Tropical Timber Market Report

Volume 23 Number 17, 1st – 15th September 2019

The ITTO *Tropical Timber Market* (*TTM*) *Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Top Story

California forest-risk procurement bill fails

The proposed California Deforestation-Free Procurement Act which would have required state contractors to certify that certain commodities supplied to the state were not grown, derived, harvested, reared, or produced on land where tropical deforestation occurred, failed and will not become law in 2019.

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"Together Towards Global Green Supply Chains"

Register now

ITTO will convene an international forum "Together towards Global Green Supply Chains" in Shanghai 22–23 October 2019.

The forum will highlight the importance of legal and sustainable wood product supply chains and facilitate voluntary business exchanges and collaboration worldwide.

Confirm your registration now for this exciting event!

Click here for more details
Download the second announcement
Download the draft agenda
Registration form
Invitation letter by ITTO Executive Director

Central and West Africa

Japan pledges US$ 20 billion investment in Africa

African leaders were recently in Japan for the Tokyo International Conference on African Development (TICAD) where the Japanese Prime Minister promised that Japan's private sector will invest US$20 billion over three years in Africa and that the government would offer "limitless support" for investment, innovation, enterprise, and entrepreneurship with backing from Japan's government institutions.

The Japanese Prime Minister said Tokyo's aim was to build partnerships "that values freedom, the rule of law and the market economy free from force or coercion." An approach that is seen as a departure from traditional aid towards more commercial engagement and with it a stronger emphasis on African development agendas.

ITTO side event at TICAD

During TICAD the International Tropical Timber Organisation (ITTO) hosted a discussion focusing on "Sustainable forest management and Sustainable Development Goals 2030 in Africa".

Speaking at this event, Hiroshi Nakata, Senior Advisor at the Japan International Cooperation Agency (JICA) said sustainable forest management (SFM) must be tailored to suit Africa's extraordinary diversity of landscapes, people and market demands and landscape restoration and sustainable and legal supply chains will be crucial in efforts to bring about SFM.

At the same event, Rosalie Matondo, Minister of Forest Economy in the Government of the Congo said increased collaboration between international partners and governments and the close involvement of local people are needed to achieve sustainable forest management in the Congo Basin.

During her opening address at this ITTO event, Mme. Matondo said international partners could help the people of the Congo Basin overcome the various constraints faced in the sub-region in achieving Sustainable Development Goals 1 (no poverty), 13 (climate action) and 15 (life on land) through innovate technologies, know-how, entrepreneurship and capacity building.

For more see:
https://www.itto.int/news/diverse_approaches_to_forest_management_needed_in_africa/
and
https://www.itto.int/news/more_collaboration_participation_needed_in_congo_basin_to_achieve_sfm_says_minister_matondo/

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	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	330	340	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	300	280	230
Sapele	310	310	265
Sipo/Utile	325	300	265
Tali	330	330	-

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	720
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

Continental Free Trade Agreement – AGI clear on advantages and threats

In a statement on its website, Charles Darku, Vice President of the Association of Ghana Industries (AGI) says access to the Africa Continental Free Trade Area (AfCFTA) could drive expansion of local industries and create more jobs and wealth in the country but to make the most of the continent-wide market he called for favourable policies.

What is needed, he said, is access to competitively priced credit, improved trade infrastructure and cross-border alliances that will boost the capacity and competitiveness of local industry.

AfCFTA provides an opportunity for Africa to create the world's largest free trade area, with the potential to unite 1.3 billion people in a US$2.5 trillion economic bloc and usher in a new era of development through a continental market for goods and services with free movement of people and capital.

According to Mr. Darku, for the local private sector to play a key part in this free trade market we must have something to trade and so we must seek an expansion in the manufacturing industries so we can play our part.

He continued "how are we to build the capacity of Ghanaian industries to ensure that gains will outpace threats?" Despite the prospects on offer, the AGI is mindful that an influx of imports from other countries could possibly threaten gains Ghanaian industries could secure from AfCFTA.

See: http://www.agighana.org/news_details.php?nw=159

Committee to investigate allegations of corruption in rosewood trade

At a recent press conference the Chief Executive Officer of the Forestry Commission, Kwadwo Owusu Afriyie, said the Ministry of Lands and Natural Resources has constituted a seven-member Committee to investigate all allegations of corruption in rosewood trade in Ghana. This follows claims by an NGO of institutionalised trafficking and export of rosewood which Mr. Afriyie said are grossly exaggerated and without basis.

He continued, "Without prejudice to the outcome of the ministerial investigation into the rosewood challenge, the Forestry Commission expects this press conference will help to set the records straight, for the press in particular and the general public to be well informed about the realities of the situation on the ground."

Help offered to restore degraded forests

In partnership with the Forestry Services Division of the Ghana Forestry Commission the Alliance for Green Revolution in Africa (AGRA) will support the planting of 160,000 tree seedlingsoin degraded forest land. This small project is designed to help protect water bodies and mitigate climate change and impact sustainable agricultural productivity.

Ghana and US declaration on African Green Revolution

The governments of the United States and Ghana have signed a Declaration for Partnership at the African Green Revolution Forum in Accra. The Declaration launches a five-year 'Feed the Future Country Plan for Ghana' that will increase investments in agriculture, build greater resilience and improve household nutrition.

Feed the Future is the US Government's global hunger and food security initiative that is aimed at bringing together investments from 11 US Government agencies to help accelerate Ghana's journey to self-reliance through agriculture, trade and policy reforms.

Boule Export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	550
Niangon Kiln dry	670

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	349	445
Chenchen	431	542
Ogea	508	590
Essa	625	733
Ofram	350	435

Export Sliced Veneer

Sliced face veneer	FOB Euro per m^3
Asanfina	728
Avodire	721
Chenchen	1,543
Mahogany	1,731
Makore	855
Odum	2,797

Export Plywood Prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	333	580	641
6mm	412	535	604
9mm	400	446	560
12mm	510	450	480
15mm	450	338	430
18mm	450	441	383

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

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	405	487
Dahoma	465	484
Edinam (mixed redwood)	520	610
Emeri	532	560
African mahogany (Ivorensis)	930	1,008
Makore	740	810
Niangon	620	633
Odum	649	865
Sapele	700	838
Wawa 1C & Select	420	466

Malaysia

Formaldehyde limits for domestic panel sales

Limits on formaldehyde emissions are mandatory in many consumer countries and the Malaysian panel products industry responds accordingly when exporting.

However, presently in Malaysia there are no regulations on formaldehyde emission levels for the domestic market. All wood panel products whether manufactured locally for imported for Malaysian consumers are not subject to inspection for formaldehyde emission levels.

To address this, the Malaysian Panel Products Manufacturers Association (MPMA) requested the Ministry of Primary Industries (MPI) to regulate formaldehyde emission for all panel products for the

domestic market whether they be locally manufactured or imported.

Since 2016, the Malaysian market has been flooded with imported plywood which was suspected to have high formaldehyde content.

An awareness event was recently conducted by the Malaysian Timber Industry Board (MTIB) among domestic plywood mills, workers, agents/importers, intermediate users and the public. An investigation of formaldehyde emission from Malaysian made plywood for the domestic market has been completed and studies on MDF and particleboard are on-going.

Based on the results of an earlier study and after considering the capability of the local wood-based panel sector a regulation for a formaldehyde emission limit of ≤ 1.5 mg/L (F**/E1 class) on imported and locally produced wood-based panels products was recommended. The majority of Malaysian manufacturers can reach this standard.

Yayasan Sabah strikes a deal to spur downstream processing

The timber group Priceworth International has signed a memorandum of understanding on log supply which will see Yayasan Sabah's Innoprise Corp. become a shareholder with a stake of 30% in Priceworth.

Innoprise Corp. is the investment arm of Yayasan Sabah. Yayasan Sabah (Sabah Foundation) is a state sanctioned organisation that promotes education and economic opportunities for the benefit of the people of Sabah. Yayasan Sabah has the state's largest timber concession and forest plantations.

The local media report that Priceworth and Yayasan Sabah will work on a framework for a partnership to encourage more downstream processing in Sabah's timber industry at the same time complementing each other in sustainable forest management.

Harvesting limits and low rainfall hit earnings of Sarawak companies

Sarawak timber companies WTK Holdings (WTK) and Jaya Tiasa Holdings (Jaya Tiasa) have reported first six month2019 earnings and both point to the poor performance of their timber and plantation sectors.

Jaya Tiasa reported a 24% drop in revenues in the first six months while WTK reported a 17% decline in revenues for its first six months of 2019. In commenting on the performance WTK blamed lower log output due to the dry weather which hampered river transportation.

Plywood prices

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

FB (11.5mm)	US$ 610 C&F
CP (3'x 6')	US$ 470-490 C&F
UCP (3'x 6')	US$ 570-590 C&F
Middle East	US$ 425 FOB
South Korea (9mm and up)	US$ 430 C&F
Taiwan P.o.C (9mm and up)	US$ 405 FOB
Hong Kong	US$ 440 FOB

Indonesia

Looking for wider markets in Australia

When the new Indonesian Timber Exchange is up and running the Association of Indonesian Forest Concessionaires (APHI) expects this year's sales to Australia to increase by as much as 10%.

Purwadi, APHI Chairman, said that at present only merbau from Papua and West Papua is marketed in Australia but hopes other timbers such as matoa, mersawa, nyatoh and resak can secure market share in Australia.

John Halkett, General Manager of the Australian Timber Importer Federation, said that hardwood from Indonesia is used mainly for home construction in Australia and that to market other non-structural timbers a strong marketing campaign must be launched.

Site of new capital announced

Indonesia's President, Joko Widodo, has announced that planning is underway to move the capital to Borneo. Jakarta overcrowded and prone to flooding as much of the city is below sea level and because it continues to sink. Physical infrastructure worksfor the new capital will likely begin in 2024.

The new capital would be located in East Kalimantan Province near Samarinda and the port city of Balikpapan.

Estimates put the cost at around US$33 billion of which around 20% would come from government, the rest coming from public-private partnerships and private investment. Homes for around 1.5 million civil servants will be required.

CIFOR applauds improvements in forest governance

The Director General of the Center for International Forestry Research (CIFOR), Robert Nasi, has applauded the advances made in forest governance in Indonesia.

In a presentation at a forest policy discussion hosted by the Ministry of Environment and Forestry he specifically mentioned achievements over the past five years in establishing the Peat Restoration Agency and efforts to reduce the occurrence of fires on peatlands.

