



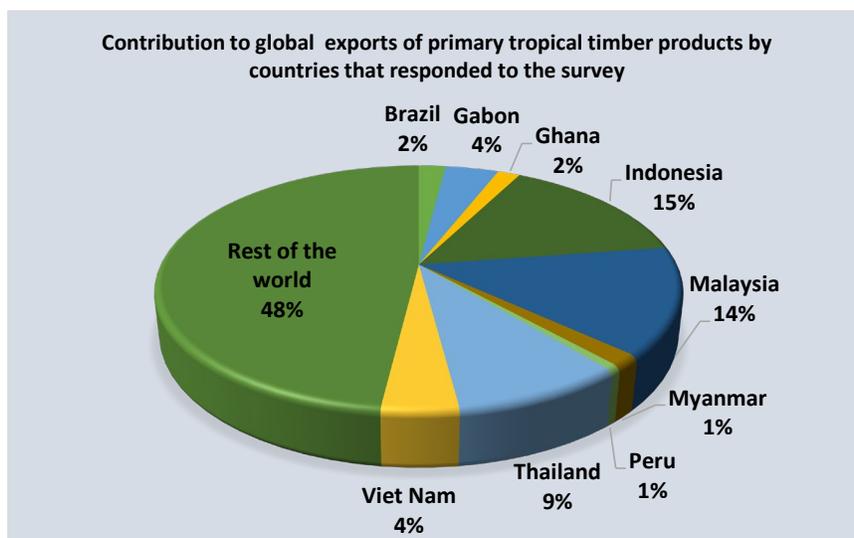
International Tropical Timber Organization

Impact of COVID-19 pandemic on tropical timber producers

A survey by the ITTO Market Information Service (MIS) in nine tropical countries shows that the measures taken to prevent the spread of COVID-19 are having substantial impacts on the tropical timber sector, with thousands of workers laid off and demand plummeting. Some governments are providing support for workers and companies, but others are yet to react.

Members of ITTO's Trade Advisory Group (TAG) and correspondents of the ITTO MIS responded to the survey in Brazil, Gabon, Ghana, Indonesia, Malaysia (individual responses from Peninsula Malaysia, Sabah and Sarawak), Myanmar, Peru, Thailand and Viet Nam, which together account for over 50% of the world trade in tropical primary wood products. The responses are provided below, edited lightly for clarity but otherwise reproduced as submitted.

The measures being taken to stop the spread of the virus vary considerably by country and regulations/actions are still emerging, evolving quickly and subject to change. Any survey can therefore only show the situation at a given point in time. **The survey results presented here are for the period to 30 April 2020, with some responses submitted earlier than that.**



Source: ITTO statistical database (www.itto.int)

While broad conclusions on the survey are difficult to draw at this early stage, a common concern in many of the responses relates to whether a recovery in demand for tropical timber will occur rapidly post-pandemic to allow a corresponding recovery for tropical timber producers. The regular flow of orders is the lifeblood of factories; with no demand there will be no orders, no production, no cash flow

and no wages. Throughout the tropics hundreds of thousands of workers have already been laid off and their livelihoods undermined.

In response to the pandemic, several governments throughout the tropics ordered lockdowns, which brought production to a standstill. As restrictions on people's movements are eased, limited production of outstanding orders could start. but many buyers have asked that delivery be delayed or have cancelled orders outright, a critical situation for many producers which is likely to be exacerbated as prospects for a quick recovery in either domestic or international demand is unlikely. Cash reserves of most domestic wood product end-users and of importers have been greatly reduced, while the majority of their customers (end-consumers) will take time to recover financially, adding to downward pressure on forward purchases.

Against this backdrop there is an urgent need to find innovative solutions to keep mills and factories operating. Is a revolving fund that could be made available to end-users and importers allowing them to order and pay in advance for timber for later delivery feasible? Would a system implemented by private-sector wood-processing factories such as order now and get a discount for paying in advance be feasible? These are extraordinary times and extraordinary measures will be needed to reverse job losses and rebuild revenue flows in much of the tropical timber sector.

ITTO will continue its work through the MIS and other channels to provide regular updates on the situation in key tropical timber exporting countries, and developments of relevance in key importing countries, through its biweekly *Tropical Timber Market Report* (the latest is available at: https://www.itto.int/files/user/mis/MIS_16-30_Apr2020.pdf). ITTO will also continue to work with its members, the TAG and partners in the Collaborative Partnership on Forests to develop responses to assist the recovery of the tropical forest sector.

