

# Tropical Timber Market Report

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## Top story

### European plywood imports slump

Total plywood imports by the EU27+UK dropped by 16% in the first 4 months of this year compared to the same period last year. This follows a dip of 5% for the full year in 2019.

Imports of tropical hardwood plywood declined sharply - Indonesia (down 34.6% to 38,000 cu.m), Gabon (down 3.3% to 9,000 cu.m), Brazil (down 44% to 4,000 cu.m) and Vietnam (down 46% to 4,000 cu.m).

However imports from Malaysia were up 47% to 27,000 cu.m

**See page 20**

**Lay-offs in Cameroon**

The National Institute for Statistics (INS), within the framework of phase I of its evaluation of the socio-economic impact of the coronavirus, reports that between April and May more than 50% of companies in Cameroon reduced their staff with reductions being most acute in the education (92%), accommodation and catering (71%), mining (76%) and forestry (73%) sectors, .

See: <https://www.businessincameroon.com/economy/1006-10406-coronavirus-most-affected-jobs-in-cameroon-are-in-the-education-accommodation-mining-and-forestry-sectors-ins-survey>

**UNICEF – surge of active clusters in Gabon**

UNICEF says 5,087 COVID-19 cases were reported in Gabon as of 24 June. There has been a surge of new infections in all provinces adding there are active clusters nationwide which suggests the pandemic is taking hold and there is no evidence of it substantially abating.

The UNICEF report says; on the socio-economic front, the Government is in the process of amending the 2020 finance law to deal with the pandemic impact and the looming economic downturn and its consequences on social spending and protection of the most vulnerable.

See: <https://reliefweb.int/report/gabon/unicef-gabon-covid-19-situation-report-06-reporting-period-10-26-june-2020>

**South African company assessing joint door manufacture**

News is circulating that a major South African door manufacturer has been in Gabon and Congo exploring the feasibility of joint operations for the manufacture of doors from okoume.

**Gabon – aim is to expand high value production**

During a visit to the Nkok Special Economic Zone (GSEZ) the Gabonese Minister of Water, Forests, Sea and Environment said that the aim of the ministry is to increase the production of high value products so as to diversify the economy, increase state revenues and create more jobs for young people.

To sustain industrialisation the minister said Gabon will also need expand into forest plantations which, in itself, will generate rural employment.

The domestic media have quoted the minister as saying currently the contribution of the forestry sector represents about 5% of Gabon’s GDP.

See: <https://www.afrik21.africa/en/gabon-to-develop-full-fledged-tertiary-processing-industry%E2%80%89/>

The other news from Gabon is that processing of documents and approvals by the Ministry of Forestry has become overwhelmed leading to delayed transport and shipments. Analysts report the pace of container stuffing at the Libreville/Owendo Port has been badly affected.

This has been compounded by a decision that companies operating outside the GSEZ special zone must do the stuffing at the SNBG yard.

**New tax laws aim to encourage more processing**

The government of Gabon has passed new laws that will come into effect in 2021 and will affect the forestry and timber sectors. The tax structure has been reset with the aim of encouraging processing for export.

While this has not been verified reports suggest the export tax changes are as follows:

- Products that have undergone first processing will be subject to an export duty of 9%.
- Products that have undergone secondary processing will be subject to an export duty of 3%.
- Products which have undergone third processing will be subject to export duty of 1.5%.

For the purposes of this law, the following definitions are said to apply:

*First transformation:* sawnwood, veneer, paper pulp, posts, products from stem forks and products from stumps.

*Second transformation:* plywood, particleboard, fibreboard, pallets and railway sleepers.

*Third transformation:* mouldings, friezes, parquet flooring, glued strips, frames, doors, windows and frame parts, furniture and furniture parts.

**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	270	270	-	
Bibolo/Dibétou	215	215	-	
Bilinga	275	275	-	
Iroko	300	280	225	
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200	
Moabi	365	355	285	
Movingui	210	210	-	
Niove	160	160	-	
Okan	200	200	-	
Padouk	250	230	200	
Sapele	260	260	200	
Sipo/Utile	260	260	230	
Tali	300	300	-	

## Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	320
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### Exports down 33% - maintaining 67% was an achievement

The volume of wood products exported during the first quarter of 2020 totalled 54,022 cu.m earning Euro 26.58 million.

Compared to the 2019 figure of 80,139 cu.m (Euro 41.76 million), the volume and value of exports were down by a third in the first quarter of 2020. Which suggests that, despite the impact of the pandemic around the world, trade was rather resilient.

### Export volumes

	Q1 2019	Q1.2020	Y-O-Y % Change
AD sawnwood	49,551	27,861	-43.77
KD Sawnwood	10,847	9,895	-8.78
Plywood (O/L)	6,264	4,672	-25.42
Billets	7,637	4,246	-44.4
Sliced Veneer	2,136	1,995	-6.6
Mouldings	2,002	2,598	29.77
Rotary Veneer	810	2,572	217.53
Sliced Veneer (O/L)	108	6	-94.44
Boules (AD)	77	98	27.27
Boules (KD)	29	79	172.41
Other	678	0	
<b>TOTAL</b>	<b>80,139</b>	<b>54,022</b>	<b>-32.59</b>

Data source: TIDD

## Export values (Euro 000s)

	Q1 2019	Q1.2020	Y-O-Y % Change
AD Sawnwood	26,246	12,808	-51.2
KD Sawnwood	6,402	5,868	-8.34
Plywood (O/L)	2,157	1,524	-29.35
Billets	2,852	1,520	-46.7
Sliced Veneer	2,009	1,841	-8.36
Mouldings	1,340	1,966	46.72
Rotary Veneer	434	945	117.74
Sliced Veneer (O/L)	84	4	-95.24
Boules (AD)	46	57	23.91
Boules (KD)	19	49	157.89
Other	172	0	-100
<b>TOTAL</b>	<b>41,761</b>	<b>26,582</b>	<b>-36.35</b>

Data source: TIDD

According to the Timber Industry Development Division (TIDD) even in the tough trading conditions in the first quarter of 2020 export volumes of rotary veneer, mouldings and boules significantly increased.

The leading export products in the first quarter 2020 were air and kiln dry sawnwood, plywood to regional markets and billets, which altogether accounted for over 85% of exports. The leading species were teak, wawa, ceiba, denya and rosewood for the Indian, Chinese, German, Vietnam and USA markets.

The decline in export earnings is attributed to the coronavirus pandemic which disrupted global supply chains with lockdown and movement restrictions. Since March this year Ghana closed its land, sea and air borders.

### COVID-19 Impact on 2020/19 Q1 Market Performance

Comparisons of first quarter wood product exports to regular markets for the 4 years beginning 2016 showed that the worst 33% drop in volume and the 36% drop in value was this year.

### Q1 comparative export volumes: 2016 - 2020



Data source: TIDD

The main impact of the pandemic control measures was that contracts could not be shipped which drove first quarter shipments to an average of 68 in 2020 from 90 in 2019.

### Economy expanded in the first quarter but at slower rate

Ghana's economy expanded almost 5% year-on-year in the first quarter of 2020 (6.7% in 2019) according to the Ghana Statistical Service. The slowdown has been attributed to restrictions on movement of people and goods, social distancing and the partial lockdown measures introduced in March.

Professor Peter Quartey, Director of Research at the Institute of Statistical, Social and Economic Research (ISSER), said the slowdown in growth is worrying and policies are needed to boost growth.

In related news, a survey by the Chamber of Agribusiness has shown that SMEs in Ghana suffered an average of over 60% declines in income/sales due to the economic impact of the pandemic.

See:

<https://www.ghanaweb.com/GhanaHomePage/business/Coronavirus-Ghanaian-agribusiness-firms-monthly-revenue-falls-by-61-2-962440>

### Boule export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	579▲
Niangon Kiln dry	619▲

### Export rotary veneer prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	300▼	440
Chenchen	540	631
Ogea	443▼	590
Essa	543	596▼
Ofram	350	435

### Export sliced veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	659▼
Avodire	667
Chenchen	1,250▲
Mahogany	1,016▼
Makore	794
Odum	700▼

### Export plywood prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	323▲	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	476▲	480
15mm	450	352	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 <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	413	430▼
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorenensis)	930	1,028▲
Makore	740	840
Niangon	620	740▲
Odum	649	1,066▲
Sapele	720	878▼
Wawa 1C & Select	420	436▼

## Malaysia

### Business travel bubble proposed

Malaysia has moved to a 'Recovery Movement Control Order' phase and many restrictions have been removed or eased partially but international travel is still restricted. There is pressure from some quarters to reopen the borders to nationals from countries which have managed to contain the pandemic and there is talk of creating a 'travel bubble' for international business travellers.

Timber trade events organiser, Informa Markets, has suggested a 'travel bubble' could include South Korea, Taiwan P.o.C, Japan, China, Thailand, Singapore, Australia, Vietnam and Hong Kong which have similar numbers of daily new cases. Records show that in 2019 Malaysia welcomed about 930,000 business travellers of which most were from the countries in the proposed 'travel bubble'.

### Looking back - timber companies and the pandemic

A recently released report details the upheavals experienced by the timber industry during the Movement Control Order (MCO) first implemented on March 18.

Many companies faced challenges as raw material supplies were disrupted. To support industries the government introduced the so-called "Prihatin Stimulus Package" worth over RM260 billion. Consultations among the various ministries, government agencies and the private sectors resulted in the release of regulations and Standard Operating Procedures (SOPs) for businesses that were given approval to operate during the MCO.

As many industries were contemplating a shutdown, the timber sector received special approval from the Ministry of Health to operate under strict adherence to the SOPs during the MCO. More than 500 timber-based companies were granted approvals of which over 70% were furniture and moulding manufacturers.

The Malaysian Timber Council (MTC), together with many public and private sector organisations, played a key role in facilitating the smooth operation of the timber sector by analysing and channeling feedback from the industry players to the government through consultation sessions.

The MTC conducted an industry-wide survey which highlighted concerns over slowing global and domestic demand, cash flow problems, problems in fulfilling orders and paying workers.

The MCO was extended in stages and on May 4, the government implemented the Conditional Movement Control Order (CMCO), which was in effect up to 9 June. This allowed most economic sectors, including the timber sector, to operate based on regulated SOPs.

One of the main problems during the MCO was disruption of timber raw materials supply chains which was swiftly resolved when the government granted permission for the transportation of logs from the landing sites to the factories. Since then, timber-based manufacturers were assured of regular supply of raw materials for their operations.

The timber sector has been operating throughout the MCO and CMCO with almost all manufacturers having resumed operations and more than 60% are now exporting. These timber-based manufacturers are also revisiting their business plans and actively relooking at digitalisation and automation options to further fortify their operations.

The timber industry is an important contributor to the Malaysian economy. In 2019, it earned RM22.5 billion from exports which was 2.2% of the country's total merchandise export.

**Agarwood sector should add more value says Minister**  
According to Dr. Mohd. Khairuddin Aman Razali, Minister for Plantation Industries and Commodities, the agarwood downstream industry has the potential to grow even further as many entrepreneurs have yet to move beyond raw product exports and enter the perfume manufacturing business.