Also mentioned was the social forestry programme which is distributing forest land user rights over more than 12 million hectares of forest to local communities.

Other successes mentioned were the conclusion of the VPA and issuance of FLEGT licenses to verify Indonesia's legal wood products exported to the EU and the moratorium on granting of new concessions for oil palm plantations.

Nasi stated that there was still a lot of work to be done especially in terms of mapping, monitoring, transparency, and implementation in the field.

See: https://indopos.co.id/read/2019/09/04/191911/perbaikan-signifikan-tata-kelola-hutan-di-indonesia-diapresiasi-cifor/

Furniture exhibited at Cologne show

Indonesian companies took part in the 2019 Spoga + Gafa International exhibition held in Cologne as this was an opportunity to promote Indonesian furniture products, not only for the German market, but also markets in neighbouring countries.

Apart from Germans, visitors were from England, Spain, Italy, Norway, Sweden and Latin America. Indonesian furniture entrepreneurs who participated in the exhibition said that Indonesia's biggest competitor in international furniture markets is now Vietnam.

Business mission to Europe and US

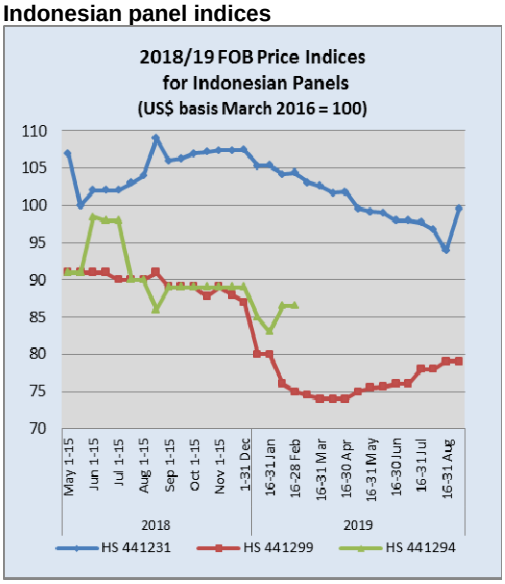
Indonesia's Chamber of Commerce and Industry (KADIN) will arrange a business mission to 14 European nations and the US to boost investment and trade ties and follow up on the ongoing trade agreement negotiations. The business mission will focus on the vision "Making Indonesia 4.0" which aims to make Indonesia one of the world's 10 largest economies in 2030.

In a press conference Kadin Deputy Chief for International Relations, Shinta Widjaja, said the mission will emphasise multisectoral development encompassing agriculture, chemical industry, packing industry, food and beverage industry, logistics, shipbuilding, maritime port, furniture, and the handicraft industry.

The mission to Europe began 13 September and covers visits to Turkey, Bulgaria, Greece, Serbia, Romania, the Netherlands, Slovakia, Poland, Switzerland, Germany, Italy, the United Kingdom, Belgium, and France.

The mission to the US will conclude on 9 October and cover involves visits to New York, Washington, Atlanta, and Los Angeles.

Indonesian panel indices



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

Myanmar

Plan to garner support from ethnic groups to protect the forest

The Myanmar Times has reported on comments from U Ye Myint Swe, Deputy Minister of Natural Resources and Environmental Conservation and Dawn Del Rio, Deputy Resident Representative of the United Nations Development Programme (UNDP), to the effect that the government needs the cooperation of armed ethnic groups across the country if it is to effectively address the destruction of forests.

It was announced that a plan to fight deforestation is being jointly drafted by the ministry and the UNDP.

See: https://www.mmtimes.com/news/officials-want-enlist-ethnic-armed-groups-deforestation-fight.html

Support from Karen needed to protect natural resources

The forests in the Tanintharyi Region have been subject to massive harvesting for charcoal production, a threat that first came to light 10 years ago.

The Tanintharyi Region borders the Andaman Sea and much of the coastal mangrove has been over harvested for charcoal production. This threat emerged in about 2005 and worried the mainly ethnic Karen villagers who had seen the destruction caused by charcoal burners.

In related news, the Forest Department and the Karen National Union have met to initiate cooperation for the protection of the natural resources and lives of the Karen people.

Community forest project back on track

A 30-year forestry master plan launched by the Forest Department in 2001 set a target of establishing community forests on almost 1 million ha, or three percent of total forest land in Myanmar, by 2030.

As of November last year, community forests had been established on only 221,169ha, or about 24 percent of the target according to data compiled by Voices for Mekong Forests, a European Union-funded project being implemented by a consortium of national and international NGOs.

Government figures show that community forest approvals have increased significantly since 2014, however. Over the past four years, 162,480 ha of community forest has been created, compared to less than 60,000 ha in the preceding two decades.

U Kyaw Zaw, Deputy Permanent Secretary in the Ministry of Natural Resources and Environmental Conservation, said harvesting in community forests would provide cash incomes for rural communities.

Volatility in exchange rate addressed by Central Bank

According to U Soe Min, Vice Governor of the Central Bank of Myanmar (CBM), the bank has acted to stabilise the Kyat exchange rate and may consider intervening in the foreign exchange markets. This was in response to the recent exchange rate volatility the result of comments from officials to the effect that local banks have "runaway non-performing loans".

Log Tender Prices for August 2019

Teak logs

Grade	H.tons	Average US$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	61.47	3,465
SG-5	67.25	2,857
SG-6	185.57	2,414
SG-7	767.88	1,679

Other hardwood logs

Species	Quality	H.ton	US$ Average/H. ton
Kanyin	1st	273.18	655.00
Kanyin	2nd	10,947.7	560.00
Pyinkado	2nd	673.49	762.00
Ingyin	2nd	153.25	334.00

India

Residential real estate sector has potential to almost double from the current 1.5 million units in key cities

CREDAI, in association with its knowledge partner CBRE (one of the largest real estate and investment firms) released a report "India 2030 – Exploring the Future" at its 19th Annual International Convention, NATCON 2019 in Israel. The report encapsulates the potential of Indian economy by 2030 and its implications on the growth of Indian Real Estate sector.

India is projected to have a US$9 trillion economic opportunity by 2030, wherein the per capita income could touch US$5,625 for a population of about 1.5 billion and required annual spending on infrastructure could rise to 7-8% of GDP.

Emergence of India's digital, sharing and consumer economy, evolution of workplace strategy, technology will also bode well for the industry. The demand for residential and office stock will continue to grow at the back of policy reforms on Affordable Housing and close-integration of start-ups and conglomerates to offer tech-enabled services.

By 2030 the residential real estate sector has the potential to almost double from the current stock of 1.5 million units in key cities says the report. The millennial population is expected to account for 77% of the overall working population in India by 2030. The housing needs of this group is unique as they look for convenience, service and a stressfree experience when purchasing.

Consumer demand will remain concentrated in the affordable segment and will gradually shift towards the mid-range segment but affordable housing will remain the dominant segment in the coming years..

See:
https://credai.org/press-releases/credai---cbre-report-exploring-the-future-identifies-key-trends-paving-the-way-for-growth-of-real-estate-in-2030

Unintended consequences – CITES rosewood regulation impacts livelihood of Indian farmers

Writing in the Times of India under the headline "The commercial extinction of Indian rosewood from global markets - Abundant yet redundant" Varsha Singh explains the impact on Indian farmers of the CITES listing of rosewood.

Despite the decision by CITES to allow cross border transport of finished musical instruments with rosewood components without the need for CITES permits as well as trade in finished rosewood products such as handicrafts weighing less than 10 kilograms per shipment, the tight regulation of rosewood is impacting Indian farmers.

Dalbergia sissoo or rosewood is available in abundance in India and is widely preferred in Indian households as the best choice for home furnishings.

The decision to list rosewood by CITES has affected farmers in India who rely on sissoo (shisham) trees to supplement their income. Singh writes "Dalbergia sissoo is a species for agroforestry and millions of farmers plant this in their fields as an investment for future needs such as children's education, medical emergencies etc. and as an insurance against bad years".

Citing a Botanical Survey of India which shows Dalbergia sissoo does not fall into any threatened category and is available in abundance both in the wild and cultivated populations the Ministry of Environment attempted to delist Indian rosewood but CITES was not convinced.

Read more at:
http://timesofindia.indiatimes.com/articleshow/70941048.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Indian furniture makers show interest in Swedish softwood

In a press release Swedish Wood, which represents the Swedish sawmill industry and is part of the Swedish Forest Industries Federation, reports that its experience at the recent 'India Wood' was that Indian industry is showing strong interest in Swedish pine, particularly for furniture and joinery.

There was strong interest in the Swedish softwoods, particularly pine, from visitors who mainly comprised representatives of Indian furniture and joinery companies, wood importers and, to a lesser extent, interior designers, architects and furniture designers.

Charlotte Dedye Apelgren, Director of Interior and Design at Swedish Wood writes "The signals we received from the Indian furniture market at the trade show is that the younger generation are showing an interest in softwood furniture that is relatively light, feels modern and is easy to transport when moving house, for example."

Swedish exports of sawn wood products to India are currently quite modest but they are growing rapidly. Last year Sweden exported 27,000 cubic metres of sawn softwood worth around SEK 50 million. Sweden is the fifth largest country for softwood exports to India and has seen the greatest increase in exports in recent years. The Swedish sawmill industry sees India as a priority market for the future, and exports to India from Sweden are expected to continue growing.

See:
https://www.swedishwood.com/about_us/news/2018/3/india-has-the-potential-to-become-an-important-market-for-swedish-pine-in-the-future2/

Plantation teak imports

The rupee/dollar exchange rate has become more volatile in recent weeks. In early September the dollar was at over 72 rupees but a slight strengthening of the dollar lifted the rate back to 71 to the dollar in mid-month.

Analysts write that the government has signalled it is closely watching exchange rates and the performance of the economy. Many analysts expect further stimulus to boost growth.

C&F rates for Indian ports from various other sources continue within the same range as given earlier.

	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

Demand for domestically sawn imported hardwoods has been maintained and supplies are stable. Prices remained unchanged over the past two weeks.

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

Demand for Myanmar teak has slowed mirroring the strengthening of the rupee which pushed up import costs. Looking ahead, importers are hoping a change in GST rates will allow them to maintain sales prices.

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Current prices are unchanged.

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

Price range depends mainly on lengths and cross-sections.