Responses to the survey are grouped under the following six questions:

- 1. Are mills still operating?**
- 2. Have workers been laid off? Are they receiving an income?**
- 3. Are companies receiving government support?**
- 4. Have orders (domestic/international) been cancelled?**
- 5. Are containers still available and being loaded?**
- 6. How long would be required to ramp up production to pre-crisis levels?**

1. Are mills still operating?

Ghana

Mills in the country with available raw materials and orders are currently in production as government-announced COVID-19 measures so far were specific and restricted to the movement of persons. The measures exempted the production and movement of goods and essential services.

Factory workers who show evidence of any form of IDs were not affected by the movement restrictions but were expected to comply with social distancing. These are measures by Executive Instrument (EI) imposed under EI 64 and EI 65, on Public Gatherings and restricted movement of persons within selected zones respectively.

Indonesia

Most wood industries are still operating, but they unfortunately are decreasing production. Some factory operations will continue for the next few months since Indonesia has implemented a semi-lockdown in Jakarta beginning 10 April to be followed by a lockdown in West and East Java in the near future.

Another cause of lower production is the postponement of orders by importers in the European Union, America and parts of Asia. However, Indonesia's wood product exports for the first quarter 2020 have not been seriously affected by the pandemic.

The types of products that already experienced a decline in exports were HS 470329 (Wood pulp; chemical wood pulp) and HS 442199 (Wood; not of bamboo).

Myanmar

Myanmar started the national New Year holiday on 10 April and all factories remained open until 9 April. At that time the government urged 'voluntary home stay' and suspended domestic travel. It is not yet clear how Myanmar will handle the situation when the holiday period ends on 19 April. The authorities in Yangon, the commercial hub, have not issued any advice on what measure will be introduced after the holidays. Most workers have not returned to their home city because of the travel restriction.

Viet Nam

Most enterprises have reduced production; some have to close their factories. Over half (51%) of the respondents say that they had to reduce production; 35% of enterprises assume that their business can be maintained for some while, but suspension may not be avoided in coming days; only 7% of enterprises remain operational. The situation, however, may turn worse at any time because the entire industry lives on the orders left from 2019, and no new ones have made in 2020.

Brazil

Yes, mills are still operating, no significant change.

Gabon

Logging still working but at 70% due to rains.

Peru

In Peru, the average stoppage of operations is 90 to 95%. This causes the primary transformation to be working with roundwood from last year's harvests.

The government has issued regulations where production in the country is only for companies related to food, agriculture, agribusiness and large mining. Companies in other areas could work as long as their production is related to or supplying activities related to agriculture or food. For example, if a company supplies pallets to an agri-industrial company, it is valid.

Thailand

60% of the mills are closed due to no business. 40% try to remain operational at minimum. Wood related products would be 50% wiped out of the markets. The main distribution channels to the home improvement mega stores are locked down.

Sabah, Malaysia

No logging operations during our MCO (Movement Control Order).
No mills operating, we have requested for partial operation but not granted.

Sarawak, Malaysia

The logging operations are still on-going in Sarawak, Malaysia, with the log production volume declined by 50% in 1Q 2020, compared to 1Q 2019. This is mainly due to the State's policy for all the long-term timber licenses to go for forest management certification. In addition, to contain the COVID-19 outbreak, the federal & state government has imposed the Movement Control Order (MCO) starting from 18 March 2020 and has been extended for the third time till 12 May 2020, with minimal workforce causing interruption on ground operation and delay in document approval affecting the log production.

Timber mills are still operating, however the significant increase in labour cost and operation cost including raw material has made our timber products less competitive resulting in 10% reduction of production recorded in Q1 in 2020 as compared to Q1 of 2019. In addition, COVID-19 pandemic will further affect our production and costing due to social distancing where only 50% of the workforce is allowed to work.

Peninsular Malaysia

Logging operations were carried out until 17 March 2020. No logging operation since 18 March 2020 after Malaysia announced its Movement Control Order (MCO). Impact of COVID-19 pandemic on logging operations in first quarter of 2020 is minimal.

During the MCO which started on 18 March 2020, about 22% of timber mills in Peninsular Malaysia are allowed to operate at a maximum of 50% capacity.