He said that as of the end of last year only 217 companies and individuals had registered with the Malaysian Timber Industry Board (MTIB) as Karas tree planters (for the production of agarwood), involving 2,398 hectares and 2.3 million trees.

A total of 13 companies have registered with MTIB as agarwood exporters and importers, 22 companies and individuals as manufacturers while more than 50 agarwood product businesses have been identified nationwide," he said.

The Minister said last year exports by the domestic agarwood industry were worth RM8.8 million, a tiny amount in a billion-ringgit global market.

Mohd. Ruslan Osman of Oud Agarwood Enterprise, stated that around five tonnes of Karas wood can produce about three litres of agarwood essential oil and the average price of one kilogramme of the oil is between RM20,000 to RM30,000 depending on the quality and grade.

## Indonesia

### Welcome increase in timber exports to China

Wood product exports to China between January and May this year increased despite the pandemic. Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concessionaires (APHI), suggested that this was because Indonesia has a niche market in China. The products exported included high quality plywood, paper products, handicrafts, chips and builders' woodwork.

Wood product exports to China for the first 5 months of 2020 were worth US\$1.143 billion up around 1% from the same period last year. However, the overall value of wood product exports January to May 2020 fell 8%.

See:

<https://www.kabarbisnis.com/read/28100364/china-jadi-penyelamat-ekspor-produk-kayu-ri-di-tengah-pandemi>

Indonesia's exports and imports plunged at a rate not seen since the 2009 financial crisis. The impact on the economy has been severe and calls have been made for a reduction in interest rates to slow the slide.

May exports totalled around US\$11 billion an almost 30% decline year on year. Imports have also been hit hard dropping over 40% year on year in May.

### Foreign investment in furniture sector continues

The Secretary General of the Indonesian Furniture and Crafts Industry Association (HIMKI), Abdul Sobur, said Indonesia is attracting investment in the furniture sector by Chinese companies and this is expected to continue and will help the country recover from the impact of the pandemic.

According to Sobur, there have been investments by Chinese enterprises in Central Java, West Java and there are prospects for investments in Batam. Exports are the main business for around 85% of the HIMKI members.

The Central Statistics Agency reported furniture and parts exports fell from US\$507 million in the first 4 months of 2019 to US\$498 million in the same period this year.

In addition to attracting foreign investment Sobur said that domestic furniture manufacturers had introduced significant production efficiencies to survive the pandemic such as raising labour productivity, efficient marketing, reduction of energy use and reducing transaction costs.

See:

<https://ekonomi.bisnis.com/read/20200616/257/1253505/peluang-investasi-asing-mebel-ditingkatkan>

### East Kalimantan plywood a favourite in Middle East markets

Between January and June this year data from the Balikpapan Agricultural Quarantine office shows that manufacturers in East Kalimantan shipped wood products 42 times to the Middle East.



### 'New'normal' MTE tender sales

The Myanma Timber Enterprise (MTE) through its Wood Base Industry Department has decided to conduct tender sales via electronic bidding for hardwood veneer. The MTE has not sold any logs for the past four months and the processing industries are very short of raw materials.

It is not yet clear when the Export Marketing and Milling Department (EMMD) will conduct tender sales for logs as restrictions on commercial activities have been extended to 15 July

There are three departments under MTE:

- The Export Marketing and Milling Department (EMMD) is selling logs in US dollars to domestic mills for processing for export;
- The Local Marketing and Milling Department (LMMD) is selling logs in local currency for milling for domestic consumption;
- The Wood Base Industry Department is selling some value-added products such as veneer but not regularly.

The EMMD usually conducts sales in the third or last week of every month. However, it is not yet clear how harvesting has been affected. Initially, MTE set the harvest 10,000 HTs of teak and 285,000 HTs of other hardwood for 2019-20.

Previously MTE announced that its harvesting capacity was not enough to harvest the total quantity of 295,000 HTs so will use the private sector under strict terms and conditions.

### National forest monitoring project

The Governments of Myanmar and Finland recently launched a project to allow for monitoring of forests in a manner that is sensitive to local conditions. The five-year project will be led by FAO with financial support from the Government of Finland.

The Finnish Ambassador said "forest monitoring is part of Finland's support for Myanmar to mitigate and adapt to climate change. It is important that conflict sensitivity and human rights remain in the core of the forest monitoring work in order to ensure that it benefits all people, including ethnic minorities.

Building a conflict sensitive and a human rights-based methodology to forest monitoring is a key target during the first phase of the program. This includes answering questions on openness of data and building trust between the villagers and forest authorities on the use of data."

See: <http://www.fao.org/news/story/en/item/1293235/icode/>

### Revised growth forecast

The latest report from the World Bank says Myanmar's economic growth could drop to 0.5% this fiscal year as the country has been severely hit by the impact of the pandemic.

According to the Bank if Myanmar controls the domestic spread of the coronavirus and the global economy swiftly recovers GDP growth could recover in the 2020-21 fiscal year. The Bank warned exports will likely remain weak for the rest of the fiscal year due to supply chain disruptions and weak international.

### Investment policy review

Myanmar has finalised its second Investment Policy Review (IPR) with the help of the Organization for Economic Cooperation and Development (OECD). This has identified policy reforms to make the country a more attractive destination for investment for both foreign and local investors.

Myanmar faced a significant decline in foreign investment from US\$9.5 billion in fiscal 2015-16 to US\$6.6 billion in 2016-17 and US\$5.7 billion in 2017-18 after Western investors turned away from the country due to the Rakhine crisis.

See: <https://www.mmtimes.com/news/govt-allocate-k15-trillion-covid-19-support-next-year.html>

### Teak tender sales remain suspended

#### February 2020 teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	13.6	5,633
SG-2	28.7	4,883
SG-4	85.3	3,781
SG-5	122.5	2,998
SG-6	96.3	2,852
SG-7	805.4	1,913

## India

### Falling prices – interest rate cuts likely

Wholesale prices in India fell over 3% in May according to the Ministry of Commerce, much faster than anticipated as the economy contracted for the first time in decades because of the coronavirus pandemic.

Behind the decline was weak consumer demand and in an effort to support the economy the Reserve Bank of India is expected to review interest rates.

See:

[https://economictimes.indiatimes.com/news/economy/policy/india-as-falling-prices-give-rbi-room-to-ease-policy-further/articleshow/76383901.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/policy/india-as-falling-prices-give-rbi-room-to-ease-policy-further/articleshow/76383901.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Workers slowly returning from home states

As the restrictions on the movement of people are lifted and as companies resume operations workers who had left for their home states are slowly returning to work.

The government has estimated that around 15,000 migrant workers who had left Maharashtra during the lockdown are returning to the state every day and an approximate 11,500 workers were returning to Mumbai, Thane and Navi Mumbai daily.

The domestic media has reported that, in order to resume operations, some construction companies have provided tickets for technicians to fly from their home states to project sites. The rise in the movement of people will increase the risk of the spread of infection.

#### Working from home –what to look for in a new home

The Coronavirus pandemic is likely to bring about a change in the residential market in India according to Sunita Mishra writing for Housing.com who asks ‘What will buyers look for in a property in the post pandemic era?’

In response to the pandemic many people have successfully adapted to working from home and companies may continue with this approach post pandemic.

Those working from home have made changes at home to accommodate this work style but for many this has been a problem because of limited space. As a consequence demand for homes with dedicated home-work space is likely to increase. The real estate website PropTiger.com has said demand for larger homes is likely to expand.

See: [https://housing.com/news/what-will-home-buyers-expect-in-a-post-coronavirus-world/?utm\\_source=internal&utm\\_medium=email&utm\\_campaign=subscribersDigest](https://housing.com/news/what-will-home-buyers-expect-in-a-post-coronavirus-world/?utm_source=internal&utm_medium=email&utm_campaign=subscribersDigest)

#### Plantation teak

Despite business operations slowly resuming there has been virtually no trade in plantation teak and there are no price movements to report.

#### Locally sawn hardwood prices

As there were no sales prices there are no price adjustments to report.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,800-2,000
Kapur	2,000-2,200
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	800-850
Whitewood	800-850

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

#### Myanmar teak prices

As there were no sales prices there are no price adjustments to report.

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

As there were no sales prices there are no price adjustments to report.

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

Plywood production and domestic sales have resumed as India adopts its “Mission Begin phase 1”. In those parts of the country where infection rates are low normal working has been permitted. Dealers have started trading but mostly on a cash basis as many buyers have exhausted credit facilities.

As demand begins to expand in these areas the biggest problem, say analysts, is the availability of workers. Once this situation improves, industrial activity will expand.

Plywood prices are as previously reported.

#### Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	101.00
9mm	126.00
12mm	157.00
15mm	206.00
18mm	211.00

### Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	39.00	55.00
6mm	57.00	72.50
9mm	72.50	89.00
12mm	89.00	105.00
15mm	105.00	126.00
19mm	121.50	141.00
5mm Flexible ply	77.00	

## Vietnam

### Vietnam W&WP product export/import update

Between January and 15 June 2020 the value of Wood and Wood Product (W&WP) exports from Vietnam was US\$4.528 billion (WP exports: US\$3.189 billion, W exports: US\$1.339 billion). Over the same period exports of both W&WP increased around 2% compared to the same period of last year.

This growth is far below the expectation of the Vietnamese timber industry sector. However, in the context of export chain disruption caused by the pandemic, the growth rate is acceptable.

W&WP imports (mainly raw materials) into Vietnam were worth US\$1.022 billion between January and 15 June 2020, down by 10% compared to the same period in 2019. The sharp decline in orders from overseas customers due to the pandemic outbreak is the reason behind this decline.

Forecast W&WP export earnings for this year could be around US\$11.0 billion, a modest 5% year-on-year growth. In 2019, the growth rate was over 18%.

### W&WP export/import update (US\$ billion)

Export and export	As of June 2019	As of June 2020	YoY % Change
W&WP exports	4.448	4.528	2%
WP exports	3.141	3.189	2%
W&WP imports	1.131	1.022	-10%

Source: Data from General Department of Customs, analysed by VIFOREST

### Vietnam's exporters face trade barriers

Vietnam's W&WP exports are facing more and more trade protection measures, including anti-dumping, countervailing and anti-circumventing measures imposed by various importing countries.

As of June W&WP exports have attracted 7 allegations/investigations and these are having a significant impact on exporters.

In 2015, India imposed anti-dumping duties on the US\$3 million MDF imported from Vietnam. In 2019, South Korea decided to place a similar tax on made-in-Vietnam plywood when the annual value of plywood exported from Vietnam to South Korea was at US\$170 million.

More recently, on 17 June 2020 the US started investigations on hardwood plywood which may result in penalties. The US has applied anti-dumping and countervailing measures on the same product from China.

Analysts comment "the target of this possible anti-circumvention tax is not aimed at Vietnamese hardwood plywood. Instead, this operation aims to assure the efficiency of trade remedies measures applied on imports from other country. Last year, the value of plywood products shipped from Vietnam to US amounted to over US\$300 million."

Source: <https://www.moit.gov.vn/web/guest/tin-chi-tiet/-/chi-tiet/bo-cong-thuong-tich-cuc-ho-tro-nganh-go-xu-ly-vu-viec-hoa-ky-%C4%91ieu-tra-chong-lan-tranh-thue-phong-ve-thuong-mai-19748-22.html>

### Plans for Central Highland provinces

The Minister of Agriculture and Rural Development, Nguyen Xuan Cuong, speaking at a recent meeting in the Central Highlands, urged the local authorities to raise the sense of responsibility among forest owners on forestry protection and development. He called on local agencies to prepare a strategy for the development of the forestry sector for the period 2021-2030 with a vision to 2050.