Plywood

End-users continue to purchase at the recently increased base price.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	74.00
6mm	98.00
9mm	123.00
12mm	153.00
15mm	200.00
18mm	215.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	37.50	53.50
6mm	55.50	70.50
9mm	70.50	86.50
12mm	87.00	102.00
15mm	102.00	123.00
19mm	119.00	141.00
5mm Flexible ply	75.00	

Vietnam

Production and exports first 7 months of 2019

In early September the Ministry of Agriculture and Rural Development arranged a conference on forestry development and wood processing, production and exports for the first 7 months of 2019. During the conference the Ministry presented its plans for the final months of this year. It was reported that Vietnam's exports of forest and wood products in the first 7 months reached US$6.047 billion up by 17.9% compared to the same period in 2018.

Vietnamese wood products are exported to over 128 markets. The top 5 export markets are the US, EU, China, Japan and S. Korea which accounted exports of US$5.3 billion or around 88%, of total exports.

In Vietnam, as of July, there were about 5,424 enterprises of which 621 were foreign investments.

In the conference, the VFA commented on future opportunities and challenges, especially how Vietnamese exporters could take advantage of the US-China trade conflict to capture a large share of the US market lost by Chinese competitors.

This said, the VFA could identify opportunities for Vietnamese firms to enhance their productivity, market capacity and economic value as added value products are demanded in the US market.

The other advantage for the country as a result of the US/China conflict has been increasing foreign investment flows from China into Vietnam aiming to take advantages of competitive labour costs, the favourable business environment and supportive infrastructure. Furthermore, the Vietnam/EU VPA FLEGT and new forest laws that came into forces in June 2019 has facilitated wood processing and exports to the EU as well as other global markets.

Regarding challenges the VFA highlighted concerns on possible negative environmental, social and economic impact of incoming investment in the forestry sector. There are also serious concerns on possible commercial fraud and fake origin documentation for wood products which would undermine the credibility of reputable companies that export.

The other worrying issue is the increasing trade deficit between Vietnam and the US,. Discussions are underway to find a solution to address this imbalance.

See:
http://tongcuclamnghiep.gov.vn/LamNghiep/Index/hoi-nghi-danh-gia-tinh-hinh-che-bien-xuat-khau-go-va-lam-san-cac-thang-dau-nam-2019-4060

Fostering forest plantation for exports in Vietnam

Quangtri, in the Central Vietnam, has suffered serious forest loss and is a poor province but efforts by the government in cooperation with WWF are having a positive impact and the forest cover has risen from 47% in 2010 to almost 50% this year. The support for Quangtri was initiated in 2017 through a joint programme for sustainable forest development by WWF, the Vietnam Forest Administration (VFA) and the Quangtri Department of Agricultural and Rural Development.

At the same time as the forest area was being expanded policies were adopted to support local enterprises in establishing wood processing capacity. There is an estimated 22,000 ha of FSC-certified plantation forests in 31 clusters in 51 districts of Quangtri.

See: https://nongnghiep.vn/day-manh-trong-rung-gan-voi-xuat-khau-post248941.html

Brazil

Drop in June furniture production but half year figures remain positive

The Furniture Industry Association of Rio Grande do Sul (Movergs) recently presented the results of its survey of the furniture sector in Rio Grande do Sul. The survey covers the retail trade, industry and job creation.

Overall, furniture sales in June declined as the number of furniture pieces sold fell 9.7% compared to May and retail income also fell (-10%). The recent decline reverses an uninterrupted period of expansion that began in February this year. However, due to the good sales results up to May, the growth in sales in the first half of 2019 expanded 3.2% year on year.

In terms of production, June saw an 11% decline compared to May. Despite this, in the first six months of 2019 the overall decline in production was just 1.2% compared to the first half of 2018 yet revenues earned by the furniture industry grew 7.5% in the first months of 2019.

Furniture production in Rio Grande do Sul has shown ups and downs. In the first quarter there were two months of consecutive declines (February and March). The months of April and May showed growth but that was reversed in June, the worst month of the year so far.

Because of the slowdown, job creation in the sector fell in June and compared to the first half of 2018 there was a fall in jobs this first half.

New report – recovery of 12 million ha. of native vegetation possible by 2030

The Brazilian Platform on Biodiversity and Ecosystem Services (BPBES), supported by the Research Programme on Biodiversity Characterisation, Conservation and Sustainable Use (-FAPESP-BIOTA) and the International Institute for Sustainability (ISS), has released the document “Landscape and Ecosystem Restoration”, which states that it is possible to recover 12 million hectares of native vegetation of the country by 2030.

Brazil has lost about 71 million hectares of native vegetation in the last 30 years as a result of deforestation and forest fires among other factors according to MapBiomas. This damage can be repaired through enabling the recovery of 12 million hectares of native vegetation across the country by 2030 as set out in the National Ecological Restoration Plan.

Through this it would be possible to sequester 1.4 megatons (Mt) of carbon dioxide (CO2) from the atmosphere, interconnect natural fragments in the landscape and further increase biodiversity conservation without impairing agriculture output.

Brazil has the opportunity to develop a unique native vegetation recovery programme for forested areas of the Atlantic Forest and the Amazon rainforest.

This is because the country can count on a great diversity of species in restoration projects.

See:
https://www.ipbes.net/news/launch-summary-policy-makers-1st-brazilian-assessment-biodiversity-ecosystem-services

China is main competitors in the US moulding market

The global market for mouldings is important for Brazilian exporters. In 2018, Brazil exported about US$214 million in mouldings mainly to the US which accounted for over 90% of the total volume of timber mouldings exported. The balance was exported to over 20 countries.

Brazilian wood mouldings are mainly made from pine and the main producers are located in Paraná and Santa Catarina. Together these states produce almost the entire volume of mouldings made in the country. Paraná leads in exports, accounting for about 75% of the total volume.

According to the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), "the moulding market is stagnant due to constraints on civil construction work in the US and the aggressive strategy of Chinese producers. China is Brazil's biggest competitor in the US market, the world's main consumer.

Furniture imports and exports

The Brazilian Furniture Industry Association (Abimóvel) has released the main furniture market indicators for June and July 2019. In June 2019, Brazilian furniture exports totaled US$50.8 million, down 10.7% over the previous month, while imports grew 3.5% in June, reaching US$15.5 million.

In July, Brazilian furniture exports totalled US$54 million, an increase of 6.3% compared to June, while imports increased 6.7% in July, reaching US$16.5 million. In June 2019, the share of imported furniture in Brazil in apparent consumption was 3.1%, while the share of exported furniture in production was 7.3%.

On the other hand, Brazilian furniture sector exports totalled US$353.6 million in the year to June 2019 representing a 4.1% increase compared to the same period of 2018. Of this total, furniture exports to the United States which accounts for a third of exports increased of 12.5% year on year.

The states of Santa Catarina (41.3%), Rio Grande do Sul (28.9%) and Paraná (14.8%) together accounted for over 80% of Brazilian furniture exports between January and July 2019.

In terms of imports, of the main suppliers French and Mexican shippers saw significant growth compared to a year earlier.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	210
Jatoba	117
Massaranduba	111
Miiracatiara	111
Angelim Vermelho	110
Mixed redwood and white woods	92

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	843
Jatoba	448
Massaranduba	425
Muiracatiara	390
Angelim Vermelho	379
Mixed red and white	249
Eucalyptus (AD)	195
Pine (AD)	142
Pine (KD)	165

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	540
10mm WBP	428
15mm WBP	351
4mm MR	420
10mm MR	301
15mm MR	276

Prices do not include taxes. Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US$ per m^3
15mm MDParticleboard	219
15mm MDF	257

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1,419
Jatoba	865
Massaranduba	841
Muiracatiara	850
Pine (KD)	185

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)	288
12mm C/CC (WBP)	272
15mm C/CC (WBP)	253
18mm C/CC (WBP)	248

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Decking Boards	Ipê	2,828
	Jatoba	1,450

Source: STCP Data Bank

Peru

National training on forest product identification

Stakeholders involved in monitoring, control and promotion of wood products have been participating in a national training programme on a recently updated Explanatory Guide for Timber Identification which was published at the end of last year.

This training was an initiative of the National Forest and Wildlife Service (SERFOR) with technical support from the USAID FOREST programme and the United States Forest Service.

The objective of this training programme was to raise awareness of the criteria and methodology used in preparation of the guide and the additional features. The training aimed to facilitate the identification of the 85 forest products contained in the new list.

The training programme began at the end of July and culminated at the beginning of September. Workshops were held in Lima, Ucayali and Madre de Dios and involved about 150 technicians and specialists in the forestry sector.

Exchange visit to Colorado

In early September a delegation of Peruvian officials visited the US to meet with US Forest Service staff to experience environmental management and impact assessment in projects in Colorado national forests.

The Peruvian delegation comprised officials from the National Environmental Certification Service (SENACE), the Environmental Assessment and Control Agency (OEFA), the Ministry of Environment and the Ministry of Energy and Mines. A representative of the Confederation of Amazonian Nationalities of Peru (CONAP) and a student from the National University of the Peruvian Amazon (UNAP) also participated.

During the visit the Peruvian delegation were shown various projects implemented within national forests managed with the participation of the USFS, Bureau of Land Management (BLM), Colorado Department of Natural Resources, Colorado State Forest Service and the private sector.

The visit allowed Peruvian officials to understand that with proper zoning and management it is possible to conserve the forest and wildlife while also performing profitable and responsible extractive activities.

Forest fires extinguish in Ucayali

Four forest fires recorded during the first week of September in the districts of Campo Verde, Yarinacocha, Raymondi and Alexander Von Humboldt (Ucayali) were completely extinguished thanks to the work of the personnel of the Volunteer Fire Department of Peru, local authorities and residents of area. Personnel from the Office of Disaster Risk Management conducted damage assessment and needs analysis.

SERFOR - Amazon countries must establish a pact to protect the Amazon

The Executive Director of the National Forest and Wildlife Service (SERFOR), Alberto Gonzales-Zúñiga Guzmán, has emphasised the willingness of the governments of Peru and Colombia to integrate their respective policies for sustainable use of the Amazon and said that this vision should be shared by all Amazonian countries.

Gonzales-Zúñiga said that, although it is important that the G7 developed countries announced their intention to present a plan for the reforestation of the Amazon it is much more important that the Amazon countries themselves establish a pact to ensure protection of the Amazon.

Gonzales-Zúñiga indicated that deforestation is a permanent problem in Amazonian countries. In Peru, in 2017, 155,914 hectares of Amazon forest were deforested. Almost 60% were concentrated in four Amazonian regions, Ucayali, Madre de Dios, Huánuco and Loreto.