2. Have workers been laid off? Are they receiving an income?

Ghana

No timber-sector workers have been laid off as at the time of this report. Ghana employs about 1.2 million workers, of which 600,000 are public sector workers. The remainder are either self-employed or with private investors.

All the public and private schools in the country were the first to be closed down by government on 16 March 2020. Recently unconfirmed scanty reports indicate, some private school teachers have either been laid off, about to be laid off or may not earn salary for the period at home.

There are no known laid offs particularly in the public sector, so workers are still receiving their wages and salaries. Government has also already announced 3-months various levels of water and electricity reliefs for Ghanaians, stressing on judicious use of these utilities.

It is anticipated with these measures, employers who do not meet production targets could likely reconsider cutting down on workforces. This will also depend on the availability and sustainability of packages promised by government.

Indonesia

They are being paid but not full payment (based on agreement). Some companies still pay workers with full wages, but the production target is decreased.

Myanmar

As of 10 April, no workers had been laid off in the timber industries. But for labour-intensive factories, such as in the garment industry, there have been lay-offs. According to the EU ambassador for Myanmar, an estimated 25,000 workers from more than 40 factories have been laid off. According to estimates provided by the EU, half of the 700,000 garment workers in the country, most of whom are female, are at great risk of either being suspended without pay or losing their jobs permanently.

They are being paid but not full payment (based on agreement). Some companies still pay workers with full wages, but the production target is decreased. There have been some disputes between the government, employers and trade unions over the need for support. However, the immediate effects of the pandemic are not yet clear since factories are closed because of the New Year holidays

Viet Nam

The army of unemployed/unwaged workers is massive. The quick survey shows that about 45% of the labor force employed in the wood-processing industries has lost jobs due to the pandemic. Out of the 124 interviewed enterprises, 105 respondents informed that before the virus outbreak they employed 47,506 workers but they have now laid off 21,410.

The burden of loan repayments, social insurance payments, taxes and other costs is acute. 83 respondents complained that they are unable to pay VND 178.6 billion of social insurance for their employees (VND 2.15 billion each enterprise on average).

Financial intervention to support workers who lose their jobs: 78 enterprises asked the government to provide financial support for the minimum wage (VND3.6 million per worker per month) for workers who temporarily lost their job.

The government is considering paying half of this minimum wage, while the employers can get access to low/no interest loan to cover the rest.

Brazil

The government has proposed legal provisions to mitigate the impact. Options anticipated are: holidays, leave, reduction of working hours with reduced salaries, suspension of contracts. Generally, so far, few companies have laid off workers but the virus problem is just starting and will get worse in the next few weeks.

Government assistance includes a small amount of money over the next 3 months for unemployed persons and a contribution to complement part of the salaries in case of suspension or suspension of contract.

Gabon

Laid off yes, about 20% of local staff and 5% of foreign workers. They get 50% of basic salary from the companies.

Peru

The national government has enacted an Urgency Decree that aims to establish extraordinary economic and financial measures, in order to mitigate the economic effects caused to private-sector workers and employers as a result of the restrictive measures and social isolation adopted in the Health Emergency framework. This figure is called “perfect suspension”, which allows the employee to maintain his/her contract with the company for up to 90 days, during which he/she will only receive the benefits of accessing the Social Security for Health Care, deposit for the Severance pay (*Compensación por tiempo de servicios* – CTS) and deposit to the National Pension System.

Thailand

Estimate 30% workers been laid off. The non-operational company has to pay 75% of the workers’ wages and salaries. Many of them also can’t afford that if they don’t have income, so they have gone bankrupt. Government has launched the subsidy policy to support individuals with economic situation from COVID-19 by paying each USD 150.

Peninsular Malaysia

The government provides assistance for entrepreneurs and people who lose their jobs through the social financing support and existing social safety-net mechanism of Employment Insurance Scheme (EIS) under which affected individuals will receive job search allowance, reduced income allowance, training/reskilling fee and allowance, early re-employment allowance, re-employment placement programme and career counseling.

Sarawak, Malaysia

No workers are laid off, however, no renewal of contract upon expiry of work permit for foreign workers. This comes to roughly about 10% of the total foreign workers.

Sabah, Malaysia

The timber sector currently has approximately 30,000 fulltime employees and between 5,000 and 10,000 piecemeal or part-time workers. Liquidity within the forest and timber industry is of the utmost concern for the next few months. The majority of the players in the industry would struggle to sustain existing payroll commitments. At least 50% of the workforce in the upstream and downstream sector will be facing job insecurity.

