

Tropical Timber Market Report

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Top story

African Forestry Ministers agree on 2022 log export ban

Congo Basin Forestry Minister recently met and agreed that, in order to stimulate domestic timber processing and increase the contribution of the sector to GDP, a ban on log exports will be implemented in 2022.

The press release from the meeting says the Ministers were unanimous in their decision to end log exports.

See page 2

Forestry ministers set 2022 for implementing log export ban

In September Ministers of Forests, Industries and Environment in the Central Economic and Monetary Community (CEMAC) met in an effort to stimulate domestic processing of wood products in order to raise the contribution of the forestry sector to GDP. The communique and press release from the meeting says member countries of the Congo Basin have taken the unanimous decision to end log exports from January 2022.

The meeting also agreed an effort to harmonised forestry tax systems in member states.

The domestic press has commented on the latest meeting and *Todaynewsafrica.com* has pointed out that some CEMAC member countries already have legislation to this effect. Gabon endorsed a ban in 2010 and Equatorial Guinea announced such a measure in 2019. The Democratic Republic of Congo and Cameroon had aimed to introduce a log export ban but this is yet to be implemented.

See:

<http://www.cemac.int/sites/default/files/ueditor/55/upload/file/20200921/1600697883865226.pdf>

and

<https://todaynewsafrica.com/congo-basin-member-states-ban-timber-exports-to-stimulate-economic-growth/>

Here today, gone tomorrow

This year several Chinese operators have left Cameroon citing weak market demand and the rising duties and levies imposed on the industry. For some companies the easiest way round taxes is to conduct business in cash, an approach that makes quick relocation possible.

Traceability key to resumption of kevazingo harvesting

Action to expand processing of kevazingo has hit a road block as the Ministry of Forestry needs to be satisfied that logs can be traced from stump to mill. With a robust system in place the plan to restart kevazingo harvesting could be implemented.

However, operators are not optimistic that such a system can be introduced quickly. There are thousands of cubic metres of logs on the ground awaiting processing.

Logs disappearing overnight

Forestry officials in Gabon's central north western Moyen Ogooué Province have stocks of seized logs they would like to dispose of through a tender but complain that, on many occasions, seized illegally harvested logs, even when marked and recorded, disappear overnight. The Moyen Ogooué forestry office has requested assistance to arrest those trafficking stolen logs.

Village surveys an added expense for operators

An article in Gabon's forestry code has recently become an issue. The code requires operators to pay a defined amount to the villages within or close to their operations.

In order to identify the recipient villages a survey is necessary which, as there is no-one else to help, the operators must conduct at their own expense.

Work begins on trans-Gabon highway

Gabon has officially begun work on the 780km "TransGabonaise" highway that will cross six of the country's nine provinces and will replace sections of the N1 and N3 roads which are often severely congested. The aim of this investment is to improve local communications and with Cameroon, Equatorial Guinea and Congo-Brazzaville.

The project is a public-private partnership and has secured financial support from a French investment fund.

See: <https://www.globalconstructionreview.com/news/gabon-begins-work-1bn-transgabonaise-motorway/>

log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	220
Moabi	350	350	275
Movingui	180	180	-
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

Covi-19 cases declining

Ghana has not been spared in the COVID-19 crisis, but the country started its preparedness activities early.

As part of its surveillance response activities with support from WHO and Norway, Ghana has now put in place an expanded contact tracing system to identify contacts of confirmed cases of COVID-19.

WHO has supported contact tracing in Ghana, especially in Greater Accra, the region with the highest number of cases, with funding from the Norwegian Institute of Public Health (NIPH).

See: <https://www.who.int/news-room/feature-stories/detail/ghana-who-and-norway-help-strengthen-covid-19-contact-tracing>

Covid-19 cases - Ghana

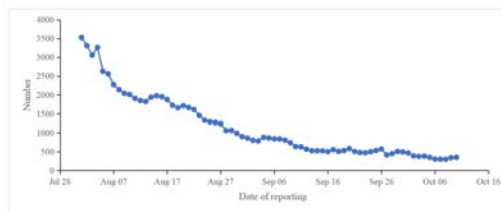


Figure13: Daily active COVID-19 cases in Ghana, August – October 2020

Source: Ghana Health Ministry

Self-imposed deadline to meet VPA looms

At a press conference EcoCare Ghana Managing Campaigner, Obed Owusu- Addai, appealed to the Forestry Commission and the Ministry of Lands and Natural Resources to ensure Ghana doesn't miss the December 2020 deadline for to completing the processes to convert Timber Extant Leases into Timber Utilisation Contracts as agreed in negotiations for implementation of the VPA.

He said that more than 100 Timber Utilisation Contracts are awaiting processing by the Ministry of Lands and Natural Resources adding, when the process is completed Ghana can begin to issue FLGET license under the Voluntary Partnership Agreement (VPA).

See: <https://www.modernghana.com/news/1029440/csos-alarmed-ghana-on-the-verge-of-losing-eu-timb.html>

Who benefitted from plantation development fund

The Forest Plantation Development Fund Board says it will publish details of its plantation support disbursements and planted area to meet the request from the timber industry.

Dr. Emmanuel Marfo, a governing board member of the fund, says the board has commissioned the Forest Research Institute of Ghana to compile data on completed projects. The Forest Plantation Development Fund Board receives levies charged on the export of unprocessed and air-dried timber. An 2000 Act of Parliament provided the authority for the Board to use the levies to develop plantations.

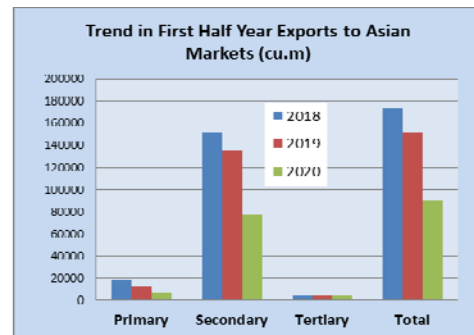
Dr. Marfo said small scale farmers, not large-scale plantation developers, were the main beneficiaries of support.

See: <https://www.myjoyonline.com/business/agribusiness/forest-plantation-development-fund-rebuffs-non-transparency-claims/>

Shipments to Asian markets tumble

Asian markets account for more than 50% of Ghana's wood product exports but data from the Forestry Commission Timber Industry Development Division (TIDD) shows that in the first half of 3 consecutive years, 2018, 2019 and 2020 the volumes shipped have been falling.

In 2018 shipped volumes accounted for around 75% of all shipments then in 2019 that fell to 71% and this year it dropped to around 55%. The reverse was the case for shipments to Europe, neighbouring African countries and America where shipments increased.



Data source: TIDD

Primary products are billets while secondary products include sawnwood, plywood, veneer, kindling and boules. Tertiary products includes mouldings, dowels and doors and in the first half of 2020 moulding shipments totalled 5,128 cu.

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	530
Niangon Kiln dry	619

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	325	440
Chenchen	540	631
Ogea	443	590
Essa	543	605
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	762
Avodire	745
Chenchen	812
Mahogany	543
Makore	844
Odum	667

Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina
4mm	334	580	641
6mm	412	535	604
9mm	377	446	560
12mm	516	476	480
15mm	450	338	430
18mm	450	441	383

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

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	436	467
Edinam (mixed redwood)	520	583
Emeri	465	590
African mahogany (Ivorenensis)	930	997
Makore	740	840
Niangon	620	656
Odum	649	1,012
Sapele	720	800
Wawa 1C & Select	426	436

Malaysia**Growth forecast revised down**

The World Bank has cut its 2020 growth forecast for Malaysia suggesting a contraction of almost 5% which is worse than the -3% forecast earlier. The downgrade is the result of a worse than expected contraction in the second quarter of 2020. The Bank also pointed to higher than anticipated unemployment which will inevitably impact private consumption.

Malaysia's economy is severely affected by the Covid-19 pandemic leading to a double digit contraction of 17% in the second quarter of 2020 as domestic demand crashed due to the imposition of the 'movement control order'.

Malaysia's trade surplus in August 2020 grew almost 20% year on year and exceeded RM10 billion for the seventh time this year as imports were significantly impacted. Lower trade was recorded with Thailand, Bangladesh, Indonesia and Japan.

August exports of wood products were valued at RM 1,937 million, marginally less than in August 2019. Cumulative exports January to August were RM 13,689 million down around 6% year on year.

MTCC survey on impact of Movement Control Order

Malaysia used a Movement Control Order (MCO) to manage the spread of Covid 19, first implemented in March, it has subsequently been relaxed as the situation became more controlled.

A Malaysian Timber Certification Council (MTCC) survey of sector stakeholders at the end of April tried to gauge the early effects of the pandemic on companies with forest management certificates and chain-of-custody certificates. The survey covered 23 forest management certificate holders and 381 chain of custody holders.

The graphically illustrated results can be found at: mtcc.com.my/wp-content/uploads/2020/07/Laporan-Survei_Impak-PKP-terhadap-MTCS-final_-ENG.pdf

Wood product export earnings (RM millions)

	Jan-Aug 2019	Jan-Aug 2020
Furniture	5,618	6,230
Joinery	662	610
Particleboard	226	176
Fibreboard	729	503
Logs	545	354
Mouldings	597	451
Plywood	2,355	1,921
Sawnwood	2,312	1,497
Veneer	112	63
Other products	1,377	1,882

Data source: MTC

See: www.malaymail.com/news/money/2020/09/28/malaysia-posts-double-digit-growth-in-august-trade-surplus-of-rm13b/1907417

Plantation news

The Sarawak Deputy Chief Minister, Awang Tengah Ali Hasan, has warned the timber industry in the State to expand plantation development as the State wants the industry to be less dependent on the natural forest for raw materials.

Sarawak is targeting the planting of 35 million trees in the next five years. The State government is committed to seeing one million hectares of plantations by 2025.

Nestlé has announced it will finance planting of three million trees over the next three years through Project RELeaf, a reforestation initiative in Malaysia. The aim is to contribute the company's pledge to achieve Zero Net Greenhouse Gas Emissions by 2050.

The Nestlé planting will be in the Kinabatangan Wetlands and Merisuli Forest Restoration areas in Sabah as well as in forest reserves along the Central Forest Spine in Peninsular Malaysia. These forest reserves are a sanctuary for a diversity of flora and fauna.

See: <https://www.nestle.com.my/>

Indonesia**Better than expected exports**

The value of Indonesia's wood product exports in the first 8 months of 2020 amounted to around US\$7.2 billion. This was almost 7% down compared to the same period last year when exports earned over US\$7.7 billion.