Shifting agriculture is one of the causes of deforestation in the humid Amazonian forests that is why Gonzales-Zúñiga said that SERFOR will continue with a campaign to raise awareness among farmers that they cannot burn illegally.

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	621-648⬆

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	966-984
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	266-295⬆
Spanish Cedar	333-352
Marupa (simarouba)	225-236

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	97991098
	Asian market	1085-1119
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		544-577
2x13x75cm, Asian market		756-822

Japan

Slowing business investment pulls down growth

The Japanese economy expanded at a slower pace in the second quarter than first reported as business investment was lower than expected. GDP expanded at an annualised rate of 1.3% in the second quarter according to revised data. The slow pace of growth was not a surprise as manufacturers had been steadily reducing investment as the global economic outlook became bleaker. Behind the slight rise in GDP was robust consumer spending.

In an odd twist, companies with a domestic market focus have been spending more specifically on automation as they try and cope with the labour shortage.

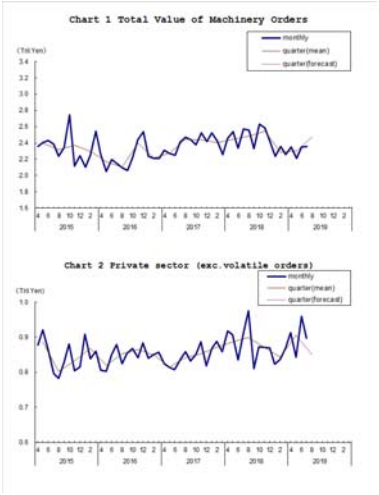
Private spending is expected to have risen in the third quarter and then expected to shrink when the consumption tax is increased on 1 October. The slowing growth has prompted calls for the Bank of Japan (BoJ) to expand its stimulus package perhaps by lowering interest rates further into negative territory.

BoJ Governor, Haruhiko Kuroda, is on record as saying cutting interest rates further into negative territory is among the bank's policy options because, while Japan's economy was sustaining momentum to achieve the BoJ's 2% inflation target, global economic risks were increasing.

Many analysts are expecting the BoJ to adopt further ease policies to counter the recent yen strength which may become more of a problem if the European Central Bank and the Federal Reserve introduce monetary easing steps.

Business confidence flat-lines

Cabinet Office data on machinery orders showed an almost 7% decline in July after positive figures were reported for June. Slowing global demand and the drawn out trade tensions between the US and China derailed corporate investment.



The government had been hoping on strength in corporate spending to counter weak exports but this was wishful thinking and the second quarter GDP growth was revised down. Economists were quick to comment that it is unlikely that business spending could rise when exports have declined.

Business confidence in Japan dropped to the lowest level in more than 6 years in September according to a Reuters poll. This along with depressed consumer confidence has slowed growth prospects giving rise to speculation that the BoJ could act with more stimulus. The BoJ has to take account of lower household spending and the risk that consumers could cut back further as the tax increase comes into effect.

Against this back ground it is a surprise that the Cabinet Office maintained its assessment of future machinery orders suggesting they are showing signs of picking up.

BoJ signal it is more open to discussing expanded stimulus

Bank of Japan (BoJ) Governor Haruhiko Kuroda said cutting interest rates further into negative territory is among the bank's policy options but he stressed that if it were to ease, the BoJ must take into account the impact such a move could have on Japan's banking system and financial market functions.

Markets are rife with speculation the BoJ could ease policy as early as this month to fend off an unwelcome yen spike that could be caused by expected monetary easing steps by the US Federal Reserve and the European Central Bank.

The BoJ has signaled it is more open to discuss the possibility of expanding stimulus and a decision will be made at their next meeting 18-19 September.

Shop with calculator in hand – multiple tax rates from October

When the new consumption tax rate becomes law on 1 October it will mark the beginning of complications for households.

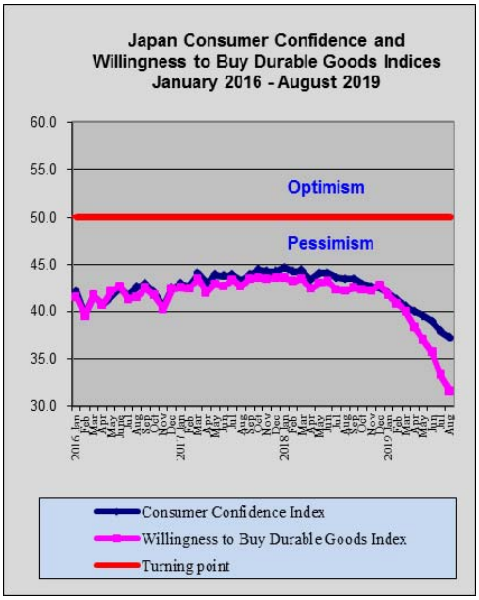
From October, food and beverages, excluding alcoholic drinks and eating out at restaurants and daily necessities will continue to be taxed at the old rate while the 10% rate will apply to a variety of goods and services.

To ease the financial burden on consumers a reward points system will be introduced for nine months until June 2020, in which the government will provide subsidies.

When consumers buy goods at small and medium sized stores with cashless payments they will be given 5% of the purchase price in reward points.

For consumers the new scheme will initially involve multiple rates according to the types of store and the items purchased. Retailers will really be tested as they try to help consumers understand the application of the different rates.

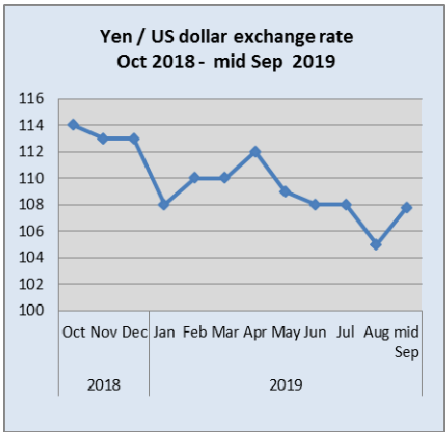
A local economist said, while the initial burden on of the tax increase on consumers will be eased, he still anticipates a downturn and a cooling of growth.



Data source: Cabinet Office, Japan

Rush to yen fades as US and China begin to talk

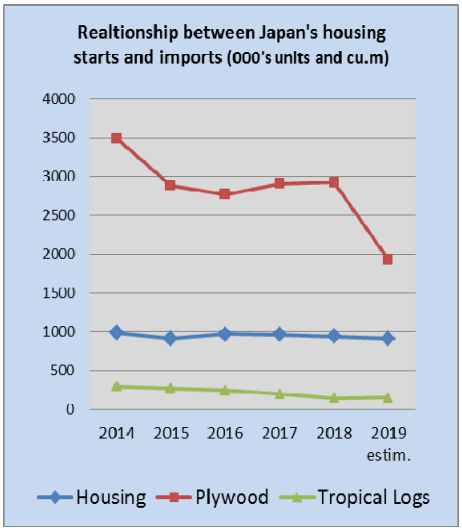
The U.S. dollar gained ground against the yen in mid-September because of general weakness in the so called 'safe-haven' such as the yen because of a thawing of tensions between the United States and China. The US dollar, at almost 108 yen, is at a 2 month high.



Link between housing starts and plywood imports breaks

Annual housing starts in Japan have been within a narrow range over the past 6 years and previously there was a close relationship between housing starts and imports of plywood (mainly from Malaysia and Indonesia) and with imports of tropical logs much of which was used to produce plywood.

The first signs of a break in the housing and import relationship came in 2015 when plywood imports dipped sharply. Another turning point was this year when plywood imports plummeted despite steady housing stock growth.



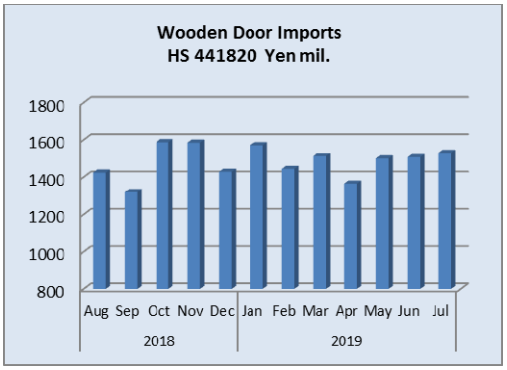
Data source: JLR

Import update

Wooden door imports

The value of Japan's imports of wooden doors (HS441820) continued to rise in July adding 7% to the value of June imports.

The top four shippers accounted for almost 90% of July imports with manufacturers in China accounting for 60% of June imports followed by the Philippines (21%). A further 5-6% was shipped from both Indonesia and Malaysia.

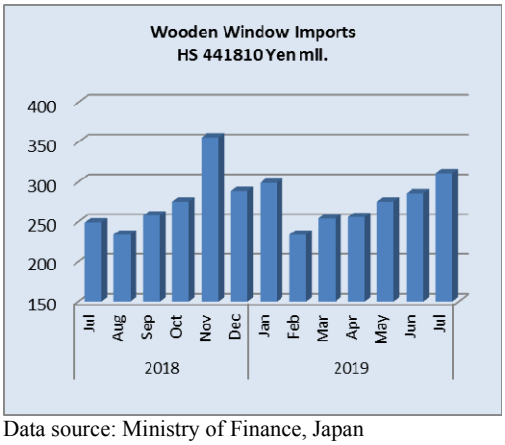


Data source: Ministry of Finance, Japan

Wooden window imports

July marked the 5th consecutive increase in the value of Japan's wooden window imports. The value of July imports was up almost 25% year on year and month on month July imports rose around 8.5%.

The top three in July were China (43% of imports) the US (27%) and there was a further rise in imports of wooden windows from the Philippines which contributed a further 21% to total July window imports.

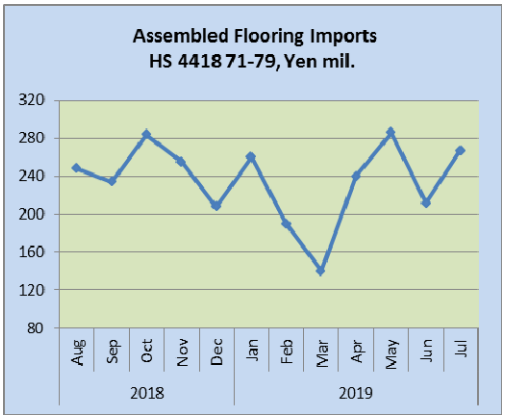


Data source: Ministry of Finance, Japan

Assembled wooden flooring imports

In July there was a 12% year on year rise in the value of assembled flooring imports and a 26% month on month increase. Assembled wooden flooring imported into Japan falling within HS441875 accounted for most of the July assembled wooden flooring imports with China shipping 61%, Indonesia 10% and a further 10% from Thailand.