The Central Highland region has nearly 2.6 million ha. of forest or about 17% of the total in Vietnam (forestry cover was estimated at around 46% in 2019).

Despite restrictions on harvesting in natural forests there has been extensive clearing with around 15,750 ha. being lost in 2019. The three provinces seeing the largest extent of natural forest loss in 2019 were Dak Lak, Dak Nong, and Gia Lai, areas where deforestation, illegal exploitation and smuggling of wood products are major problems.

The Director General of the Vietnam Administration of Forestry, Nguyen Quoc Tri, said the aim is to have the Central Highlands provinces protect all existing natural forest areas and to raise the total forest area to 2.72 million ha. and forest cover of 49% by 2030.

See: <https://en.vietnamplus.vn/minister-requests-efforts-for-forestry-protection-development/177276.vnp>

**The forest sector pre- and post- Covid-19**

The Bahia State Association of Forest-based Companies (ABAF) has said it is bracing for a hard blow to the economy and timber sector. Brazil experienced an economic downturn in 2015 and 2016 and just as the country was recovering from that crisis it now faces a recession due to the pandemic.

The expectation is that the forest sector will be affected but the Association says the sector is resilient with good prospects to remain competitive.

ABAF estimates that demand for wood in the world could expand between 2 and 2.5% over the next 12 months which will create opportunities for Brazilian companies.

**Optimising the benefits from the forestry sector**

During the 37th Ordinary Meeting of the Public Forest Management Commission (CGFLOP), the Brazilian Forest Service (SFB) emphasised the contribution the forestry sector can make in generating jobs and income.

The main challenge, according to SFB, is to bring together all public and private institutions involved with the forest sector to capture the most from the sector. The SFB presented information on forest concession contracts highlighting as of December 2019 there were 18 contracts signed for an area of around 1 million hectares.

Measures taken by the SFB to mitigate the economic impact of the pandemic in the forest concession contracts were also reported. Among them is the extension of the fee payment date for the first quarter of 2020, from April to December 2020.

SFB also presented the Annual Forest Grant Plan (PAOF 2021). The main highlight is the inclusion of three National Forests (Florestas Nacionais – FLONA) called Humaitá, Iquiri, and Gleba Castanho in the Investment Partnership Program of the federal government.

Representatives from the Forest Monitoring and Auditing Coordination spoke about measures taken by SFB regarding incursions in the FLONAs forest concession and presented information on the technology used by the SFB to identify affected areas such as the Forest Exploitation Detection System (Detex) which utilises drones and satellite images.

**Export update**

In May 2020, the value of Brazilian exports of wood-based products (except pulp and paper) dropped 13.5% compared to May 2019, from US\$ 273.3 million to US\$ 236.3 million.

The value of pine sawnwood exports declined 9% between May 2019 (US\$47.7 million) and May 2020 (US\$43.3 million). In terms of volume exports increased almost 7% over the same period, from 235,000 cu.m to 250,700 cu.m signalling falling unit prices.

Tropical sawnwood export values also dropped sharply (-33% in volume), from 52,200 cu.m in May 2019 to 35,200 cu.m in May 2020. However the value of exports dropped just 31% from US\$20.9 million to US\$14.5 million, over the same period.

The value of pine plywood exports fell 16% in May 2020 in comparison with May 2019, from US\$47.1 million to US\$39.6 million and there was a corresponding fall in the volume of exports over the same period, from 181,500 cu.m to 155,800 cu.m.

The bad news continued with tropical plywood exports which declined almost 60% in volume and 54% in value, from 9,100 cu.m (US\$3.5 million) in May 2019 to 4,000 cu.m (US\$1.6 million) in May 2020.

As could be anticipated the value of exports of wooden furniture fell from US\$48.2 million in May 2019 to US\$31.8 million in May 2020, a 34% tumble.

Between January and April 2020 Brazil's furniture exports fell 10% year on year and this was due to the impact of the pandemic on global trade. Analysts are forecasting another weak year for furniture exporters.

In the first four months of this year the four major furniture exporting states (Santa Catarina, Rio Grande do Sul, São Paulo and Paraná) which account for around 85% of national furniture exports experienced a drop in sales.

The total exported until April reached US\$189.2 million compared to US\$210.6 million in the same period last year.

**Court reverses SINAFLOR suspension**

The media outlet, Só Notícias, has reported that on 10 June the Regional Federal Court (TRF – Tribunal Regional Federal) revoked, the suspension of operation of the National System for the Control of the Origin of Forest Products (SINAFLOR) of IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources) in 26 municipalities in the states of Mato Grosso, Pará, Amazônia and Rondônia, the main tropical timber producing states in the Amazon region.

Timber companies and producers located in the affected municipalities were prohibited from using the SINAFLOR for the issuance of documents to harvest timber, transport and commercialize forest-based products for about 20 days which resulted in heavy losses.

See: <https://www.sonoticias.com.br/economia/trf-determina-retomada-do-sistema-que-regulamenta-as-atividades-florestais-em-mato-grosso-e-mais-3-estados/>

Only last year, the forest-related activity transacted R\$2.2 billion in these 26 municipalities. The estimate is that around 700 timber companies were affected by the suspension decision.

The National Forum of Forest Based Activities emphasized the court's decision guarantees the resumption of legal activities in the region of the Legal Amazon through authorised harvesting, processing and export of forest products through the control and inspection system of the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA).

#### Domestic log prices

	US\$ per m <sup>3</sup>
Brazilian logs, mill yard, domestic	
Ipe	157↓
Jatoba	83↓
Massaranduba	76↓
Muiracatiara	80↓
Angelim Vermelho	76↓
Mixed redwood and white woods	65↓

Source: STCP Data Bank

#### Domestic sawnwood prices

	US\$ per m <sup>3</sup>
Brazil sawnwood, domestic (Green ex-mill)	668↓
Ipe	337↓
Jatoba	327↓
Massaranduba	301↓
Muiracatiara	296↓
Angelim Vermelho	192↓
Mixed red and white	148↓
Eucalyptus (AD)	99↓
Pine (AD)	121↓
Pine (KD)	

Source: STCP Data Bank

#### Domestic plywood prices (excl. taxes)

	US\$ per m <sup>3</sup>
Parica	388↓
4mm WBP	321↓
10mm WBP	268↓
15mm WBP	307↓
4mm MR.	229↓
10mm MR.	207↓
15mm MR.	

Prices do not include taxes. Source: STCP Data Bank

#### Prices for other panel products

	US\$ per m <sup>3</sup>
Domestic ex-mill prices	
15mm MDParticleboard	151↓
15mm MDF	188↓

Source: STCP Data Bank

#### Export sawnwood prices

	US\$ per m <sup>3</sup>
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,446
Jatoba	853
Massaranduba	847
Muiracatiara	862
Pine (KD)	168

Source: STCP Data Bank

#### Export plywood prices

	US\$ per m <sup>3</sup>
Pine plywood EU market, FOB	
9mm C/CC (WBP)	248
12mm C/CC (WBP)	241
15mm C/CC (WBP)	230
18mm C/CC (WBP)	228

Source: STCP Data Bank

#### Export prices for added value products

	US\$ per m <sup>3</sup>
FOB Belem/Paranagua ports	
Decking Boards Ipe	2,956
Jatoba	1,457

Source: STCP Data Bank

### First quarter 2020 exports

The Exporters Association (ADEX) has reported that in the first quarter 2020 wood product exports reached US\$24.7 million FOB. This represents a decline of almost 20% compared to the first quarter 2019 (US\$31 million FOB). Semi-manufactured products accounted for 58%, but were down 35% year on year. Sawnwood accounted for 31% but was down 50% year on year.

The main market for sawnwood in the first quarter was China with a 43% share. Exports of sawnwood to China increased 5 fold in the first quarter. Other markets for sawnwood were the Dominican Republic (down 13%) and Mexico (down 14.5%).

While still in negative territory exports of veneer and plywood held up better, dropping just 8% year on year, however, veneer and plywood exports are small accounting for around 3% of all wood product exports.

Of the US\$24.7 million exported up to March, China was the main destination with a share of 40% but there was a 13% year on year decline. France was the second most important market in the first quarter accounting for 11% of exports but there was a huge, 33%, drop compared to the first quarter last year.

Mexico and the United States were the third and fourth placed destination with exports to the US making up 11% of all exports (down 27% year on year). Exports to Mexico dropped 46% in the first quarter.

### Forest sector back to work

When the government announced the plan for the gradual reactivation of its economy in four phases determined efforts were made to include the forestry sector which was paralysed during the lockdown.

The forestry and wood processing sectors have gradually gained recognition for its potential for development in the country. Prioritising the resumption of activities in the forestry sector was effectively articulated by the authorities in Ucayali, Loreto and Madre de Dios, which constituted an Amazon forest block.

Forestry representative from this Amazon block presented a common agenda with 25 initiatives for the economic reactivation of the sector within the framework of COVID-19 recovery. This was presented to its regional governments, the Ministry of Economy and Finance (MEF) and the Ministry of Agriculture (MINAGRI)

The agenda included legislative initiatives (regional and national in nature), actions for the approval and execution of forest management plans, reactivation of transport activities, transformation and commercialisation of the forest production chain; incentives and promotional actions such as the promotion of public purchases and financing proposals for the private sector.

During the lockdown period the authorities in the three regions prepared various initiatives.

The Loreto region, for example, approved three public investment projects in favour of the forestry sector worth more than US\$4 million to support entrepreneurs in the sector and promote rapid reactivation. In the case of Madre de Dios, the authorities prioritised the production of Brazil nuts (non-timber forest products) within their reactivation plan.

The regional governments of Ucayali, Loreto and Madre de Dios have already proposed to the MINAGRI and the MEF the urgent need for additional budgets for this year.

#### **SERFOR and MEF offer bigger budget for the forestry sector**

In 2019, for the first time, the Ministry of Economy and Finance (MEF) provided an additional budget of more than ten million soles for the regional forest authorities of Loreto, Ucayali and Madre de Dios. This meant a budget increase, on average, of 100% compared to the total budget of the previous year.

Of equal importance was the decision at the end of April this year when the MEF, in the midst of the paralysis of the sector due to the pandemic, approved the updated Budget Program 0130 (PP0130) "Competitiveness and Sustainable Use of Resources Forest and Wild Fauna".

The main improvement of the new version of PP0130 is the inclusion, for the first time, of forest control and surveillance activities.

This new element comprises three additional activities related to Forest Surveillance and Forest Resources; to the Surveillance and Control in the Access and Use of the Forest and its Forest Resources; and to the Surveillance and Control in the Transport of Forest Resources from the Origin (Forest) to the Destination (Primary Transformation Center).

For implementation work will be undertaken to provide technical assistance to SERFOR, OSINFOR and the forest authorities of Loreto, Ucayali, Madre de Dios and San Martín, so that they can make a convincing and well-articulated 2021-2023 budget schedule under updated PP0130.