In spite of the ongoing global pandemic wood product exports for the first three quarters of the year jumped to US\$8.3 billion, only just below the US\$8.5 billion earned in the same period in 2019.

The Ministry of Environment and Forestry (KLHK) has congratulated the private sector on this performance achieved in the face of great difficulties. The Minister said the government will continue to implement measures to support the sector so it can avoid a downturn.

FORESTHINTS.NEWS quotes the Ministry Secretary General, Bambang Hendroyono, as saying "The improvement in export performance means that we remain in alignment with our efforts to avoid lay-offs, as much as possible, in the forestry business sector. This is among our minister's top priorities."

See: <https://foresthints.news/real-time-data-shows-impressive-rebound-level-of-indonesias-forestry-exports/>

No new harvesting permits in 66 million ha. of forest

In a press conference the Director of Inventory and Monitoring of Forest Resources (IPSDH) of the Directorate General of Forestry Planning and Environmental Management (PKTL), Belinda Arunarwati Margono, announced that the Ministry of Environment and Forestry (KLHK) will not allocate harvesting permits in an area of 66 million hectares of natural forest and peatland.

This decision is contained in a ministerial decree number SK. 4945 / MENLHK-PKTL / IPSDH / PLA.1 / 8/2020 "Determination of Indicative Map of the Termination of Issuing New Permits (PIPIB) period II for Primary Natural Forest and Peat Land in 2020."

Ms. Belinda said the Directive has taken into account changes in spatial planning, input from the community, updating of licensing data, as well as the results of a field survey of physical conditions.

See: <https://nasional.kontan.co.id/news/klhk-hentikan-pemberian-izin-baru-di-6627-juta-ha-hutan?page=2>

South Korea's biggest investor in Indonesia's forestry

The Minister of Forestry of the Republic of South Korea, Park Chong-ho, has reported that 15 Korean companies have invested in creating almost 170,000 ha. of plantations in Indonesia and that this exceeds Korean forestry investment in other countries thus making Indonesia an important partner for the Korean forestry sector.

This news was announced at the recent Indonesia-Korea Forest Cooperative Committee (IKFCC) where the two countries signed several agreements including a Cooperation Framework for Forestry Priority Programmes, an agreement for the revitalisation of the Korea-Indonesia Forest Center and the signing of an agreement for the rehabilitation of burned peatlands.

The Indonesian Minister of Environment and Forestry, Siti Nurbaya, expressed her appreciation for the South Korean government's support for Indonesia.

See: <https://www.antaranews.com/berita/1749745/indonesia-jadi-negara-investasi-kehutan-terbesar-bagi-korsel>

Government asked to review raw material regulations

On behalf of the national furniture industry, Tbk, Halim Rusli President Director of PT Integra Indo Cabinet, has requested a review of current regulations to support the survival of the sector. He said he urges the government to review regulations, particularly raw material import regulations which are a handicap to the sector.

He argued that domestic suppliers do not have the capacity or capability to supply the materials needed by the furniture and craft industry. The impact of this he said that export growth is hampered.

The Director of PT Multi Manao Indonesia, Budianto, also mentioned that the SVLK regulation is a disincentive for many because it has increased the cost of doing business. At the same time he acknowledged that the SVLK has opened new opportunities and helped remove the stigma suffered by the timber industry it is just too expensive to apply.

The government has been asked to simplify licensing procedures and remove the legality requirements for Timber Administration (TUK) permits and also ease the requirements for raw material imports.

See: <https://www.liputan6.com/bisnis/read/4373811/selamatkan-industri-mebel-pemerintah-diminta-tinjau-regulasi-bahan-baku>

Job creation Bill raises concern

The government recently passed the controversial legislation on job creation which is intended to deliver a radical change the labour market and in natural resources management by improving bureaucratic efficiency and cutting 'red tape' especially for business permits and decisions on investment. This change has not been well received and thousands have demonstrated saying the law is too pro-business and will undermine worker rights.

See: <https://www.thejakartapost.com/news/2020/10/06/indonesia-passes-jobs-bill-as-recession-looms.html>

Concerns have been raised that the new law eliminate a requirement that Indonesian provinces have a forest cover of 30%. This, say commentators, could increase forest land clearance and escalate conflicts over land and indigenous rights.

In commenting on the revisions KLHK Minister, Siti Nurbaya Bakar, said the purpose of the new laws is to simplify licensing procedures and overcoming barriers to job creation for the new workforce. She said "The Job Creation Law is also important in resolving chronic problems related to forest area conflict".

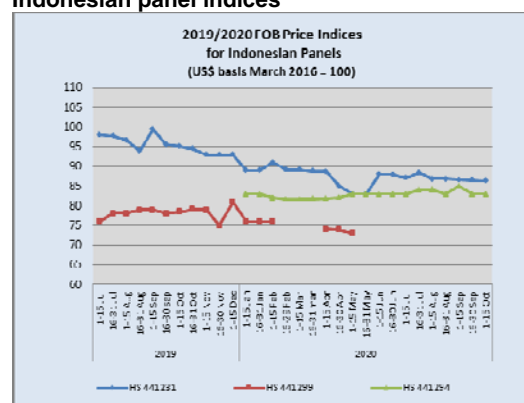
See: <https://www.tribunnews.com/nasional/2020/10/09/menteri-lhk-uu-cipta-kerja-untuk-penciptaan-lapangan-kerja-dan-penyelesaian-konflik-kehutan?page=3>

Global investors have warned that the revisions to the law puts jobs and forests at risk. Reuters has reported many international investors expressed concern on the law revisions saying they have concerns about the negative impact of certain environmental protection measures affected by the Omnibus Bill on Job Creation.

In an open letter to the Indonesian government, Peter van der Werf, Senior Engagement specialist at Robeco, said “While the proposed regulatory changes aim to increase foreign investment they risk contravening international best practice standards intended to prevent unintended harmful consequences from business activities that could deter investors from Indonesian markets.”

See: <https://www.robeco.com/en/media/news-item/2020/open-letter-to-the-indonesian-government-on-the-omnibus-bill-on-job-creation.html>

Indonesian panel indices



Teak log tender postponed

Because of the corona virus second wave the September tender sale was postponed. The suspension of the Forest Department control measures for timber exports continues.

August teak prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	17.00	3,465
SG-5	222.0	3,053
SG-6	85.0	3,284
SG-7	898.0	2,194

India

September rise in exports the first for 7 months

By mid-October India had over 6.6 million recorded corona infection cases, second only to the US but, despite to continual spread of the virus, efforts are being made to revive the economy and these are bearing fruit as a few economic activity indicators are showing improvement as people get back to work.

In the first days of October there was a 14% rise in power consumption, the pace of decline in diesel fuel sales slowed considerably, fees from road tolls are rising, rail freight volumes were up 15% in September and exports in September were up over 5% year on year.

The September rise in exports was the first for seven months. At the same time imports continued to decline, albeit at a slower pace.

Together with a rise in goods and services tax collection, a rise in the purchasing managers' index (PMI) and rising auto sales there are signs of economic recovery after GDP fell 24% in the first quarter of fiscal 2020.

Plantation teak

Freight rates continue to be volatile due to uneven import/export volumes which have been made worse by a shortage of container boxes. It will take time for trade flows to return to normal, only then will importers have an opportunity to decide on price increases.

Under present circumstances it is difficult to provide a clear picture of plantation teak C&F prices. The price indications below do not reflect the changing freight rates.

Pre-pandemic prices

Plantation teak C&F prices (as of end February 2020)

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

Price range depends mainly on length and girth.

Locally milled sawnwood

Traders report sustained demand in the moffusil (rural) markets while demand in the cities is almost zero as timber markets are closed because of recent surges in infection rates.

Pre-pandemic prices

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

There have been no new teak shipments from Myanmar. The prices below are only indicative of the time before the pandemic. When Indian importers begin to negotiate shipments it be possible to report on the impact of price increases expected for Myanmar teak.

Pre-pandemic prices

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Much of the imported hardwoods are used for export furniture manufacture. As international trade is expanding this has resulted in a revival of demand for hardwoods in India.

Pre-pandemic prices

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.

Trade news

During these difficult times many of the usual sources of trade news have suffered disruption. The alternative news sources are now webinars which provide some industry updates and these continue to focus on self-sufficiency and how post-corona demand may develop.

Plywood

Production and sales of plywood are improving but because prices for imported plywood are easing domestic manufacturers have no opportunity to raise panel prices. Mills are steadily ramping up production as workers have returned.

Pre-pandemic prices

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

Pre-pandemic prices

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

US initiates investigation of log imports and intervention in currency practices

The US Trade Representative (USTR) is initiating an investigation of two issues with respect to Vietnam, Vietnam's acts, policies and practices related to the import and use of timber and practices that may contribute to the undervaluation of its currency.

US Trade Representative, Robert Lighthizer said, "President Trump is firmly committed to combatting unfair trade practices that harm America's workers, businesses, farmers and ranchers.

Using illegal timber in wood products exported to the US market harms the environment and is unfair to US workers and businesses which follow the rules by using legally harvested timber.

In addition, unfair currency practices can harm US workers and businesses that compete with Vietnamese products that may be artificially lower-priced because of currency undervaluation. We will carefully review the results of the investigation and determine what, if any, actions it may be appropriate to take, he said.”

See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/october/ustr-initiates-vietnam-section-301-investigation>
and
<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/october/ustr-initiates-vietnam-section-301-investigation>

The USTR has released two notices and requests for comments concerning the investigation under Section 301 of the Trade Act of 1974 regarding certain of Vietnam’s acts, policies and practices.

The first notice announces that the USTR is initiating an investigation of Vietnam’s import and use of timber that is illegally harvested or traded. The USTR seeks comments regarding the investigation due by November 12, 2020.

The USTR notice says:

Exports of wooden furniture to the US exceeded US\$3.7 billion in 2019 and Vietnam is one of the largest global exporters of wood products.

- It appears that most timber exported from Cambodia to Vietnam crosses the border in violation of Cambodia’s log export ban.
- Aspects of the importation and processing of this timber also may violate Vietnam’s domestic law and be inconsistent with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- The USTR is investigating whether Vietnam’s practices related to the import and use of illegal timber are unreasonable or discriminatory and burden or restrict US commerce.