3. Are companies receiving government support?

Ghana

The government has recently received Parliamentary approval to spend additional GHC 1.2 billion (or USD 210 million) for 2020 in the months of Apr to Jun, 2020 to support businesses, and to minimize job losses if any.

The government has promised some financial support, but companies are yet to know the fine details of who will benefit or not and how much. Government has also pushed forward the payment of taxes and VAT.

Government also plans to support companies by absorbing 100% water and 50% electricity tariffs for the months of April to June 2020. These are expected to reflect on their month-end bills. The Ghana Association of Bankers has also announced a 200 basis or 2% cut on interest rates on loans.

Indonesia

Not yet, the government is still assessing data from impacted companies and workers affected by layoffs. Some associations propose government support such as relaxation/reduction of PPH tax for the companies, reduced regulation of import and subsidy for 180,000 workers' monthly wages.

Myanmar

The MIC has announced the availability of interest-free loans for SMEs and over 400 have applied with 55 companies securing approval. The processing of loan applications will restart after the New Year holiday.

Viet Nam

Emergency supports/rescue interventions by the government are needed. The type of emergency support/rescue intervention requested by the surveyed enterprises can be grouped as follows:

- Financial intervention to support workers who lose their jobs: 78 enterprises asked the government to provide financial support for the minimum wage (VND3.6 million per worker per month) for workers who temporarily lost their job. The government is considering paying half of this minimum wage, while the employers can get access to low/non interest loan to cover the rest.
- Immunity/postponement of taxes and fees applicable for enterprises: 31% of surveyed enterprises have requested the Government to exempt 100% of taxes, including corporate income tax, VAT, as well as social insurance and land rental fees; 31% have proposed to reduce 50% of these taxes and fees; 15% have requested to reduce current payment level to 40% or less.
- Extending the term for outstanding loan repayment: 30% of the surveyed enterprises tend to favour commercial banks extending the term for loan repayment for an additional 6 month period; 29% prefer a 9 month extension; 13% ask for a 12 month extended; 6% for an extra 5 month period.
- Reduction of loan interest rates applied by currently commercial banks: 52% of respondents proposed lowering annual loan interest rates down to 2–5%; 11% wish to have 2% rate; 5% can afford the rate varying 5.1–7.0%.

Brazil

Government support to companies includes a package of credit lines. In addition, payment of taxes is postponed.

Gabon

No, not at all/no support only advice and some easing of restrictions.

Peru

Not yet. Although currently the authorities of the national government are holding coordination meetings with the actors of the sector to issue regulations that reactivate the forestry sector.

The national government is developing a regulation for the reactivation of the forestry sector, but it has not been published yet. In general, the government has supported employers paying 35% of employees' March salaries for those who earn less than PEN 1,500.00 monthly. Something important to take into consideration is that the way the health crisis is handled in the capital (Lima) is not the same as it is in the regions where wood is harvested and transformed.

On the other hand, the government has created a National Government Guarantee Program to ensure the continuity of the payments' chain in the national economy, called the "Programa REACTIVA PERÚ", whose objective is to finance the replacement of working capital of companies that face short-term payments and obligations with their employees and suppliers of goods and services. However, there are no guarantees to know if wood industry companies can benefit from this programme.

Thailand

Government supports individuals, not directly to the companies but there are new policies launching for the support industrial sectors afterward including tax reduction, electricity bill support, etc. We are waiting for the final support later.

Cash to individuals who are poor could include workers as long as they registered. We also heard about the soft loan from government through commercial banks but the regulations are still unclear. We have also heard about the slowdown on repayment of loans as well.

Peninsular Malaysia

Deferment/Exemption of Statutory Contributions, Tax and Levy

Employer Advisory Services ("EAS") programme

Exemption of Human Resource Development Fund ("HRDF") levy payment

Income tax instalment payments

Tax deduction for expenses incurred by companies to provide employees with disposable personal protective equipment (PPE)

Reduction of Operating Cost

Discount on electricity bill

Free internet during MCO

Wage Subsidy Programme to assist employers in retaining workers

Employment Retention Programme

Improvements to the Employment Insurance System ("EIS") Benefits

Reduction of levy on foreign workers

Financing Facilities from various financial institutions, e.g. 6-month moratorium on bank loans, grant, micro credit scheme, Guarantee Scheme

Moratorium for submission of statutory documents to Companies Commission of Malaysia

Tax deduction for owners that provide rental reduction or waiver to SMEs

Deferment of winding-up notice and payment from 21 days to 6 months and threshold increased to RM50,000.