The second largest category of assembled wooden flooring imports in July was HS441879 and the top shippers were Thailand (48%), Indonesia (25%) and China (22%).



Data source: Ministry of Finance, Japan

Plywood imports

One category of plywood, HS441875, dominated Japan's plywood imports and in July, as in the previous months, plywood in this category accounted for well over 60% of all plywood imports.

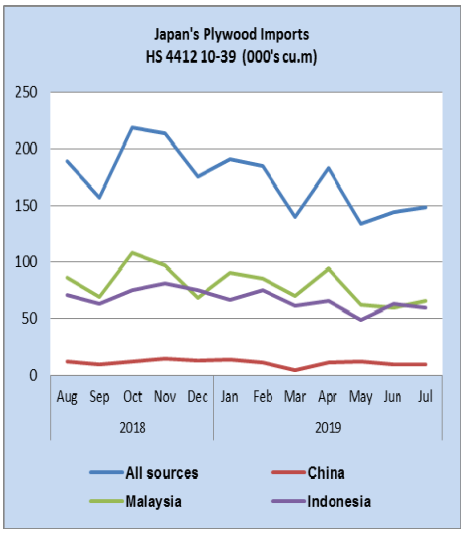
Year on year the volume of July plywood imports from all sources fell 13% and month on month import volumes were flat. The top three shippers remain Malaysia, Indonesia and China.

In July shipments from China were down 5% year on year and there was an 18% decline in arrivals from Malaysia. July shipments from Indonesia were almost the same volume as in June.

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

		China	Malaysia	Indonesia
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66
	Jul	10.7	92.8	71.3
	Aug	11.9	82.3	52.8
	Sep	10.3	79.9	79.3
	Oct	12.9	98.3	72
	Nov	14.9	80	71
	Dec	13.7	85	65
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8
	Jul	9.8	65.1	59

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:
https://translate.google.com/translate?hl=en&sl=ja&u=https://jfpj.jp/japan_lumber_reports/&prev=search

North American log and lumber imports for the first six months

Log import for the first six months was 1,332,321 cbms, 1.9% less than the same period of last year. Lumber import was 839,675 cbms, 21.6% less.

Logs from the U.S.A. are 857,809 cbms, 4.1% less and from Canada are 474,512 cbms, 2.2% more. Total Douglas fir logs decreased to 1,201,791 cbms, 3.8% less. Export prices of Douglas fir logs from the U.S.A. dropped down to normal level from high prices in 2018 but the volume didn't increase.

Meantime, Canadian Douglas fir prices stayed up high but demand by plywood mills in Japan was strong and the supply increased so that arrivals increased. A major supplier in Canada stopped the supply for a month in August but with ample inventory, the supply for the second half seems to be enough but high export log prices may reduce the demand so the volume in the second half may be down.

Hemlock, spruce and yellow cedar log supply increased but this depends on rotation of Alaskan log shipment and there is no change in demand except for hemlock to which Tanimoto Lumber in Hiroshima quit cutting hemlock logs so future demand of hemlock logs would decline.

In lumber import, all of three major species of SPF, Douglas fir and hemlock decreased. SPF lumber import dropped in the first half by drop of export prices and declining demand of rental units.

The demand recovered in the third quarter and the export prices bottomed out but by depressed North American lumber market, many sawmills either reduce the production or shutdown so the supply would stay tight despite more purchase orders.

Douglas fir lumber supply declined some but hemlock supply markedly declined. Demand for hemlock decreased by unstable supply. The market slackened by oversupply so that major supplier in Canada shutdown the mill for a month in March and April to reduce the supply then the same mill went onto to the strike in July so fall supply is shaky but present inventory in Japan is satisfactory.

Domestic log supply for the first half

Domestic logs supply for lumber manufacturing in the first six months of the year was 6,718,000 cbms, 6.2% more than the same period of last year and this is the most increase in last five years.

Logs for plywood manufacturing were 2,282,000 cbms, 9.1% more.

Domestic log supply has been increasing since 2010 but this year's volume is particularly large as log supply for lumber manufacturing was about 6,300,000 cbms during 2014 and 2018. The reason is favorable weather during January and April this year with very little snow and warmer temperature.

In last several years, record snow fall was registered in many areas. Also rather high log prices since fall of 2016 stimulated active harvest.

Log prices depressed from 2015 to fall of 2016 and marked the record low prices, which discouraged log harvest then the market recovered since fall of 2016 and the log prices did not drop down to record low of 2015. In particular, cypress log prices stayed up high for two years. Sawmills like winter harvested logs so mills' log inventory was satisfied amply and there was no log supply shortage during summer months this year. August is the month when log supply drops every year.

By declining log supply, post cutting cedar log prices firmed up since late July and cypress log prices are rebounding everywhere so log market seems to stay firm for coming months. However, lumber market is shaky and cedar lumber prices are weakening. Sawmills are caught in between high log prices and softening lumber prices.

Plywood supply for the first six months

Total supply of plywood for the first half of this year is 2,916,200 cbms, 5.6% less than the same period of last year.

Domestic plywood supply is 1,618,100 cbms, 1.1% more while imported supply is 1,298,000 cbms, 12.7% less. Shipment of domestic plywood exceeded the production but market of imported plywood continued stagnant with dull shipment.

Monthly volume of imported plywood continued low. January volume was over 250,000 cbms then it was less than 200,000 cbms in May and June. The volume from Malaysia was 475,200 cbms, 12.3% less and Indonesia was 432,700 cbms, 14.9% less. Volume from China was 297,500 cbms, 9.1% less and others are 92,500 cbms, 15.6% less. Sluggish market in Japan and high export prices make future purchase difficult.

Shipment of domestic plywood is 1,643,800 cbms, 5.7% more out of which softwood plywood is 1,572,300 cbms, 6.0% more. Structural softwood plywood is 1,447,000 cbms, 4.8% more. Production of softwood plywood in June recorded the highest of 276,300 cbms and the shipment was 270,200 cbms so June end inventory was 141,200 cbms, only 8,600 cbms increase since last January.

Movement of domestic softwood plywood has been very active. Precutting plants placed orders as August had longer holidays than normal years and thick panel deliveries are delayed as securing trucks is becoming difficult chronically now.

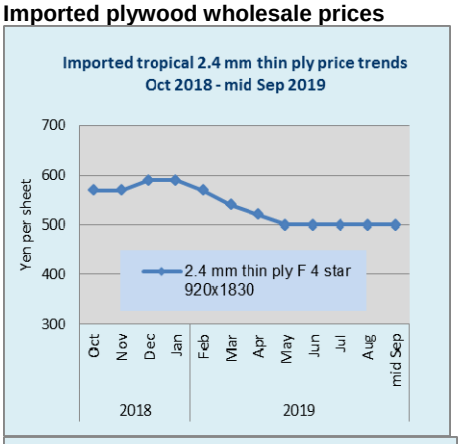
All the plywood mills are running to the full but delivery delay occurs. July production and shipment were record high and the inventory is dropping.

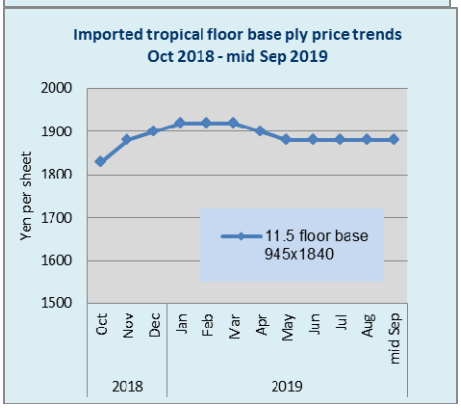
Long panel producing lines broke down in plywood mill in Western Japan so supply of long length panel is getting tight. Other mills try to cover this but producing long length panels mean reduced production of standard 12 mm 3x6 panel so it is not easy to make long panel now.

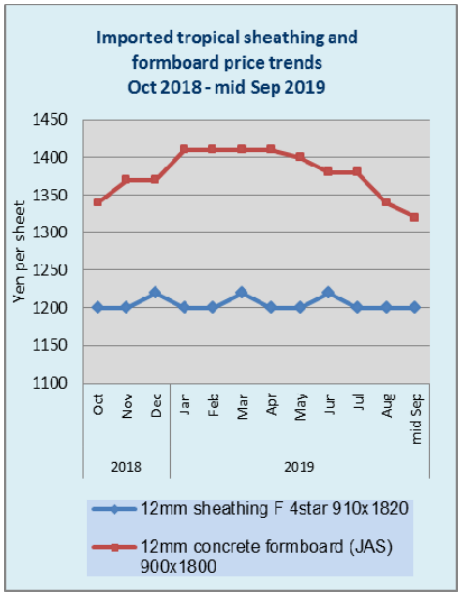
Imported plywood volume has been less than 200,000 cbms a month for three straight months but the movement in Japan continues dull and slow. The importers are unable to place orders for future cargoes because of high export prices and sluggish Japan market.

Among inventories of imported plywood, there are some short items and a balance is off by items. Port inventories are not high but the market does not feel any shortage feeling. Recent strong yen makes future cost down so the market prices are further weakening.

Imported plywood wholesale prices







Domestic log export for the first six months

Volume of exported domestic logs and lumber in the first half of the year was 617,089 cbms of logs, 9.0% more than 2018 and 73,647 cbms of lumber, 7.3% more. Cedar is leading species and cypress is declining. Rapidly increased cedar lumber export to the U.S.A. was 11,934 cbms, 8.8% more so rate of growing is slowing but it is becoming steady business. Log export to Korea is decreasing but lumber export is increasing.

China, the largest log buyer, imported 520,100 cbms, 12.9% more. If China keeps buying with this pace, total year volume may reach one million cbms. Cedar lumber export to China is over 10,000 cbms so China is as large as U.S.A. as cedar lumber buyer.

For Korea, volume of cedar logs is almost the same as 2018 but cypress logs decreased. It is possible that China buys Japanese cypress logs and processes to lumber then exports to Korea, which is why cypress volume for Korea declined.

