

# Tropical Timber Market Report

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## Top story

### Rethinking overseas investment strategy

A survey in Japan has found that most Japanese companies which were considering pursuing overseas operations are rethinking business strategies.

The survey found that 36% are concerned that over the next two to three years China and the US will introduce further tough trade regulations which will dent global trade.

However, the survey indicates there is still considerable interest among Japanese firms to establish overseas operations.

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## Central and West Africa

### Some downward pressure on prices

Producers report that, overall, prices are stable but they see growing downward pressure on prices from European importers. Producers in Cameroon have welcomed the increased business with importers for the Chinese market after a long quiet period.

### Rumours that azobe importer faces a problem

There is news circulating in the Gabon trade that one of the biggest azobe importers in the EU has been found to have inadequate documents to satisfy the due diligence requirements of the EUTR. This has not yet been reported in either the trade press or the mass media in the EU so cannot be verified.

### Road washed out in Cameroon

Weather conditions in the region have deteriorated. Insurance companies in the region have commented that there has been a rise in claims over the past 2 years as a result of flooding and other rain related damage.

Bad weather is now affecting harvesting and trucking and in Cameroon the only road to the NW region has been washed out stranding hundreds of trucks. This road is the link between West and Central Africa because from Bamenda there is access to Chad, Gabon, Equatorial Guinea and the Central Africa Republic.

### People of Gabon need to appreciate forest potential says minister

Industrial action taken by staff at the Forest Department continues and workers at the Bank of Central African States held a 'warning' strike in March also demanding payment of allowances.

At a recent Forum Gabon's Minister of Forests said all people in Gabon need to appreciate that the country's forest resources are valuable and worth managing sustainably as this will generate jobs in the timber industry within the country.

At the same Forum Lauri Hetemäki, Assistant Director of the European Forestry Institute, pointed out that African countries produced more wood and have four times the forest area of the EU but forest product exports from the EU are almost 20 times greater than from Africa (US\$100 billion compared with US\$ 6 billion, 2019).

See: <https://news.globallandscapesforum.org/50982/leaders-gather-to-discuss-how-a-circular-bioeconomy-can-succeed/>

### Cameroon set to revive plantation fund

In Cameroon, Jules Doret Ndongo, Minister of Forestry and Wildlife, has indicated consideration is being given to reviving the 1996 Special Forestry Development and Wildlife Fund. This fund was created to provide the means to finance forest plantation development, implement protected area management plans and address poaching and wildlife crime.

The Minister commented there are around 14 million hectares of exploitable forests in the country and most are covered by management plans.

See: <https://www.businessincameroon.com/public-management/0203-11336-cameroon-towards-the-revival-of-the-special-forestry-development-and-wildlife-fund>

### log export prices

West African logs Asian market	FOB Euro per cu.m		
	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↓	220
Moabi	330	330	250
Movingui	180	180	-
Niove	160	160	-
Okan	200	200	-
Padouk	270	240	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	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	900
FAS scantlings	950
Strips	350
Sapele FAS Spanish sizes	420
FAS scantlings	450
Iroko FAS GMS	600
Scantlings	620↓
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	550↓
Scantlings	600↓
Movingui FAS GMS	420

## Ghana

### Firm demand for billets

Ghana's exports of wood and wood products in January 2021 increased in volume to 19,191 cu.m, an almost 5% increase from the 18,318 cu.m exported in January 2020. These exports earned the country Eur10.29 million, a 12% year on year rise according to data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC).

**Export volumes (cu.m)**

Product	Jan-20	Jan-21	Y-O-Y % Change
AD sawnwood	11,133	9,112	-18.15
KD sawnwood	2,618	2,942	12.38
Billets	1,223	4,040	230.34
Plywood (Overland)	1,291	1,173	-9.14
Mouldings	592	782	32.09
Sliced Veneer	626	581	-7.19
Rotary Veneer	733	490	-33.15
Boules (AD)	48	42	-12.50
Others	53	29	-45.28
<b>Total</b>	<b>18,317</b>	<b>19,191</b>	<b>4.77</b>

Data source: TIDD

Exports of billets in January totalled 4,040 cu.m and represented about 20% of total export volumes but, compared to shipments in December, there was a steep drop. In terms of value billets contributed Eur1.69 million to earnings in January 2021 against Eur 0.46 million in January 2020.

Processed wood products included sawnwood, boules, veneers and plywood and together contributed Eur8.04 million to earnings in January 2021 compared to Eur 8.26 million in January 2020.

Air and kiln dried sawnwood together accounted for 63% of processed product export volumes. Compared with 2020, export volumes of these products dropped year on year.

**Export values (Eur '000)**

Product	Jan-20	Jan-21	Y-O-Y % Change
AD sawnwood	5,216	4,701	-9.87
KD sawnwood	1,569	1,911	21.80
Billets	461	1,690	266.59
Plywood (Overland)	451	419	-7.10
Mouldings	447	554	23.94
Sliced Veneer	667	724	8.55
Rotary Veneer	295	261	-11.53
Boules (AD)	28	22	-21.43
Others	33	7	-78.79
<b>Total</b>	<b>9,167</b>	<b>10,289</b>	<b>12.24</b>

Data source: TIDD

The TIDD report indicated the average unit prices for air and kiln dried sawnwood rose year on year from Eur 444/cu.m to Eur 487/cu.m and Eur 817/cu.m to Eur 952/cu.m respectively in 2021 largely due to firm demand in India and the United Arab Emirates.

The leading species exported in January were teak 11,584 cu.m (60%), wawa 1,984 cu.m (10%), ceiba 1,214cu.m (6%), mahogany 637cu.m (3%) and denya 508cu.m (2.6%).

The main markets were India (61%), Germany (4%), Belgium (4%), USA (3.5%) and Burkina Faso (3%).

**Ghana's 2021 Budget approved by Parliament**

The 2021 budget and economic policy have been approved and some changes in taxes and levies are included. One item catching the eye of the private sector is a 5% tax on bank profits. The private sector has called on banks not to pass on this burden to manufacturers. Deloitte Ghana has warned of the risk to inflation and to the cost of doing business following government's tax measures in 2021 Budget.

See: <https://www2.deloitte.com/gh/en/pages/tax/articles/2021-government-ghana-budget-statement-economic-policy.html>

**Fall in commodity prices hits export revenue**

The Bank of Ghana 'Summary of Macroeconomic and Financial Data' ending February 2021 showed that the value of exports declined to US\$2.5 billion in February 2021 from about US\$2.8 billion during the same period in 2020. Exports have been hit hard by the pandemic. The decline was largely due to lower prices for commodities including timber. Export contract prices for Ghana's wood and wood products exports have to be approved by the TIDD.

See: <https://www.bog.gov.gh/wp-content/uploads/2021/03/Summary-of-Economic-Financial-Data-March-2021.pdf>

**Tema Port exceeds 2020 target**

Tema Port has reported an almost 6% increase in cargo and container traffic target despite disruptions to global trade by the pandemic and disruption of domestic business due to lockdowns. Container traffic increased to 837,919 tonnes in 2020 from a target of 685,735 tonnes.

Wood and wood product companies in the central and northern parts of the country ship products in containers through Tema Port. Ghana has seaports in Takoradi and Tema and both are managed by the Ghana Ports and Harbours Authority. Currently both ports are being improved in order to accommodate deeper drafted vessels.

See: <https://business24.com.gh/2021/03/22/tema-port-exceeds-2020-cargo-traffic-target-despite-covid-disruptions/>

**FDI target US\$3 billion for 2021**

The Ghana Investment Promotion Centre (GIPC) aims to attract US\$3 billion in FDI inflows in 2021 after an impressive performance in 2020. Many countries reported a decline in FDI in 2020 but Ghana saw an increase with inflows more than doubling from US\$1.1 billion in 2019 to US\$2.65 billion in 2020. In 2020 the manufacturing sector recorded the largest FDI at US\$1.27 billion for 57 projects.

The leading sources of inward investments included those from China, the United Kingdom, South Africa, Australia and the Netherlands.

See: <https://www.gipcghana.com/index.php>

**Boule export prices**

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	530
Niangon Kiln dry	622

**Export rotary veneer prices**

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	315	441
Chenchen	540	631
Ogea	443	590
Essa	543	705
Ofram	350	435

**Export sliced veneer**

Sliced face veneer	FOB Euro per cu.m
Asanfina	1,029
Avodire	573
Chenchen	1,166
Mahogany	2,022
Makore	837
Odum	700

**Export plywood prices**

Plywood, FOB		Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina	
4mm	347	580	641	
6mm	412	535	604	
9mm	377	499	560	
12mm	516	476	480	
15mm	450	414	430	
18mm	450	463	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		470	609
Edinam (mixed redwood)		520	670
Emeri		465	570
African mahogany (Ivorenensis)		886	992
Makore		740	755
Niangon		583	600
Odum		649	1,059
Sapele		720	742
Wawa 1C & Select		355	459

**Malaysia****Covid update**

A national exercise to register people for vaccination against Covid 19 is underway but not progressing as fast as health authorities had planned. The first phase of administering the vaccines to front line workers will be completed soon and mass vaccinations should start in April targeting 9.4 million senior citizens and people in high risk groups.

From May this year until February 2022 vaccines will be given to over 13.7 million people aged 18 and above in Malaysia.

At the end of March Malaysia had recorded around 337,000 cases of Covid 19 and about 1,250 deaths due to the virus.

**Online MIFF Furniverse**

The Malaysia International Furniture Fair (MIFF Furniverse) was held online in March offering online sourcing for global furniture buyers. Visitors to the website could browse photos and videos of a wide variety of home and office furniture. Through "Live Chat / Video Calling", buyers could talk directly with manufacturers.

On the first day 389 buyers from 65 countries "visited" and 31 successful pre-scheduled business matching were conducted. On the second day a total of 729 buyers from 82 countries and regions visited, thousands of business contacts were exchanged and business live chats, video calls and business meetings held.

The Malaysian International Furniture Fair 2021 (live event) is scheduled for 1-4 September.

See: <https://2021.miff.com.my/>

**New forest policy covers all States**

The Malaysian Prime Minister recently announced a new Malaysian Forestry Policy which brings all State under one umbrella. He said the new policy sets out a clear direction for the forestry sector which faces new challenges at the domestic and international levels.

In the Federation of Malaysia, forestry is under State jurisdiction. The country has three sets of guidelines and laws addressing differing regional issues though all with a common SFM objective for all the Peninsular Malaysian States, Sarawak and Sabah. The national policy was launched in conjunction with the 2021 National level International Day of Forests.

The Prime Minister said the cost of maintaining and preserving the country's forest areas which cover 55% or 18.3 million hectares of the country's land area is enormous and about RM6 billion is needed for the purpose.

He said various special financial instruments have been created including the National Conservation Trust Fund for Natural Resources, Forest Development Trust Fund under the State governments in Peninsular Malaysia and the latest, the Malaysia Forest Fund which was established last year.