#### **Increased imports of wooden furniture**

In April 2020, Peruvian imports of wooden furniture reached US\$4.4 million, an increase of 25% compared to the same month of 2019 (US\$3.6 million).

Brazil remained by far the main supplier in April-2020 at US\$3.5 million followed by China (US\$208,000) and Spain (US\$140,000). The main importers of wooden furniture in April 2020 were the two main home improvement stores.

#### **Export sawnwood prices**

<b>Peru sawnwood, FOB Callao Port</b>	<b>US\$ per m<sup>3</sup></b>
Pumaquiro 25-50mm AD Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	561-603
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD Grade 1 Asian market	552-595

#### **Domestic sawnwood prices**

<b>Peru sawnwood, domestic</b>	<b>US\$ per m<sup>3</sup></b>
Mahogany	-
Virola	273-284
Spanish Cedar	342-355
Marupa (simarouba)	233-242

#### **Export veneer prices**

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

#### **Export plywood prices**

<b>Peru plywood, FOB Callao (Mexican market)</b>	<b>US\$ per m<sup>3</sup></b>
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	487-511
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

#### **Domestic plywood prices (excl. taxes)**

<b>Iquitos mills</b>	<b>US\$ per m<sup>3</sup></b>
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

#### **Domestic prices for other panel products**

<b>Peru, domestic particleboard</b>	<b>US\$ per m<sup>3</sup></b>
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

		US\$ per m <sup>3</sup>
Peru, FOB strips for parquet		1327-1398
Cabreuva/estoraque KD12% S4S, Asian market		986-1119
Cumaru KD, S4S	Swedish market	1089-1119
	Asian market	1204-1237
Cumaru decking, AD, S4S E4S, US market		479-554
Pumaquiro KD Gr. 1, C&B, Mexican market		544-577
Quinilla KD, S4S 2x10x62cm, Asian market		756-822
	2x13x75cm, Asian market	

## Japan

### Economy in an “extremely severe situation”

In the period January and March the government confidently described the economy as ‘recovering moderately but quickly reversed that view as infections spread and a lockdown became inevitable.

By May the government said that private consumption was “decreasing rapidly,” the result of the ‘stay-home’ recommendation.

The most recent pronouncement from the Cabinet Office said “The economy is still in an extremely severe situation due to the novel coronavirus but the decline in business activity has slowed in response to improving private consumption”. However, as of June, private consumption was well below normal and businesses are still facing the challenge of recovery.

see

<https://www.japantimes.co.jp/news/2020/06/19/business/economy-business/economics-worsening-coronavirus/#.XvVdovIzBIU>

### Two economic pillars, exports and tourism badly dented

Data from the Ministry of Finance shows Japan's exports declined almost 30% in May and imports dropped 26% as global growth was undermined by the pandemic. May was the second consecutive month Japan recorded a trade deficit.

Economic growth in Japan relies on two pillars, trade and tourism. Both international and domestic tourism has been brought to a halt by the travel, stay-home and social-distancing restrictions aimed at curbing the spread of COVID-19 and trade with major partners has fallen sharply.

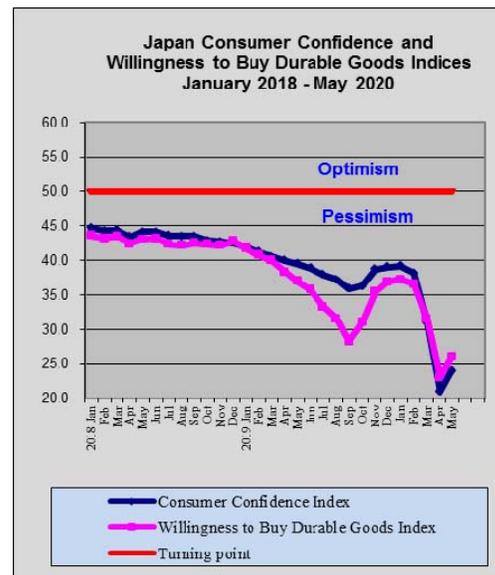
Exports to the US dropped more than 50% and to Australia dropped 59%. Imports from the US fell around 28% while those from Australia were down 29%. In contrast, in May trade with China had started to recover.

### Retail sales slow to recover

Consumer sentiment has not recovered in Japan and May retail sales were down again illustrating the impact the pandemic lockdown measures had on consumer confidence. The continued downturn could result in the economy stuck in recession longer than forecast.

Retail sales fell 12% year on year in May as consumers shunned major purchase on items such as cars, household furniture and even clothing. The drop in May followed an almost 14% drop in April.

The government hoped private spending, which accounts for more than half of the economy, would recover especially as it is in the process of handing out Yen 100,000 to every resident in the country.



Data source: Cabinet Office, Japan

### Changing work styles

The Japan Times has reported a recent survey that most respondents would be in favor of telecommuting (working from home) even after the coronavirus is contained. The main reason cited was the chance to eliminate the stress from commuting. Another reason stated was this would allow them to live and work from places with cheaper housing.

On the down-side, respondents said one problem with remote work is that there are some things that can only be done in the office and some said they would miss the workplace interaction. Several of the major companies have indicated they will continue with work-from-home arrangements even when the emergency is over.

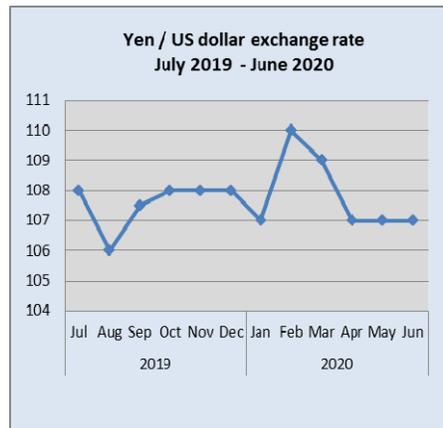
See:

<https://www.japantimes.co.jp/news/2020/06/22/business/japan-telecommuting-continue/#.XvLguO0zBIU>

**Rising uncertainty and weakening fundamentals - the formula for yen volatility**

Demand for a safe haven could, once again, fuel a strengthening of the yen driven by an unchecked rise in coronavirus cases especially in the US and escalating global trade tensions.

Tensions between the United States and its major trading partners have pushed risk aversion to the fore as the possibility of imposition of US\$3.1 billion of tariffs on EU imports is possible. Rising uncertainty and weakening fundamentals are the formula for currency volatility and a rush to ‘safe-haven’ yen but at present the yen/dollar exchange rate has remained stable at around Yen 107 to the dollar.

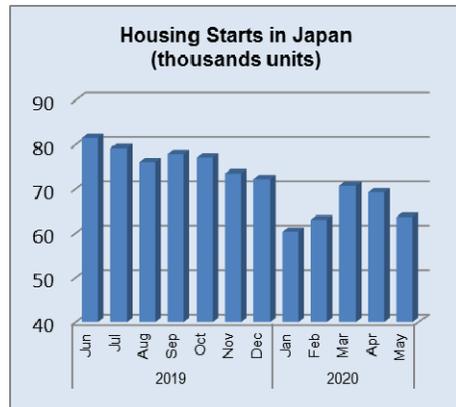


**Decline in orders reported by house builders**

Major house builders in Japan are seeing orders decline while builders of low cost homes have not experienced this according to the Japan Lumber Reports. (see page 17)

Immediately the corona virus outbreak emerged in Japan almost all builders stopped their active sales campaigns and switched to alternative promotion strategies.

May 2020 housing starts fell 20% year on year but having achieved 80% of year on year starts at the height of the pandemic is a remarkable achievement.



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

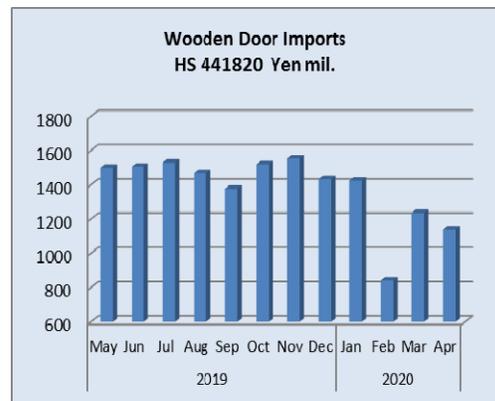
**Import update**

**Wooden door imports**

Year on year, the value of wooden door imports in April dropped a further 16% adding to the year on year decline seen in March. April import values for wooden doors (HS441820) dipped 8% from March.

As in previous months shippers in China and the Philippines dominated Japan’s April 2020 imports of wooden doors (HS441820). The main shipper, China accounted for a massive 70% of total door imports, up sharply from the 47% in March.

Shippers in the Philippines saw a decline in market share in April slipping to just 11% from the 24% contribution in March. The third largest shipper in April was Indonesia which contributed a further 9% to all wooden door imports.



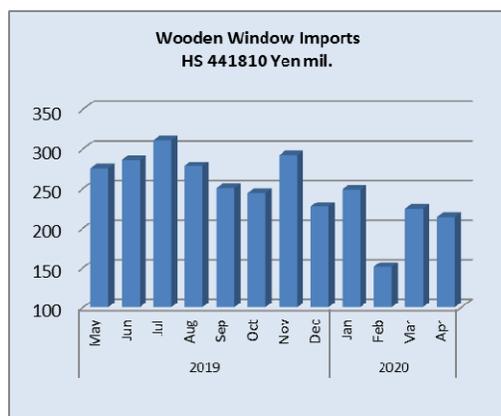
Data source: Ministry of Finance, Japan

**Wooden window imports**

The value of wooden windows (HS441810) imports into Japan in the first four months of 2020 mirrors the trend seen with wooden door imports, a steep decline in February followed by a recovery in March and then a slight drop in April.

Year on year, April window imports continued the downward trend observed this year. The value of April imports was 16% below that of April 2019 and month on month there was a 4% decline.

Shipments from manufacturers in China took a large share of imports in April, rising to 45% from the 39% in March. Imports from the US, the second largest shipper in April were at the same level as in March but it was shippers in the Philippines which saw a sharp decline in shipments, dropping to just 8% in April from 18% in March.

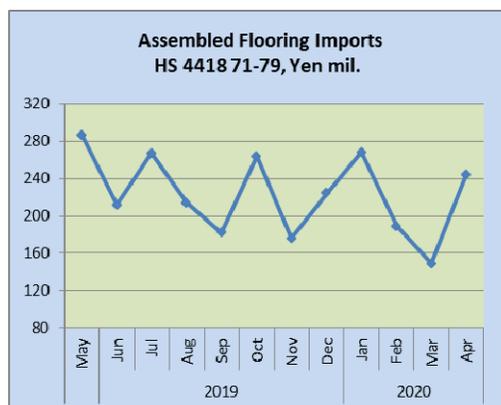


Data source: Ministry of Finance, Japan

### Assembled wooden flooring imports

In both February and March there was a decline in the value of month on month imports of assembled wooden flooring (HS441871-79) but in April there was a correction bringing the total value of imports back up to the levels observed of the past months. Year on year the value of April assembled wooden flooring imports were flat but month on month there was a huge 64% increase.

Two categories of imports HS441875 and HS441879 accounted for most of the flooring imports. The largest value of imports was of HS441875 (66% of imports) followed by HS441879 (25% of imports). Manufacturers in China accounted for most of the HS441875 while imports of HS441879 were fairly even split between Australia (an unexpected source), Indonesia and China.