Comments are requested to address the following:

- The extent to which illegal timber is imported into Vietnam
- The extent to which Vietnamese producers, including producers of wooden furniture, use illegal timber
- The extent to which products of Vietnam made from illegal timber, including wooden furniture, are imported into the United States.
- Vietnam’s acts, policies or practices relating to the import and use of illegal timber

- The nature and level of the burden or restriction on US commerce caused by Vietnam’s import and use of illegal timber
- The determinations required under section 304 of the Trade Act of 1974, including what action, if any, must be taken

See: <https://public-inspection.federalregister.gov/2020-22270.pdf>

Valuation of Vietnamese currency

The second notice announces that the USTR is initiating an investigation of Vietnam’s acts, policies and practices related to the valuation of its currency. Written comments must be received by November 12, 2020.

The USTR notice says:

Analysis indicates the Vietnamese dong, which is closely tied to the US dollar may have been undervalued by 7% - 8.4% in 2017 and 2018. Evidence indicates that the Vietnamese government actively intervenes in the exchange market.

The investigation will focus on whether Vietnam’s interventions through the State Bank of Vietnam (SBV) in exchange markets and other related actions that contribute to the undervaluation of Vietnam’s currency are unreasonable or discriminatory and burden or restrict US commerce.

Comments are requested to address the following:

- Whether Vietnam’s currency is undervalued and the level of the undervaluation
- Vietnam’s acts, policies or practices that contribute to undervaluation of its currency
- The extent to which Vietnam’s acts, policies or practices contribute to the undervaluation
- Whether Vietnam’s acts, policies and practices are unreasonable or discriminatory
- The nature and level of burden or restriction on US commerce caused by the undervaluation of Vietnam’s currency
- The determinations required under section 304 of the Trade Act of 1974, including what action, if any, must be taken

See:
<https://www.federalregister.gov/documents/2020/10/08/2020-22271/initiation-of-section-301-investigation-vietnams-acts-policies-and-practices-related-to-currency>
and
<https://home.kpmg/us/en/home/insights/2020/10/tnf-ustr-requests-comments-section-301-investigations-vietnam.html>

Brazil

'Amazônia Viva' Inspection operation results

The 'Amazônia Viva' operation, which is part of the Command and Control strategy of the 'Amazônia Agora' (Amazon Now) in Para State plan has already resulted in the seizure of over 3,000 cu.m of wood and stopped forest operations in an area of around 100,000 hectares.

'Amazônia Agora' is the main strategy adopted to prevent illegal harvesting and forest fires which, in turn, contributes to lowering emission of greenhouse gases. The Operation covers 15 municipalities and the location of deforestation is mapped from satellite data provided by the National Institute for Space Research (INPE).

The State implementing team comprises the State Force to Combat Deforestation and inspectors from the State Secretariat of Environment and Sustainability (SEMA). The team recently shut down a clandestine sawmill, seized tractors, trucks, chainsaws and timber. In August, the third phase of the 'Amazônia Viva' operation had already resulted in a 60% decline in deforestation in state forests compared to the same period of 2019.

According to SEMA the 'Amazônia Viva' operation is from previous efforts in that is an on-gong operation and is slowly changing the culture of deforestation in Pará State.

Furniture prices increased

A Brazilian Institute of Geography and Statistics (IBGE) survey has determined that furniture prices in the first 8 months of 2020 increased around 7% as manufacturers passed on the higher production costs due to higher prices for raw materials. Ex-factory furniture prices in August increased by 3%, twice as much as in the previous month and wholesale furniture prices are expected to keep rising.

Brazilian furniture export overview

Exports by the furniture sector earned US\$361.6 million in the first eight months of this year according to the Brazilian Association of Furniture Industries (Abimóvel). This represents a decline of 12% year on year.

Of the total, furniture exports to the United States accounted for 40% of total exports and were up 3% compared to the same period in 2019. The increase in exports to the US was driven by firm American retails sales of furniture. The second largest market was the UK with a 9% share of exports but in this market there was a decline of over 20% in export earnings. Uruguay was the third placed market at 7% and exports were down 13% as of August.

The main exporting states were the three states in the South Region. Together, the states of Santa Catarina (42%), Rio Grande do Sul (27%) and Paraná (14%) accounted for over 80% of Brazil's furniture exports in the first eight months of the year. All experienced a drop in the value of furniture exports compared to last year.

Brazil furniture imports were valued at US\$107 million in the first eight months of the year, a 19% decline compared to the same period of last year. China was the main source of imports (76%) followed by Italy (5%) and the United States (3%). Most imports were destined for São Paulo followed by Santa Catarina and Rio de Janeiro.

Programme to export carbon credits

The Ministry of the Environment has published guidelines for the first government programme for a carbon credit market. The project entitled 'Floresta+ Carbono' aims to promote a regulatory environment favourable to the carbon credit market.

The initiative seeks to encourage the generation of credits for the preservation of natural forests. The federal government will not invest money in the sector but will help ensure the credits recognised.

According to the Ministry, Brazil will be an exporter of carbon credits. The expectation is that the "Forest+ Carbon" programme could involve a trade worth R\$1 billion a year. The biggest beneficiaries will be owners of unexploited natural forests. The owners of these forests can sell credits to companies that want to offset carbon emissions.

In the past few months several companies have committed to become carbon neutral and to achieve this they will need to buy credits.

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipé	164
Jatoba	84
Massaranduba	76
Muiracatiara	81
Angelim Vermelho	77
Mixed redwood and white woods	64

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per cu.m
Ipé	689
Jatoba	340
Massaranduba	338
Muiracatiara	308
Angelim Vermelho	304
Mixed red and white	199
Eucalyptus (AD)	153
Pine (AD)	102
Pine (KD)	125

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US\$ per cu.m
4mm WBP	389
10mm WBP	331
15mm WBP	274
4mm MR.	315
10mm MR.	238
15mm MR.	213

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US\$ per cu.m
15mm MDParticleboard	157
15mm MDF	190

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per cu.m
Ipe	1,483
Jatoba	863
Massaranduba	848
Muiracatiara	869
Pine (KD)	157

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US\$ per cu.m
9mm C/CC (WBP)	248
12mm C/CC (WBP)	243
15mm C/CC (WBP)	222
18mm C/CC (WBP)	210

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports	US\$ per cu.m
Decking Boards Ipê	3,025
Jatoba	1,450

Source: STCP Data Bank

Peru**Financing programme for plantations**

Thousands of small forest producers can now access the Direct Financing Programme for Forest Plantations, an initiative that offers loans for the development and commercialization of forest plantations.

The National Forest and Wildlife Service (SERFOR) has reported that the programme has available over US\$14 million and they hope it will be applied to create around 16,500 hectares of forest plantations which could generate about 35,000 direct and indirect jobs. The programme will be implemented up to December 2023.

Ministries join forces to promote timber consumption

SERFOR, the Ministry of Housing and Construction and Sanitation and the Ministry of Production, through CITEMadera, have mounted a joint effort to promote demand for wood products and boost the economy of micro and small entrepreneurs in the forestry sector.

During a discussion themed "Sustainable Timber Business in the Housing Sector", the Vice Minister of Development and Agrarian Infrastructure and Irrigation, Carlos Ynga, and the Executive Director of SERFOR expressed the view that to contribute to economic revival it is necessary to promote policies to bring life back to the forest sector. The various ministries will conduct regional events in areas badly affected by the corona control measures.

Remote monitoring project for forest supervisions

The control measures introduced to address the corona pandemic have made it difficult to monitor forest activities while complying with the necessary provisions of social distancing.

For this reason, beginning in March, FOREST, a USAID/US Forest Service programme has provided technical assistance to OSINFOR for the design and implementation of techniques for remote forest monitoring. This work began in Madre de Dios and will be replicated in the Loreto and Ucayali regions.

SIGO advances to provide better information to the sector

September was an important month for SIGOsfc, OSINFOR's management information system. Use of this system has increased over the years as it can provide alerts to authorities, statistical reports and information that defines the risk level in forest management plans.

As part of the SIGO 3.0 project, which aims to improve current services and offer new tools for decision-making, OSINFOR received new servers that will improve the support and availability of data.

The SIGO 3.0 project has the technical support of the alliance between the US Forest Service and USAID. The ongoing project seeks to strengthen supervision and oversight efforts to improve the legality of the sector.

Among the expected changes are: first, a better integration and inter-operability of SIGO with other public information systems which will allow better coordination and joint efforts to guarantee the legal trade in wood. The first phase of the SIGO 3.0 system is expected to be completed in December.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	647-659
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	576-609
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1048-1074▲
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	569-598

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	241-265
Spanish Cedar	342-355
Marupa (simarouba)	222-232

Export veneer prices

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

Export plywood prices

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

Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per cu.m
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

Domestic prices for other panel products

Peru, domestic particleboard	US\$ per cu.m
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export prices for added value products

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

Japan

Manufacturer sentiment improves

Sentiment among the largest Japanese manufacturers improved in September from an 11-year low but remains negative according to the latest Bank of Japan (BoJ) Tankan survey. The Tankan index represents the percentage of companies reporting favorable conditions minus the percentage reporting unfavorable ones.

The Ministry of Labour has reported that the number of workers laid-off due to the impact of the corona epidemic was over 60,000 in mid-September and that the pace of increase in lay-offs increased in September as employment opportunities deteriorated. Non-regular workers comprised over 80% of those laid off.

The government has presented a more optimistic economic assessment for the first time in 15 months.

The Cabinet Office index of business conditions rose in August, the second consecutive monthly improvement. The recent improvement reflects the gradual resumption of economic activity throughout the country.

According to the Japan Center for Economic Research the country's GDP growth for August was plus 0.6% and this was due almost entirely to improvement in external demand in the EU, and ASEAN.

See:

<https://translate.google.com/translate?hl=en&sl=ja&u=https://www.jcer.or.jp/&prev=search&pto=aue>

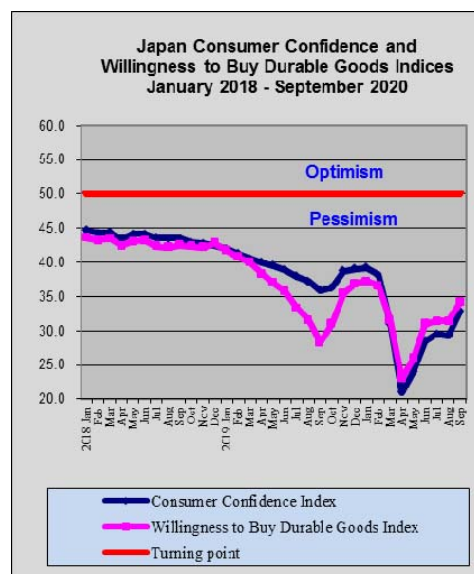
Business travel

Japan and South Korea now allow business trips between the two countries which were halted because of the coronavirus pandemic. The entry of expatriates and other long-term residents as well as business travelers can now travel provided they have tested negative for the coronavirus and they provide internal travel itineraries.