See:

<https://www.nst.com.my/opinion/columnists/2021/03/676401/protecting-forests-natural-habitats-will-secure-our-livelihood-and>  
and  
<https://www.theedgemarkets.com/article/malaysian-forestry-policy-serve-reference-policies-adopted-states>

### **New regional marketing office in Jeddah**

The Ministry of Plantation Industries and Commodities (MPIC) is setting up a Malaysian agri-commodity office in Jeddah to capitalise on the market potential for the nation's agricultural commodities in the Middle East and the African continent.

The regional office, which acts as a hub for Malaysian commodities, will serve the Malaysian Palm Oil Council, the Malaysian Rubber Council and the Malaysian Timber Council.

### **Sarawak Forest Department anti-corruption plan**

The Sarawak Forest Department has published its anti-corruption plan for to eliminate corruption in the Department. Forest Department Director, Datu Hamden Mohammad, said the Department had undertaken various programmes and strategies to spread awareness on the damage caused by corruption.

See: <https://www.theborneopost.com/2021/03/17/sarawak-forest-department-makes-known-plans-to-fight-corruption-internally/>

### **Plywood export prices**

Traders based in Sarawak reported the following March export prices:

FB (11.5 mm)	US\$620 C&F
CP (3'x 6')	US\$550 C&F
UCP (3'x 6')	US\$640 C&F
Standard panels	
Middle East	US\$440 FOB
Taiwan P.o.C	US\$460-470 FOB
Hong Kong	US\$ 470-480 FOB

## **Indonesia**

### **IFEX Virtual Expo**

The Indonesian Furniture and Handicraft Industry Association (HIMKI), organised along with Dyandra Promosindo a fair organizer was a Virtual Expo that ran March 11-14, 2021.

Abdul Sobur, HIMKI president, said that because of the need to avoid attracting crowds a decision was made to hold the 2021 IFEX virtually so it could be accessed by buyers from anywhere. The IFEX Virtual Expo attracted almost 2,000 buyers from 63 countries.

IFEX presented Indonesian furniture and handicraft products to help reactivate exports and generate interest from domestic consumers in line with the Indonesian President's aim to expand the use and purchase of local products.

See: <https://industri.kontan.co.id/news/indonesia-international-furniture-expo-ifex-gelar-program-virtual-maret-ini>

### **Kazakhstan a prospective market**

The message from an online seminar "Opportunities for Indonesian Furniture in Kazakhstan" organised by the Indonesian Embassy in Nur-Sultan was that there is potential for Indonesian furniture exports to Kazakhstan because the Kazakhstan's furniture industry is not yet developed and most furniture is imported from Russia, Belarus, China and South Korea.

The Indonesian Ambassador to Kazakhstan, Rahmat Pramono, said Indonesian entrepreneurs can take advantage of Kazakhstan's membership in the Eurasian Economic Union (EAEU) a customs union.

### **UK announcement of new funding for tropical forests attracts comments**

A press release from the UK government provides details of a new multi-million pound fund to help protect rainforests, cut millions of tonnes of carbon emissions and improve the lives of over 600,000 people in tropical forest communities across Africa, Asia and Latin America.

Through the newly launched 'Mobilising Finance for Forests Programme' the government will invest £150 million for businesses and investors who support and deliver sustainable land-use projects and protect rainforest regions and communities vulnerable to climate change.

This is also expected to attract as much as £850 million in private investment, support thousands of green jobs across multiple sectors such as agriculture, food, and technology in these regions. The forest, agriculture and land use sector is predicted to provide 23% of the reduction in carbon emissions and climate impacts needed over the next decade to meet the goals set in the Paris Agreement.

The projects that could benefit include those that promote transparent supply chains and implement deforestation-free standards, supporting an estimated 600,000 small-scale farmers and food producers to incorporate forest protection into agricultural production.

In response to the announcement from the UK, Indonesia's Vice Minister of Foreign Affairs, Mahendra Siregar, shared a written statement outlining Indonesia's experiences regarding the level of international climate finance support as part of efforts to achieve a climate agreement.

In the letter he said it is Indonesia's experience that self-generated financial resources are those that really pay dividends for sustainable and green programme success. Adding, "International support, particularly climate finance, was expected to play a big part in achieving a climate agreement, (but) it was a big disappointment."

See <https://www.gov.uk/government/news/150-million-government-investment-to-save-the-worlds-rainforests> and <https://foresthints.news/uk-announces-new-funding-for-tropical-rainforests-ri-conveys-its-experiences/>

### Social forestry management regulations

The Ministry of Environment and Forestry (KLHK) continues to work on regulations related to Social Forestry management in order to boost the effectiveness of the State Forestry Corporation (Perum Perhutani). Forestry Minister, Siti Nurbaya said Social Forestry is able to provide benefits for the welfare of the community.

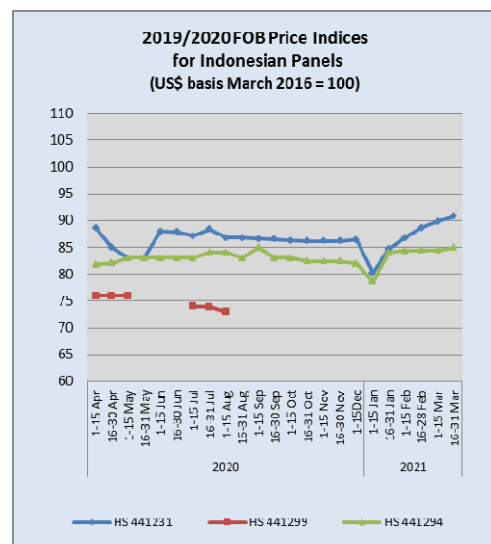
Recent discussions focused on draft regulations for production and protected forest areas in Java covering an area of approximately 1.4 million hectares (ha) which will still be managed by Perum Perhutani.

See: <https://www.antaranews.com/berita/2035270/klhk-intensifkan-formulasi-aturan-pengelolaan-perhutanan-sosial>

### Exports projected to grow 4% in 2021

Indonesia's exports are expected to grow by 4% this year to support the government's economic growth target of 5-5.5% according to Indonesian Minister of Trade, Muhammad Lutfi.

To achieve the economic growth target exports must grow by 4%, imports should not expand more than 2%, household consumption must increase by 5% and investment needs to grow by around 14%. The Ministry of Trade is designing a strategy to expand exports by over 6% which, it is hoped, will be achieved by rises in global prices for commodities.



Data source: License Information Unit. <http://silk.dephut.go.id/>

## Myanmar

### Timber exports dwindle

For the first four months of the financial year 2020-21 (Oct. 20 - Jan. 21) timber export earnings were recorded at US\$50 million according to the Department of Trade.

Up-to-date export data has not been released since the State Administration Council (the official name of Military-led government) took the power.

The civil disobedience movement, a shortage of containers and the departure of many workers for their home towns to avoid police and military violence is impacting the flow of exports. According to timber exporters few consignments were made in March.

### US Suspends Trade Engagement with Burma

In a 29 March 2021 press release the United States Trade Representative, Katherine Tai, announced the suspension of all U.S. engagement with Myanmar under the 2013 Trade and Investment Framework Agreement (TIFA). This suspension will remain in effect until the return of a democratically elected government.

In addition USTR will consider the situation in the country with respect to the internationally recognised worker rights eligibility criterion as the US Congress considers reauthorisation of the GSP programme.

For the full release see: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/march/ustr-suspends-trade-engagement-burma-following-military-coup-and-violence-against-civilians>

### Myanmar Investment Commission meets

The Myanmar Investment Commission has been restructured in accordance with Notification No. 30/2021 from the State Administration Council (SAC). The new chairperson of the Commission is Lieutenant-General Moe Myint Tun. It is reported that the Commission approved ten new projects in the communications, manufacturing, hotel and power generation sectors.

According to the Irrawaddy online news, the Commission has suspended 63 staff including a deputy director for protesting the military take-over of government. Thousands of civil servants are on strike in opposition to the SAC.

See: <https://www.irrawaddy.com/news/burma/63-striking-myanmar-investment-staff-suspended-junta.html> )

### World Bank forecasts massive drop in growth

Myanmar's economic growth is set to shrink by 10% according to the World Bank. The Bank report says "Myanmar has been heavily affected by recent protests, worker strikes, military actions, reduced mobility and ongoing disruptions in essential public services including banking, logistics and internet services,"

Since early February only military-controlled banks have operated. Almost all private banks shut down as staff participate in the civil disobedience movement.

In related news the Central Bank of Myanmar has lowered limits on cash withdrawals from ATMs and bank accounts after one of the military-owned banks suspended operations as it faced a run on withdrawals. Myanmar's private banks face fines of up to K30 million a week if they do not reopen their branches nearly all of which have been shut for more than a month.

See: <https://www.aa.com.tr/en/asia-pacific/myanmar-s-economy-to-contract-10-in-2021-world-bank/2188950>

and

<https://www.frontiermyanmar.net/en/private-banks-hit-with-fines-for-failing-to-reopen-branches/>

### ADB suspends funding

In a statement released 10 March the Asian Development Bank (ADB) said “it has placed a temporary hold on sovereign project disbursements and new contracts in Myanmar effective 1 February 2021”.

The Bank expressed ‘deep concern’ for how events were unfolding in Myanmar, ‘especially for the loss of life during civil protests’, saying the decision was made in line with internal guidelines.

See: <https://www.adb.org/news/adb-statement-new-developments-myanmar>

## India

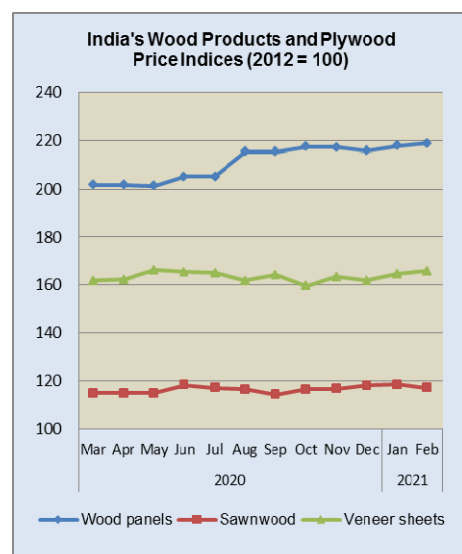
### Wood product price indices move higher

The Ministry of Commerce and Industry has reported the official Wholesale Price Index for ‘All Commodities’ (Base: 2011-12=100) for February increased to 127.3 from 124.0 in January 2021.

The index for manufactured products increased in February 2021. 17 groups saw increased prices including furniture, paper and paper products, wood and of products of wood and cork as compared to January 2021. The rate of inflation based on monthly WPI stood at 4.17% in February 2021 compared to 2.26% in February 2020.

Retail inflation, as measured by Consumer Price Index (CPI), reversed its four-month-long decelerating spell to grow at 5.03% in February. The risk to the economy comes at a time when India could be seeing a further wave of Covid-19. Maharashtra and Punjab which are badly affected have re-imposed restrictions.

