realtors. Each of the four major US regions saw a growth in sales, with the Northeast experiencing the biggest surge.

Total existing-home sales jumped 2.5% from April to a seasonally adjusted annual rate of 5.34 million in May. Total sales, however, are down 1.1% from May 2018.

US job growth slows – blamed on trade tensions

US job growth slowed sharply in May and wages rose less than expected, raising fears that a loss of momentum in economic activity could be spreading to the labour market. Non-farm payrolls increased by 75,000 jobs last month, the government said. This was the second time this year that job gains dropped below 100,000. Economists polled by Reuters had forecast payrolls rising by 185,000 jobs last month. Job growth in March and April was revised down by 75,000.

The broad cool-off in hiring reported by the Labor Department was before a recent escalation in trade tensions between the United States and two of its major trading partners, China and Mexico. Analysts have warned the trade fights could undermine the economy, which will celebrate 10 years of expansion next month, the longest sustained expansion on record.

Federal Reserve - willing to cut rates if economy falters

The US Federal Reserve did not change interest rates in June, but strongly signaled a willingness to cut soon to prevent the economy from slowing further. The US President has, for months, urged the central bank to cut rates to boost growth.

Business investment is slowing, uncertainty has increased, and the US economy is growing only at a “moderate” pace, the Fed announced after its June meeting, a notable downgrade from last month when the central bank characterised the economy as “solid.”

The Fed indicated it would take action “as appropriate” if the economy shows any more signs of decline.

Manufacturing continues to expand

Economic activity in the US manufacturing sector expanded in May and the overall economy grew for the 121st consecutive month, say the nation’s supply executives in the latest Manufacturing ISM Report on Business.

Comments from the panel reflect continued expanding business strength, but at soft levels consistent with the early-2016 expansion. Demand and consumption continued to expand while inputs – expressed as supplier deliveries, inventories and imports – were lower in May. Prices remain at a relatively stable level.

Tariff threat on Mexico withdrawn

Following a commitment by Mexico to deploy additional resources along its southern border, the US announced that escalating tariffs he had threatened are "indefinitely suspended." Before the deal was announced, Cindy Squires of the International Wood Products Association stated “Tariffs paid by US importers, manufacturers and ultimately consumers are not the way to address the crisis at the border."

Trade talks to resume

After a hostile month-long standoff, the United States and China will restart trade talks when President Trump and Chinese leader Xi Jinping meet on the sidelines of the G20 summit in Osaka, Japan.

After months of fruitless negotiations and increasing tariffs, Chinese officials are increasingly cautious and many experts believe the chances for a breakthrough in Osaka are slim.

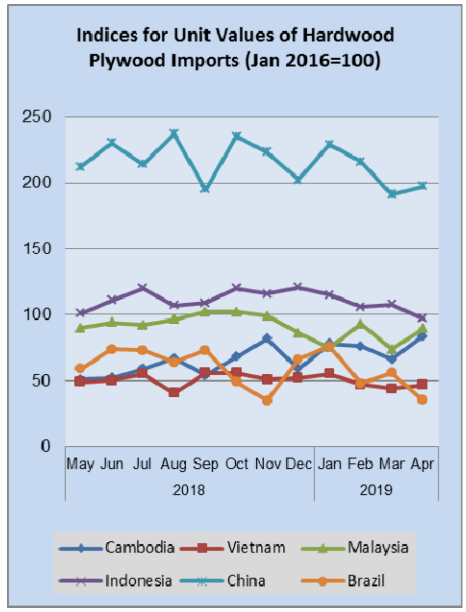
Deforestation-Free procurement bill moves to California Senate

The California Deforestation-Free Procurement Act has been approved by the California Assembly and sent to the state's Senate for further consideration.