Consumer confidence surges

The Cabinet Office has reported Japan's consumer confidence improved in September by the second-largest margin ever. It was the biggest improvement since June this year and July 2004, when the index rose by 4.4 points on each occasion, the largest increase since the survey began on a monthly basis in April 2004.

The improvement was put down to the slowing rate of corona virus infections in the country and the government travel subsidy programme 'Go to' which aims to revive domestic tourism.



Data source: Cabinet Office, Japan

Government to strengthen its digital capabilities

Problems with managing the various subsidy programmes in response to the coronavirus pandemic have highlighted the need for Japan to address its digital capabilities. The government has realized the need to strengthen digitalisation in both the public and private sectors.

The Prime Minister intends to launch a digital agency to advance reforms and make a necessary and concentrated investment from the standpoint of evaluating and rebuilding a robust digital system for government.

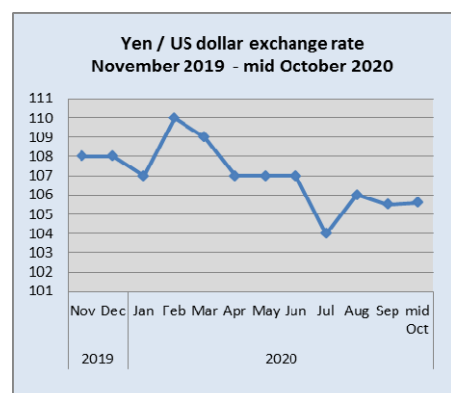
The government has apparently shifted its priority to the economy, with travel to and from Tokyo now eligible for subsidies in the Go To Travel campaign.

See:

<https://www.japantimes.co.jp/news/2020/10/04/national/katsuno-bu-kato-digitalization/>

Yen/dollar curve flattens once more

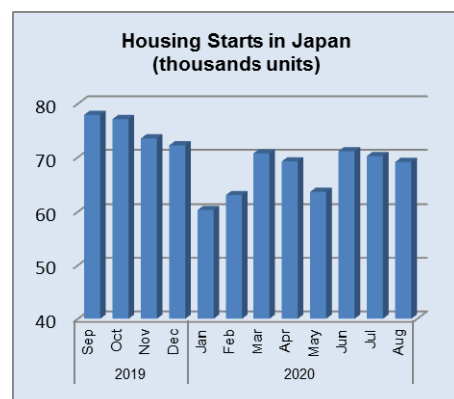
For around two weeks the yen has been appearing to strengthen against the US dollar only to be pulled down by political issues in the US. Financial markets responded to news that US politicians are close to a stimulus deal and this took the pressure of the yen as a safe haven and took the steam out of any upward strengthening.



Thousands of homes damaged or washed away

In 2019 and again this year Japan suffered severe damage from floods brought on by typhoons. Thousands of homes have been destroyed or severely damaged and the Cabinet Office reports that As of 1 October 7,895 people from almost 3,500 households, were still living in temporary housing as their homes were damaged.

The damage from the typhoon was made worse as in hundreds of places man made river embankments collapsed despite meeting central government's standard.

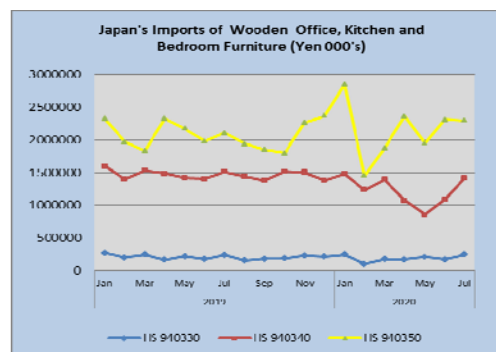


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Furniture imports

The June 2020 upturn in the value of Japan's wooden kitchen and bedroom furniture stalled in July with only imports of wooden kitchen furniture building on the advances made in the previous month. July consumer sentiment and the consumer willingness to buy durable goods (incl. furniture) rose slightly after the sharp June rebound.



Data source: Ministry of Finance, Japan

Office furniture imports (HS 940330)

July office furniture imports

The value of July imports of wooden office furniture (HS940330) rose around 45% from a month earlier but year on year the value of imports was flat.

July saw the emergence of a new supplier into the list of top 20 shippers of wooden office furniture, Austria. Shipments from Austria accounted for 4% of the value of all July imports. Shippers in China dominated imports accounting for over 50% of the value of imports but July shipments were only around the same level as in June. In contrast, shipments from the Philippines grew four fold to capture 9% of monthly imports.

	Imports Jul 2020 Unit, 000's Yen
S. Korea	-
China	140,809
Taiwan P.o.C	-
Vietnam	8,509
Thailand	-
Malaysia	2,306
Indonesia	4,974
UAE	-
Sweden	-
Denmark	-
UK	27,690
Netherlands	-
Belgium	-
France	3,414
Germany	4,042

Switzerland	-
Portugal	13,976
Italy	2,242
Poland	21,750
Austria	11,428
Turkey	-
Lithuania	2,575
Slovakia	514
Canada	215
USA	3,840
Mexico	1,589
Australia	-
Total	249,873

Data source: Ministry of Finance, Japan

Kitchen furniture imports (HS 940340)

July kitchen furniture imports

Three suppliers, the Philippines, Vietnam and China accounted for over 90% of the value of Japan's imports of wooden kitchen furniture.

	Imports Jul 2020 Unit, 000's Yen
China	180,116
Taiwan P.o.C	1,303
Vietnam	535,162
Thailand	25,072
Malaysia	20,682
Philippines	575,282
Indonesia	6,287
Sweden	-
Denmark	4,822
UK	1,511
Netherlands	-
France	-
Germany	36,700
Spain	-
Italy	23,842
Finland	-
Austria	1,405
Romania	1,512
Turkey	-
Lithuania	-
Czech Rep.	-
Canada	2,459
USA	225
Total	1,416,380

Data source: Ministry of Finance, Japan

The top shipper in July was the Philippines at 41% of imports followed by Vietnam, 38% and China 13%. Shipments from the Philippines and Vietnam were up sharply in July (both up over 60% from a month earlier) as were shipments from China which rose 27%. Month on month, July shipments rose 37% but year on year they were down 6%.

Bedroom furniture imports (HS 940350)

July bedroom furniture imports

The value of Japan's July imports of wooden bedroom furniture (HS940350) was up a modest 3% year on year but were little changed from June levels.

July bedroom furniture imports (HS 940350)

	Imports Jul 2020 Unit, 000's Yen
S. Korea	-
China	1,391,582
Taiwan P.o.C	3,788
Vietnam	677,473
Thailand	58,045
Malaysia	120,930
Philippines	1,636
Indonesia	7,984
Sweden	-
Denmark	620
UK	-
Netherlands	-
Belgium	-
France	-
Germany	274
Switzerland	-
Portugal	512
Italy	-
Poland	9,855
Austria	815
Hungary	-
Greece	-
Romania	2,399
Latvia	-
Lithuania	18,568
Belarus	-
Bosnia Herzegovina	-
Canada	-
USA	-
Total	2,294,481

Data source: Ministry of Finance, Japan

Shipments from China were at around the same level as in June but shipments from Vietnam dropped 12%. There was a rise (20%) in the value of imports from Malaysia the third largest shipper in July.

Imports from China and Vietnam accounted for over 90% of imports of HS 940350.

Trade news from the Japan Lumber Reports (JLR)

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

*For the JLR report please see:
https://jfpj.jp/japan_lumber_reports/*

Share of main members of wooden house

Main structural members of wooden house are changing. The Japan Forest products Journal makes the survey every year to see how use of main materials changes year after year. This is 22nd survey and previous surveys percentage of use of main members but since this time, used volume is adopted instead of percentage so that comparison to preceding year is impossible.

Responded are all major post and beam wooden house builders. Total number of houses they built is 54,044 units, average per company is 2,456 units. Total volume used for post is 181,000 cbms and for beam is 296,000 cbms. Sill is 59,000 cbms. Standard lumber is 232,000 cbms so total volume is 768,000 cbms.

Volume used per unit is 3.4 cbms of post, 5.5 cbms of beam and 1.1 cbms of sill. Share of post is 66.8% of cedar laminated while redwood laminated is 9.5% and whitewood laminated is 7.2%. Redwood laminated is top in beam with 46.6% share then KD Douglas fir is second with 26.2%. KD cypress is top in sill with 39.4% share then redwood laminated is second with 26.2%.

Share of laminated lumber is 94.0% in post, 72.3% in beam and 54.5% in sill. Share of solid wood for post is 3.1% of KD cedar and 2.5% of KD cypress so solid wood is no more main material.

Meantime, KD solid wood Douglas fir for beam is 26.2%, second to top redwood laminated lumber. In sill, 39.4% of KD solid wood cypress is top

Lumber inventory in Tokyo port

Lumber inventory in Tokyo port had been increasing then since July, it started declining. Reason is declining new orders in fear of demand contract by corona virus epidemic after the summer. The inventory is expected to keep declining with increasing speed. Housing starts were forecast to decrease by 30-40% this year but until July, they are holding with only 10% less so now supply shortage is feared.

In August, incoming was 50,000 cbms while outgoing was 59,000 cbms. This is the first time that outgoing exceeded incoming since last March. July end inventory was record high of 162,000 cbms. Now outgoing volume is more than incoming so end of October inventory would be about 126,000 cbms, 20% decrease in three months.

Main factor of inventory increase is Russian lumber. Total volume for the first seven months is 139,000 cbms, 36.3% more than the same period of last year and July end inventory was 62,000 cbms, almost double of last December inventory. Then the importers reduced purchase after July so August incoming was 7,000 cbms, about half of July.

Incoming in September and October is less than 10,000 cbms so October end inventory would drop down to 39,000 cbms, which is about 40% higher than October last year. Inventory of European lumber at the end of August was 47,000 cbms but the incoming in September and October largely declined so the inventory at the end of October would drop down to 40,000 cbms. Compared to September last year, it is 35% less so oversupply is solved.