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindstry.nic.in/cmonthly.pdf>



Data source: Indian Ministry of Commerce and Industry

### Strong growth forecast in domestic furniture market

The Indian domestic furniture market is expected to grow annually at over 12% during the period of 2020-2024, according to Kirit Joshi, Co-Founder and Director, of Spacewood Furnishers Pvt. Ltd in his article ‘Manufacturing & Retail Trends That Will Drive Growth Of Indian Furniture Sector In 2021’.

Joshi says the pandemic and lockdowns have changed customer preferences with comfort and functionality becoming as significant as design and aesthetics. He says manufacturers and retailers will need to adapt to this trend. There will be a rise in demand for multi-functional, comfortable and aesthetic furniture for the home.

The Indian government aims to increase the share of the manufacturing in GDP to 25% by 2025 and initiatives like Make India and ‘Vocal for Local’ have boosted confidence in the entire manufacturing sector. One of the key aspects to drive growth of manufacturing and retail is a robust logistics and supply chain infrastructure, says Joshi.

For the full article see:

<https://www.indianretailer.com/article/sector-watch/home/manufacturing-retail-trends-that-will-drive-growth-of-indian-furniture-sector-in-2021.a6759/>

### Economic recovery expected in 2021

New reports suggest India's economy could grow by firmly in as short-term as prospects have turned more favourable. Domestic and external demand has been rising since the easing of restrictions which lifted manufacturing output but the recent surge in infections and re-imposed restricts could undermine this scenario.

According to a UN report India's economy, estimated to have contract by around 7% in 2020 but is expected to record a "strong recovery" in 2021 due to a policy shift towards demand-side stimulus and more public investment.

See: <https://unctad.org/webflyer/out-frying-pan-fire>

### Ghana opens trade office

The Ghana High Commission in India inaugurated the Ghana Trade Centre in Bengaluru under the India Africa Trade Council for promoting trade and investment opportunities. Ramesh KR, an industrialist, has been appointed to manage the Ghana Trade office in Bengaluru.

At the launch of the trade office Dr. Asif Iqbal, President of the Indian Economic Trade Organization, pointed out Ghana is the headquarter of the African Continental Free Trade Area (AfCFTA) and can serve as a gateway to the 1.2 billion-strong African population which has a combined GDP of USD 3.4 trillion.

See: [https://www.business-standard.com/content/press-releases-ani/ghana-opens-trade-desk-in-south-india-121030300945\\_1.html](https://www.business-standard.com/content/press-releases-ani/ghana-opens-trade-desk-in-south-india-121030300945_1.html)

### Rubberwood log price rise hitting plywood manufacturers

The recent shift from higher priced poplar plywood to the less expensive rubberwood plywood produced in Kerala has hit a wall says Plyreporter in its March release.

Unfortunately, manufacturers in Kerala have been unable to meet the extra demand as finding workers is a problem because of travel restrictions. Also, the once competitive rubberwood plywood has become less so due to rising rubberwood log prices. The average current price of rubber wood is above Rs6,500/tonne and there has been an increase of more than Rs1,000/tonne over the past months.

For the full story see:

<https://www.plyreporter.com/article/92144/high-rubber-wood-prices-troubles-kerala-plywood-units>

### Sawn hardwood prices

Sawnwood, (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,700-1,850
Sycamore	1,850-2,000
Red Oak	2,100-2,200
White Oak	2,650-2,800
American Walnut	4,050-4,500
Hemlock STD grade	1,350-1,600
Western Red Cedar	2,350-2,450
Douglas Fir	1,850-2,000

Price range depends mainly on lengths and cross-sections.

### Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,800-2,000
Kapur	2,100-2,200
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-890
Whitewood	850-890

Price range depends mainly on lengths and cross-sections.

### Plywood prices increased

Navnit Gajjar, President of Kandla Timber Association, has reported that after a meeting of Kandla based plywood and veneer industries a decision was made to increase prices for plywood, blockboards and panel doors.

The reasons for the increases were the rising cost of imported raw materials due to the high freight rates and the problem of finding adequate workers to maintain production.

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

Plywood Ex-warehouse	Rs. per sq.ft
4mm	73.00▲
6mm	101.00▲
9mm	120.00▲
12mm	151.00▲
15mm	200.00▲
18mm	220.00▲

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

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	48.00▲	69.00▲
6mm	69.00▲	86.00▲
9mm	86.00▲	105.00▲
12mm	105.00▲	125.00▲
15mm	125.00▲	151.00▲
19mm	147.00▲	170.00▲
5mm Flexible ply	93.00▲	

### States cut forest department budgets

The times of India has reported 16 states have cut budgetary for conservation efforts but also for increasing the green cover in the country.

West Bengal reported the highest percentage, a 52% decline in its budgetary allocation for the forest department followed by Uttar Pradesh (44%), Andhra Pradesh (40%), Tamil Nadu (38%) and Bihar (30%).

While most of the States receive a contribution from the Central Government Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for afforestation State allocations are the main source for 'greening'.

## Vietnam

### Exports of guest and dining room furniture rise

Data available from the Vietnam's General Department of Customs shows that in February 2021 exports of guest and dining room furniture were valued at US\$206 million, 26% up compared to February 2020. In the first 2 months of 2021 exports of this group of wood products reached US\$507 million almost 50% higher year-on-year.

Made-in-Vietnam guest and dining room furniture was destined mostly for the US market. In January 2021, the US consumed around 73% of total exports of these categories with the value of US\$217.8 million, 9.1% up compared to December 2020 but down slightly year on year.

After the US, exports of guest and dining room furniture to EU reached US\$28 million, 15% up on December 2020 and 6% higher than that of January 2020.

Besides US and EU, guest and dining room furniture was shipped to Japan, Canada, UK, Australia, South Korea, China, New Zealand, Taiwan P.o.C, Saudi Arabia and the UAE.

#### Guest and dining room furniture exports

	Jan, 2021 US\$ thousand
US	217,795
EU	28,112
Japan	14,550
Canada	8,992
UK	8,538
Australia	5,807
South Korea	4,803
China	2,114
New Zealand	1,139
Taiwan P.o.C	1,005
Saudi Arabia	817
UAE	666

Exports of wood and wood products (W&WP) to the Netherlands during February 2021 were reported at US\$7.6 million, 62% up against February 2020. Over the first 2 months of 2021 W&WP exported to this market accumulated at US\$17.3 million, 37% higher than in same period of 2020.

Data provided by the Customs Office also reveals that during the first 2 months of 2021 Vietnam has imported 103,300 cu.m of ash valued at of US\$24.3 million, some 48% higher in volume and 61% higher in value compared to the same period of 2020.

#### Imports of ash from EU rising

In January 2021 the EU emerged as the top supplier of ash timber to Vietnam. Ash imported into Vietnam from EU accounted for 82% of the total of Vietnam's import of this wood species. The value of ash imports in January 2021 was US\$11.6 million. In February 2021 Vietnam imported 42,600 cu.m of ash from EU sources worth US\$10 million, 22% up in volume and 31% up in value compared to the same time in 2020.

In the first 2 months of 2021 Vietnam imported 103,300 cu.m of ash from all sources at a cost of US\$24.3 million, 48% up in volume and 61% up in value year-on-year.

In January 2021 the average price of imported ash (logs) was US\$235 per cu.m 3% lower than in December 2020 but 10.5% higher than in January 2020.

#### Vietnam Furniture Matching Week

The Vietnam Furniture Matching Week will be held 12-19 April. This initiative seeks to connect Vietnamese manufacturers with international buyers.

A Furniture Sourcing Day will be held on 14 April in Ho Chi Minh City bringing together more than 300 local manufacturers, executives from foreign companies operating in Vietnam and local and foreign source partners.

An online exhibition and B2B matching event will be held ([www.hopefairs.com](http://www.hopefairs.com)) to introduce Vietnamese producers to global. A series of webinars with in-depth analysis of some key markets such as the US, the UK, the Republic of Korea, Germany and Canada will also be held.

The Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA) held a similar event in 2020 which was a success.

See: <http://www.hawa.vn/vi>

#### Brazil

#### Mato Grosso increases logging – achieves decline in illegal activities

The state of Mato Grosso in the Amazon region is the top supplier of timber from natural forests and the forestry sector is a main foundation for the economy in 44 municipalities in the State. There are around 3.7 million hectares under forest management in the State and the sector generates about 90,000 direct and indirect jobs.

Between 2018 and 2019 Mato Grosso State recorded an increase of 60% in the logging area compared to the period 2016 and 2017. There were 457,000 hectares of natural forests utilised in the State in the period August 2017 to July 2020.

The previous assessment for August 2015 to July 2017 found 268,000 hectares logged. Of the total mapped in the period (August 2017 to July 2020) 289,000 hectares (63%) were carried out legally and within the area authorised by the State Secretariat of Environment (SEMA).

The 168,000 hectares (37%) that were harvested illegal represents a decline in the proportion of illegal harvesting in the State. In the previous period, 39% was illegal. The data were published by Instituto Centro de Vida in partnership with SEMA.

The solutions to overcome illegal harvesting include improved forest monitoring and control systems and fully integrating State and the Federal system Sinaflor (Brazilian National System for the Control of the Origin of Forest Products).

#### Government extends grace period for PRONAMPE loans

The Federal government announced an extension by three more months of the grace period for loans granted to entrepreneurs through the National Program for the

Support of Micro and Small Businesses (Programa Nacional de Apoio às Microempresas e Empresas de Pequeno Porte - PRONAMPE).

This will benefit about 517,000 entrepreneurs who, in 2020, secured financing that totalled R\$37.5 billion.

PRONAMPE was created in May 2020 to support small-sized business owners affected by the Covid-19 pandemic. According to the Brazilian Micro and Small Business Support Service (Sebrae) at the height of the pandemic in Brazil the average revenue of companies fell 70%.

The programme allowed entrepreneurs to secure up to 30% of their revenue in loans with payments in 36 installments. Initially, the programme had an eight-month grace period which meant loans would become due in March 2021.

The government is drafting a bill to allow PRONAMPE resources not used in 2020 (about R\$2 billion) to be invested in 2021 in addition to an extra support of over R\$4.8 billion that is under negotiation with the Senate.

#### Export update

In February 2021 Brazilian exports of wood-based products (except pulp and paper) increased 30.5% in value compared to February 2020, from US\$216.1 million to US\$282.0 million.

Pine sawnwood exports grew 16% in value between February 2020 (US\$9.9 million) and February 2021 (US\$46.2 million). In volume, exports increased 9% over the same period from 218,800 cu.m to 238,500 cu.m.

Tropical sawnwood exports declined 8% in February from 32,600 cu.m in February 2020 to 30,100 cu.m in February 2021. In value, exports fell 13% from US\$14.5 million to US\$12.6 million over the same period.

Pine plywood exports surged 75% in value in February 2021 in comparison with February 2020, from US\$36.1 million to US\$63.3 million. In volume terms exports increased 17% over the same period, from 165,800 cu.m to 194,500 cu.m.

As for tropical plywood, export volumes remained flat but export earnings rose 15% (from 5,200 cu.m, US\$2.0 million in February 2020 to 5,200 cu.m, US\$2.3 million in February 2021).