Cypress lumber for Korea from Japan also increased so it is competition between China and Japan in Korean market. For Taiwan, cypress log export decreased by half then lumber export of cypress increased almost double so it is shifting from logs to lumber.

Value of export of logs was 8,394 million yen, 12.7% more and lumber was 2,983 million yen, 0.4% more. Compared to increase of lumber volume, the value did not increase as much as volume, which means drop of unit prices.

Cedar lumber prices for China was 17,660 yen per cbm in 2018 then it is 13,063 yen in 2019. Cedar log prices for China was 12,058 yen in 2018 then it increased to 12,718 yen In 2019, export log volume may increase but the value may not increase as much as the volume.

In Kyushu, where is the main log exporting region, cedar log prices for export is reported weakening.

China

Decline in log imports

China's log imports in the first half of 2019 totalled 29.56 million cubic metres valued at US$5 billion, a year on year decline of 2% in volume and 14% in value. The average price for imported logs was US$169 per cubic metre, a year on year drop of 12%.

Of total log imports, softwood log imports rose 5% to 21.06 million cubic metres, accounting for 71% of the national total, one percentage higher than in the same period in 2018. The average price for imported softwood logs was US$135 per cubic metre, down 3% on levels in the first half of 2018.

Hardwood log imports fell 16% to 8.50 million cubic metres in the first half of 2019 and accounted for 29% of the national total, a 1% drop year on year. The average price for imported hardwood logs was US$254 per cubic metre, down 12% on levels in 2018.

Of total hardwood log imports, tropical log imports in the first half of 2019 totalled 3.84 million cubic metres, down 12% year on year and accounted for 13% of the national total, a year on year decrease of 6%. The value of tropical log imports in the first half of 2019 was US$1.27 billion reflecting a 25% decline year on year.

China's log imports first half 2019

	mil. cu.m	% change 2018-19
Total log imports	29.56	-2
Softwood logs	21.06	5
All hardwood logs	8.50	-16
Tropical Logs	3.84	-12

Data source: China Customs

Value	US$ bil.	% change 2018-19
Total log imports	5.0	-14
Softwood logs	2.84	0.7
All hardwood logs	2.16	-28
Tropical Logs	1.27	-25

Data source: China Customs

First half tropical log imports plunge

Before its log export ban, Myanmar was a major source of tropical logs for China. However, China's log imports from Myanmar in the first half of 2019 fell to just 6,865 cubic metres valued at US$8.4 million, down year on year by 36% in volume and 44% in value.

The average price for imported logs from Myanmar in the first half of 2019 was US$1,224 per cubic metre, down 10% year on year.

The average price for imported tropical logs in the first half of 2019 was US$330 per cubic metre, a year on year rise of 6%. China imported tropical logs mainly from Papua New Guinea (27%), Solomon Islands (23%), Equatorial Guinea (14%), the Republic of Congo (9%) and Cameroon (7%).

Just 10 countries supplied 90% of China's tropical log requirements in the first half of 2019.

Tropical hardwood log sources, first half 2019

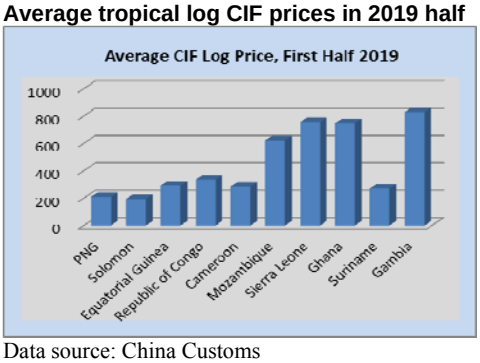
Trends in tropical log sources, first half 2019

Volume	Thousands cu.m	% change 2018-19
PNG	1,034	4%
Solomon Is.	888	-6%
Equatorial Guinea	549	-7%
Republic of Congo	344	61%
Cameroon	268	-21%
Mozambique	148	-42%
Sierra Leone	73.9	-32%
Ghana	64.1	-19%
Suriname	55.2	-16%
Gambia	44.1	344%

Data source: China Customs

Tropical log imports from Gambia and the Republic of Congo surged 344% and 61% respectively. Countries from which tropical log imports declined greatly included Mozambique (-42%), Sierra Leone (-32%), Cameroon (-21%), Ghana (-19%) and Suriname (-16%).

Average tropical log CIF prices in 2019 half

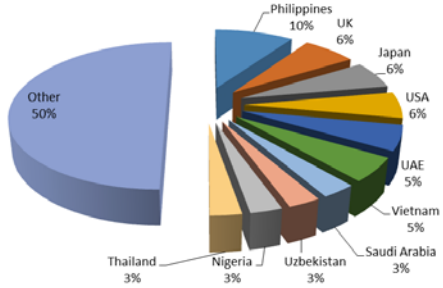


Data source: China Customs

Plywood exports to US plunge – sharp rise in exports to Uzbekistan

In the first half of 2019 the volume of China's plywood exports came to 5.07 million cubic metres valued at US$2.23 billion, a year on year decline of 9% and 17% respectively.

Major plywood export markets first half 2019



Data source: China Customs

The markets for China's plywood exports are very varied. The top 10 export markets accounted for just 50% of total exports in the first half of 2019.

China's plywood exports, first half 2019

	Thousands cu.m	% change 2018-19
Philippines	480	-4%
UK	325	5%
Japan	297	-7%
USA	283	-61%
UAE	273	-26%
Vietnam	259	35%
Saudi Arabia	150	17%
Uzbekistan	140	8000%
Nigeria	138	20%
Thailand	136	-16%

The volume of China's plywood first half 2019 export to the US dropped by 61% year on year to 283,000 cubic metres. In contrast the volume of China's plywood export to Uzbekistan surged to 140,000 cubic metres.

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

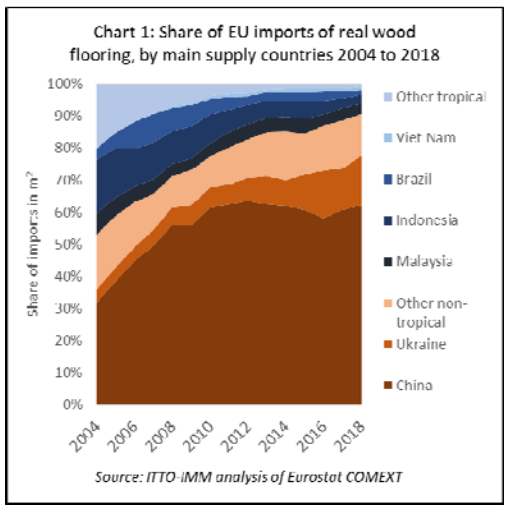
Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-10000
Black walnut	FAS	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade A	2600-2900
Maple	Grade A	9000-9500
Beech	No knot	9000-9500
Ash	No knot	5600-6300
Basswood	No knot	2800-3300
Oak	No knot	5300-5700
Scots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

Europe

Shrinking EU demand for tropical flooring

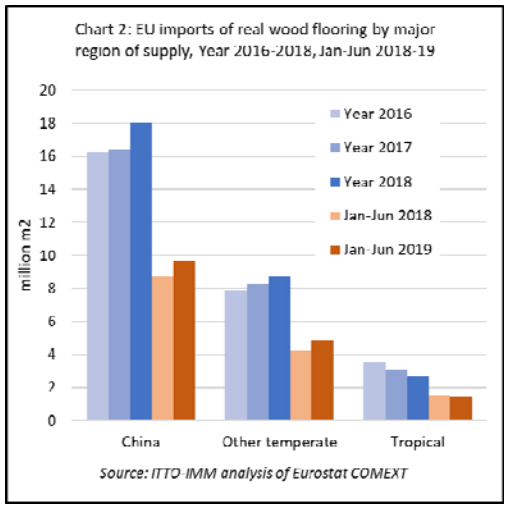
Total imports of real-wood flooring into the EU increased 6.2% to 29.52 million sq.m in 2018. Tropical countries accounted for only 9.2% of total imports in 2018, down from 11.1% the previous year and close to 50% before the financial crises.

After nearly two decades of almost continuous decline, the real-wood flooring sector in the EU is now a negligible market for VPA partner timber products (Chart 1).



EU imports of real-wood flooring from China increased 10% to 18.04 million sq.m in 2018. China's share of total imports increased from 59.2% in 2017 to 61.1% in 2018, regaining some of the share lost between 2012 and 2016.

This trend continued in the first half of 2019; imports from China, at 9.68 million sq.m, were 11% more than the same period last year (Chart 2).



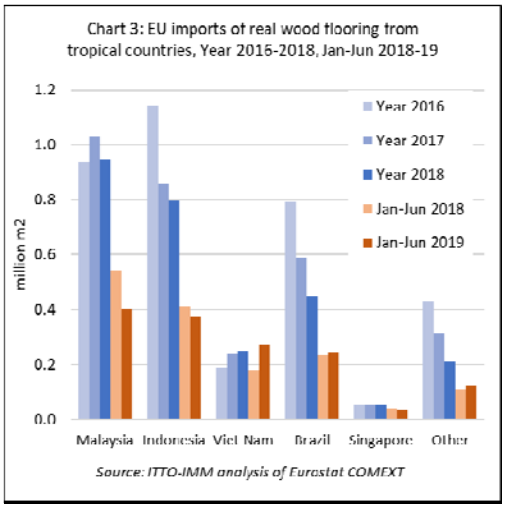
The biggest increase in EU flooring imports in 2018 was from other temperate countries, notably Ukraine.

Imports from Ukraine increased 19% to 5.02 million sq.m last year. Ukraine's share of total imports increased from 15% in 2017 to 17% in 2018.

Imports from Ukraine and several other temperate countries have continued to rise in 2019. In the first six months, total imports from temperate countries other than China were 4.83 million sq.m, 13% more than the same period in 2018. Imports from Ukraine increased 17% to 2.91 million sq.m.

EU imports of real-wood flooring from tropical countries fell by 12% in 2018 to 2.70 million sq.m and were down by 4%, to 1.46 million sq.m, in the first six months of 2019. Imports from Malaysia were down 8% to 950,000 sq.m in 2018 and fell 25% to 400,000 sq.m in the first half of 2019.
Imports from Indonesia were down 7% to 800,000 sq.m in 2018 and a further 8% to 380,000 sq.m in the first half of this year. Imports from Brazil fell 24% to 450,000 sq.m in 2018 but recovered a little ground, up 4% to 240,000 sq.m, in the first half of 2019.