The largest drop is North American lumber. Low arrivals continued after long strike by major Canadian supplier since July last year so the inventory at the end of July was 35,000 cbms, 30% less than July last year. August arrivals were 13,000 cbms, 35% less than July and supply in September and October continues low so that the inventory at the end of October would be about 25,000 cbms, 50% less than July end.

Contracted volume in the third quarter was low since domestic major Douglas fir lumber manufacturer reduced the sales prices but the North American lumber market skyrocketed while Japan receded so offer for the fourth quarter largely reduced by the suppliers so incoming volume in November and December would decrease for sure so North American lumber inventory would be way off balance by December.

Plywood

There is difference between domestic and imported plywood. Domestic softwood plywood movement hit the bottom and started recovering but imported plywood market continues stagnant. Market prices of domestic softwood plywood have hit the bottom and firming since the manufacturing plants firmly refuse to accept low offers.

The manufacturers' inventory has kept falling for four straight months and it takes one to two weeks waiting for thick plywood delivery. There is active demand for restoration of typhoon damages in Kyushu so there are waiting time of commodity item of 12 mm panels.

The demand for precutting plants seems to be increasing toward December and the manufacturers continue production curtailing program. Movement of imported plywood lacks vividness.

The market prices are calming. Port inventories are tight and new arrivals are limited but by lack of demand, there is no panic in the market.

Rebounding domestic log prices

Market prices of domestic logs had been sliding for nearly six months then since late July, log production decreased and the market prices bottomed out in the regions west of Northern Kanto.

In main log supplying regions, prices of A class logs suitable for lumber manufacturing are climbing.

In Hokkaido and North East, log market continues weak as log consumption for plywood and paper and pulp remains sluggish. October and on is full logging season so that price increase should simmer down but overall log market should become steady but total demand is less than last year so if log supply increases all at once, the prices may collapse again.

Log price increase in August and September was induced by supply tightness, not by demand increase so log suppliers are afraid of another price drop once the supply increases.

Cypress log prices had been trending about 15,000-18,000 yen per cbm but the prices dropped record low since last spring in many regions to 12,000-13,000 yen. Then the prices recovered during rainy season of July and by September, all the regions show recovery. Presently, there are strong inquiries on 4 metre sill cutting cypress logs and the prices are 17,000-18,000 yen all over Japan and in Western Japan, the prices are as high as 19,000 yen.

JAS certificate on super thick plywood

Seihoku Plywood (Tokyo) has acquired JAS certificate on 50 mm thick softwood structural plywood.

It has developed 200 mm plywood, which will be used for 11 stories all wood building Obayashi Corporation will build. So far, plywood of thickness of 30 mm has been distributed as floor use but Seihoku intends to develop market of much thicker plywood. It will respond to requests of thick plywood based on 50 mm.

JAS certificate on 50 mm thick panel is the most thick plywood among structural plywood. JAS certificate obtained is for 100% cedar plywood but larch and cedar can be used either with single species or combined. The maximum size is 4x10 (1,200 mm x 3,030 mm) but others like 3x6 and 2x6 can be made. 50 mm panel is 15 plied with veneer of 3 mm or thicker.

Japanese plywood industry has been pursuing to make thin and high quality plywood and veneer by delicate technology but development of thick plywood for flooring triggered development of thick plywood. New wood products like CLT and LVL promote development of thick plywood.

In the U.S.A., since 2015, super thick plywood named 'Mass plywood panel' (MPP) is developed and is actually used for buildings. Seihoku is anxious to develop market of thick softwood plywood so it immediately started manufacturing and made 200 mm thick 57 plied larch plywood.

The building Obayashi plan to build will start up next year and the shipment of the product has started already. 100 cbms of the product will be used. Looking at this development, requests to make 36 mm and 45 mm plywood are made from other users.

Seihoku thinks that thick plywood is suitable for flooring as it solves vibration and sound noise problem. Cost performance is better than CLT so there is possibility of various uses.

China

Clean air – the 'Blue Sky' action plan

It has been reported that an air pollution control policy has been formulated and will be implemented in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Shanxi Provinces in the autumn/winters of 2020-2021. This is part of China's three-year 'Blue Sky' action plan. The latest efforts to clean the air will impact wood product manufacturers and it has been reported that 39 companies have been ordered to stop production and some furniture and wood-based panel enterprises are included.

See: https://www.sohu.com/a/423810133_813805

China's wood-based panel industry

The China Green Times has reported on the 19th national wood-based panel industry conference held recently. The conference focus was on how to realise stable and healthy development of wood-based panel industry in the context of national economic policies.

Conference speakers noted that in the first half of 2020 there was a shortage of wood raw materials nationwide and prices increased. Because furniture, joinery and flooring production declined due to corona control measures demand for panels dropped between January and July resulting in an oversupply, a decline in prices and fierce competition. The Green Times reports most enterprises are barely breaking-even.

Between January and July domestic sales of plywood were about 75% of that the same period last year. Particleboard sales were about 85% of the same period last year. Demand for fibreboard, which is heavily influenced by furniture demand, was down around 25% year on year.

It is forecast that 2020 annual domestic sales of wood-based panels will be 10% to 20% lower than in the same period of 2019.

In the first quarter of 2020 the wood-based panel industry began operations after a shut-down period but production was at reduced levels. In the second quarter output was impacted by regional floods, tight raw material supply and weak demand.

In the second to third quarters of 2020 the pandemic intensified in international markets. At present, with the gradual recovery of the domestic market and improved export demand, the health of the wood-based panel industry is improving.

The wood-based panel industry is facing pressure due to domestic and international economic adjustments and from the increasingly high demand for environmental protection in China all of which tends to drive up production costs. Conference participants agreed adapting to market changes and developing innovative technology is the way forward for the industry.

China has a significant panel product machinery manufacturing sector and there are more than 100 wood-based panel machinery manufacturing enterprises with annual main business income of more than RMB20 million in China. These companies can provide a wide range of machinery for wood-based panel manufacturing and wood-based panel secondary processing.

Green Times is forecasting that the wood-based panel industry will gradually upgrade and develop intelligent and green manufacturing, digitisation and information services and will integrate production and services to drive improvements in the industrial supply chain.

Plywood industry is adopting continuous and automatic processing and is rationalising raw material utilization.

See: http://www.greentimes.com/greentimepaper/html/2020-09/17/content_3344929.htm

Changsha emerging market for Russian timber

The impact of the China-Europe Railway Express on external trade is growing. In September 2020 the number of trains rose over 85% compared to September 2019.

There is a huge demand for Russian timber such as scots pine, spruce and birch in Changsha City, Hunan Province and traders import these timbers via the China-Europe Railway Express. Changsha City has been emerging as a strong market for Russian timber.

After 6 years of operation the Changsha North Railway terminal can handle 8 trains to and from Europe every week. The railway express company has opened multiple routes which include to Hamburg, Budapest and Minsk. In addition the company can offer delivery services linking to 30 countries in Europe, Central Asia and the Middle East with China's Central, Eastern and Southern regions.

See: https://www.sohu.com/a/420379862_813805

Wood product exports from Lankao County

The wood product processing industry is a pillar of the economy of Lankao County in Henan Province. The value of wood product exports from manufacturers in Lankao County in 2019 reached RMB760 million and the sector generates thousands of jobs.

However, many wood product processing SMEs in Lankao County encountered difficulties this year and special service teams for small, medium and micro enterprises have been established to solve solutions and revive businesses. According to Jinshui Customs, in the first half of 2020 the value of wood product exports from Lankao County were some 45% higher compared to the same period last year.

https://www.wood365.cn/Industry/IndustryInfo_267254.html

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

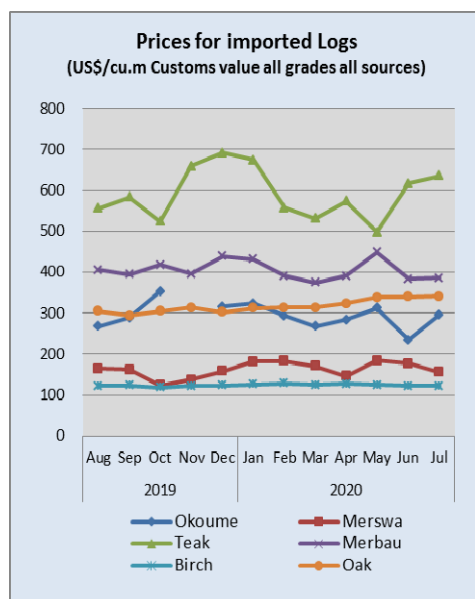
	2020 June	2020 July
Okoume	234	296
Merswa	177	155
Teak	617	635
Merbau	383	385
Birch	122	122
Oak	340	341

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

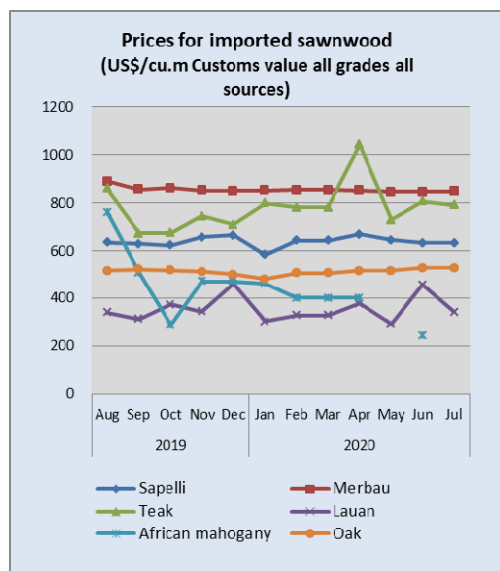
Average imported sawnwood prices US\$/cu.m CIF

	2020 June	2020 July
Sapelli	633	633
Merbau	845	847
Teak	807	791
Lauan	457	340
African mahogany	242	
Oak	529	530

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



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

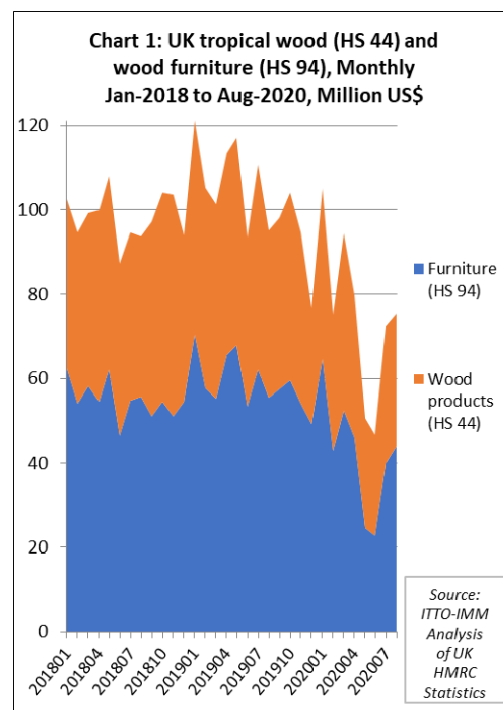


Data source: China Customs. Customs value all grades, all sources

Europe

Half UK tropical timber trade value lost in May

After a sharp fall in UK imports of tropical timber products in May and June in response to the COVID-19 pandemic, imports rebounded strongly in July and made more gains in August. However, even in August, total imports were still down around 15% compared to the same month the previous year (Chart 1).