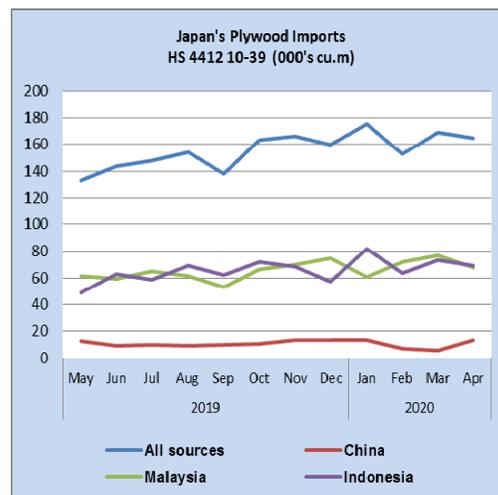
Data source: Ministry of Finance, Japan

### Plywood imports

Over the 12 months to April 2020 there has been a slight increase in Japan's imports of plywood from the top three shippers, Indonesia, Malaysia and China. However, April import volumes were 10% less than in April 2019 but held steady compared to the volumes that arrived in March.

Indonesia and Malaysia are the top shippers of plywood to Japan accounting for over 80% of all plywood imports. In April arrivals from Indonesia were at the same level as in March but arrivals from Malaysia dipped 11%.

China is the third ranked plywood supplier to Japan and in April shipments almost doubled. Exporters in Vietnam have a consistent market share in Japan and in April shipments of plywood rose around 10% month on month.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia
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
	Aug	12.1	61.8	68.9
	Sep	10	53	62
	Oct	10.6	66.3	72
	Nov	13.1	69.5	68.1
	Dec	13	74.4	57.4
2020	Jan	13.4	61.1	81.6
	Feb	6.8	72.2	63.8
	Mar	5.8	76.5	73
	Apr	13	68	69

Data source: Ministry of Finance, Japan

### **Trade news from the Japan Lumber Reports (JLR)**

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

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

### **Plywood manufacturers hold prices**

Softwood plywood manufacturers have been reducing the production and try not to accept low offers.

The inventory is 1,100 cbms less to 173,600 cbms. Trading firms and wholesalers are becoming bearish by stagnating movement of building materials after the state of emergency was announced to stop infection of corona virus in April. Plywood manufacturers are considering to reduce the production further to stop skidding of the market.

Average monthly production of softwood plywood in the first quarter was 257,500 cbms then April was down to 231,900 cbms. April movement was not so active but precutting plants held the same pace of operation so orders were normal and the prices were held up but in May, precutting plants started reducing purchase volume with weak outlook in coming months.

Sales activities by trading firms and wholesalers are largely restricted of face to face negotiations so that only means now is by telephone or e-mail.

Market prices are weaker now at about 990 yen per sheet delivered on 12 mm 3x6 , about 10 yen lower and wholesalers say that it is now difficult to get over 1,000 yen per sheet on 12 mm 3x6. 24 mm 3x6 panel prices are also down by 20 yen at about 2,000 yen.

### **Plywood logs**

Domestic plywood manufacturers had been increasing the production for last five years, supported by active demand. Softwood plywood production in 2019 was 3,200,200 cbms.

This is increase of 631,200 cbms in five years. Log consumption has been climbing with increased production. In 2019, total logs consumed for plywood manufacturing was 5,448,000 cbms, 1,230,000 cbms increase in five years. In this, domestic logs are 4,745,000 cbms, increase of 1,389,000 cbms.

Imported logs used for plywood manufacturing are 703,000 cbms, increase of 161,000 cbms. Share of domestic logs for plywood manufacturing is now 87.1%.

Logs for plywood manufacturing were South Sea hardwood logs in 1960s then after the resources of tropical hardwood declined, use of softwood logs such as Russian larch became dominant in 1970s and on together with New Zealand radiate pine logs and North American species.

Supply of imported logs fluctuated by supplying countries' situation and the cost also fluctuated by yen's exchange rate. In these days, use of domestic softwood logs was difficult by various technical reasons but such problems were solved by technical advance.

Plywood plants used to locate ocean harbor, handy to accept imported logs brought by ocean going ships but recent newly built plywood mills are all located inland, convenient location to collect nearby local logs.

Mills' production capacity is based on collectable log volume from nearby timberland to save long transportation cost. In other words, plywood mills' concern is stable supply of logs so the mills make agreement of logs supply with log suppliers and forest unions in an effort to establish stable supply sources.

Another concern is stable supply of minor species like larch, cypress and fir. Supply of these species fluctuate by season and has high risk of natural disaster. In October last year, strong typhoon with heavy rain hit Nagano area and damages the forest in the area and larch supply got very tight.

As to imported species, supply of plywood logs continues tight. Russian larch logs are imposed high export duty. South Sea hardwood log supply is restricted by environmental reasons. Canadian Douglas fir logs are not available after the major log supplier, Mosaic Forest Management stopped harvest by low market prices of logs.

The fundamental plan of forest and forestry set by the government requests to expand annual log consumption by plywood mills to 6,000 M cbms by 2025. For this, plywood mills feel that it is possible if demand of non-structural plywood and of thick structural panel increases.

Actually, plywood mills succeeded to expand the market of thick 24 and 28 mm structural panels for sheathing. In last few years, demand of non-structural panels such as softwood floor base and softwood coated concrete forming panel has increased. These products used to be made of tropical hardwood plywood but the supply from South Sea countries continues to decline year after year so the composite floor manufacturers have to look for substituting materials.

By unexpected incident of corona virus outbreak since early this year, economic activities have been stagnated and plywood mills started production curtailment since last March so production expansion is facing difficult time

### Plywood

Both domestic and imported plywood market is inactive. With uncertain future market, users limit purchase volume at minimum and not to carry

inventory. Face to face sales negotiations are prohibited, sales keep dropping week after week. Market atmosphere is getting pessimistic.

Domestic softwood plywood market is becoming bearish. Sales activities became difficult after the state of emergency was declared in April so movement of all building materials get slow. Market prices are holding but salesmen tend to accept low offers.

Precutting plants are losing orders of custom built units but builders are relatively stable so amount of orders precutting plants is not dropping so much yet but they feel uneasiness to future orders.

Plywood manufacturers' inventory has been held down by production curtailment since April. They try to produce what the market demands.

The movement of imported plywood gets slower. Large construction companies stopped construction works in April but restarted in late May but movement of concrete forming panels is sluggish. There is mixed information as to actual construction works so it is hard to grasp actual situation.

There are two different opinions as to imported plywood. One is shortage may occur by supply tightness. Another is surplus may occur by sharp demand drop. With such uncertain future market, it is hard to place new orders.

### Orders for house builders in April

House builders, which offer low cost houses, had more orders in April than last year. Other major house builders suffer declining orders so this makes clear difference between large builders and smaller builders. Both large builders and smaller builders stopped direct sales campaign after corona virus outbreak but there are difference of management of house exhibition sites, price range and main market regions.

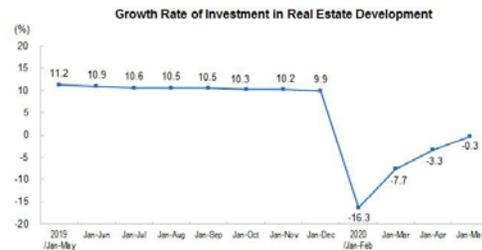
### Housing demand recovering but not retail sales

China's housing market crashed in the first quarter of 2020 due to the impact of the corona virus lockdown but began a recovery in April which continued steadily into May.

Data from the National Bureau of Statistics shows that house prices firmed in most of the major cities in May. In Beijing, Shanghai, Shenzhen and Guangzhou May new home prices rose almost 1% month-on-month. In the 'second and third-tier' cities prices rose but by a little less than in the main cities.

In May, prices of pre-owned home in the main cities rose just over 1% month-on-month and increases were reported in the second and third tier cities.

The National Bureau of Statistics press release on real estate sales up to May says investments in housing developments continued to grow but were still slightly down year on year.



Source: National Bureau of Statistics, China

See:

[http://www.stats.gov.cn/english/PressRelease/202006/t20200616\\_1760454.html](http://www.stats.gov.cn/english/PressRelease/202006/t20200616_1760454.html)

The other positive news is that retail sales are continuing to grow from the low in the first months of this year but May sales are still down around 3% year on year. The home furnishings retail sector has been badly impacted and year on year May sales of home furnishings were down over 17%.

See:

[http://www.stats.gov.cn/english/PressRelease/202006/t20200616\\_1760480.html](http://www.stats.gov.cn/english/PressRelease/202006/t20200616_1760480.html)

### New Solid Waste pollution law released

A revised law on Prevention and Control of Environment Pollution Caused by Solid Waste will become effective 1 September 2020. This law will help speed progress zero import of solid waste. The law increases penalties for non-compliance with solid waste management regulations to a maximum of RMB5 million.

See: [http://www.cwp.org.cn/vip\\_doc/17559795.html](http://www.cwp.org.cn/vip_doc/17559795.html)

### Pests found in shipments of logs from Canada

Reports are circulating that some port authorities in China have detected harmful organisms in imported Canadian logs. China has requested the Canada authorities to investigate and take measures to resolve the issue.

The authorities in Canada say they received 16 notifications of non-compliance from China related to the discovery of pests in some shipments of hardwood and softwood logs and is investigating.

See: <http://www.msn.com/en-xl/asia/top-stories/china-asks-canada-to-investigate-pests-found-in-logs/ar-BB15BaO9?li=BB12J0nL>

### 2020 Building Decorations and Materials Exhibition postponed

With the corona virus rebound in China and with Beijing becoming country's highest-risk location, the organisers of the 2020 China (Beijing) International Building Decorations and Materials Exhibition decided to postpone the event until March 2021.

The organisers pledged to maintain communication with exhibitors and to develop online promotion to ensure the 2021 event is a success.

### Guangdong tops forest industry output again

The value of output by the forestry industries in Guangdong has maintained its number one position for the 11th consecutive year.

It has been reported that the value of forest industry output in Guangdong Province in 2019 rose 79% to RMB841.6 billion, increasing RMB372.5 billion over 2018. The value of forestry industry output exceeded RMB100 billion in Guangzhou, Shenzhen, Foshan and Dongguan cities.

The area of forest cover in Guangdong Province stands at almost 59% and the forest standing volume is estimated at over 570 million cubic metres. Forest products industries have a long tradition in Guangdong and there have been rapid developments in recent years.

The output value of woodbased panels, furniture, wood (bamboo) flooring, woodbased pulp, paper and rosin has been among the highest in the country for many years. The output value of the secondary industry, represented by furniture, wood bamboo flooring and paper making was RMB544.6 billion in 2019.

The Province has established more than 110 large scale forest products markets for offline sales and logistics trading platforms have been established to support the forestry sector develop large scale, intensively managed and professionalism.