Sabah, Malaysia

Government has some salary support scheme but does not cover timber industry.

Sarawak, Malaysia

Yes. There are assistances provided by both the federal and state governments in terms of moratorium and restructuring of loans without compounding interest / financing facilities (certain types are excluded); cash injection in various facilities funds for application; wage subsidy programme for employers to prevent lay-off of employees; discounts on utilities bills, annual assessment fee and land rents ranging 5–15% for 6 months, from April 2020 onward.

4. Have orders (domestic/international) been cancelled?

Ghana

Mills are currently producing for both the domestic and international markets. Ghana announced its first COVID-19 case last month (March). The Timber Industry Development Division (TIDD) of the Forestry Commission (FC) continued to process and approve contracts for export.

Indonesia

Orders from the international buyers, especially the countries badly affected by the pandemic, have been postponed. However, countries less affected continue to place orders, although the export process at the port is slightly hampered due to restrictions on working hours and the implementation of the shift work system. This will get worse for the next few months due to strict business and social interaction restrictions.

Myanmar

In the timber industry, some orders have been postponed but it is hard to get accurate data and facts. Buyers in the EU have suspended most of garment shipments. For the timber industries, about 50–100 containers are ready to ship (end March) but some are delayed. The value of pending shipments is said to be between USD 4 to 6 million.

Viet Nam

The situation may turn worse at any time because the entire industry is surviving on the orders left from 2019 and no new ones have made in 2020.

Brazil

Some domestic and international orders have been cancelled. Force majeure has been invoked. This is expected to increase.

Gabon

Not cancelled but producers are asked to hold back awaiting opening of ports in receiving countries.

Peru

There are logging companies that have delivered much of their production to customers on time. There are several export orders that have been cancelled, other ready orders cannot be shipped because ships have not been paid or are in short supply.

Thailand

So far the customers still need the products ordered before crisis however, the delivery is now more problematic and costly and the payments will be slow and extended. So far I don't see any incident of force majeure being imposed.

Peninsular Malaysia

Companies that have orders to be fulfilled by 30 April 2020 are allowed to apply for their operation to be continued during MCO. Some orders have been put on hold/delayed or cancelled but there has yet to be reports of cases where force majeure clause is invoked.

Sarawak, Malaysia

No cancellation of orders placed pre-crisis, provided their mills are allowed to operate during MCO. Delivery as per order but companies experiencing delay in local transportation and shipments due to the MCO in Malaysia and lockdown in various consumer countries.

There are new orders but unable to commit due to uncertainties because of COVID-19 pandemic. More consumer countries are prolonging their lockdown.

Sabah, Malaysia

Some orders, though fulfilled, cannot ship out due to problems in logistics.

5. Are containers still available and being loaded?**Ghana**

Despite land border closures to people and goods the Ghana Ports and Harbours Authority (GPHA) continue to handle all sea import and export cargoes through the port. Shipping line vessels also call the ports as scheduled without any interruption. Meanwhile protocols on social distancing and movement of persons are strictly enforced, after undergoing the needed processes.

Containers are readily available, empty containers are discharged from scheduled vessel calls on arrival for subsequent outward bound shipments.

Indonesia

Last month, when the lockdown was less effective, containers were still there for the destinations not affected by the pandemic. But problems arose with trucking to a port because forwarders were operating reduced shifts.

As of April, there were reports of a shortage of containers but few were being filled as importers requested delayed shipment.

Myanmar

In the period up to the beginning of the holidays, port operations were normal with some signs of congestion. Containers are available.

Viet Nam

There are reduced charges for goods uploading/unloading at ports.

Brazil

There are no logistical problems.

Gabon

Ports are open for exports and imports – no problem.

Containers are available. No problem to get from Maersk, MSC, CSM and CGAM.

Peru

As the wood products are not considered of first necessity, the land transportation of wood within the country is currently having problems. There is a shortage of transportation. Containers are available, and seaports are operational and working, although somewhat restricted.