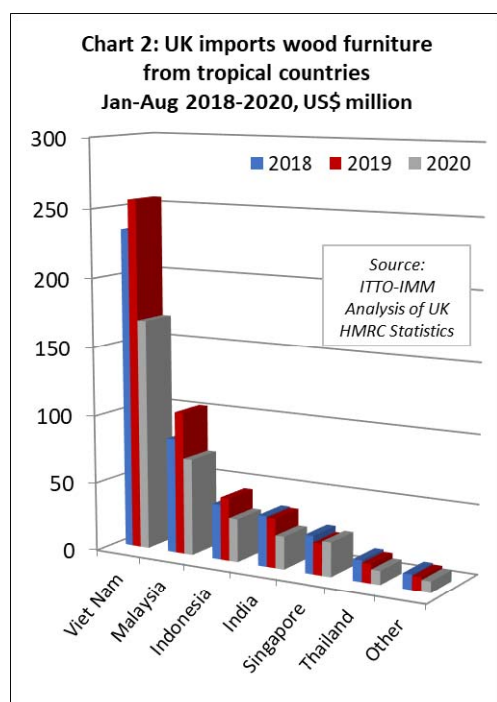


A strong rebound in construction and other broader economic measures during the summer months gave rise to optimism that the downturn may be short-lived and the recovery would be “V-shaped”. More recent indications, however, are of a “tick mark” recovery, with the sharp fall followed by a longer tail of recovery.

Now new lockdown measures are being imposed in the UK with mounting concern about a second wave of the virus which might yet overwhelm health facilities. The withdrawal of short-term government support measures, notably the furlough scheme designed to keep more people in work during the first lockdown, also raises the prospect of a spike in unemployment during the winter months.

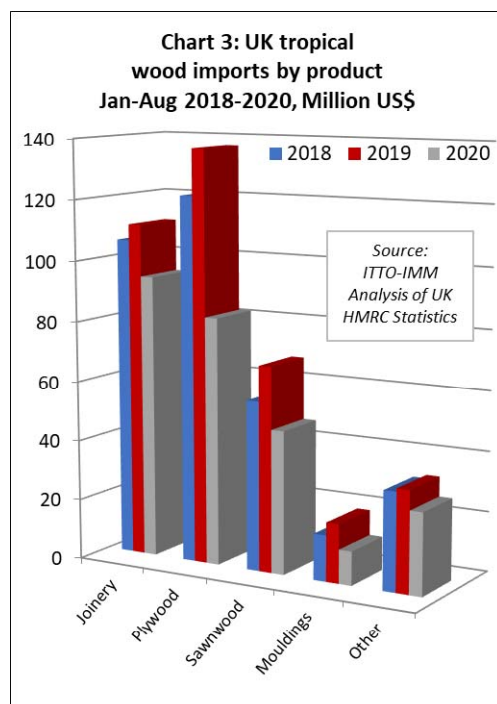
Overall UK imports of tropical wood furniture products to end August this year were US\$337 million, 31% less than the same period in 2019. Imports fell to only US\$24.5 million in May, 60% down on imports typical for that month in a normal year. However, tropical wood furniture imports recovered to US\$40 million in July and US\$44 million in August.

UK imports of wood furniture declined sharply from all the leading tropical supply countries in the first eight months of this year (Chart 2). Imports from Vietnam were down 34% at US\$168 million, imports from Malaysia fell 32% to US\$71 million, imports from Indonesia declined 31% to US\$31 million, and imports from India fell 34% to US\$24 million. However, there was an 8% rise in imports from Singapore, to US\$25 million.



The total value of UK imports of all tropical wood products in Chapter 44 of the Harmonised System (HS) of product codes to end August this year was US\$262 million, 29% less than the same period in 2019.

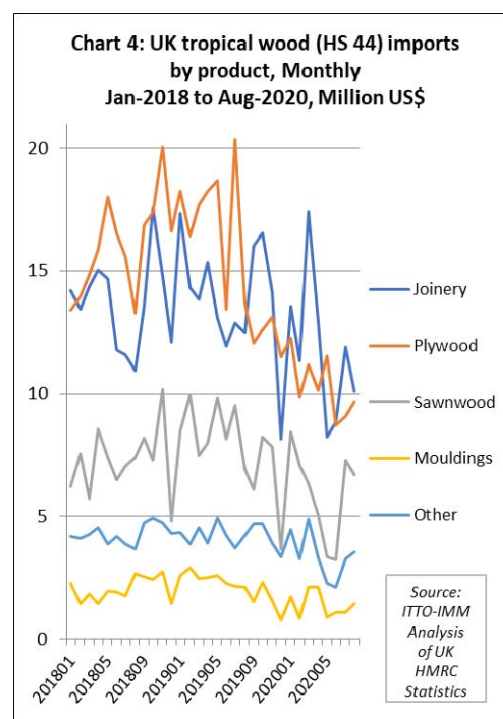
Imports fell from US\$34 million in April to US\$26 million in May and continued to slide to US\$24 million in June. They then recovered to US\$33 million in July before slipping back to US\$31 million in August.



Comparing the first eight months of 2020 with the same period in 2019, total UK import value of tropical joinery products was down 15% at US\$94.2 million, tropical plywood was down 40% at US\$82.4 million, tropical sawnwood fell 30% to US\$47.5 million, and mouldings/decking declined 43% to US\$11.2 million (Chart 3).

Although UK imports of all HS Chapter 44 wood products from the tropics have fallen sharply this year, the timing of the decline and subsequent recovery has varied by product group (Chart 4).

For example, the decline in imports of tropical sawnwood, which were quite buoyant before the COVID lockdown, was short-lived and followed by a strong recovery in July and August. In contrast, UK imports of tropical plywood were sliding even before the lockdown and had barely recovered by the end of August.



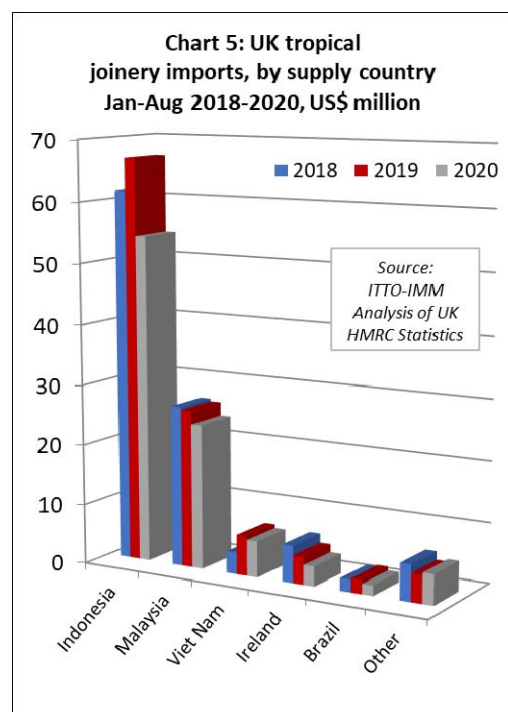
Indonesia loses ground in UK joinery market

After making gains in 2019, UK imports of tropical joinery products from Indonesia, mainly consisting of doors, fell 19% to US\$54 million in the first eight months of this year (Chart 5).

UK imports of wooden doors from Indonesia were quite strong in March and April but were slow between May and August. It is not unusual for these imports to vary widely each month, even in a normal year, and it is therefore difficult to predict how the trade will develop for the rest of the year.

After a strong start to the year, UK imports of joinery products from Malaysia and Vietnam (mainly laminated products for kitchen and window applications) stalled almost completely in May and recovered only slowly in the following months.

Total joinery imports in the first eight months were down 9% to US\$24 from Malaysia and down 9% to US\$6 million from Vietnam. UK trade in joinery products manufactured from tropical hardwoods in neighbouring Ireland have also fallen dramatically this year, down 29% to US\$3.3 million in the first eight months.

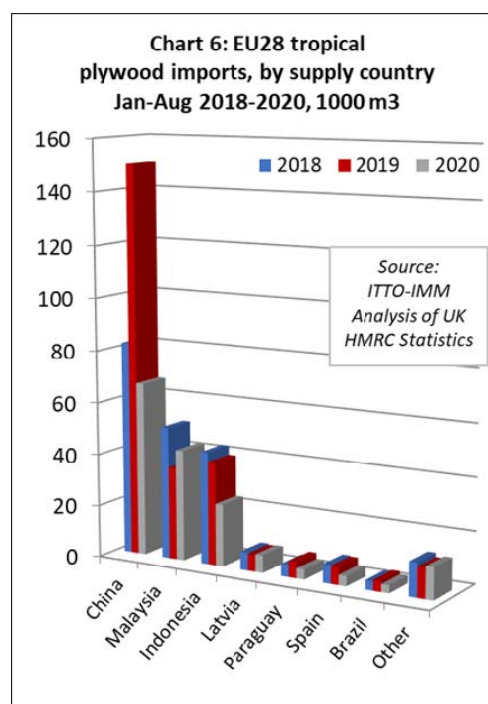


UK imports of tropical hardwood plywood from China recover slowly

The UK imported 66,800 cu.m of tropical hardwood faced plywood from China in the first eight months of this year, 55% less than the same period last year (Chart 6). UK imports of plywood from China ground to halt earlier this year when China went into lockdown.

There were hardly any deliveries from February through to early April and UK importers were forced to live off inventories.

UK importers report that through April and May this year Chinese plywood supply recovered steadily. By July, supply was back to normal and significant volumes under delayed contracts began to arrive.



It is expected that some of the lost volume from China will be made up later this year. On the other hand, rising freight rates, up in the last couple of months from US\$1,300/1,400 FEU to US\$2,000, strengthening of the CNY against the dollar, and higher raw material costs are now impacting China's competitiveness in the plywood market.