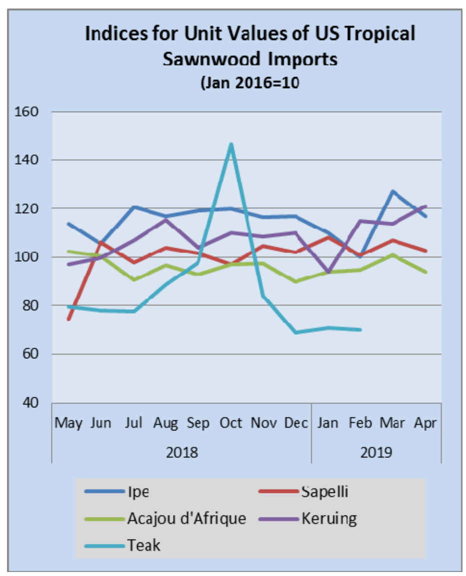
If enacted, this legislation would require entities that contract with the State of California to provide so called "forest-risk commodities" such as wood and wood products to certify that the products were not derived from land where deforestation occurred after January 1, 2022.

The bill defines deforestation as "direct human-induced conversion of tropical forest to agriculture, a tree plantation, or other non-forest land use, or severe and sustained degradation of a tropical forest resulting in profound change in species composition, structure, or ecological function of that tropical forest."

To become law, it must be approved by both chambers of the California Legislature and signed by California’s governor. See: International Wood Products Association at https://www.iwpawood.org/



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



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

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.

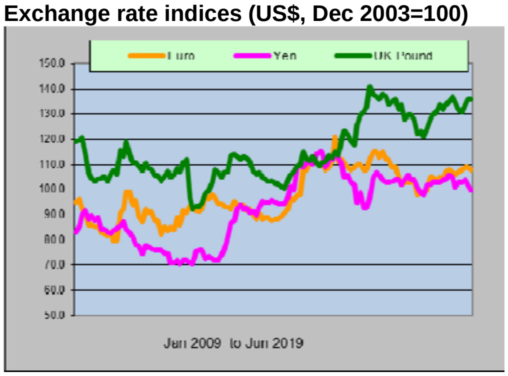
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

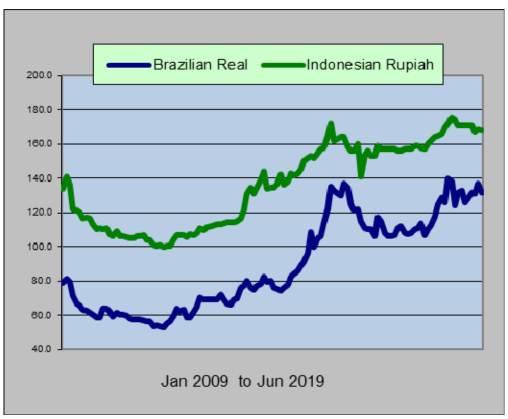
Dollar Exchange Rates

As of 25 June 2019

Brazil	Real	3.8486
CFA countries	CFA Franc	576.01
China	Yuan	6.8798
EU	Euro	0.8797
India	Rupee	69.33
Indonesia	Rupiah	14125
Japan	Yen	107.18
Malaysia	Ringgit	4.129
Peru	New Sol	3.32
UK	Pound	0.7881
South Korea	Won	1156.17