See: [https://gzdaily.dayoo.com/pc/html/2020-06/21/content\\_131548\\_705874.htm](https://gzdaily.dayoo.com/pc/html/2020-06/21/content_131548_705874.htm)

### Rubewood centre established in Nankang

A China Wood Value Promotion and Sustainable Development Center and a rubber wood industry alliance have come together to establish a RubberWood Scientific, Research and Culture Center in Ganzhou City, Jiangxi Province, a manufacturing centre for home furnishing.

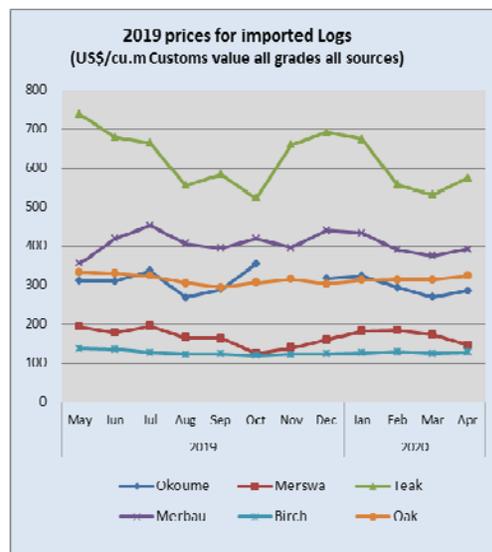
The new Center will support and strengthen the Nankang furniture industry clusters, promote the development of the rubberwood furniture industry and extend the advantages of the area.

The Center will research the distribution of global rubberwood resources, the status and characteristics of rubberwood in China as well as the relationship between the development of the rubberwood industry and the national "Belt and Road" initiative.

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

	2020 Mar	2020 Apr
Okoume	268	284
Merswa	171	145
Teak	531	574
Merbau	375	391
Birch	124	127
Oak	313	323

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

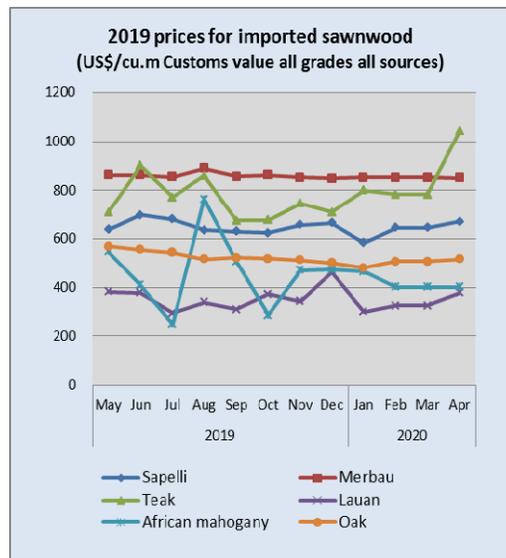


Data source: China Customs. Customs value all grades, all sources

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

	2020	2020
	Mar	Apr
Sapelli	644	670
Merbau	853	851
Teak	782	1044
Lauan	326	377
African mahogany	401	1046
Oak	507	518

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



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

## Europe

### European plywood sector pushes through pandemic

Expectations of the impact of the Covid-19 pandemic on the European plywood sector turned out to be worse than the reality.

Nevertheless, overall trading levels in the first half of 2020 are reported sharply down. Some fear business may not return to pre-crisis levels until a vaccine is found for the virus and there is concern among importers over the longer term repercussions of the crisis for European national economies, particularly for employment, with predictions that Brexit may add to market stresses.

EU and UK plywood importers and distributors took a range of steps to comply with social distancing and other health guidelines throughout the lockdown, it's reported that most of the sector did keep trading.

"We divided the workforce into teams, working several days on, several off, both in order to meet distancing rules and so that, if anyone fell sick, we'd have a back-up," said a director of one leading EU importer.

Another company said its strategies differed across the national markets it services. "In France at the height of the pandemic and lockdown, we were down at one point to around 10-15% of normal activity, so reined in operations accordingly. In the UK only our main directors came in, while everyone else worked from home, but in the Netherlands, Belgium and Germany we pretty much continued as normal," they said.

A major UK importer distributor said they had furloughed just six people out of a workforce of 90. "Our offices were big enough to maintain distancing rules and we adapted in other ways," they said.

"For instance, delivery drivers stayed in vehicles to minimise contact and we went even more paperless, sending delivery and order notes to tablets and smartphones. It's really demonstrated the value of new technology and digitization, with staff and supplier meetings online and sales communicating with customers remotely, all with no appreciable adverse impacts on business. We'll probably stick with some of these approaches post-pandemic."

The fall in turnover in the first six months of 2020 varied according to importers' product mix and national markets, with estimates ranging from 15% to 35%. However, some had expected a bigger contraction.

"Sales falling by between fifth and a third obviously is bad news, but mid-March into April, when the health crisis was at its peak and the media full of dire predictions, we discussed contingencies for a more serious situation," said one company.

A multi-national importer/distributor reported the French market through April into May down 75%, the UK 65% and Belgium 35%, but business in the Netherlands and Germany was significantly less affected. "The Germans and Dutch lockdowns either weren't as severe, or businesses coped better," they said. "The result was that most customers were able to carry on near normally."

One company said its sales in these two countries had enabled it to maintain first half construction sector business overall at 90-95% of 2019 levels. "We actually saw surprisingly few site closures generally and also the building sector had benefited from a mild winter, so ongoing projects hadn't been interrupted or building starts delayed due to bad weather. As a result, the sector went into the pandemic period at strong levels of activity.

Demand from customers in infrastructure also held up well. Projects were possibly brought forward by contractors to take advantage of lower traffic levels and by local and central government also to help maintain economic activity."

Merchants and small to medium sized distributors were the mainstay of another importers' business from March through June, particularly those servicing smaller builders and private customers.

“Some bigger distribution chain customers and larger construction contractors we service curtailed operations, but traditional merchants were busy, as were builders working on smaller projects, repair and refurbishment, plus the DIY sector. Consumers clearly took advantage of lockdown to do home improvements,” said an importer/distributor.

UK importers painted a similar picture, with DIY trade holding up particularly well. One had also seen strong demand from retail and hospitality for plywood and OSB to board up locked down premises.

UK construction activity varied from site to site, some closing, others continuing, operating to health guidelines. Most interruption was reported in Scotland where the sector was hit by the strictest lockdown rules.

In common with most continental counterparts, a UK company said their worst affected areas were packaging, shop fitting, the exhibition sector and hospitality refurbishment.

“Some shops have used it to refurb, but the sector generally didn’t go into lockdown in a strong position, due in particular to online retail growth, so didn’t have the resources,” said the importer.

“We’ve also seen a sharp downturn in anything to do with manufacturing. That includes sales to the automotive sector, boat building and particularly furniture production.”

Another continental importer described the packaging business as a ‘disaster area’ – down at least 50%. “It’s dependent on transport of goods which, of course, was severely curtailed,” they said.

### **Serious interruption of Chinese plywood supply to Europe**

On supply, some interruption was reported out of Indonesia and Malaysia due to the lockdown; some factories reported to have closed for several weeks, others reduced output. But the major issue was with the Chinese product. The combined effects of Chinese New Year and pandemic saw shipments dry up.

The impact was partially softened by lower demand in Europe, but companies still report they are coming close to selling out.

“We’d stocked up as usual ahead of New Year. But rather than the usual two to three weeks hiatus in supply, it was seven to eight, mid-January to the end of March,” said an importer.

“Basically, we cleared our stocks and most customers were sold out, particularly on film-faced and other construction and industrial product. Even now, whatever’s coming in from China is presold and immediately going out again.”

Through May, Chinese and other S.E Asian supply was reported to have recovered and combined with slight weakening of the yuan, the consequence, said an importer, is that there is now more “flexibility on price”. “It’s generally not substantial, although there are some suppliers hungrier for business than others and open to offers,” they said.

Despite the supply issues, bar moderate weakening in Chinese product more recently, importers report S.E. Asian prices have been stable over the last few months, with just “minor adjustments”.

The supply of Brazilian eucalyptus and Russian birch plywood, however, has been on a downward trend, the former falling 20 to 25% over the first half of 2020, the latter 10%.

“Combined with the weakening of the Brazilian real, which, despite slight recent recovery early June was still 25% to 30% lower than at Christmas, this left European importers who bought January and February, when prices were actually increasing, with expensive stocks they’ve had to discount,” said one company.

“There are signs prices have bottomed out, but, with the pandemic worsening in Brazil and their domestic market contracting, you never know.”

Russian price cutting was described as an “over reaction to market conditions”. “[Russian] suppliers have had problems. First, they had a mild winter and log shortages, then came the pandemic and contraction of the building interiors market, which is significant for them,” said an importer.

“But Russian suppliers seemed to get into a race for the bottom. Whether they’ve reached it yet is unclear. These are big companies which may have room for more cuts. As with eucalyptus, it’s meant write offs and particularly bigger stock-holding importers losing a lot of money.”

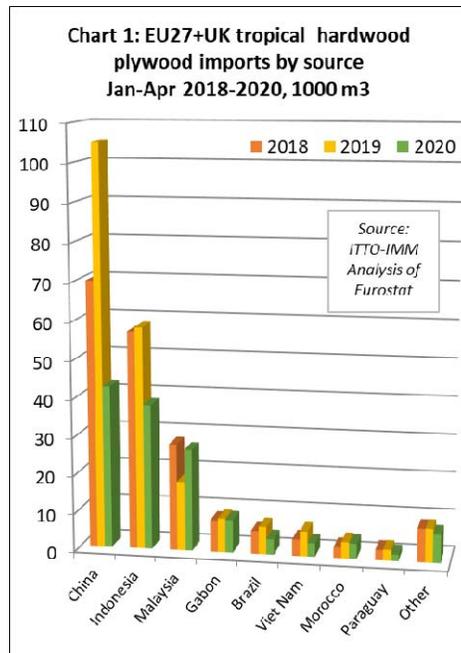
### **European plywood imports slump**

According to analysis of latest UK Government and Eurostat statistics, total plywood imports by the EU27+UK (excluding internal trade) dropped by 16% to 1.58 million cu.m from January through April this year compared to the same four months last year. This follows a dip of 5.3% to 4.4 million cu.m for the full year in 2019.

EU27+UK tropical hardwood plywood imports, including both direct from the tropics and from non-tropical countries, were 137,000 cu.m between January and April this year, 38% less than the same period in 2019.

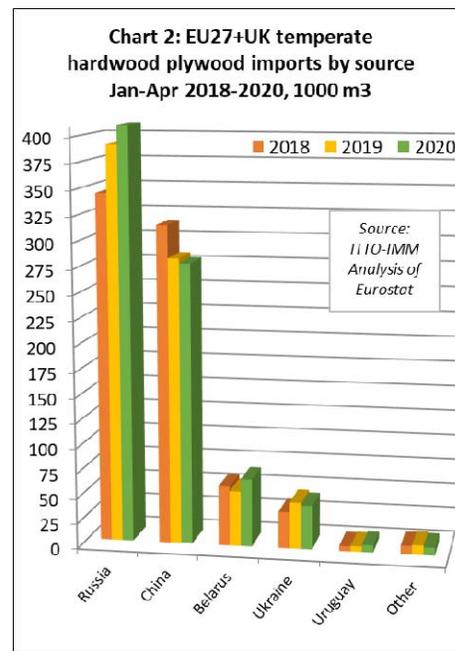
EU27+UK tropical hardwood plywood imports from China from January through April were 59.5% lower at 43,000 cu.m.