Likely due to supply problems in China, UK imports of plywood from Malaysia, which have been in long term decline, have recovered ground in 2020. Despite significant slowing in May, imports from Malaysia were still up 20% at 42,600 cu.m for the first eight months of the year.

In contrast to Malaysian plywood, UK imports of Indonesian plywood fell 40% to 23,900 cu.m in the first eight months of the year. In addition to supply problems during the pandemic, Indonesian plywood has come under very intense competitive pressure from Russian birch plywood this year. Russian plywood is reported to have become more competitive overall, with the rouble sliding from 77 to the euro in June to over 90 in September.

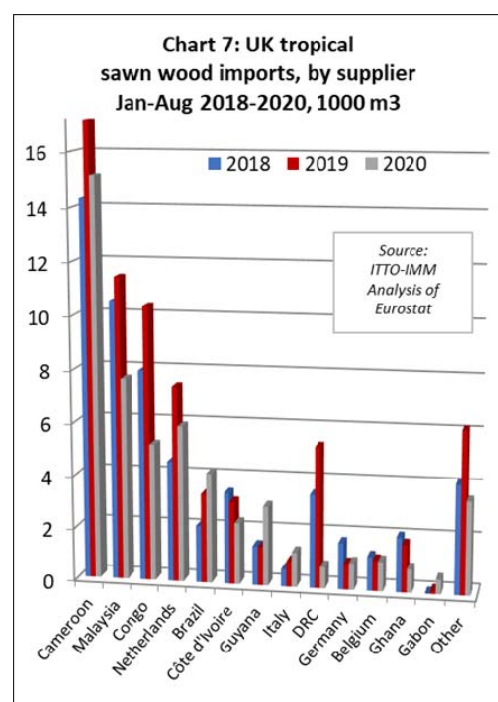
Indonesian plywood has lost share particularly in the large market for 18-21mm film-faced for construction where Russian birch now dominates. Although Indonesian supply is now reported to be back to normal, albeit with freight rates increasing costs, UK imports of Indonesian plywood are now focused more on more niche products such as thinner plywood and for overlay and 2.7mm items for the caravan industry,

In recent years, the UK has been importing small volumes of tropical hardwood faced plywood from Latvia and Spain. In the first eight months of 2020, imports increased 4% to 6,800 cu.m from Latvia but fell 43% to 3,900 cu.m from Spain.

UK tropical sawn hardwood imports rising from Latin America

The UK is now a relatively minor market for tropical sawn hardwood, importing less than 100,000 cu.m in each of the last two years, making it only the fifth largest European importer for this commodity (after Belgium, Netherlands, France and Italy).

While the UK trade in sawn tropical hardwood fell sharply in May and June this year, there was some recovery in July and August, particularly from Latin America. However imports were still down from most major supply countries by the end of August (Chart 7).



UK imports from Cameroon, the leading supplier, fell 12% to 15,100 cu.m in the eight-month period, while imports from the Republic of Congo declined 50% to 5,200 cu.m. Of other African suppliers, imports were down 25% to 2,300 cu.m from Côte d'Ivoire, down 85% to only 810 cu.m from DRC and down 51% to 887 cu.m from Ghana.

While UK imports of African hardwoods suffered severely during the COVID lockdown this year, there is some optimism that trade will recover well in coming months. Recent market discussions at the London Hardwood Club suggested that trade in the favoured African species (dominated by sapele in the UK) is "now at normal levels".

It was also noted that UK is "well stocked but not overstocked" in African hardwoods. However, sapele is currently being traded at unsustainable price levels, below replacement cost.

UK imports from Malaysia were 7,700 cu.m in the first eight months of 2020, 33% less than the same period in 2019. Indirect imports into the UK via the Netherlands were down 20%, at 5,900 cu.m, after significant growth last year.

However imports from Brazil increased 23% to 4,200 cu.m in the first eight months of 2020, with particularly good growth during the summer months after lockdown. Imports from Guyana also increased, rising 107% to 3,000 cu.m in the first eight months of the year.

Economic forecasts in the UK becoming a little more optimistic

The latest October report of the EY Item Club, a leading UK economic forecasting body, is slightly more optimistic than the previous report in July. According to the Club, the UK economy may have grown by as much as 17% in the three months to the end of September. This compares to their earlier prediction of only 12% growth.

However the Club believes slower growth may follow, with a fall to 1% or less predicted for the final three months of this year. The end of the furlough scheme, under which workers had part of their salary paid by the government, will mean higher unemployment and sluggish growth, said the forecasters.

"The UK economy has done well to recover faster than expected so far," said Howard Archer, chief economic adviser to the EY Item Club. "Consumer spending has bounced back strongly, while housing sector activity has also seen a pick-up, in part thanks to the stamp duty holiday."

That said, the UK economy is now predicted to regain its pre-pandemic size in the second half of 2023. Back in July, the EY Item Club did not expect that to happen until late 2024.

However, there is a high level of uncertainty surrounding this forecast. While a vaccine is likely to help the economy, the downside risks are significant. Factors that could weigh down growth include a drop in consumer spending, more lockdown measures, a spike in unemployment and slow Brexit negotiations between the UK and the EU.

On the last point, the Club's estimates assume a simple free trade agreement with the EU by the end of the year. Without an agreement, growth of 4.8% is forecast in 2021, down from 6%, while growth in 2022 would be cut to 2.6% from 2.9%.

More positive, particularly for having a more direct bearing on timber demand, is that the latest data on purchasing managers sentiment in the construction sector from IHS Markit and UK Chartered Institute of Procurement and Supply (CIPS) signals another sharp increase in UK construction activity at the end of the third quarter.

The expansion came amid the sharpest rise in new UK construction business since before the pandemic-induced lockdown, with firms increasing their purchasing activity at the quickest pace for nearly five years.

The headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered 56.8 in September, up from 54.6 in August. Any figure above 50.0 indicates growth of total construction output. The latest reading pointed to a reacceleration in the rate of activity growth and a sharp increase overall.

Underlying data revealed varied results across the three monitored sub-sectors. The strongest performing category was home building, where firms registered a sharp expansion in activity for the fourth month running. Work undertaken on commercial projects also rose strongly, increasing at quickest pace for over two years. Meanwhile, civil engineering activity fell for the second month running and at the sharpest rate since May.

Looking forward, confidence towards the 12-month business outlook in UK construction was the strongest since February. Optimism was supported by expectations of a sustained rise in new work.

Commenting on the latest PMI data, Duncan Brock, Group Director at CIPS said "UK Construction took off in September, soaring ahead of both the manufacturing and service sectors in terms of output growth and recording the fastest rise in purchasing activity since October 2015. Fuelled by the easing of lockdown measures, new orders rose for the fourth month in a row and at the quickest pace since the beginning of the year before the pandemic struck".

While Mr Brock was concerned about the potential impact on employment as "government support schemes are winding down" he suggested that "for now, builders are stocking up for Brexit and Covid-19 preparations, so purchasing remains strong in spite of longer delivery times and some shortages".

North America

Vietnam's currency practices and timber imports to be investigated – IWPA issues statement

The United States has announced that it will investigate Vietnam's acts, policies, and practices related to the import and use of timber that is illegally harvested or traded, as well as Vietnam's currency practices to determine whether these actions are causing harm to US businesses,

The deadline for public comments is November 12. It is expected that these investigations will continue into 2021.

International Wood Products Association Executive Director Cindy Squires issued the following statement:

"The International Wood Products Association (IWPA) supports effective, sensible means of addressing illegal logging and promotion of sustainable forestry worldwide. We intend to fully participate in the 301 process as it unfolds and look forward to the opportunity to engage with the administration.

"IWPA encourages active discussions between Vietnam and the United States so that a resolution to this matter can be achieved quickly to provide certainty for businesses. Vietnam is an important trading partner for wood products and a significant growing market for US hardwoods.

"It is important to keep in mind that if any illegally harvested products are exported to the United States, the Lacey Act and US obligations under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) currently provide effective and targeted tools for the US government to take action.

"IWPA has been active in international engagement to combat illegal logging and has trained hundreds of industry professionals on Wood Trade Compliance. IWPA supports and will continue to provide businesses the tools they need to stay compliant with all trade rules."

The International Wood Products Association is an international trade association for the North American imported wood products industry, representing 220 companies and trade associations engaged in the import of hardwoods and softwoods from sustainably managed forests.

See: <https://www.iwpawood.org/news/529434/IWPA-Statement-Regarding-USTR-Sec.-301-Investigation-of-Vietnam-Trade-Practices.htm>

Tropical sawnwood imports rise for third straight month

US imports of sawn tropical hardwood by volume gained 18% in August to notch a rise of more than 10% for the third straight month. At 14,861 cubic metres, the volume of tropical hardwood imported was down less than 7% from August 2020, after trailing by large margins the past few months. Year-to-date imports are down from last year by 36% through to August.

Imports from Brazil fell by 5% by volume in August and remain 20% behind 2019 year to date. Imports from Ecuador rebounded in August, gaining 76% from a weak July number, despite the rise, August volume was still 20% lower than August 2019 and imports are down 69% year to date.

Imports from Malaysia dropped by 45% in August and are down 41% year to date. Imports from Cameroon, Congo (Brazzaville) and Ghana all gained in August but remain well behind 2019 volume year to date.

Imports of jatoba rose 3% in August while ipe rose by 5%. The volume of sapelli, cedro and acajou d'Afrique all rose sharply, yet imports for each of the three remain behind 2019 year to date totals by around one third. Imports of balsa rose 51% in August but are down more than two thirds year to date.

Canadian imports of tropical hardwood fell 29% in August. The August total was down 62% from the previous August volume, bringing year to date totals down 18% through August.

Hardwood plywood imports fall

US imports of hardwood plywood held somewhat steady in August, with import volumes declining 4%. Year-to-date volumes are up 3% through August. Imports from China fell 5% and are now about half of 2019 totals year-to-date.

Imports from Russia and Indonesia both fell by nearly one third in August, but both remain well ahead year-to-date. Import volumes from Vietnam grew by 34% in August and are ahead by 17% year-to-date.

Veneer imports stagnated in August

After two strong months of growth, US import volumes of tropical hardwood veneer fell 7% in August. Imports from Italy, by far the leading supplier for the US, also fell by 7% for the month and are down 37% year-to-date. Similarly, Import volumes from India were down by 9% and are behind 20% year to date.