Wooden furniture export earnings increased from US\$43.3 million in February 2020 to US\$55.1 million in February 2021, a 27% year on year rise. Sales of Brazilian furniture to the United States have grown over the last two years.

Continuing the positive export trend last year, furniture exports in January 2021 grew by 37% compared to the same month in 2020 according to ABIMÓVEL (Brazilian Furniture Industry Association) and Apex-Brasil (Brazilian Trade and Investment Promotion Agency).

Specifically, the wooden furniture segment growth was 36%.

In January 2021 there was a significant increase in trade with buyers from the United States (57%), Chile (169%), Peru (85%) and Puerto Rico (178%).

On the other hand there was a drop in exports to two neighbouring countries: Paraguay (-3%) and Colombia (-9%). Exports to the United Kingdom, the second largest destination, grew below average but remained positive at the beginning of the year (6%).

Looking only at exports to the United States, these grew significantly in terms of value in 2020, US\$270.2 million, an increase of 12%. In the comparison between January 2019 and January 2021 the growth reaches 89%. The state of Florida is the largest gateway for Brazilian furniture.

#### Exports of forest products – third largest revenue earner

Data from the Brazilian Forest Service (SFB) show that around 500,000 workers are engaged in some activity related to the forest sector. In natural forests production alone, there are almost 12,000 formal jobs.

Data on exports in 2020 point out that forest products generated US\$11.4 billion, the third largest revenue in the ranking of agricultural products, behind the soy and meat. The sector's share in national exports represented 4.3% of the total shipped by the country.

In relation to the agribusiness exports, the forest sector represented about 10% of exports in 2020. Only China and the United States accounted for more than US\$5.5 billion of Brazilian exports.

However there is potential for growth as about 40% of the world's tropical forests are in Brazil, but only 10% of world production comes from the forests in Brazil and out of the 10% the country produces only 3% is exported.

#### Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipê	180▲
Jatoba	89▲
Massaranduba	81▲
Muiracatiara	83▲
Angelim Vermelho	79▲
Mixed redwood and white woods	66▲

Source: STCP Data Bank

#### Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per cu.m
Ipê	750▲
Jatoba	366▲
Massaranduba	363▲
Muiracatiara	323▲
Angelim Vermelho	323▲
Mixed red and white	217▲
Eucalyptus (AD)	164▲
Pine (AD)	108▲
Pine (KD)	135▲

Source: STCP Data Bank

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

	US\$ per cu.m
Parica	
4mm WBP	390▲
10mm WBP	343▲
15mm WBP	285▲
4mm MR.	330▲
10mm MR.	253▲
15mm MR.	225▲

Prices do not include taxes. Source: STCP Data Bank

**Prices for other panel products**

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDParticleboard	168▲
15mm MDF	207▲

Source: STCP Data Bank

**Export sawnwood prices**

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,580▲
Jatoba	934▲
Massaranduba	915▲
Muiracatiara	919▲
Pine (KD)	188▲

Source: STCP Data Bank

**Export plywood prices**

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	302▲
12mm C/CC (WBP)	248▲
15mm C/CC (WBP)	268▲
18mm C/CC (WBP)	255▲

Source: STCP Data Bank

**Export prices for added value products**

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	3,259▲
Jatoba	1,576▲

Source: STCP Data Bank

**Peru****Covid update**

On 24 March the government announced modifications to existing regional covid alert levels and movement restrictions to become effective 29 March to 11 April 2021. These restrictions are in addition to the previously announced 'Semana Santa' restrictions set to run 1 April 1 to 14 April. The Government reported that 19 provinces are at the extreme alert level, 163 provinces are in the very high alert level and 14 provinces are in the high alert level. As of March 2021, Peru's total infections since the virus first hit in March last year was 1,492,519 with 50,656 deaths according to the Ministry of Health. For the complete list of departments and provinces and their respective alerts

see: <https://pe.usembassy.gov/health-alert-government-of-peru-announces-updates-to-movement-restrictions-march-25-2021/>

**Forestry can attract interest from long-term investors**

The president of Bosques Amazónicos (BAM), David Saettone, has said the forestry sector in Peru is emerging as an engine of economic growth and with a resource base of more than 125 million hectares the sector has great potential to accelerate investment in a post-coronavirus environment.

He added that world per capita consumption of wood is estimated to be 0.5 cubic metres per year but with a population that will increase from 7 billion to 9 billion by 2050, it is clear there will be a strong demand for wood for many decades.

**Peruvian particleboard imports grow**

Peruvian imports of particleboard were valued at US\$13.1 million in January 2021 (January 2020: US\$9.1 million), a record for the month of January and strong year-on-year growth of 44%.

Ecuador was once again the main supplier to Peru in January 2021 with shipments worth US\$4.6 million. Spain ranked second with US\$4.5. Brazil, with a notable growth of 66%, was the third supplier in January 2021 (US \$ 2.7 million) followed by Chile, US\$839,400.

**Promoting forest restoration**

Speaking at the opening of the webinar 'Management of the tropical forest and restoration of forest ecosystems' held on the International Day of Forests the Vice Minister of Development of Family Agriculture and Agrarian Infrastructure and Irrigation, José Muro Ventura, highlighted the role of the National Forest and Wildlife Service (SERFOR) in promoting the recovery of degraded areas in the country. He said SERFOR has prioritised restoring 2.1 million hectares of ecosystems and degraded forest lands in the country.

One intervention during the online event was by Nelson Kroll, Regional Manager of Maderera Río Acre, who said sustained and regulated use of forests is a proven strategy to guarantee their permanence over time and sustained forests will provide multiple goods and services to humanity.

Manuel Guariguata, Principal Scientist in forest management and restoration at the Center for International Forestry Research (CIFOR) pointed out the need to continue promoting restoration as a strategy to optimise land use and to deliver the variety of possibilities offered by natural ecosystems.

**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	584-612
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6'-11' length KD Central American market	992-1022▲
Asian market	1088-1111▲
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	583-597
Dominican Republic	694-710
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)	237-242

**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

**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

**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 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****State of emergency lifted across country**

On 21 March the Japanese government announced an end to the current state of emergency in the Tokyo region as the rate of corona infections had declined. This will bring some relief to the stricken economy and lay the ground work for preparations for this summer's Tokyo Olympics.

There is concern, however, that easing restrictions now could result in a resurgence of infections. The spread of the virus fell during the latest state of emergency but recent data suggest the decline has bottomed out and is even rebounding in some prefectures including Tokyo.

**Bank of Japan confirms continuation of stimulus policy**

The Bank of Japan (BoJ) announced changes in its approach to maintaining growth and at the same time trying to generate inflation.

After the latest BoJ policy meeting the Bank governor said they will aim to balance support for stimulus over the longer term while avoiding the impression that the Bank is cutting back on easing measures.

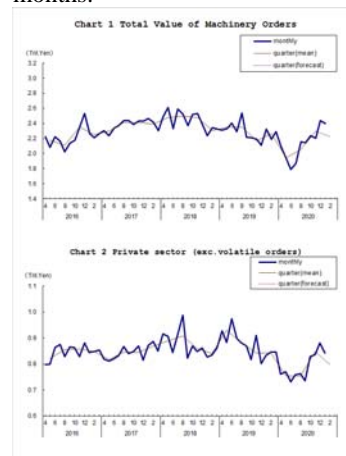
While leaving its main policy rates unchanged the bank said the range of its 10-year bond yield would now be plus/minus 0.25%. Until January the range had been around 0.2%.

The Bank said it would offer lending incentives if it lowered its target rates a move aimed at changing the perception it cannot lower its negative rate due any further without undermining the viability of struggling regional banks.

At the end of last year prices in Japan fell sharply and this made the Bank search for ways to keep its stimulus efforts running for longer. Inflation still looks a long way off as prices fell for a seventh consecutive month in February.

**Machinery orders tilt lower**

According to the Cabinet Office private-sector machinery orders fell 4.5% in January compared to December 2020. Machinery orders are seen as a leading indicator of capital spending. The January decline was the first in four months.

**Companies rethinking overseas investment strategies**

A Japan External Trade Organization (JETRO) survey has found that most Japanese companies which were considering pursuing overseas operations are rethinking business strategies and almost 70% of companies with overseas operations said they had seen sales drop in fiscal 2020.

The survey found that 36% are concerned that over the next two to three years China and the US will introduce tough trade regulations which will dent global trade.

While the mood among firms looking to expand existing overseas operations has fallen the JETRO survey says there is still considerable interest among Japanese firms to establish overseas operations.

Other points from the JETRO report include:

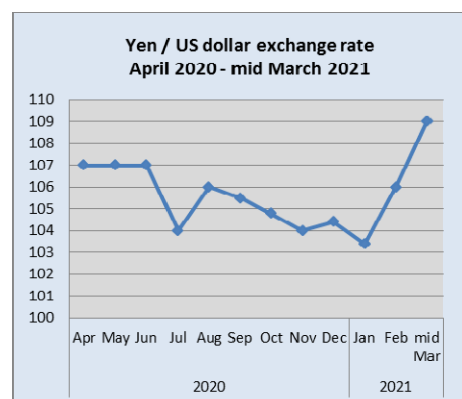
- Business confidence fell to the lowest level due to the COVID-19 pandemic, while deterioration in China was mild.
- The intention of business expansion in the next one to two years is at a record low.
- 70% of Japanese affiliated companies in China expect to recover from the negative impact of the pandemic in the first half of 2021, earlier than other countries.
- COVID-19 accelerated the digital shift of companies.
- The negative impact of changes in the trading environments lingers with significant deterioration in Hong Kong and Australia.
- In Vietnam changes in the trading environments had a positive impact on business performance.

See:

[https://www.jetro.go.jp/ext\\_images/\\_News/releases/2021/69b41fe59a5b2299/rp\\_firms\\_asia\\_oceania2020.pdf](https://www.jetro.go.jp/ext_images/_News/releases/2021/69b41fe59a5b2299/rp_firms_asia_oceania2020.pdf)

### Yen continues to weaken but this may not last

Following the Bank of Japan's decision to widen the target range for the 10-year Japanese government bond yield the yen weakened past 109 to the US dollar. This boosted sentiment among exporters but analysts signaled the yen has the capacity to recover some of its weakness as, at present, it is starting to look increasingly cheap.



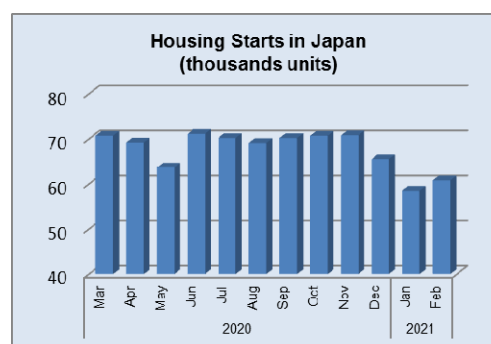
### Residential housing oversupply

Data from the Land Institute of Japan suggests Japan's housing market remains steady despite the economic repercussions from the pandemic.

The nationwide residential property price index rose by about 0.8% during the first three quarters of 2020 following year on year rises of 0.6% in 2019, 2.1% in 2018, and 2.4% in 2017.