Only Vietnam has consistently bucked the declining trend. Imports from Vietnam, which increased 4% to 250,000 sq.m in the whole of 2018, had already reached 270,000 sq.m in the first 6 months of 2019, 50% more than the same period in 2018. (Chart 3).



Flooring offers insights into wider EU market for tropical timber

Despite the shrinking share of tropical countries in the EU market for real-wood flooring, analysis of this sector is worthwhile for the insights it provides into wider market trends more directly relevant to VPA countries.

Due to the efforts of the European Association of Parquet Flooring Manufacturers (FEP), this is the only sector using significant volumes of hardwood for which there is reliable data on the usage of different species in finished products. Flooring is also a high visibility product which impacts significantly on the look and feel of a room.

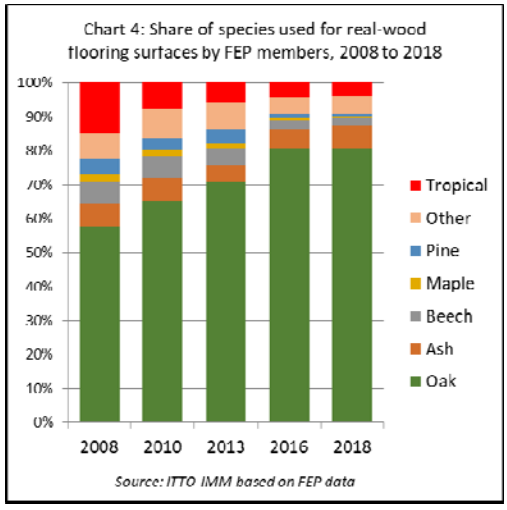
The consumer choices made in the selection of flooring are likely to be strongly correlated with choices of other products, such as furniture, kitchens, doors and panelling which are all more important markets for VPA Partner countries and for which there is little or no data on wood species preferences.

The real-wood flooring sector highlights the significance of fashion trends in driving demand for different wood products. A complex mix of forces is at play in setting these trends. Fashion is itself an iterative process driven by the interaction, through the media and other communication channels, between designers, manufacturers and retailers on the one hand, and their customers on the other.

In their designs and material choices, manufacturers and designers both respond to signals from their customers and the wider socio-economic environment, and some of the larger and more influential can themselves reinforce consumer attitudes and preferences. The smaller, less influential and innovative, or simply more risk-adverse, will follow their lead and reinforce the trend.

Analysis of the real-wood flooring sector suggests this process has been a powerful force in reducing demand for tropical timber products in the EU market. FEP data shows how a single species – oak – has come to dominate surfaces in this sector.

The share of oak surfaces in European real-wood flooring production was 80.7% in 2018, up from 71% five years earlier and 58% in 2008. During the same period, the share of tropical timber fell from 15% to less than 4% (Chart 4).



The initial preference for oak amongst manufacturers was due to the species being readily available from regional sources in Europe, the species attractive grain and good working properties, and that it had strong appeal as a "traditional" product in the European market.

The fashion has focused very much on European oak due to its distinctive grain and colour, although American white oak is widely used as an alternative.

As it is perceived to be less attractive to European customers, manufacturers have been less inclined so far to use American red oak despite this being the staple wood for flooring in North America.

Over time, European manufacturers have extended the range of looks that can be achieved with oak through development of new stains and other finishes and broadened applications with development of new surface coatings. The appeal of European oak to customers has been further boosted by it being widely portrayed as an environmentally benign material, widely available either FSC or PEFC certified, contributing to development of rural livelihoods and with a low carbon footprint.

However, this level of market dominance of a single, relatively slow growing and naturally constrained, hardwood species, has created its own problems for the European hardwood sector. Demand has declined for other hardwoods, including temperate species which are now much more readily available, such as beech and maple, as well as tropical timbers.

Prices for European oak have risen dramatically in recent years, particularly since manufacturers in China and other Asian countries have also followed the fashion for oak.

Under normal circumstances, high prices for oak might be expected to encourage manufacturers to look for and switch to cheaper hardwood alternatives. However, there has been enormous resistance to this.

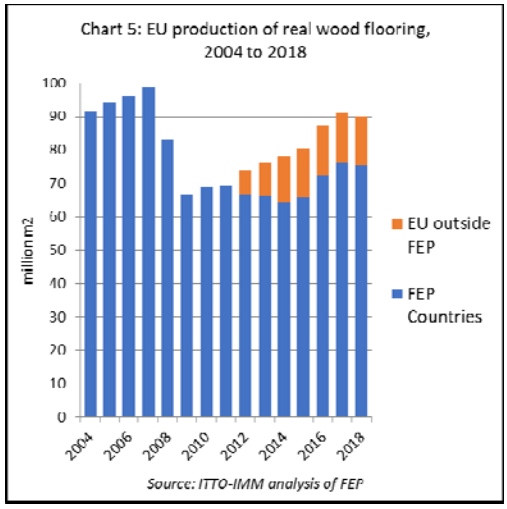
The only species other than oak to have seen any recent growth in usage has been ash, primarily because it can most closely match the grain and look of oak. Availability of ash timber may also be increasing, temporarily, due to the spread of ash die back in Europe and the emerald ash borer in North America.

The reasons for the resistance amongst European manufacturers to switch away from European oak are not entirely clear and may be varied. Some larger hardwood processors in the EU have mitigated the impact of rising oak log prices through innovation to increase yield, for example through CT scanning of logs and use of increasingly thin face veneers alongside new impact resistant layers.

The wood flooring sector in Europe is also highly fragmented, dominated by many smaller manufacturers, which lack the resources to develop and market innovative new products using different wood species. In this sector, there are many more followers of fashion than operators willing and able to shift customers' entrenched attachment to oak.

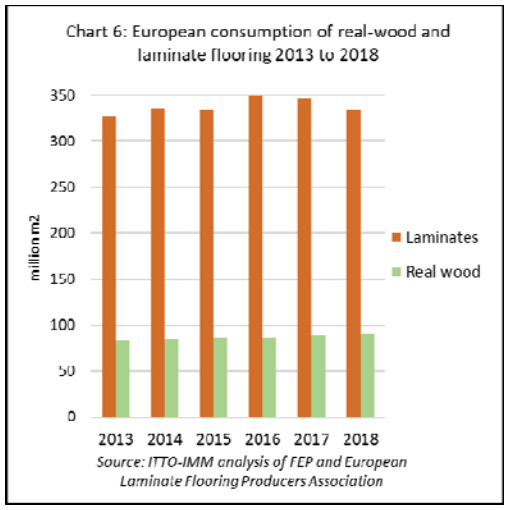
The ability of real-wood flooring manufacturers in Europe to influence the market is further constrained by the intense competition in the sector, not only from other real-wood manufacturers, but from the wide and expanding range of producers of laminates and non-wood products. Margins have been severely squeezed by this competition.

One indicator of this competition is provided by FEP data which shows that, after reaching a decadal high in 2017, real-wood production in FEP countries fell 1.3% to 75.3 million sq.m in 2018 (Chart 5). Total real-wood flooring consumption in FEP countries also fell in 2018, by 2.3% to 79.9 million sq.m.



The real-wood flooring sector faces particularly fierce direct competition from Europe's laminate flooring industry which is large and sophisticated with sales dwarfing those of the real-wood sector (Chart 6).

Through scale and innovation, this industry has become increasingly capable to supply products which mimic the look and feel of real wood, while offering superior technical performance and lower maintenance at a fraction of the cost.



According to the Association European Producers of Laminate Flooring total European sales of laminate flooring were 334 million sq.m in Europe in 2018, around 4% less than in 2017 and the second straight year of decline. While sales of laminate flooring in Eastern Europe were flat at 128 million sq.m in 2018, sales in Western Europe declined 6% to 206 million sq.m.

This shows that even the laminates industry may be losing share in the EU to a range of non-wood flooring products such as luxury vinyl tiles, porcelain tiles, and products made of recycled materials and other renewables like bamboo and cork.

North America

California forest-risk procurement bill fails

The California Deforestation-Free Procurement Act, legislation which would have required state contractors to certify that certain commodities supplied to the state were not grown, derived, harvested, reared, or produced on land where tropical deforestation occurred, failed to advance out of the California Senate Appropriations Committee.

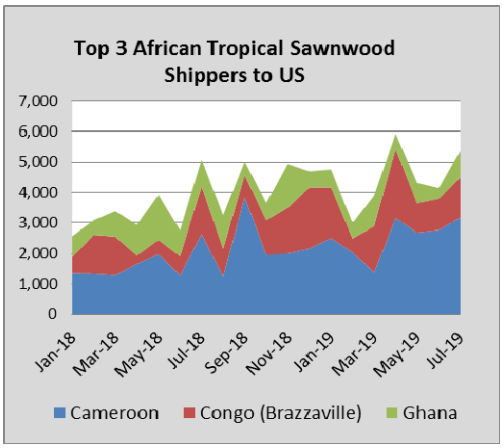
Because it was not approved by the Appropriations Committee it will not proceed to the full California Senate and will not become law in 2019.

See:
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB572

Across the board rise in sawn tropical hardwood imports

US imports of sawn tropical hardwood rebounded in July from a weak June, climbing 18% by volume from the previous month. Imports rose to 21,419 cubic metres in July, a volume approximately 8% higher than that of July 2018. Import volume is ahead of 2018 by 22% year to date.

Imports gained from all leading US hardwood trading partners in July, as each of the top 10 trading partners saw more than 10% increases. Imports from Ecuador rose by 26% in July, but Ecuador still remains behind last year's volume year to date. Imports from nearly all other countries are well ahead of last year's totals.



Data source: U.S. Census Bureau, Foreign Trade Statistics

Imports of teak, acajou d'Afrique, vVirola, pPadauk and keruing all rose sharply in July and are well ahead of 2018 volume year to date.

Surge in July veneer and plywood imports

US imports of hardwood plywood surged in July to a level not seen since last summer. Import volumes grew by 42% in July to 257,772 cubic metres, its highest monthly level since last August and 15% higher than July 2018.

Imports from China were up only 7% in a month where volume increased by at least 30% from nearly all other countries. Despite the strong month, year to date volume remains down by 8% with nearly every country other than Vietnam down more than 10% year to date. Imports from Vietnam are more than doubling last year's totals to date.

Imports of tropical hardwood veneer also climbed sharply in July, rising by 68% from June. Imports from Ghana rose 150% in July to their highest level in three years, while imports from Italy increased by 71%.