Imports from Ghana and Cote d'Ivoire improved in August but are both down by nearly two-thirds year-to-date. Total US imports of tropical hardwood veneer are down 28% year-to-date.

Imports of assembled flooring stay near peak levels

After reaching a 10-year high last month, US imports of assembled flooring panels fell a modest 3% by volume in August. Despite the dip, imports for the month were nearly 41% higher than the previous August, pushing year-to-date totals for 2020 ahead of last year (up 3%) after trailing badly for most of the year. Imports from China rose 45% in August while imports from Thailand were down 45%.

US imports of hardwood flooring rose for the third straight month, gaining 8% by volume in August. However, year-to-date imports are down by 30% through August and are more than 10% behind for each of the top supplying countries (Brazil, Indonesia, China, and Malaysia).

Despite a gain of 66% in imports from Malaysia in August, year-to-date totals remain well behind, down 63%. Imports from China fell by 41% in August and are down 56% year to date.

Moulding imports drop back to March level

After an encouraging July, US imports of hardwood mouldings fell 28% in August, dragging numbers back to where they were in March. August imports were 30% below those of August 2019, bringing year-to-date totals down 14% from last year.

Imports from China fell by 78% in August, overshadowing a very strong rebound in imports from Brazil. Yet, despite more than doubling in August, imports from Brazil are down 60% year-to-date though August.

Wooden furniture saw strongest imports of the year in August

US imports of wooden furniture rose by 10% by volume in August to reach the highest level of the year at over US\$1.77 billion for the month. Imports are down 12% year-to-date through August, but three straight months of solid growth has brought imports to a pre-pandemic level.

Imports from Vietnam rose by 11% in August and are up 21% year-to-date. Imports from China are off by 46% year-to-date but grew 3% in August. Imports from Malaysia gained 18% in August and are ahead 40% year-to-date.

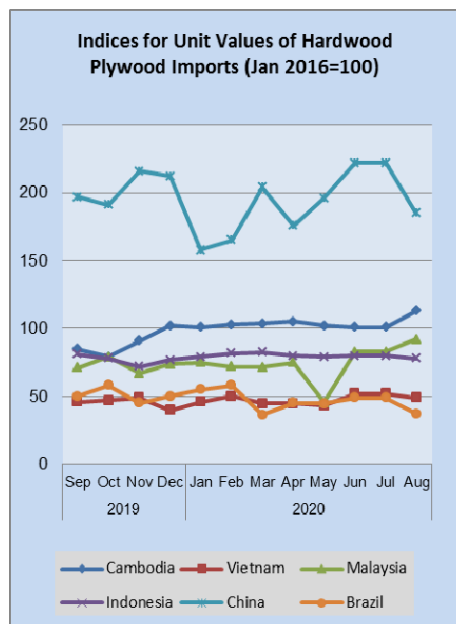
Cabinet sales increased in August

According to a press release from the Kitchen Cabinet Manufacturers Association's monthly Trend of Business Survey, participating cabinet manufacturers reported an increase in overall cabinet sales of 4.2% in August 2020 compared to July. Custom sales increased 3.2%; semi-custom sales increased 0.1%; and stock sales increased 7.2% compared to the previous month.

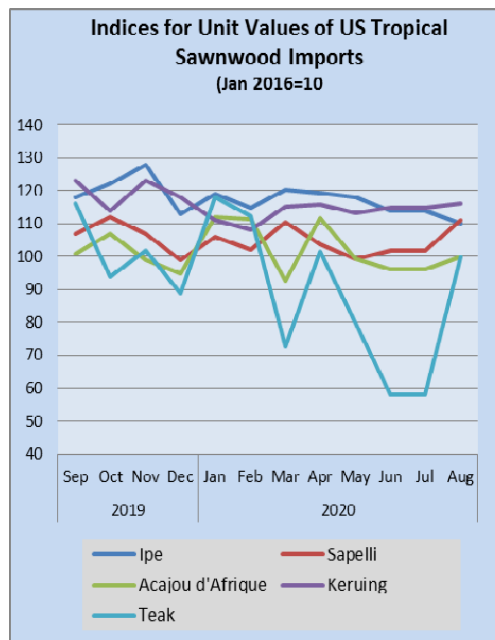
Cabinet sales were also ahead of numbers from a year ago. Sales were up 5.5% for August 2020 compared to the same month in 2019. Custom sales are up 1.7%, semi-custom decreased 0.5%, and stock sales increased 10.5%.

Overall year-to-date cabinet sales are down 1.8%. Custom sales decreased 3.3%, semi-custom sales decreased 7.1%, and stock sales are up slightly at 2.2% year-to-date.

<https://www.kcma.org/news/press-releases/august-2020-trend-of-business>



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



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

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

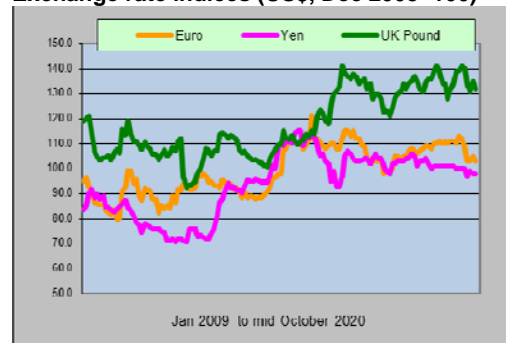
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 10 October 2020

Brazil	Real	5.5322
CFA countries	CFA Franc	556.13
China	Yuan	6.6947
Euro area	Euro	0.8452
India	Rupee	73.00
Indonesia	Rupiah	14700
Japan	Yen	105.62
Malaysia	Ringgit	4.1388
Peru	New Sol	3.50
UK	Pound	0.7665
South Korea	Won	1143.63

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

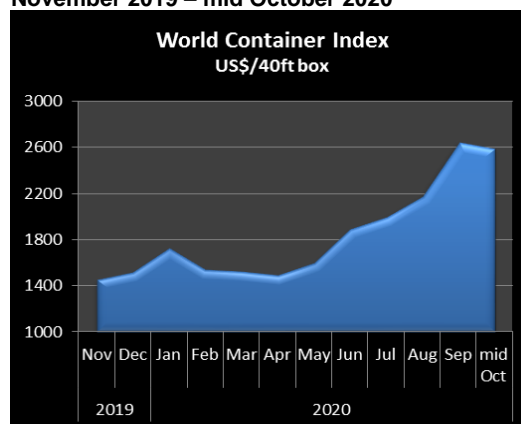


Abbreviations and Equivalences

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

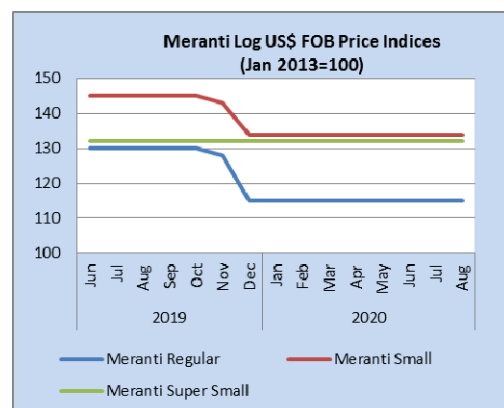
November 2019 – mid October 2020



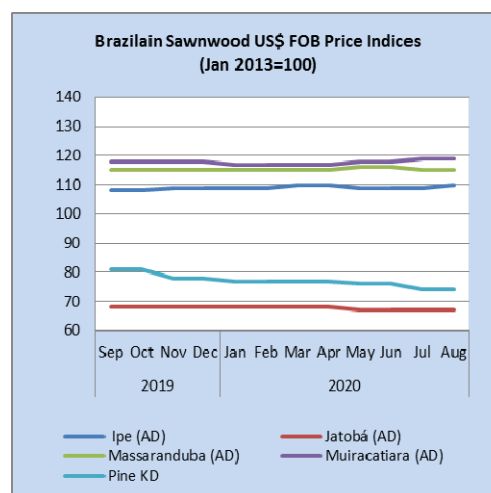
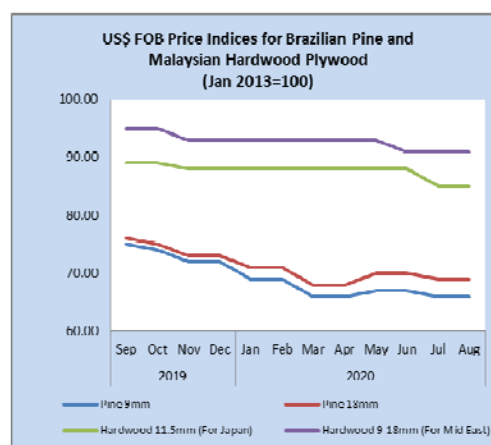
Data source: Drewry World Container Index

Price indices for selected products

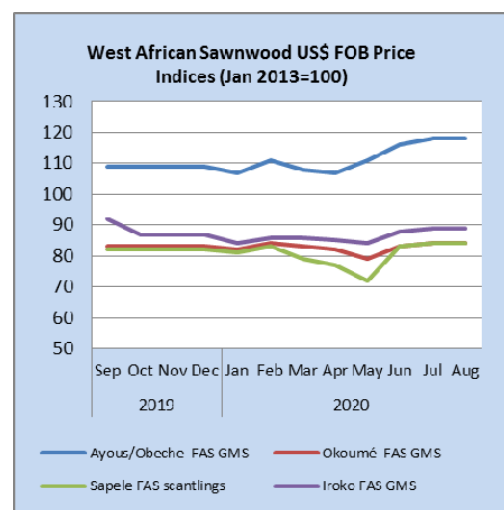
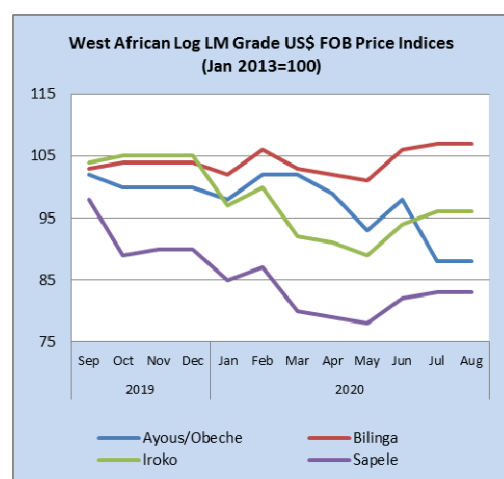
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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