However, residential construction activity continues to fall due to the country's massive over-supply. In the first eleven months of 2020 housing starts fell by 10% following three consecutive years of declines.

Sales of existing detached house sales increased 3.6% in the first three quarters of 2020 and it has been suggested demand could rise after the pandemic as Japan is an attractive investment destination for foreign buyers mainly from Singapore, Malaysia, Thailand, Hong Kong, and mainland China.

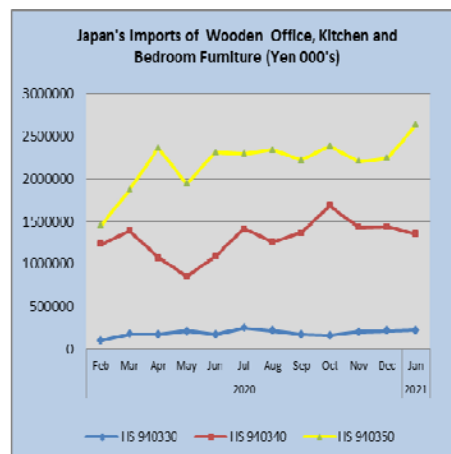


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

### Import update

#### Furniture imports

Clearly the pandemic has been good for sales of kitchen and bedroom furniture. Japan's imports of both items have risen over the past 12 months with the value wooden kitchen furniture import rising the most. This fits with the observation that households have, during the various lockdowns, turned their attention to home improvement. The scale in the graphic below on wooden furniture imports disguises the substantial increase in the value of wooden office furniture which it can be assumed is linked to the work-from-home style which created demand for home office items (see graphic under office furniture).

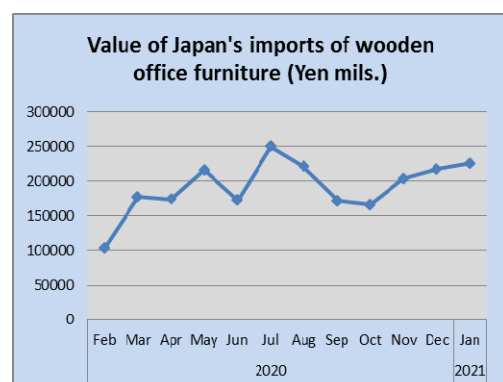


Data source: Ministry of Finance, Japan

### Office furniture imports (HS 940330)

The value of Japan's imports of wooden office furniture (HS940330) rose 4% from a month earlier but year on year the value of imports was down 9%.

Throughout last year shippers in China dominated the supply of wooden office furniture to Japan and this continued into 2021 with some 80% of all arrivals coming from China. Polish wooden office furniture accounted for 5% of January imports and a new comer to the list of top 20 shippers, Vietnam, secured around 2% of the value of January imports.



Data source: Ministry of Finance, Japan

### January imports (HS 940330)

	Imports Jan 2021 Unit, 000's Yen
S. Korea	1,348
China	183,181
Taiwan P.o.C	1,946
Vietnam	5,395
Thailand	521
Malaysia	2,815
Indonesia	5,912
Denmark	263
UK	374
Belgium	241
Germany	702
Portugal	4,305
Italy	3,739
Poland	11,121
Turkey	854
Lithuania	575
Czech Rep.	263
Slovakia	282
Canada	1,142
USA	680
Total	225,659

Data source: Ministry of Finance, Japan

### Kitchen furniture imports (HS 940340)

Consistently over the past year suppliers in three countries, the Philippines, Vietnam and China accounted for most of Japan's imports of wooden kitchen furniture, this continued into January 2021 with shippers in Vietnam and the Philippines accounting for almost 40% each of imports with a further 13% coming from manufacturers in China. Less than 5% was supplied from European makers.

Year on year the value of Japan's imports of wooden kitchen furniture dropped 9% in January and compared to arrivals in December 2020 there was a 6% decline in January 2021.

### January imports (HS 940340)

	Imports Jan 2021 Unit, 000's Yen
China	176,153
Taiwan P.o.C	2,198
Vietnam	520,688
Thailand	39,776
Malaysia	15,196
Philippines	518,269
Indonesia	15,959
UK	2,144
France	358
Germany	11,096
Italy	47,082
Romania	2,788
Canada	2,217
Total	1,353,924

Data source: Ministry of Finance, Japan

### Bedroom furniture imports (HS 940350)

The value of Japan's January 2021 imports of wooden bedroom furniture (HS940350) was up a massive 17% compared to December 2020 imports. However, year on year, January 2021 imports dipped around 7%.

China and Vietnam shipped wooden bedroom furniture accounting for over 90% of the value of Japan's January 2021 imports. Manufacturers in Malaysia and Thailand together contributed another 5% to the value of January 2021 import values.

**Bedroom furniture imports (HS 940350)**

	Imports Jan 2021 Unit, 000's Yen
S. Korea	3,944
China	1,514,088
Taiwan P.o.C	5,865
Vietnam	900,577
Thailand	56,383
Malaysia	81,828
Indonesia	22,920
Denmark	1,413
France	12,427
Germany	847
Portugal	238
Italy	2,863
Poland	18,650
Austria	963
Romania	12,962
Lithuania	646
USA	372
<b>Total</b>	<b>2,636,986</b>

Data source: Ministry of Finance, Japan

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

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

For the JLR report please see:

[https://jfpj.jp/japan\\_lumber\\_reports/](https://jfpj.jp/japan_lumber_reports/)

**Orders taken by major house builders**

Average ordered values by eight major house builders in January is 1% less than January last year, first decline after three months.

Visitors to the house exhibition sites dropped after the second state of emergency was declared but request of advertising materials through web site doubled.

Demand for detached units seems to be increasing and major house builders are establishing new marketing style. Sending out marketing information to potential buyers then first interview at model house at the exhibition site, which leads to conclude the deal.

Sales value by other listed house builders has been exceeding last year's record for nine straight months. Inquiries are strong for suburban areas. Demand is active to have house in suburban areas of Tokyo like Chiba and Saitama prefecture where commuting is possible and can have more spacious house.

Number of visitors to house exhibition sites had been increasing since last fall until January but people are now used to behave with COVID-19 prevention measures and potential buyers are serious to act despite various restrictions.

House builders have been introducing new models with new specifications to cope with new life style after the market is changing rapidly. Particularly having work space at home is necessary to deal with demanding remote tele-works.

March is normally busy month for house buyers as it is month of school graduation and transfer of working areas. The state of emergency is now extended to March 21 and after this is lifted, potential buyers get active.

**Domestic log supply in 2020**

At the beginning of 2020, housing starts were expected to decline because of consumption tax increase in October 2019 so log demand would be less than 2019 then came unexpected COVID-19 pandemic so the demand dropped down to 2015 level..

Weather in January and February was very mild all over Japan so that log production was smooth. Recent tendency is that sawmills build up log inventory in the first half of the year to prepare tight log supply in summer so log purchase was active through March then in April, the state of emergency was announced so log purchase slowed down rapidly with uncertain future market.

In July, log shipment to sawmills was 28.6% down and to veneer plants was 29.2% down and the log prices plunged to record low level. After mills' log inventory started decreasing, log purchase got active but log production did not recover by heavy rain and low prices so by fall, log prices took off and soared.

Log inventory at the end of the year was less than December 2019. After all, sudden brake of log purchase in the second quarter resulted in sharp drop of log prices then decrease of log inventory and price escalation.

In 2020, domestic log shipment to sawmills was 11,550 M cbms, 11.6% less than 2019 and to veneer and plywood plants was 4,130,000 cbms, 8.3% less. Domestic log shipment to sawmills was bottom in 2015 with 11,910,000 cbms when log prices dropped record low then it had increased for four years since 2016 and it was 13,070,000 cbms. Reasons are construction of new large sawmills and plywood mills assisted by the government subsidy and shift to domestic logs after imported log cost increased.

**Plywood**

Movement of softwood plywood is getting quiet after orders from wholesalers started decreasing since last month and precutting plants show difference of demand by how much orders they have from large builders. After all, the market is not as active as last December and January.

Supply shortage problem is largely solved and in particular, in Kanto and North, orders from heavy snow area are slowing so generally, the supply becomes smoothly now. In Western Japan, the supply is still tight as some plywood mills experience lower production which is normal in cold winter time. The market prices are stable after the mills raised the sales prices.

The softwood plywood mills need to increase the prices more because cedar log prices have been climbing after January but with the movement getting slower, it is not time to push the prices. The prices of imported plywood continue climbing in both supply side

and market in Japan. Plywood suppliers continue raising export prices because of higher log prices and ocean freight. There is no optimistic view that log supply should increase after rainy season is over in April.

In Japan, by continuous escalation of export prices, the market prices are climbing since the inventory in distribution channels drops down to record low but the dealers are afraid of loss like 2019 because of poor demand.

#### Import of wood fuel in 2020

Import of wood fuel in 2020 increased again. Wood pellet import increased to 2,027,662 ton, 25.6% more than 2019. By source, Vietnam is the top with 1,168,629 ton, 31.8% more than 2019, Canada is second with 592,886 ton, 0.5% more and Malaysia is third with 159,773 ton, 206.3% more.

Vietnam can provide forest certificate the Japanese buyers demand. Canada did not grow much but large long term contracts are waiting for start of large FIT power generation plants on coastal areas after 2022 so it will increase in future.

Supply from the U.S.A. was only 31 ton, 91.2% less but large wood pellet supplier, Enviva shipped out about 28,000 ton in last December to Iwakuni from Panama City of Florida and the supply will increase in future. Enviva can supply several million ton a year.

Import of PKS is 2,221,489 ton, 35.6% more. 1,662,333 ton from Indonesia, 30.2% more and 558,452 ton from Malaysia, 54.5% more. The supply situation was unstable in early 2020 by COVID-19 pandemic and lockdown in Malaysia

## China

#### Investment in housing spikes along with retail sales of furniture

The National Bureau of Statistics has made available a press release on real estate development and sales. Between January to February investment in real estate development increased 38% year on year which is around 5% higher than in January

Residential investment expanded over 40% and household consumption connected to housing growth also increased. For example, consumption of building and decoration materials rose 53% from last year and there was an almost 60% rise in sales of furniture in January 2021.



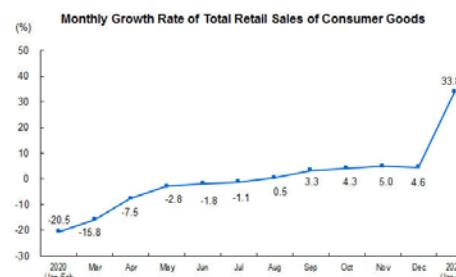
Source: National Bureau of Statistics, China

Real estate investment in the eastern region was up 32% year on year; investment in the central region was up 52%; investment in the western region was up 45% and investment in the northeast region was 29%. Between January and February the area of land purchased area by real estate companies increased over 30%.

See:

[http://www.stats.gov.cn/english/PressRelease/202103/t20210316\\_1814918.html](http://www.stats.gov.cn/english/PressRelease/202103/t20210316_1814918.html)

In related news, over the same period retail sales of consumer goods increased over 30% year on year with sales of furniture increasing almost 60%.