Imports of tropical hardwood plywood also declined sharply from Indonesia (down 34.6% at 38,000 cu.m), Gabon (down 3.3% at 9,000 cu.m), Brazil (down 43.9% at 4,000 cu.m) and Viet Nam (down 45.8% at 4,000 cu.m). However imports from Malaysia were up 47.1% at 27,000 cu.m (Chart 1).

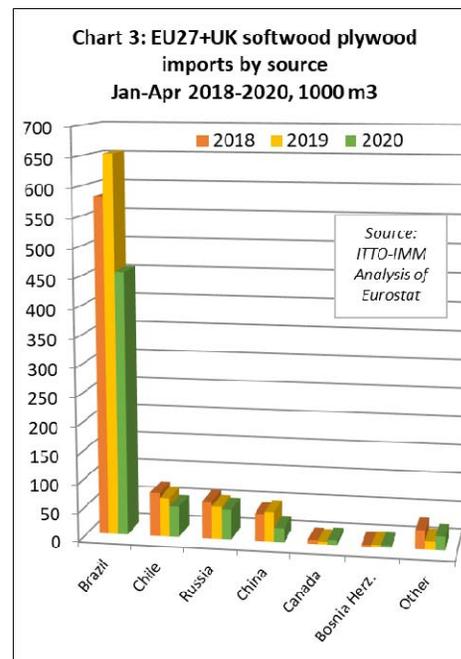


In contrast to tropical hardwood plywood, EU27+UK imports of temperate hardwood plywood were up 3.1% at 815,000 cu.m in the first four months of 2020. Imports of this commodity from Russia were 4.8% ahead at 410,000 cu.m, from Belarus up 22.7% at 67,000 cu.m, and Uruguay up 31.9% at 7,000 cu.m.

However, imports of temperate hardwood plywood from China were down 1.7% at 278,000 cu.m and from Ukraine down 5.6% at 44,000 cu.m (Chart 2).



EU27+UK imports of softwood plywood declined 27.1% to 623,000 cu.m in the first four months of 2020. Imports from Brazil were 30.3% lower at 456,000 cu.m, from Chile down 20.9% at 54,000 cu.m, Russia down 7.5% at 53,000 cu.m and China down 52.7% at 25,000 cu.m, while those from Canada rose 77.5% to 8,000 cu.m (Chart 3).



#### Uncertain outlook for European plywood market

As for the outlook for the European plywood sector, importers said it remained a difficult call. “There are so many variables,” said one company. “There’s anxiety about a second spike in Covid-19 in Europe, and we’ve already seen renewed outbreaks and subsequent localized lockdowns in Germany.

“There’s been consumer confidence and market recovery from mid-May through June and we see the position continuing to improve through the summer, but it won’t take many more such instances for that to be threatened.

There’s talk too of the risk of company failures and accelerating job losses as government pandemic business support programmes are wound down, with unemployment forecast to be a major drag on the European economy. Then there’s the worry of the course of the disease elsewhere in the world.”

Prospects in construction are also causing concern. “I think we’ll see an upturn in activity as those projects that were delayed come back on stream, with more work done than normal through July and August,” said an importer-distributor.

“But, as these projects complete, are we going to see new ones starting? Some governments are pump priming the sector, with Germany and the UK, for instance, promising multi-billion infrastructure spending. But not everyone is going to have that kind of resource.”

These concerns are borne out by latest forecasts from Euroconstruct. It predicts that its 19 member countries in 2020 will see an overall contraction in construction turnover to €1.5 trillion, the lowest figure since 2015. In Germany the fall will be just 2.4%, but in the UK and Ireland could be as severe as 33% and 38% respectively.

While building output will start recovering in 2021, Euroconstruct predicts that in 2022 it will still only be back to 2018 levels. Euroconstruct adds that there are also downside risks to its forecast, the most significant being the coronavirus and its containment.

Adding to importers’ challenges, they also report greater difficulty in meeting EUTR due diligence requirements due to a combination of having furloughed their own personnel, and suppliers’ offices also being short-staffed, so processing documentation more slowly. “And EU competent authorities are making no allowances,” said one company.

Another reported that the Belgian competent authority is also scrutinizing FLEGT-licensed cargoes more closely. “Whether it’s to do with Indonesia’s proposed then abandoned move to drop the obligation on companies to provide legality assurance on timber exports is unclear,” they said. “But it seems excessive.”

A UK importer voiced the sector’s consensus about the immediate future. “Business continues to pick up and we’re being positive, but it’s going to be challenging. We think our new norm will be about 15-20% below 2019 business levels; where we were doing £10 million a month, we’ll now be on £8-8.5 million,” they said.

“We hope to be proved wrong, but at the moment we can’t see that changing significantly until a Covid-19 vaccine is out there.

“Then there’s the downside risk posed to us and the rest of Europe by Brexit. The pandemic has taken months out of negotiations and the risk of the UK exiting the EU without a trade deal is reported as very real. On top of the health crisis, that could be tough to cope with. Our hope is that they extend the transition period so they can come to a deal and we only have one crisis to manage.”

#### **Brexit ‘rears its head’ once more**

In a recent blog post, the UK TTF Managing Director David Hopkin notes that “just when we thought it was safe to go back into work from COVID-19, the lurking beast of Brexit has reared its head once more”.

Mr. Hopkins was responding to issues raised by UK government announcements on the VAT and trade tariff regime planned to be implemented in the UK after the current Brexit transition period has ended, from 1<sup>st</sup> January 2021, in the event of no deal with the EU – or even in the event of a deal being reached.

According to Mr. Hopkins “as negotiations continue, the threat of no-deal Brexit – something everyone said they wanted to avoid – now looks increasingly likely. Indeed, there often seems little difference between the deal the Government wants, and no-deal anyway”.

Mr. Hopkins goes on to note that “the issues around this are multiple and various. None are insurmountable, but all need to be discussed openly and transparently with sufficient time to consider all sides of the argument. But, time and scrutiny are the very things the Government is keen to avoid in its rush to the finish line.

“Already we have seen the Government U-turn on a huge number of areas where previously we had been given concrete assurances and thought we had certainty for example, payment of VAT on imports. Last year, the Government, in a signed letter from the Chancellor, assured TTF that importers could continue the same regime as before and defer payments over time to ease cash-flow.

“In February, the Prime Minister broke this promise, telling all businesses that VAT would be payable upfront, in one sum, on all imports. This poses huge problems for smaller importers. Promises on frictionless trade, tariffs and other areas of business have gone the same way.

Mr. Hopkins then referred to the discussions the TTF has held with members on the proposed “UK Global Tariff” published on 19 May. The tariff will apply to all goods imported into the UK unless the goods come from countries that are part of the GSP system or from countries that have a trade agreement with the UK.

Mr. Hopkins was sharply critical of the UK government's "proposed new tariffs for engineered timber and plywood" noting that "we were previously told these would never be imposed" and that "we will be looking at how we can overcome this and other issues within the post-Brexit regime".

While that is the TTF perspective, other observers have been more generous to the UK government stance on tariffs, suggesting that, at this stage of trade negotiations with the EU and other partners, rather than unilaterally removing tariffs now, it makes sense for the UK to keep the flexibility to cut tariffs in future.

Furthermore, the tariffs the TTF refer to are not "new" in the sense that they have always been imposed on supplies from outside the EU. What is "new" is that UK imports from EU countries would now be subject to the same constraints.

While disruptive to existing UK supplier relationships with the EU, it would enhance the competitiveness of other suppliers to the UK, including in the tropics, who would be treated on a level playing field.

For this reason, non-EU suppliers of those wood products currently subject to tariffs for import into the EU – which include veneer, plywood, other laminates, panels, marquetry, doors and windows, picture frames, bamboo and rattan furniture, and wood furniture components – would all benefit in the UK market in the event of a "no deal" Brexit, even if the UK were to simply adopt the EU's existing tariff schedule.

Of course, this benefit is only in terms of relative competitiveness and takes no account of the potentially serious and detrimental hit to the overall economy of the UK, and to a lesser extent the EU, in the event of a no-deal Brexit. From that best perspective, no-deal is best avoided.

In practice the UK is not proposing to simply replicate the existing EU tariff schedule, but to adjust it to better reflect the UK's own interests. Certain EU industries that the EU is helping to protect through the tariff schedule have little or no presence in the UK. The UK can be expected to either reduce or totally remove tariffs for these sectors.

In practice the UK home-grown wood products sector is relatively small and narrowly focused compared to many other European countries – the commercial forest resource being heavily oriented towards spruce plantations.

The country has a very long tradition of importing to fulfil its wider wood needs, more so than elsewhere in the EU, and therefore is likely to be more inclined to reduce wood import tariffs.

This discussion is academic for quite a few wood products. The EU already imposes zero-tariffs on all logs and rough sawn timber, together with all finished wood furniture, as well as for all types of wood fuel, including chips, pellets, charcoal, sleepers, tools, shuttering, shingles and shakes, posts and beams, glulam, tableware and kitchenware.

For nearly all wood product groups where the EU applies tariffs, the UK is now proposing either to reduce or eradicate tariffs for UK global imports. The main changes proposed are as follows:

- The EU tariff of 2.5% that applies to all "sanded" sawnwood would be reduced to zero in the UK.
- The EU tariff of 2% specific to tropical hardwood that is "planed" would be reduced to zero in the UK.
- The EU tariff on veneers, which ranges between 3% to 6% depending on degree of processing and species, would be reduced to zero in the UK.
- The EU 7% tariff on plywood, including with outer ply of tropical hardwood (4412110/44123190), other hardwood (44123300/4412400), and softwood (44123900), would be reduced to 6% in the UK.
- The EU 7% tariff on MDF and other fibreboard, OSB and other particle board would be reduced to 6% in the UK.
- The EU 2.5% tariff on picture frames and similar products made of tropical wood, would be reduced to 2% in the UK.
- The EU 3% tariff on wooden doors and door frames, windows and window frames, parquet flooring panels, which applies to all wood species including tropical wood, would be reduced to 2% in the UK.
- The EU's 3% tariff on statuettes and jewelry and cutlery boxes made specifically of tropical wood, would be reduced to 2% in the UK.
- The EU 4% tariff on wood packing cases, boxes, crates, box pallets and similar, would be reduced to zero in the UK.
- The EU 5.6% tariff on bamboo and rattan furniture would be to 4% in the UK.
- The EU 2.7% tariff on wooden furniture components would be reduced to 2% in the UK.

The only wood products where the UK proposes to retain the existing EU tariff are: laminates and veneered panels under 441294 and 441299, for which there is a tariff of 6% or 10% depending on the exact specification; bamboo plywood which will continue to be subject to a 10% tariff; and wood marquetry, subject to a 4% tariff.

The UK is not proposing to increase tariffs on any wood products.

### Hints of improvement as building permit numbers rise

U.S. homebuilding increased less than expected in May, but a strong rebound in permits for future home construction suggested the housing market was starting to emerge from the COVID-19 crisis along with the broader economy.

Housing starts rose 4.3% to a seasonally adjusted annual rate of 974,000 units in May, the U.S. Department of Commerce said. The increase recouped only a fraction of the more than 40% cumulative decline in homebuilding in March and April. Starts dropped 23% on a year-on-year basis in May.