Terrestrial transportation of wood within the country has problems currently. Travel that used to last 3 to 4 days now takes up to 8 to 10 days. This is because the trucks are stopped by the “rondas campesinas” (peasant security committees), who detain the carriers due to security reasons. Other drivers prefer not to work, fearing contagion and because it is not profitable to return to their regions with an empty truck. The small amount of wood that reaches the capital is used for pallets and packaging. What is more, Forest Transportation Guides are not being issued because the forest authority offices are closed and therefore they cannot be sealed.

Another problem that is arising is the logistics for the supply of spare parts for the machinery of the industries. The small number of companies still operating are working until the machinery fails.

Thailand

Ports are open for exports and imports. The border trade is closed. Some provinces in the south mostly use Penang in Malaysia as their departing port for timber products so we have to reroute to local port in Songkla instead. Containers are available.

Peninsula Malaysia

Ports and logistic services are allowed to transport goods for companies with approval to operate but the service providers must get prior approval from the Ministry of International Trade and Industry (“MITI”). Currently, there is no issue reported on domestic logistics, aside from additional time required to clear containers due to the requirement of specific permits where relevant authorities’ offices are still closed.

Sarawak, Malaysia

Domestic logistics for timber industry are functioning with social distancing, resulting in minimal workforce which caused slowdown in the operations.

6. How long would be required to ramp up production to pre-crisis levels?

Ghana

Depending on a factory and its outstanding orders, all things being equal with raw materials availability, pre-crisis production levels could be achieved within 3 months.

The main challenge is cash flow, if factories might not have incurred overheads beyond their control from putting in place the appropriate measures and the required Personal Protective Equipment (PPEs) to combating workplace virus spread.

Indonesia

Maybe more than 1 year provided the government gives full support and provides incentives for industries related to reduction of taxation and bank interest rates. For the plywood industries, it depends on market conditions, if export destinations have reopened their markets, the industry will be ready to supply soon.

The main challenges for increasing the value of wood production include the decline in European and American market demand, while customers continue to demand delivery of goods on time when the government implements a lockdown policy.

The government needs to eliminate the technical verification policy (LS) to reduce bureaucracy. Company cash flow is disrupted and the government has not yet implemented a policy of reducing/relaxing the export and import taxes. Procurement of imported raw materials is disrupted so relaxation of import licenses is needed.

Myanmar

It is estimated that the timber industries will need a minimum 2 months to raise production to pre-crisis levels.

The financial stimulus package will be key factor after the pandemic is controlled.

Viet Nam

The situation may turn worst at any time because the entire industry live on the orders left from 2019, and no new ones have made in 2020.

Brazil

Production will begin immediately after the crisis is over. Main challenges in ramping up production is demand, there will be no problem in ramping up production at the end of the crisis.

Gabon

One month to recover, main challenge will be looking for other/new markets.

Peru

If the appropriate measures are given, it is estimated that in 6-8 months at the latest it could return to the previous levels. The government, through the national forest authority, must dictate support and reactivation mechanisms for the sector.

It is necessary that the government reactivates the forestry sector, mainly logging and the primary industry, considering this productive sector as essential for the country. If it does not do so in less than 30 days, many wood industry companies will go bankrupt, closing and firing all their employees.

In Pucallpa there are forestry companies that have had to fire all their employees, and others have gone bankrupt. It is urgent that the government provides the permits and favorable terms so that the wood industry companies that have stocks can process them and mobilize their production for commercialization, with the appropriate control and traceability.

Thailand

In 2 months (May-June), we will be familiar with the rules imposing the new lifestyle and how to take care of ourselves. In 6 months (July-Dec), new norms will be formalized in Thailand. Business is working on their lowest risks no surprising demand as they are maintaining its stability.

The whole year next year (2021) will be a recovery phase, each market is going through the similar phases either slow or fast but will take another year to get recovered to pre-crisis level. 2022 is the thriving year.

There are a lot of predictions on how the situation will be recovered. That will determine how we can survive. Demand in the market is disappearing (hopefully short term). Soft loan is needed to maintain the cash flow and ability to support employment

Peninsula Malaysia

Disruption in the supply chain during MCO causing delay in obtaining raw materials for production can be an issue, and market demand play a role.

Upstream, production of logs for domestic market will take an estimate of 2-6 months while the downstream sector will be dependent on the orders available and operation restrictions possibly put in place by the government after MCO is lifted.

Sarawak, Malaysia

It will never be the same as pre-COVID-19 crisis level or may take at least 2 years to recover.

Challenges: cash flow and market demand with price that can cover the operation and production cost.