Source: National Bureau of Statistics, China

See:

[http://www.stats.gov.cn/english/PressRelease/202103/t20210316\\_1814920.html](http://www.stats.gov.cn/english/PressRelease/202103/t20210316_1814920.html)

#### Decline in 2020 log imports

According to China Customs, log imports in 2020 totalled 59.20 million cubic metres valued at US\$8.415 billion (CIF), a year on year decline of 2% in volume and 11% in value. The average price for imported logs was US\$141 (CIF) per cubic metre, down 9% on levels in 2019.

Of total 2020 log imports, softwood log imports rose 4% to 46.86 million cubic metres, accounting for 79% of the national total, 4% up on 2019. The average price for imported softwood logs was US\$117 (CIF) per cubic metre, down 6% on levels in 2019.

### China's log imports in 2020 cu.m mil

Volume	2020 mil. cu.m	% change 2019-20
Total log imports	59.5	-2
Softwood logs	46.86	4
All hardwood logs	12.64	-17
Tropical Logs	8.581	-7

Data source: China Customs

### China's log imports in 2020, US\$ mil.

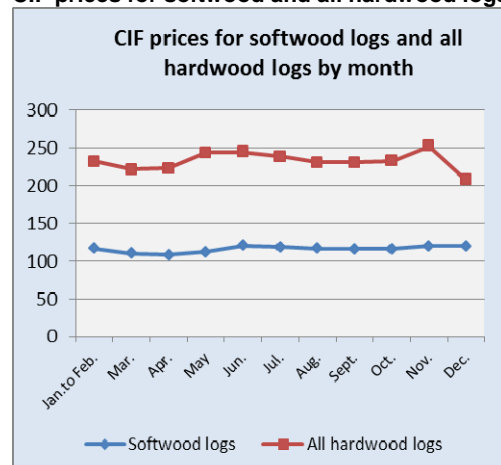
Value	2020 US\$ mil CIF	% change 2019-20
Total log imports	8415	-11
Softwood logs	5482	-3
All hardwood logs	2932	-23
Tropical Logs	1968	-13

### Average log prices, 2020

	2020 Average CIF Price US\$/cu.m	% change 2019-20
Total log imports	141	-9
Softwood logs	117	-6
All hardwood logs	232	-6
Tropical Logs	229	-8

Data source: China Customs

### CIF prices for softwood and all hardwood logs, 2020



Data source: China Customs

Chinese analysts say China's log imports fell mainly because of the impact of the pandemic but that the increase in softwood logs imports was due to the large volume of harvested logs available in Europe due to heavy felling as a pest control measure.

It has been forecast that as much as 500 million cubic metres of European spruce will be harvested by 2024 and most of these softwood logs will be imported by China via the China-Europe Railway Express.

### Softwood log imports from Germany soared

In 2020 the volume of softwood log imports from most countries however, from Germany, the Czech Republic and Japan imports increased which contribute to the overall rise increase in softwood log imports even during the pandemic.

New Zealand was the main softwood log supplier to China in 2020 accounting for 34% of total softwood log imports. Softwood log imports from New Zealand totalled 16.15 million cubic metres in 2020, a year on year decline of 8%.

Germany became the second main supplier of softwood logs imports at 9.98 million cubic metres, a year on year increase of 162%, accounting for about 21% of the total softwood log imports in 2020, exceeding imports from Russia for the first time.

China's softwood log imports from the Czech Republic and Japan in 2020 rose 47% and 23% to 3.38 million cubic metres and 1.15 million cubic metres respectively.

Russia ranked the third supplier of China's softwood logs imports at 4.43 million cubic metres in 2020, a year on year decline of 24% and accounted for 9.5% of total softwood log imports in 2020.

### Main countries shipping logs to China

	2020 mil. cu.m	% change 2019-20
New Zealand	16.22	-9
Germany	10.3	143
Russia	6.34	-16
Australia	4.57	-13
Czech Rep.	3.39	47
USA	3.34	-21
PNG	2.61	-20
Solomon Is.	2.01	-15
Canada	1.29	-52
Japan	1.15	23

Data source: China Customs

### Main softwood log sources in 2020

Volume	2020 Cu.m (mil.)	% Change 2019-20
New Zealand	16.15	-8%
Germany	9.98	162%
Russia	4.43	-24%
Australia	4.2	-2%
Czech Rep.	3.38	47%
USA	2.62	-31%
Canada	1.2	-49%

Data source: China Customs

### Hardwood log imports in 2020

Hardwood log imports in 2020 fell 17% to 12.64 million cubic metres (21% of the national total log imports). The average price for imported hardwood logs in 2020 was US\$232 (CIF) per cubic metre, down 6% on 2019. Of total hardwood log imports, tropical log imports were 8.581 million cubic metres valued at US\$2.932 billion CIF, down 7% in volume and 13% in value from 2019 and accounted for 14% of the national total import volume, down 1% on 2019.

The average price for imported tropical logs was US\$229 CIF per cubic metre, down 8% on levels in 2019. The value of tropical log imports in 2020 was US\$1.968 billion CIF, reflecting a 13% decline.

Before its log export ban Myanmar was a major source of tropical logs for China. However, China's log imports from Myanmar in 2020 fell to just 2,490 cubic metres valued at US\$2.77 million (CIF), down 78% in volume and 80% in value. The average price for imported logs from Myanmar fell in 2020 to US\$1,111 (CIF) per cubic metre, down 9% over 2019.

China imported tropical logs mainly from Papua New Guinea (30%), Solomon Islands (23%), Republic of Congo (7%) and Cameroon (5%). Just 9 countries supplied 86% of China's tropical log requirements in 2020.

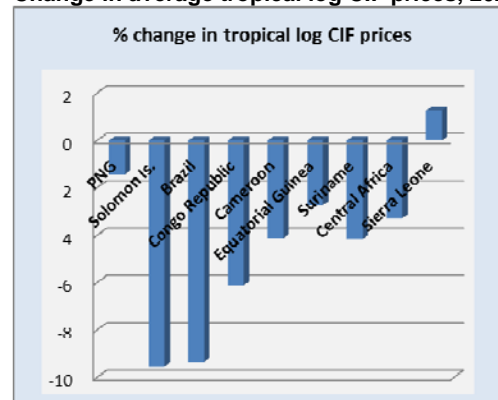
### Tropical hardwood log sources, 2020

Volume	2020 mil. cu.m	% change 2019-20
PNG	2.61	-20
Solomon Is.	2.01	-15
Brazil	0.92	50
Rep. Congo	0.58	-10
Cameroon	0.44	-15
Equatorial Guinea	0.25	-63
Suriname	0.22	24
CAR	0.16	87
Sierra Leone	0.15	-8

Data source: China Customs

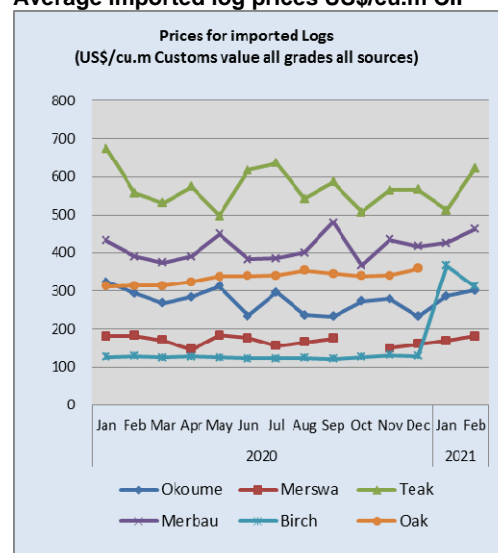
Log imports from the main tropical suppliers, namely PNG, Solomon, Brazil, the Republic of Congo, Cameroon, Equatorial Guinea, Suriname and Central Africa fell 1%, 10%, 9%, 6%, 4%, 3%, 4% and 3% in 2020 respectively. However, log imports from Sierra Leone alone rose slightly.

### Change in average tropical log CIF prices, 2020



Data source: China Customs

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



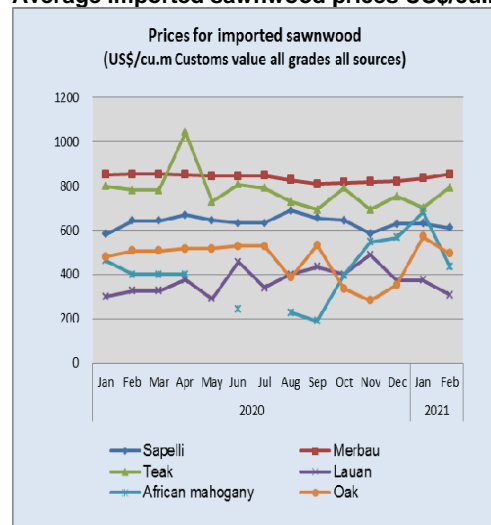
Data source: China Customs. Customs value all grades, all sources

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

	2021 Jan	2021 Dec
Okoume	286	301
Merswa	169	182
Teak	514	621
Merbau	461	426
Birch	367	312
Oak		

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

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



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

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

	2021 Jan	2021 Feb
Sapelli	632	612
Merbau	835	853
Teak	702	794
Lauan	374	308
African mahogany	684	438
Oak	571	496

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

## Europe

### Plywood margins are good, but supply a struggle

The good news from the majority of European hardwood plywood importers interviewed March 2021 was that they were making money. They reported demand ranging from firm to booming across the market, from the construction and DIY sector to merchants and furniture makers. Moreover, customers were willing to pay a healthy price.

“If you can’t make a good margin in the current climate, you never will,” said one importer.

Another reported their customers ‘accepting the real value’ of plywood and timber generally. “Traditionally most view plywood as a stack it high, sell it cheap commodity, but the market situation is such now that they’re having to pay more like its true worth” they said.

“There’s strong demand and less opportunity to play suppliers off against each other. We’re experiencing less negotiating from customers and less bad debt. It’s definitely a seller’s market.”

The less good news for importers is the manufacturing and supply situation. Demand is growing globally, while output is constrained by a range of factors. Notable among these is manufacturers either running short of staff due to Covid-19 and still operating pandemic safe work practices or taking time to gear up production as lockdown rules are relaxed.

The result is extended lead times, importers only being able to obtain a percentage of usual order volumes and gaps in some specifications.

Manufacturers’ prices also continue to climb and while, to date, the market seems to have been able to absorb them, some fear there is increasing danger of the market overheating.

### Soaring freight rates

The other key concern in the sector is soaring freight rates, notably in containerized trade. With global container distribution disrupted by the pandemic, shippers out of Asia have been naming their price. Importers report five- and six-fold rises over the last six months, some even more.

“I’ve never known such high container rates in my entire career,” said one trader. “It’s just not realistic or sustainable, and at some point there has got to be an adjustment, which could itself create market turmoil. It’s becoming quite a dangerous situation.”

After the first wave of the pandemic last year, European plywood importers reported business starting to recover from May onwards.