The rise in starts last month was tempered by a tiny gain in single-family homebuilding, which accounts for the largest share of the housing market, to a rate of 675,000 units. Decreases in homebuilding in the Midwest (down 1.5%) and populous South (down 16%) offset robust increases in the West (up 69.8%) and Northeast (up 12.8%).

See:  
<https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

Permits for future home construction rebounded 14% to a rate of 1.22 million units in May, reinforcing economists' expectations that the housing market will lead the economy from the recession, driven by historically low mortgage rates. Applications for loans to buy a home surged to a near 11-1/2-year in mid-June.

### Home sales fall but rebound anticipated

Existing-home sales fell in May, marking a three-month decline in sales as a result of the COVID-19 outbreak, according to the National Association of Realtors (NAR). Total existing-home sales slumped almost 10% from April to a seasonally-adjusted annual rate of 3.91 million in May. Overall, sales are down 27% from a year ago (5.33 million in May 2019).

Lawrence Yun, NAR's chief economist said "Sales completed in May reflect contract signings in March and April – during the strictest times of the pandemic lockdown and hence the cyclical low point. Home sales will surely rise in the upcoming months with the economy reopening."

### U.S. cabinets sales down sharply

According to the Kitchen Cabinet Manufacturers Association's monthly Trend of Business Survey, participating cabinet manufacturers reported a 22% decrease in overall cabinet sales for April 2020 compared to the same month in 2019. Custom sales are down 30.4%, semi-custom decreased 25.4%, and stock sales decreased 17.8%.

The results of the economic shutdown from COVID-19 can be seen in the monthly numbers. Overall cabinet sales were down 31% in April 2020 compared to March.

Custom sales decreased 36%; semi-custom sales decreased 32%; and stock sales decreased almost 30% compared to the previous month.

Overall, year-to-date cabinet sales are down slightly at 1% due to the April dip. Custom sales decreased 4%, semi-custom sales are down 6%, and stock sales remain strong at an increase of 3.2% YTD.

### Building material prices move higher

Prices paid for goods used in residential construction increased almost 1% in May (not seasonally adjusted) according to the latest Producer Price Index (PPI) report released by the U.S. Bureau of Labor Statistics. May marks only the fourth monthly increase in the past 12 months in the price index for residential construction inputs.

The index has declined 4.8% year-to-date, nearly four times the magnitude of the prior record for a May year-to-date decrease (-1.3% in 2009). Prices paid for goods used in residential construction have fallen between January and May just three times since 2000.

Prices in the Northeast advanced 0.3% in May, were unchanged in the South, and fell 0.5% and 1.5% in the Midwest and West regions, respectively (not seasonally adjusted).

### Unemployment still above 20% in Nevada, Michigan and Hawaii

The unemployment rate fell in 43 U.S. states and Washington, D.C. in May as the economy began to reopen and more employees returned to their jobs, but the number of people not working still stood near record highs and was particularly acute in places like Nevada, Hawaii and Michigan.

The unemployment rate fell the most last month in Mississippi, dropping to 10.6% from 16.3% in April. The jobless rate also fell sharply in Kentucky, Indiana, Nevada, Arizona and Tennessee. Even after falling in May, though, Nevada still had the highest unemployment rate in the country at 25.3%. Hawaii was a close second at 22.6%.

Earlier this month the U.S. Bureau of Labor Statistics reported the U.S. regained 2.5 million jobs in May and the unemployment rate fell to 13.3%. On June 15, the BLS provided the state-by-state breakdown of the data for May.

Unemployment is also still extremely high in states with large numbers of COVID-19 cases or stricter lockdown orders such as Michigan. That state, site of the some of the biggest anti-lockdown protests, saw just a small decline in unemployment in May to 21.2%.

Unemployment rose in five states, with the biggest increase coming in Minnesota, where mass protests took place after the killing of African-American George Floyd by police.

The jobless rate rose to 9.9% from 8.7%, though it's unclear if the incident contributed. A series of sometimes violent protests didn't take place until the end of the month.

Unemployment has been lower in less populated states with smaller numbers of coronavirus cases, mostly in the Midwest and Southern parts of the country. States in those regions did not shut down quite as extensively.

The government said earlier this month the unemployment rate dropped to 13.3% in May from a modern record of 14.7% in April. Most economists think the real jobless rate is closer to 20%.

See: <https://www.marketwatch.com/story/unemployment-rate-falls-in-43-states-in-may-but-still-tops-20-in-nevada-michigan-and-hawaii-2020-06-19>

#### **States reporting a rise in new coronavirus infections**

The first wave of coronavirus in the U.S. is not yet over according to experts. Nearly half of all states are reporting a rise in new cases and some continue to break records in their daily reported cases. In the South, officials say more young people are testing positive. Experts continue to repeat warnings highlighting the need for social distancing and face covers.

While some point to the rise in numbers as a result of more testing health officials say increased testing is only partly to blame. Parts of the country remain divided on wearing face masks in public and more officials have had to consider making face covers in public a requirement.

The 23 states seeing a rise in new reported cases compared to the previous week, according to data from Johns Hopkins University, are: Arizona, California, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Kansas, Kentucky, Michigan, Missouri, Montana, Nevada, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Utah, Washington, West Virginia and Wyoming.

Experts are concerned about the rise in infections in Florida saying the state could become the next US coronavirus epicenter. On 20 June Florida reported 4,049 new cases, the most reported in a single day.

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

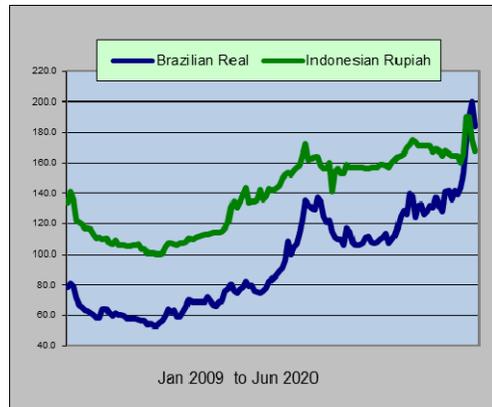
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 25th June 2020

Brazil	Real	4.038
CFA countries	CFA Franc	581.32
China	Yuan	7.0811
EU	Euro	0.8894
India	Rupee	75.51
Indonesia	Rupiah	14245
Japan	Yen	107.157
Malaysia	Ringgit	4.245
Peru	New Sol	3.36
UK	Pound	0.8131
South Korea	Won	1199.66

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

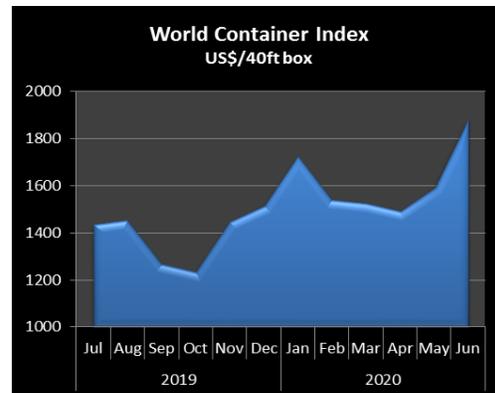


## Abbreviations and Equivalences

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

## Ocean Container Freight Index

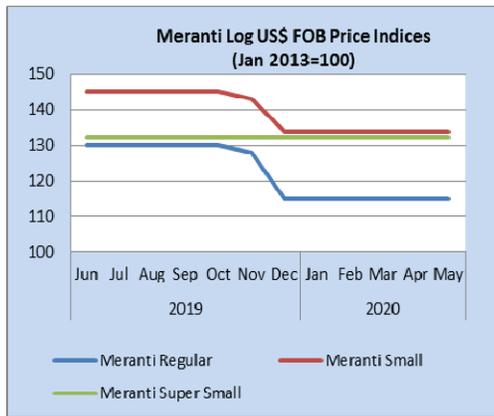
July 2019 – June 2020



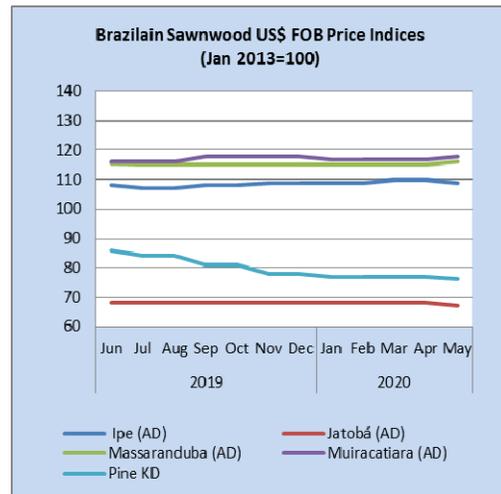
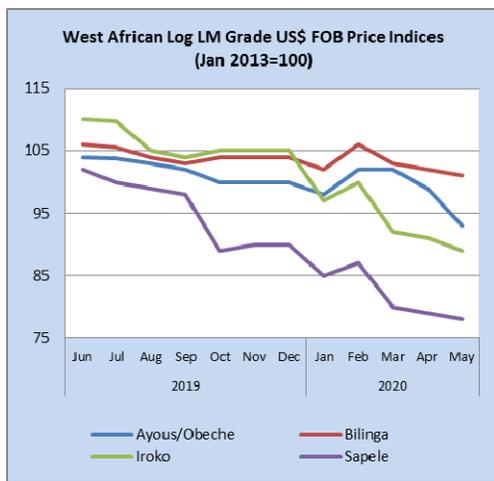
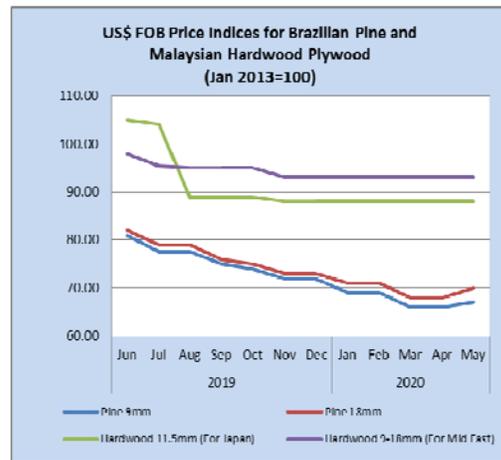
Data source Drewry World Container Index

**Price indices for selected products**

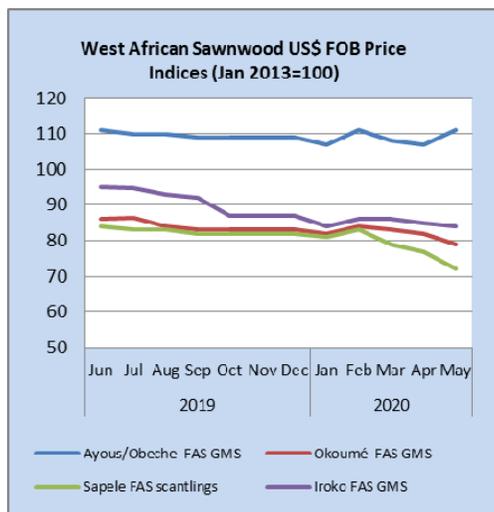
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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