Imports from China and Cameroon continued to fall in July with imports from both countries down 62% year to date. Despite the strong July, total US imports of hardwood veneer are down 17% year to date.

Flooring imports from China down over 50%

US imports of hardwood flooring fell by 3% in July, declining for a second straight month after a strong spring. While imports for July lagged 4% behind July 2018 levels, overall imports are leading last year by 12% year to date.

Imports from China fell 5% in July and are down 53% year to date. Imports from Brazil fell by 34% in July but remain well above historic levels and are ahead 153% year to date. Imports from Indonesia and Malaysia both rose modestly and remain ahead of 2018 year to date.

Imports of assembled flooring panels fell by 14% in July. Imports from China and Indonesia were down by more than 30%. Imports from Vietnam rose 10% and are ahead by 151% year to date. Imports from Thailand more than quadrupled in July after suffering two of its slowest months in years. Overall imports are ahead of 2018 by 8% year to date.

Moulding import volumes steady

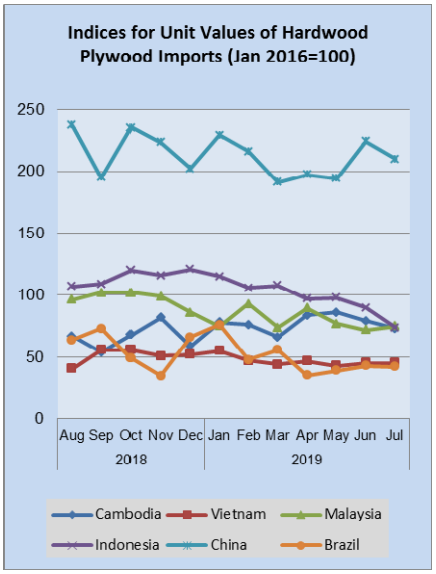
US imports of hardwood moulding are steady but at a rather low level. July import volumes were down 1% in July as imports from China and Brazil continued to decline.

Imports are down 27% year to date. Imports from Brazil fell by 11% in July and are now down 49% year to date. Imports from China are down 52% year to date after dropping 10% in July. Imports from Malaysia were up 42% in July. Imports from Malaysia and Canada are both ahead of 2018 by 10% year to date.

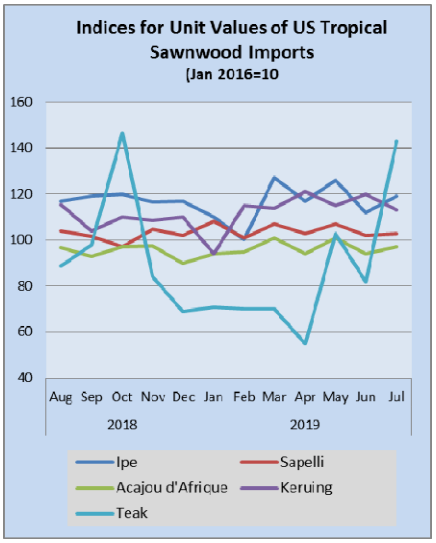
Domestic sales of furniture fall for 5th consecutive month

New furniture orders in June fell for the fifth consecutive month according to the latest Smith Leonard survey of US residential furniture manufacturers and distributors. New orders in June were 6% below June 2018 with 64% of the participants reporting lower order levels. June 2018 orders were up 5% over June 2017. Year-to-date, new orders fell to 3% lower than in 2018 with 70% reporting lower orders for the year. The 2018 year to date orders were up 6% over 2017.

See: https://www.smith-leonard.com/2019/08/29/august-2019-furniture-insights/



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



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

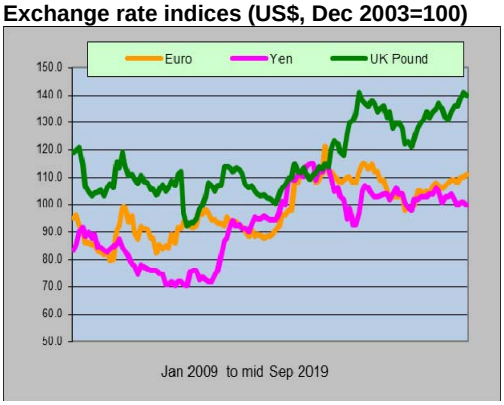
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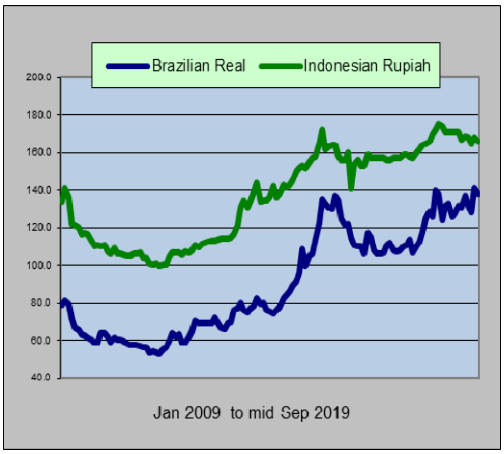
Dollar Exchange Rates

As of 10th September 2019

Brazil	Real	4.0682
CFA countries	CFA Franc	596.16
China	Yuan	7.1167
EU	Euro	0.9083
India	Rupee	71.58
Indonesia	Rupiah	14060
Japan	Yen	107.82
Malaysia	Ringgit	4.1750
Peru	New Sol	3.32
UK	Pound	0.8111
South Korea	Won	1190.68

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



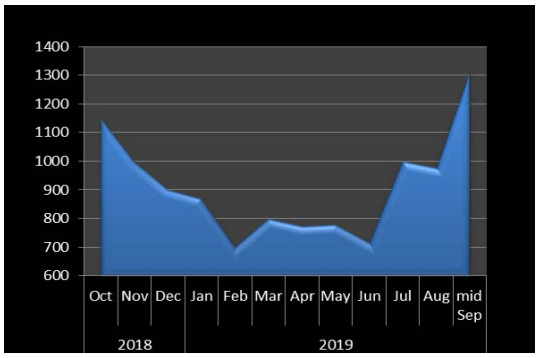


Abbreviations and Equivalences

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

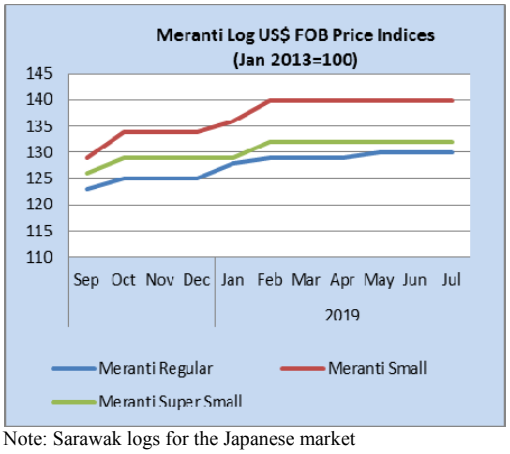
Baltic Supramax Index
October 2018 – mid September 2019



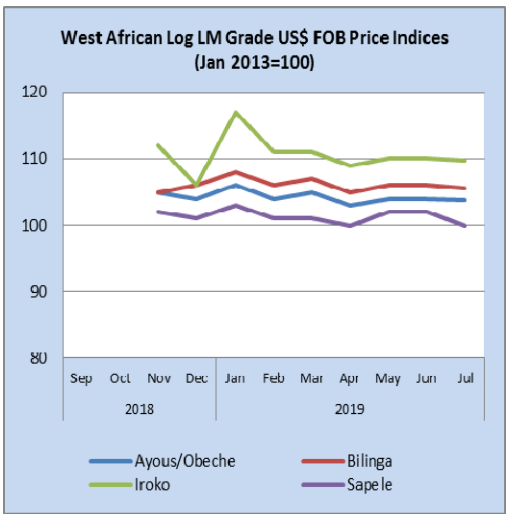
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

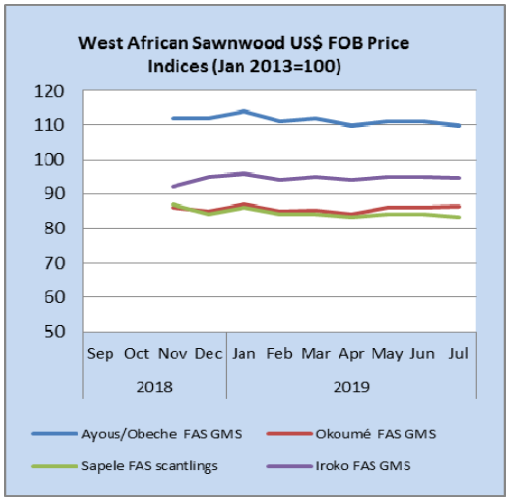
Price indices for selected products

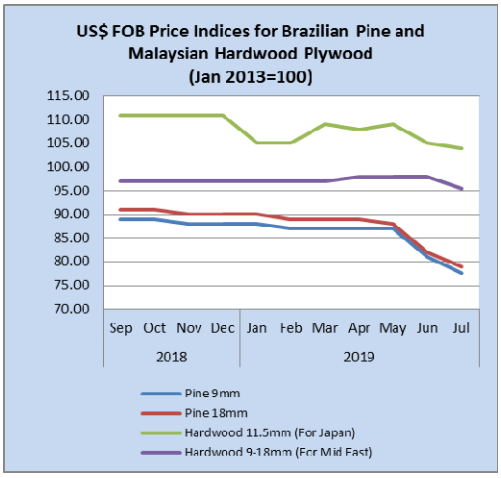
The following indices are based on US dollar FOB prices

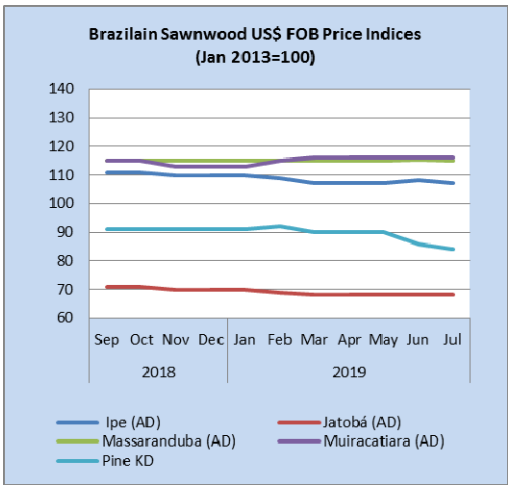


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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