“It was slow to start with, obviously, we did a fraction of our trade from March through May and, ultimately, we weren’t able to make up the difference. But from June-July onwards we’ve seen exponential growth – it just hasn’t stopped,” said a UK-based importer.

“A lot of latent energy built up in the market during the first pandemic lockdown and when it was relaxed that pent up demand was unleashed. Construction projects that were paused came back on stream and new ones started up. And we didn’t see much of a slowdown during the subsequent lockdowns due to second and third waves of pandemic in November and January – nothing like March-April 2020. We think that’s because businesses by this time had adapted to pandemic work practices, notably in construction, so were able to maintain higher output levels.”

In some European countries, the building sector was also reported ‘barely to have slowed down’ through the entire course of the pandemic and so was well placed to pick up the pace as their wider economies emerged from lockdown.

“In Germany and the Netherlands in particular we saw only a marginal decrease in activity,” said one agent-importer.

### **Upturn in home improvement market**

Some importers said they also saw the effect on sales of the widely reported international upturn in home improvement and refurbishment.

“It’s been a worldwide phenomenon, people staying at home in lockdown and on furlough have taken the opportunity to improve their properties. Either that, or they’ve felt they’ve had to adapt their houses to living/working spaces, anticipating that, even after the pandemic, they’ll be spending at least some of the week working from home,” said one importer. “This has meant more remodeling, loft conversions, extensions and also garden office building.”

Within this sector, and construction more broadly, a UK company also detected a growing preference for timber as a natural, low environmental impact material.

“Surveys have shown that there’s growing consumer focus on a healthy indoor environment and the effects of construction forms and materials on well-being, with timber and wood structures and products shown to be more beneficial in these areas,” said a spokesperson. “It makes sense that the pandemic has heightened awareness and concern around these topics.”

The refurbishment market and use of timber in construction are also expected to be given a further boost in coming years by the EU’s ‘Renovation Wave’ initiative, launched October 2020. Forming part of the EU Green Deal, its target is to improve housing energy performance, helping the EU achieve carbon neutrality by 2050, while also delivering improved home environments.

### **Spending on infrastructure to jumpstart growth**

Another plywood importer reported benefiting from increased infrastructure spending, notably in Germany. “It started before the pandemic, but it looks now as though it’s also being used as a tool to help jumpstart growth as economies emerges from health crisis,” said a spokesperson. “In addition, the lockdown has also facilitated projects, such as bridge and road building, as there’s been less traffic. It seems these have been brought forward to take advantage.”

These comments on the building sector are supported by latest forecasts from Euroconstruct. After contracting 7.8% in 2020 (less than forecast earlier last year), it predicts construction in the 18-country Euroconstruct area will grow by 4.1% this year, 3.4% in 2022 and 2.4% in 2023 to reach an annual market value of €1.73 trillion, €28 billion ahead of the pre-corona 2019 level. Residential building is forecast to grow 4.7% this year and civil engineering 5.2%.

Market sectors that remain depressed include shopfitting and the exhibitions and events business. However, merchants and distributors are reported to have offset loss of trade here with more sales into housebuilding and repair, maintenance and improvement markets (RMI).

“What have also cushioned the blow has been sales of wood sheet materials into healthcare and retail markets for pandemic safe-distancing and protective screening and partitions,” said an importer.

After being hit hard at the start of the pandemic due to the wider downturn in manufacturing, plywood demand from packaging manufacturers has also improved, say some suppliers.

Furniture production seems to be a more mixed picture. One importer said they were experiencing ‘robust recovery’ in demand from the sector. Another however, reported their customers still on short time or in temporary shutdown, with workers on furlough, although they anticipated a robust rebound post lockdown.

“Furniture making seems to be less suited to online sales as customers want to see and feel the product, so producers have been really affected by shops being closed,” they said. “But they also report high levels of inquiries, which they anticipate translating into orders once showrooms reopen. Many consumers have saved money in lockdown, due to not taking holidays or going out, and furniture is one product area where they’re expected to spend it.”

While selling into a recovering market has been one thing, sourcing the material in sufficient volume to meet rising demand and ensuring prompt delivery has been another.

“Buying plywood and shipping it from nearly all sources has just become very hard work, particularly since the autumn,” said one importer.

### **SE Asian plywood manufacturers at 50% production**

While Chinese hardwood plywood suppliers are reported to have generally returned to pre-pandemic production levels, some manufacturers in Indonesia and Malaysia (despite EU+UK imports from the latter rising in 2020) are reported to still be struggling. “One of our leading Malaysian suppliers is still only at 50% of normal production due to safe distance work practices and so many staff being in isolation,” said an importer.

Another said that increased competition from US buyers was adding to supply difficulties out of Asia. “It’s partly because of the boom conditions in US construction, and also some American buyers having diversified their supply base away from China to other Asian producers during the trade dispute,” they said.

Asian manufacturers’ prices overall are reported up around a further 10% in 2021. This is partly in response to growing demand, in domestic as well as export markets, but also to an extent poor weather disrupting log supply. And, of course, adding to inflationary pressure on sales prices are the surging freight rates from the region.

In a recent report in the UK Timber Trades Journal, a hardwood importer reported being quoted as much US\$15,000-US\$16,000 on containers out of Indonesia.

European plywood producers don't seem to have come across those levels but are now generally facing rates of US\$7000-US\$8000 from China and US\$8000-9000 from Malaysia and Indonesia.

"That compares with between US\$1500-2000 last October," said an importer. "While the market has been absorbing price inflation recently we can't sustain this sort of increase long term – and if prices go much higher we could be in a very difficult position."

The situation has prompted many importers to switch wholly or partly to breakbulk, citing costs out of Asia of US\$90-100/cu.m to EU and US\$100-110/cu.m to UK ports, compared with US\$135-150/cu.m for containers. However, said one, this is not necessarily a straightforward alternative.

"For one thing, breakbulk shippers are now at capacity, with services heavily booked, and they're responding to increased demand by raising their rates," they said. "In addition, you have to be shipping large volumes to make it most cost effective, which for us is OK from China, but more difficult from Malaysia and Indonesia. The alternative is to piggy-back on other cargoes, which can be complex.

Shippers also want payment the moment the vessel is loaded, breakbulk delivery tends to be slower, then you may find customers don't want to take this sort of volume all at once. They wouldn't want ten containers in one go, but perhaps ten over six weeks. Similarly, they wouldn't want an entire break bulk load. So then you're into issues of storage and you could find yourself financing a shipment for three to four months. That's a drain on cash flow you shouldn't underestimate."

#### **Risk if container rates fall quickly**

Importers agree a container rate correction will have to happen. The critical questions are when and by how much. "We can't see things changing for two to three months, then we'll be into our July/August peak buying season, exacerbating the situation," said one importer/distributor.

"As much a worry as freight rates continuing at current levels, or rising further, is a sharp and sudden correction" said another trader. "At the moment, due to the tight and uncertain supply situation, customers are placing forward orders to July, August, even September.

If rates drop rapidly, some businesses could be looking down a deep dark hole. Big stockholding importers and distributors especially could be faced with very painful depreciation levels. So managing stock right now is difficult and taking long-term positions very risky."

The birch plywood trade has its own issues. A rising wider plywood market, plus raw material shortages have prompted Russian producers to increase prices this year by 20%-25%.

"The mild winter impacted the harvest resulting in mills running short of particular qualities, and now we're into spring, the situation is expected to become even more difficult," said an importer. "In addition, due to demand for construction lumber, we've seen some shift of harvest from birch to pine."

Underlining the stress in supply, one Ukrainian mill was reported to be asking customers to submit orders and specifications, then pitching one bidder against another.

Also hanging over Russian plywood is the prospect of EU anti-dumping duty. "It's creating a lot of uncertainty as we don't know yet whether it will happen, when or how much it might be," said an importer. "We've warned customers that we may have to put any retroactive duty on their account and, obviously, the further ahead you buy, the greater the risk. The result has been a rush on birch plywood for delivery by May or June and added price pressure."

There are stresses too in the softwood plywood market. Prices on French, Russian, Scandinavian and Chilean are all up and delivery times are now stretching into September/October. More recently Finnish has risen 8% and Eastern European 20%+. Some suppliers are also reported to be adopting hard-nosed sales tactics.

"One Belarusian producer has cancelled all outstanding orders twice in the last three months and told clients they have to pay a new price or lose their shipment," said an importer. "This is previously unseen behaviour and puts a lot of importers in a very difficult situation because they, of course, have commitments to their customers."

The sharpest price rises have come in Brazilian Elliotis, fueled partly by curbs on production due to the pandemic, but mainly by surging US demand. "Prices have doubled since October to US\$400/cu.m. Effectively US buyers have priced it off the European market," said one importer. "And the trend is still upward. Recently we heard US\$450/cu.m being quoted."

In response to the intense demand for softwood plywood from their regular sources, some European companies have started opting for Chinese product instead. "It's not the same quality, but it's available and cheaper," said an agent/importer.

#### **UK plywood trade having to deal with Brexit**

In the UK, of course, the plywood trade has also had to deal with Brexit. New customs procedures, plus having to put all timber and wood products from the EU through illegality risk due diligence under the new UK Timber Regulation, were reported to have caused delivery hold ups in January and February. However, as new processes have bedded in, log jams seem to have eased.

Another concern for EU suppliers to the UK and UK suppliers to the EU was the prospect of having to pay duty twice on plywood imported from elsewhere.

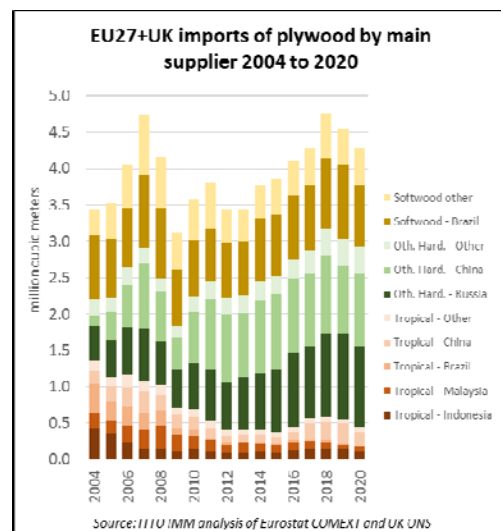
Where UK companies have sales operations in EU countries and vice versa, the solution has been to ship in direct to the destination market. One UK company has also been using its Northern Irish operation to supply the EU. “As Northern Ireland remains part of the EU single market for goods, it circumvents the problem,” said a company spokesperson.

### Significant loss of market share for tropical hardwood plywood

The general view is that the impact of the pandemic on overall EU+UK plywood imports in 2020 was less than anticipated at the start of the health crisis. The total volume was 4.28 million cu.m, down 6%. This followed a 5% fall in 2019, but the contraction still left levels at a historic high, with 2020 the fourth strongest year for plywood imports into the region in the last two decades (see Chart below).

There was, however, a significant loss of market share for tropical hardwood plywood products, which declined 22% to 441,000 cu.m reducing its proportion of sales from 12% to 10%. Although imports increased 24% from Malaysia to 72,000 cu.m, they declined from other leading supply countries including Indonesia, down 27% to 104,000 cu.m and China, down 31% to 187,000 cu.m.