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



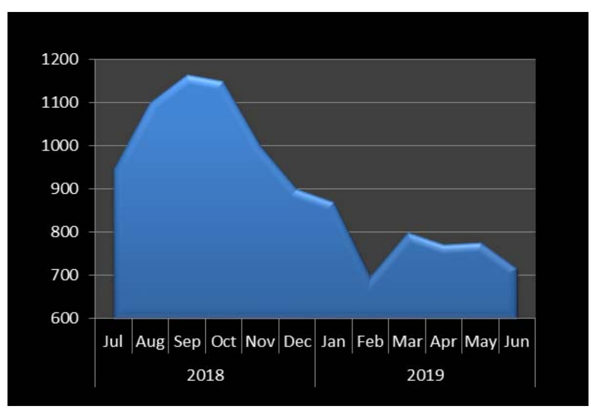


Abbreviations and Equivalences

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 Freight Index

Baltic Supramax Index
July 2018 – June 2019

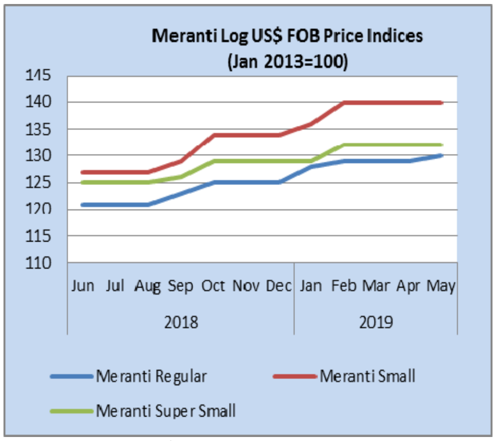


Data source: lloydslist.maritimeintelligence.informa.com

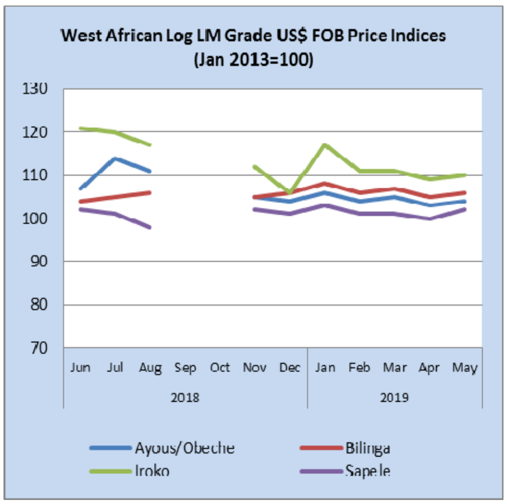
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

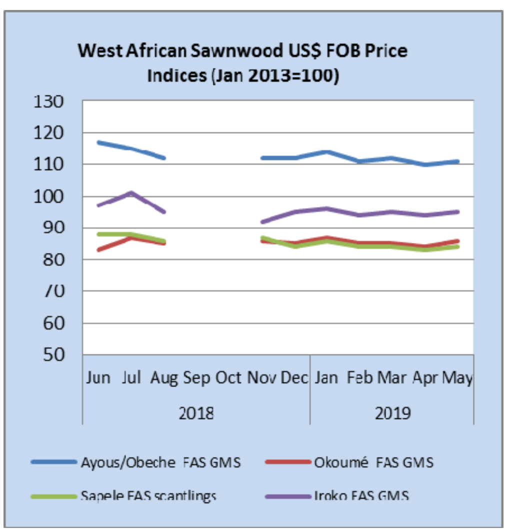
Price indices for selected products

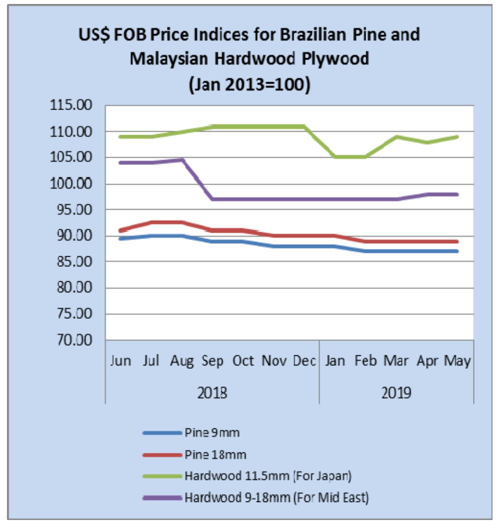
The following indices are based on US dollar FOB prices

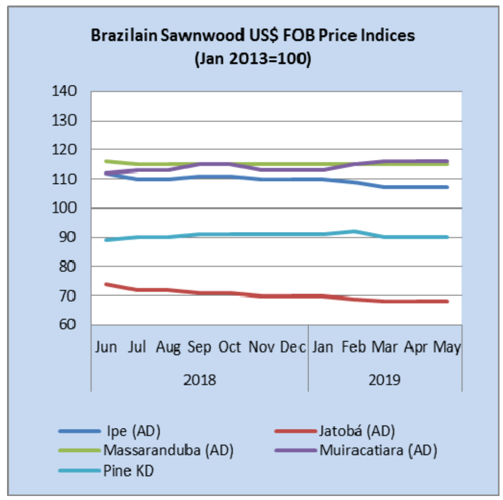


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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