Tropical hardwood product primarily lost share to non-tropical hardwood plywood from China, including both mixed light hardwood (comprising mainly eucalyptus and poplar) and birch products.



Total EU27+UK imports of non-tropical hardwood plywood increased 1% to 2.49 million cu.m in 2020. A 6% increase in imports from China to 998,000 cu.m offset a 5% decline in imports from Russia to 1.12 million cu.m.

EU27+UK imports of softwood plywood fell 10% to 1.35 million cu.m, mainly due to a 17% decline in imports from Brazil to 842,000 cu.m.

### Plywood supply likely a challenge throughout this year

Looking forward, the general consensus in the European trade is that for some months, some believe right up to Q4, the supply situation will remain challenging and, as one importer said, ‘selling plywood will remain easier than sourcing it’. But, they added, at some point the situation must change.

“Currently everyone is buying everything they can get hold of and price is seemingly not a consideration,” they said. “But what goes up must come down and we will see a market adjustment; when the heat comes off US demand for Elliotis, or the Brazilians face more competition in the American market, or when plywood prices more widely reach a point where customers start to resist, and Asian freight rates fall, as they eventually must.

We can only hope that the correction, when it comes, is gradual, so businesses can manage the transition to more normal market conditions and are not left holding an excess of overpriced stock.”

### North America

#### Severe February weather sets back US housing starts

US homebuilding dropped to a six-month low in February as severe cold gripped many parts of the country, a temporary setback for a housing market that remains supported by extremely lean inventories amid strong demand for larger homes.

The report from the US Department of Commerce also showed a sharp decline in building permits last month. It followed on the heels of data showing that the deep freeze, which was most severe in Texas and other parts of the densely populated South region, depressed retail sales and output at factories.

Housing starts fell 10.3% to a seasonally adjusted annual rate of 1.421 million units in February, the lowest level since last August. Starts were down 9.3% on a year-on-year basis in February.

Groundbreaking activity plunged in the Northeast, Midwest and South, but surged in the West. Permits for future home building tumbled 10.8% to a rate of 1.682 million units in February month. They, however, have increased 17% compared to February 2020, underscoring the housing market’s strength.

Single-family homebuilding, the largest share of the housing market, declined 8.5% to a rate of 1.040 million units in February, also a six-month low. Single-family building permits tumbled 10.0% to a rate of 1.143 million units.

The year-long Covid-19 pandemic has shifted demand toward bigger and more expensive houses as millions of Americans continue to work at home and remote schooling remains in place in many communities.

But challenges for the housing market, one of the main drivers of the economic recovery, are mounting. The 30-year fixed-rate mortgage has risen to an eight-month high of 3.05%, according to data from mortgage finance agency Freddie Mac.

Canadian housing starts fell 13.5% in February compared with the previous month on decreases of both multiple and single-detached urban starts, according to the Canadian Mortgage and Housing Corporation. The seasonally adjusted annualized rate of housing starts fell to 245,922 units from a revised 284,372 units in January.

See:

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

#### **Existing home sales fall sharply as supply dries up**

Sales of existing US homes in February dropped a larger-than-expected 6.6% compared with January according to the National Association of Realtors. That put sales at a seasonally adjusted annualised rate of 6.22 million units, which was 9.1% higher compared with February 2020.

Despite seeing a historically busy spring housing market homeowners are not listing their properties for sale at the pace they normally would this time of year. The supply of homes for sale fell 29.5% year over year, the largest annual decline ever, to 1.03 million homes.

Regionally, existing home sales fell 11.5% month-to-month in the Northeast. They fell 14.4% in the Midwest and were 6.1% lower in the South. The West saw a monthly gain of 4.6%.

#### **US manufacturing expands to a three-year high**

The US manufacturing sector expanded yet again in February. The sector has been performing well ever since the economy started reopening following the COVID-19 lockdown. February's rise in manufacturing activity marks the ninth straight month of gains for the sector, according to the Institute for Supply Management (ISM).

According to the ISM March 1 report, Manufacturing Purchasing Managers Index (PMI) hit a three-year high of 60.8%. The ISM PMI has remained above 50% since June 2020. Anything above 50% indicates expansion in manufacturing activities. The March reading is equal to that of February 2018.

Manufacturing activity has been gathering steam ever since the economy reopened and started this year on a high following the coronavirus vaccine rollout. The vaccination drive is in full swing and at the same time, new cases and deaths have been on the decline in recent weeks.

While still among the industries reporting growth the Wood Products and Furniture industries are no longer among the fastest growing US industries as they were for much of 2020. One ISM Wood Products survey respondent cited costs as a concern saying "Prices are rising so rapidly that many are wondering if [the situation] is sustainable.

Shortages have the industry concerned for supply going forward, at least deep into the second quarter."

See: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/february/>

#### **US job growth surges**

US employers added more jobs than forecast in February and the unemployment rate declined suggesting the labour market is recovering after several disappointing months. Payrolls increased 379,000 after an upwardly revised 166,000 January increase according to US Department of Labour. Economists in a Bloomberg survey had projected a 200,000 February gain. The unemployment rate dropped to 6.2%.

A decline in Covid-19 cases, along with an easing of business restrictions in some states, is starting to result in more hiring even as millions of Americans remain unemployed. The report adds to recent evidence, including data on manufacturing and retail sales, that the economy is gaining momentum.

#### **Stimulus payouts and vaccination roll-out boost consumer sentiment**

The initial reading of US consumer sentiment jumped to 83 in early March according to an index produced by the University of Michigan. That is the highest level since economic activity was curtailed due the COVID-19 pandemic.

Anticipation of the US\$1,400 stimulus checks in President Joe Biden's relief package fueled consumer confidence, University of Michigan researchers said. Sentiment is improving as COVID-19 cases retreat and more Americans are vaccinated. About 29% of the US population has now received at least one dose of vaccine, according to the CDC.

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

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

## Dollar Exchange Rates

As of 25 March 2021

Brazil	Real	5.7814
CFA countries	CFA Franc	556.65
China	Yuan	6.5697
Euro area	Euro	0.85
India	Rupee	72.74
Indonesia	Rupiah	14445
Japan	Yen	109.82
Malaysia	Ringgit	4.1415
Peru	Sol	3.63
UK	Pound	0.7265
South Korea	Won	1132.56

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

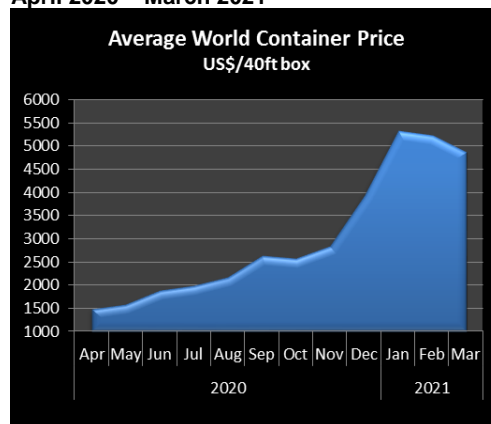


## Abbreviations and Equivalences

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

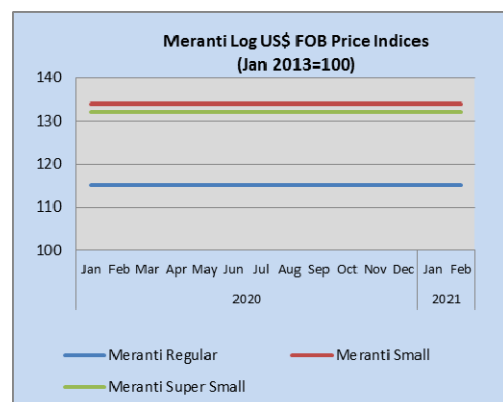
April 2020 – March 2021



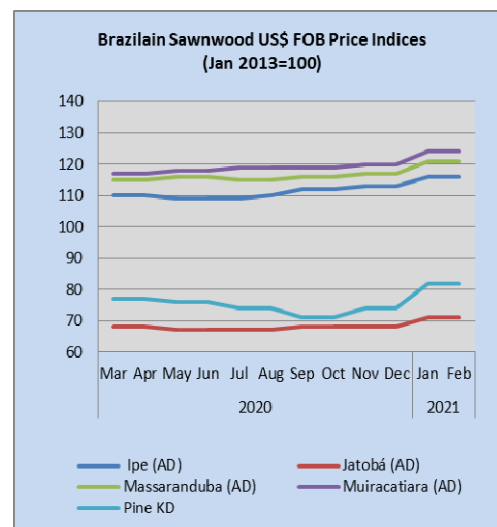
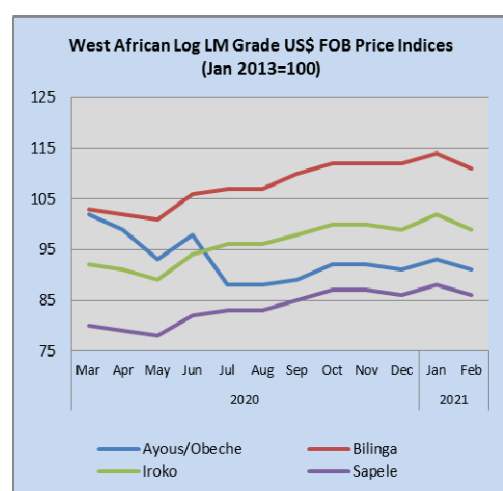
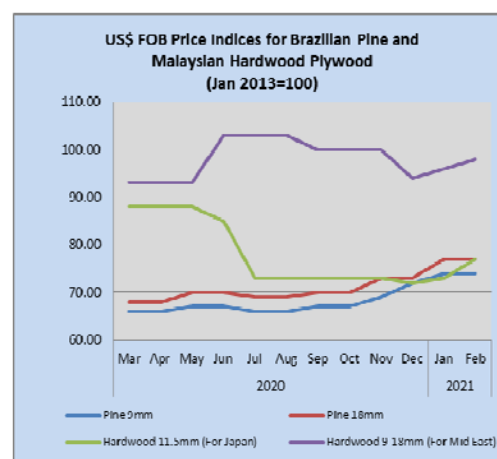
Data source: Drewry World Container Index

## Price indices for selected products

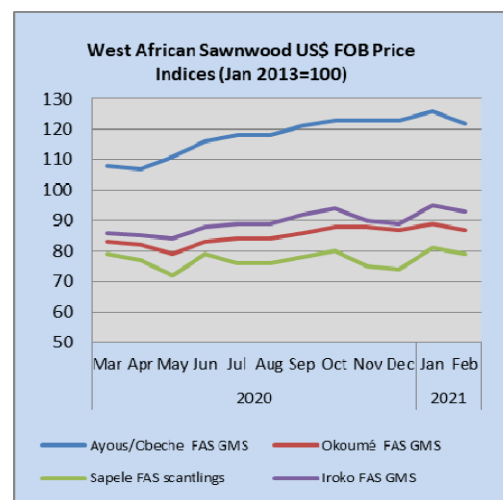
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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